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OXFORDSHIRE COUNTY COUNCIL

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 5 September 2014 at 10.10 am in Meeting Rooms 1 & 2

County Hall, New Road, Oxford

Peter G. Clark

Peter G. Clark
County Solicitor

August 2014

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

Membership

Chairman – Councillor Stewart Lilly
Deputy Chairman - Councillor Patrick Greene

Councillors

Lynda Atkins	Nick Hards	Neil Owen
Surinder Dhesi	Richard Langridge	
Jean Fooks	Sandy Lovatt	

Co-optees

District Councillor Hywel Davies
District Councillor Jerry Patterson

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 5 December 2014***
- ***This meeting will be preceded by a training session for members of the Committee starting at 9.30am in the meeting room itself. This will be run by Sally Fox, Pension Services Manager and will cover key aspects of the Administration function and the role of Members.***

Declarations of Interest

The duty to declare…..
Under the Localism Act 2011 it is a criminal offence to

(a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
(b) provide false or misleading information on registration, or
(c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?
The Act provides that the interests which must be notified are those of a member or co-opted member of the authority, **or**

- those of a spouse or civil partner of the member or co-opted member;
- those of a person with whom the member or co-opted member is living as husband/wife
- those of a person with whom the member or co-opted member is living as if they were civil partners.

(in each case where the member or co-opted member is aware that the other person has the interest).

What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?.
The Code requires that, at a meeting, where a member or co-opted member has a disclosable interest (of which they are aware) in any matter being considered, they disclose that interest to the meeting. The Council will continue to include an appropriate item on agendas for all meetings, to facilitate this.

Although not explicitly required by the legislation or by the code, it is recommended that in the interests of transparency and for the benefit of all in attendance at the meeting (including members of the public) the nature as well as the existence of the interest is disclosed.

A member or co-opted member who has disclosed a pecuniary interest at a meeting must not participate (or participate further) in any discussion of the matter; and must not participate in any vote or further vote taken; and must withdraw from the room.

Members are asked to continue to pay regard to the following provisions in the code that *"You must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself"* or *"You must not place yourself in situations where your honesty and integrity may be questioned…..".*

Please seek advice from the Monitoring Officer prior to the meeting should you have any doubt about your approach.

List of Disclosable Pecuniary Interests:
Employment (includes"*any employment, office, trade, profession or vocation carried on for profit or gain*".), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members' conduct guidelines. http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/ or contact Glenn Watson on (01865) 815270 or glenn.watson@oxfordshire.gov.uk for a hard copy of the document.

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

AGENDA

1. Apologies for Absence and Temporary Appointments

2. Declarations of Interest - see guidance note

3. Minutes

To approve the minutes of the meeting held on 6 June 2014 (**PF3**) and to receive information arising from them.

4. Petitions and Public Address

5. Overview of Past and Current Investment Position

10:15

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 2014 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 30 June 2014
Tables 2 to 9	provide details of the individual manager’s asset allocations and compare these against their benchmark allocations
Table 10	shows net investments/disinvestments during the quarter
Tables 11 to 12	provide details on the Pension Fund’s Private Equity
Tables 13 to 24	provide investment performance for the consolidated Pension Fund and for the four Managers for the quarter ended 30 June 2014
Table 25	Provides details of the Pension Fund’s top holdings

In addition to the above tables, the performance of the Fund Managers over the past 18 months has been produced graphically as follows:

Graph 1 – Value of Assets
Graph 2 – 3 Baillie Gifford
Graph 4 - Wellington
Graph 5 - 6 Legal & General
Graphs 7 - 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 7, 8, 9, 10, 11 and 12 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 12, there is no report circulated with the Agenda. Any exempt information will be reported orally.

7. Presentation by WM Company on the Fund's Investment Performance

10:20

Karen Thrumble of the WM Company will review the Fund’s performance for the 2013/14 year, including comparison to benchmark data for 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

11:00

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. Wellington

11:15

(1) The Independent Financial Adviser will report orally on the performance and strategy of Wellington drawing on the tables at Agenda Items 5 and 8.

(2) The representatives (Nicola Staunton and Ian Link) 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 2014;

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

In support of the above is their report for the period to 30 June 2014.

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. Baillie Gifford

11.55

(1) The Independent Financial Adviser will report orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda Items 5 and 8.

(2) The representatives (Anthony Dickson and Iain 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 2014;
   (b) give their views on the future investment scene.

In support of the above is their report for the period to 30 June 2014.

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.

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

12:35

The Independent Financial Adviser will report **(PF11)** on the officer meetings with UBS and Legal & General, as well as update the Committee on any other issues relating to the Fund Managers not present. These reports should be read 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.

12. Summary by the Independent Financial Adviser

12:40

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

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

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

13. Additional Voluntary Contributions (Update)

12:45

The report **(PF13**) updates the Committee on the issues outstanding from the report to the March 2014 meeting.

The report provides details of the Fund's Additional Voluntary Contribution (AVC) Scheme, including issues regarding the performance of the individual funds and the Scheme Provider (Prudential) itself.

The public should therefore 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 Scheme Provider involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

The Committee is RECOMMENDED to agree the recommendation contained in the report PF13.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

14. Draft Regulations on Scheme Governance - Consultation Paper

12:50

The Public Service Pensions Act 2013 includes a requirement for the Department of Communities and Local Government (DCLG) as the responsible authority for the Local Government Pension Scheme to make regulations establishing a national scheme advisory board, and to enable each Administering Authority to establish a local pension board. DCLG published these draft regulations in mid-June with an 8 week consultation period, closing on 15 August 2014. The report (**PF14**) details the key elements of the draft regulations, and includes at Annex 1 a copy of the consultation response submitted by the officers. As the consultation was limited to 8 weeks, the response was submitted following consultation with the Chairman of the Committee, and is included for information.

The Committee is RECOMMENDED to:

(a) note the details of the consultation document and the response at Annex 1; and

(b) offer any comments on the key issues raised in this report to support the initial planning work for the creation of the new Pension Board.

LUNCH

15. Options for the Future Arrangements for the Oxfordshire Pension Fund

14:00

The report **(PF15**) sets out the business proposal for the future arrangements of the Oxfordshire Pension Fund. Annex 1 is the full business proposal from the lead pension officers for the three pension funds of Buckinghamshire, Oxfordshire and Berkshire. The Committee is recommended to consult key stakeholders and staff on the proposal for the establishment of a Joint Committee, supported by a new wholly owned company.

The Committee is RECOMMENDED to:

(a) consider the detailed business proposal included at Annex 1 to this report;

(b) offer any comments and amendments on the key issues raised in the proposal and agree to consult key stakeholders and staff on the basis of the business proposal (including any proposed amendments); and

(c) determine any further issues they wish to see included in the final report early in 2015 when the Committee will be asked to make final recommendations to full Council.

16. Draft Annual Report and Accounts 2013/14

14:45

The draft Annual Report and Accounts for 2013/14 are presented for comment and amendment **(PF16)**. The Fund's External Auditors will attend to present any key findings from their audit and to answer questions from the Committee.

The Committee is RECOMMENDED to receive the draft report and accounts for 2012/13.

17. Oxfordshire Pension Fund Budget Outturn Report for 2013/14

15:00

The report (**PF17**) analyses the actual spend by Oxfordshire County Council during 2013/14 against the budget and highlights the reasons for any material variances.

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

18. Pensions Administration - Service Performance

15:05

The report **(PF18**) provides details of the annual review of the performance of the Pensions Administration Team including key performance indicators.

The Committee is RECOMMENDED to note the report.

19. Employer Issues

15:15

The report **(PF19**) seeks Committee approval for any new admissions to the Fund, as well as updates the Committee on the status of any current employer which impacts on future Scheme membership. The report also covers the proposed phased arrangements for the recovery of pension liabilities from ceasing employers where this is in the best interests of the Fund.

The Committee is RECOMMENDED to:

(a) note the progress of previously approved applications for admitted body status;

(b) note the approved applications for admitted body status by Regency Cleaning; Fresh Start Catering; Edwards & Ward; The School Lunch Company; Oxford Active; Aspens Services and Greenwich Leisure Limited subject to either pass through arrangements or bonds being put in place;

(c) note the closure of two scheme admission agreements with Soll Vale and Greenwich Leisure Limited;

(d) agree the changes to the Funding Strategy Statement as set out in paragraph 13 above; and

(e) note information on employer covenant project.

20. Co-habiting Partners

15:25

In March this Committee received a report seeking the Committee’s views in updating the Administering Authority Discretions in line with the LGPS Regulations 2013, which came in to force on 1 April 2014

The new regulations removed the requirement for current scheme members, as at 1 April 2014, to nominate a co-habiting partner, to be eligible to receive benefits in the event of the death of the member, with the provision of evidence after death.

In March the Committee requested that legal advice be sought on what information would be required as evidence.

The report **(PF20)** considers the potential evidence this Committee may wish to require before the payment of a pension to a co-habiting partner.

The Committee is RECOMMENDED to:

> ***(a) agree the list of evidence to be required in these circumstances; and***
>
> ***(b) confirm the proposed procedure.***

21. Internal Management of Property

15:30

As part of the Fundamental Asset Allocation review at the March 2014 meeting, the Committee agreed to earmark £20m of the current allocation to property for opportunistic property investments. The first such opportunity was recently identified by the Independent Financial Adviser, but could not be followed through as the timescales to commit to the investment were too short to enable the Committee to meet to agree the investment. As the approval is for opportunistic investments, a similar issue is likely to arise in the future.

The Committee have previously delegated decisions on Private Equity Investments to officers following the advice of the Independent Financial Adviser, thereby reducing the timescales involved and maximising the opportunities to the Fund. A similar arrangement is now recommended in respect of this allocation for property investments. Under the Scheme of Delegation all delegated decisions must be reported back to the Committee at their next meeting.

The Committee is RECOMMENDED to amend the current Pension Fund Scheme of Delegation to include the following:

'Internal property fund decisions are delegated to the lead officer for Pension Fund investments or in their absence to the Principal Financial Manager, Treasury Management and Pension Fund Investments. Responsibility for placing internally managed property trades is delegated to the Pension Fund Investments team.'

22. Write Offs

15:35

The report **(PF22)** provides the Committee with summary details of the amounts written off in the last quarter, in accordance with Financial Regulations of the Fund.

The Pension Fund Committee is RECOMMENDED to note the report.

23. Corporate Governance and Socially Responsible Investment

15:40

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

24. Annual Pension Forum

15:45

The 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 ***Friday 12 December 2014 at 10.00am at Unipart House.***

Pre-Meeting Briefing
There will be a pre-meeting briefing at County Hall on **Wednesday 3 September 2014** at **1.00 pm** in the **Members Board Room** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 6 June 2014 commencing at 10.10 am and finishing at 1.17 pm

Present:

Voting Members:	Councillor Stewart Lilly – in the Chair Councillor Patrick Greene (Deputy Chairman) Councillor Lynda Atkins Councillor Surinder Dhesi Councillor Jean Fooks Councillor Nick Hards Councillor Richard Langridge Councillor Sandy Lovatt Councillor Neil Owen
District Council Representatives:	District Councillor Jerry Patterson
By Invitation:	Paul Gerrish (Beneficiaries Observer) Peter Davies (Independent Financial Adviser)
Officers:	
Whole of meeting	L. Baxter, D. Ross and J. Dean (Chief Executive's Officer); S. Collins and S. Fox (Environment & Economy)

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.

24/14 ELECTION OF CHAIRMAN FOR 2014/15
(Agenda No. 1)

Councillor Stewart Lilly was elected as Chairman for this municipal year 2014/15 until the first meeting of the next municipal year 2015/16.

25/14 ELECTION OF DEPUTY CHAIRMAN 2014/15
(Agenda No. 2)

Councillor Patrick Greene was elected as Deputy Chairman for the municipal year 2014/15 until the first meeting of the next municipal year 2015/16.

26/14 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 3)

An apology was received from District Councillor Hywel Davies

27/14 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE
(Agenda No. 4)

Councillors Atkins, Fooks, Lilly, Owen and Patterson each declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government & Housing Act 1989.

28/14 MINUTES
(Agenda No. 5)

The Minutes of the meeting held on 14 March 2014 were approved and signed as a correct record.

Matters Arising
Minute 13/14(b) - Mr Collins reported the UBS timescales for returning to money invested in Hedge Funds. All £35m should be back by September 2014. He also reported that Mercer had been appointed to act as a consultant for the selection of a Diversified Growth Fund Manager. A meeting was planned for July to list possible funds.

Minute 19/14(p) – Mr Collins reported that officers were still seeking the best way forward on this matter and were hoping for clarity between now and the next meeting. He undertook to circulate the information to members when this was arrived at.

29/14 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 6)

There were no requests to submit a petition or to address the meeting.

30/14 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION
(Agenda No. 7)

The Independent Financial Adviser reviewed the investment activity during the past quarter and presented an overview of the Fund's position as at 31 March 2014 (PF7).

Mr Davies reported that the value of the Fund had risen by a further £30m since 31 March 2014 which comprised of mostly equities, together with a small increase in bonds. Overall the Fund had performed 1.4% above the benchmark over the quarter, 6.7% over 12 months, and -0.3% over the last 3 years.

Mr Collins undertook to ask WM if it would be possible to provide data analysis on a year by year basis separating out the performance of previous Fund Managers.

RESOLVED: 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, 11, 12 and 13 on the Agenda.

31/14 EXEMPT ITEMS
(Agenda No. 8)

It was **AGREED** that the public be excluded for the duration of items 7, 8, 9,10,11,12,13,14 and 15 in the Agenda since it was likely that if they were present during those items there would be a disclosure of exempt information as defined under Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it was considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

32/14 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS
(Agenda No. 9)

The Committee considered a report of the Independent Financial Adviser (PF9) which set out an overview of the current and future investment scene and market developments across various regions and sectors. Members asked a number of questions, to which the Independent Financial Adviser responded.

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

> *3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)*

and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

RESOLVED: To receive the report, tables and graphs and the oral report of the Independent Financial Adviser and to bear his conclusions in mind when considering the Fund Manager's reports.

33/14 UBS
(Agenda No. 10)

The representatives, Malcolm Gordon, Nick Irish and Jackie Auger reported on and reviewed the present investments in relation to their part of the Fund and their strategy against the background of the current investment scene for the period which ended 31 March.

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

> *3. Information relating to the financial or business affairs of any particular person (including the authority holding that information)*

and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

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

34/14 LEGAL & GENERAL

(Agenda No. 11)

The representatives, Jonathan Cloke and Nick Griffiths reported on and reviewed the present investments in relation to their part of the Fund and their strategy against the background of the current investment scene for the period which ended 31 March 2014.

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

> *4. Information relating to the financial or business affairs of any particular person (including the authority holding that information)*

and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

RESOLVED: to note the main issues arising from the report

35/14 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 12)

The Independent Financial Adviser reported (PF12) on the officer meetings with Baillie Gifford and Wellington and updated the Committee on any other issues relating to the Fund Managers not present.

This item also included a report (PF12) which highlighted potential issues surrounding a decision of HM Revenue & Customs (HMRC) to remove the Venture Capital Trust (VCT) status from one of the Fund's investments and sought the

Committee's views on a draft letter to be sent to the HMRC on behalf of the Committee.

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

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

RESOLVED to:

(a) note the main issues arising from the reports on the officer meetings with Baillie Gifford and Wellington and to take any necessary action if required; and

(b) note the key issue set out in the report arising from one of the Fund's investments and to request Mr Collins to send the attached draft response to the HMRC and to send a copy of the response to the Exchequer Secretary of the Treasury.

36/14 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 13)

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

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

The Independent Financial Adviser reported that no summary was required.

37/14 URGENT DECISION BY CHIEF EXECUTIVE UNDER DELEGATED POWERS - APPLICATION FOR RELEASE OF A DEFERRED BENEFIT

(Agenda No. 14)

The Committee had before them a report of a decision made by the Chief Executive under her delegated powers in respect of an urgent request to grant payment of deferred benefits on the grounds of ill-health (PF14).

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

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

RESOLVED: to:

(a) note the report; and

(b) delegate future urgent cases to the Chief Finance Officer following consultation with the Chairman of this Committee.

38/14 EMPLOYER UPDATE

(Agenda No. 15)

The Committee had before them a report **(PF15)** which gave an update on closures of recent scheme employers.

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

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

RESOLVED*:* to note the progress of cessation cases.

39/14 DCLG CONSULTATION PAPER - OPPORTUNITIES FOR COLLABORATION, COST SAVINGS AND EFFICIENCIES

(Agenda No. 16)

The report (**PF16**) provided details of the Government's current consultation document on the future structure of the Local Government Pension Scheme, and the potential implications for the on-going discussions with the Buckinghamshire and Berkshire Funds. The Committee were asked for their views and invited to agree a response for submission to the consultation.

Views and concerns expressed at the meeting for incorporation into the final response were as follows:

- The Hyman’s report had not addressed tracking and its variability, particularly in respect of bonds;
- Uncertainty about where a collective vehicle for alternatives fits into the report. Would there be reliance on one manager to choose them?

- There was a need for further information about whether common investment vehicles would make the envisaged savings, not that having one fund would make more savings on the passive side;
- There was no guarantee that Pension Funds would not be facing additional fees in the event of a merger. Nor was there any conclusive evidence that there would be benefits to having a larger Fund; and
- A merger might give an opportunity for more specialised committees, for example, one looking at investments and one at administration aspects.

Lorna Baxter undertook to circulate a presentation given by Hymans at a recent seminar she attended.

RESOLVED: to

(a) note the report;

(b) request the officers to continue with the joint work with the Buckinghamshire and Berkshire Funds to the extent that it is consistent with the approach included in the consultation response; and

(c) delegate to the Service Manager (Pensions, Insurance and Money Management) the authority to finalise and submit the response to the consultation, having consulted with all members of the Committee on the final draft.

40/14 ANNUAL REVIEW OF PENSION FUND POLICIES

(Agenda No. 17)

The Committee undertook the annual formal review of its major policy documents held in line with the LGPS Regulations. The last such comprehensive review of policies was in September 2013. The report (PF17) provided an update of any key changes since that date, including the introduction of an Administration Strategy for the Fund.

RESOLVED: to approve the revised policy documents as set out in Annexes 1-7 to the report PF17, noting the main changes in the documents as discussed in the covering report; subject to Members' comments in relation to Annex 2 – Draft Administration Strategy, being sent to Sally Fox by Monday 30 June 2014.

41/14 CORPORATE GOVERNANCE

(Agenda No. 18)

Members of the Committee had before them a (PF18) which set out the latest advice regarding the Administering Authority's fiduciary duty and which provided a summary of voting activity for 2013.

The Committee **RESOLVED** to:

(a) note the Opinion of Nigel Giffin QC, provided to the Local Government Association, on the duties of administering authorities under the Local Government Pension Scheme; and

(b) note the proxy voting activity of the Fund Managers during 2013 provided in annexes 1 and 2 of the report.

42/14 EMPLOYER UPDATE

(Agenda No. 19)

The Committee considered a report (PF19) which sought approval for any new admissions to the Fund. The report also updated members on the status of any current employer which impacted on future Scheme membership.

RESOLVED*:* to

(a) note the progress of previously approved applications for admitted body status; and

(b) approve the application for admitted body status by Proclean Limited subject to either pass through arrangements or bonds being put in place.

43/14 WRITE OFFS

(Agenda No. 20)

Members of the Committee had before them a report (PF20) which gave summary details of the amounts written off in the last quarter in accordance with the Financial Regulations of the Fund.

RESOLVED: to note the report.

44/14 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 21)

There were no issues concerning Corporate Governance and Socially Responsible Investment raised by the Chief Finance Officer for this quarter. It should be noted that all the managers have included pages within their valuation reports which provided details on their voting at company AGMs, engagement with companies and their involvement with other socially responsible initiatives.

The Committee noted that the Chairman had responded to representations made by Oxford City Council, via the Oxford Mail, to Oxfordshire County Council to sell off any investment in fossil fuels. In brief, the response given referred to the Opinion given by Nigel Giffin's QC (see Agenda Item 18 above) ie. that the precise choice of investment may be influenced by wider social, ethical or environmental considerations, so long as that does not risk material financial detriment to the Fund.

....

Further, that Oxfordshire Council could not impose their views on the Oxfordshire Pension Fund Committee as Administering Authority.

45/14 ANNUAL PENSION FORUM

(Agenda No. 22)

Members of the Committee were asked to give some thought to some pertinent issues they would like to see explored at the annual Pension Fund Forum to be held at Unipart House on Friday 12 December commencing at 10.00am.

.... 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 2014

	COMBINED PORTFOLIO 1.04.14	Baillie Gifford UK Equities		Wellington Global Equities		Legal & General Global Equity Passive		Legal & General Fixed Interest		UBS Overseas Equities and Property		Other Investments		COMBINED PORTFOLIO 30.06.14		OCC Customised Benchmark	
Investment	**Value £' 000**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Current %**	**Target %**
EQUITIES																	
UK Equities	**494,178**	**327,458**	**96.7%**	**22,337**	**11.5%**	**149,808**	**51.4%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**499,603**	**30.5%**	**31.0%**	**29.0%**
North American Equities	92,574	0	0.0%	99,557	51.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	99,557	6.1%		
European & Middle Eastern Equities	30,752	0	0.0%	29,264	15.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	29,264	1.8%		
Japanese Equities	19,035	0	0.0%	18,216	9.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	18,216	1.1%		
Pacific Basin Equities	-	0	0.0%	821	0.4%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	821	0.1%		
Emerging Markets Equities	39,164	0	0.0%	18,432	9.5%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	18,432	1.1%		
UBS Global Pooled Fund	205,355	0	0.0%	0	0.0%	0	0.0%	0	0.0%	226,877	71.3%	0	0.0%	226,877	13.9%		
L&G World (ex UK) Equity Fund	137,950	0	0.0%	0	0.0%	141,367	48.6%	0	0.0%	0	0.0%	0	0.0%	141,367	8.6%		
Total Overseas Equities	**524,830**	**0**	**0.0%**	**166,290**	**85.3%**	**141,367**	**48.6%**	**0**	**0.0%**	**226,877**	**71.3%**	**0**	**0.0%**	**534,534**	**32.7%**	**32.0%**	**30.0%**
BONDS																	
UK Gilts	70,652	0	0.0%	0	0.0%	0	**0.0%**	67,623	26.1%	0	0.0%	0	0.0%	67,623	4.1%	3.0%	3.0%
Corporate Bonds	51,216	0	0.0%	0	0.0%	0	**0.0%**	53,883	20.8%	0	0.0%	0	0.0%	53,883	3.3%	6.0%	6.0%
Overseas Bonds	42,497	0	0.0%	0	0.0%	0	**0.0%**	44,905	17.3%	0	0.0%	0	0.0%	44,905	2.7%	2.0%	2.0%
Index-Linked	80,201	0	0.0%	0	0.0%	0	**0.0%**	82,579	31.9%	0	0.0%	0	0.0%	82,579	5.0%	5.0%	5.0%
Total Bonds	**244,566**	**0**	**0%**	**0**	**0.0%**	**0**	**0.0%**	**248,990**	**96.1%**	**0**	**0.0%**	**0**	**0.0%**	**248,990**	**15.1%**	**16.0%**	**16.0%**
ALTERNATIVE INVESTMENTS																	
Property	96,101	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	89,143	28.0%	13,749	5.8%	102,892	6.3%	8.0%	8.0%
Private Equity	145,897	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	147,690	62.3%	147,690	9.0%	10.0%	9.0%
Hedge Funds	35,421	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	29,589	12.5%	29,589	1.8%	3.0%	0.0%
Multi Asset - DGF	-	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%	5.0%
Infrastructure	-	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%	3.0%
Total Alternative Investments	**277,419**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**89,143**	**28.0%**	**191,028**	**80.6%**	**280,171**	**17.1%**	**21.0%**	**25.0%**
CASH	**66,510**	**11,307**	**3.3%**	**6,338**	**3.2%**	**0**	**0.0%**	**9,996**	**3.9%**	**2,268**	**0.7%**	**45,878**	**19.4%**	**75,787**	**4.6%**	**0.0%**	**0.0%**
TOTAL ASSETS	**1,607,503**	**338,765**	**100.0%**	**194,965**	**100.0%**	**291,175**	**100.0%**	**258,986**	**100.0%**	**318,288**	**100.0%**	**236,906**	**100.0%**	**1,639,085**	**100.0%**	**100.0%**	**100.0%**
% of total Fund		20.67%		11.89%		17.76%		15.80%		20.42%		14.45%		100.00%			

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TABLE 2

ASSET ALLOCATION AS AT QUARTER ENDED 30th JUNE 2014

ALTERNATIVE ASSETS

PRIVATE EQUITY AND HEDGE FUNDS					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
Private Equity	6-11	10.0%	9.0%	-1.0%	FTSE Smaller Companies (inc investment trusts)
Hedge Funds	2-4	3.0%	1.8%	-1.2%	3 month LIBOR + 3%
Total		**13.0%**	**10.8%**	-2.2%	

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 2014 £147,690,000 Private Equity
£29,589,000 Hedge Funds

TABLE 3

ASSET ALLOCATION AS AT QUARTER ENDED 30th JUNE 2014

BAILLIE GIFFORD

UK EQUITIES					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
UK Equities	N/A	100.0%	96.7%	-3.3%	FTSE Actuaries All-Share
Cash	Nil	0.0%	3.3%	+3.3%	
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 2014 £338,765,000

TABLE 4

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

ASSET ALLOCATION AS AT QUARTER ENDED 30th JUNE 2014

LEGAL 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 Index

Market Value - at 30th June 2014 £149,808,000

TABLE 5

FIXED INCOME

Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
	%	%	%	%	
UK Gilts	0 - 36	18.75%	26.1%	+7.4%	FTSE A All Gilts Stocks
Corporate Bonds	20 - 55	37.50%	20.8%	-16.7%	IBoxx Sterling Non-Gilt All Stocks Index
Index-Linked	15 - 46	31.25%	31.9%	+0.7%	FTSE A Over 5 Year Index-linked Gilts
Overseas Bonds	0 - 24	12.50%	17.3%	+4.8%	JP Morgan Global Gov't (ex UK) Traded Bond
Cash	0 - 10	0.00%	3.9%	+3.9%	
Total		**100.0%**	**100.0%**		

Target Objective - To outperform the Benchmark by 0.6% per annum over rolling 3 year periods (gross of management fees)

Market Value - at 30th June 2014 £258,986,000

TABLE 6

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

ASSET ALLOCATION AS AT QUARTER ENDED 30th JUNE 2014 **LEGAL and GENERAL**

WORLD (EX-UK) EQUITY INDEX - PASSIVE					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
Global (ex-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) Index

Market Value - at 30th June 2014 £141,367,000

TABLE 7

ASSET ALLOCATION AS AT QUARTER ENDED 30th JUNE 2014 **WELLINGTON**

GLOBAL EQUITIES					
Asset	**Control Range**	**Benchmark Allocation**	**Actual Allocation**	**+ or - Benchmark**	**Index**
	%	%	%	%	
Global Equities	N/A	100.0%	96.8%	-3.2%	MSCI All Countries World Index
Cash	Nil	0.0%	3.2%	+3.2%	
Total		**100.0%**	**100.0%**		

Target Objective - To seek to outperform the Benchmark by 2.0% per annum over rolling 3 year periods (net of management fees).

Market Value - at 30th June 2014 £194,965,000

TABLE 8

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

ASSET ALLOCATION AS AT QUARTER ENDED 30th JUNE 2014

UBS GLOBAL ASSET MANAGEMENT

OVERSEAS EQUITY PORTFOLIO

Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
	%	%	%	%	
Overseas Equities					
Comprising					
Global Pooled Fund	85 - 100	90.0%	100.0%	+10.0%	See Split below *
Emerging Markets	0 - 10	10.0%	0.0%	-10.0%	FTSE AW Emerging Markets
Cash	0 - 10	**0.0%**	0.0%		
Total		**100.0%**	**100.0%**		

*** Global Pooled Fund Split:-**					
North America		30.0%			FTSE North American Developed
Europe (ex UK)		30.0%			FTSE Europe (ex UK) Developed
Asia Pacific (inc. Japan)		30.0%			FTSE Asia-Pacific (inc Japan) Developed
Total Global Pooled		**90.0%**	**100.0%**	+10.0%	

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 2014 £226,877,000

TABLE 9

PROPERTY PORTFOLIO

Asset	Control Range	Benchmark Allocation	Actual Allocation	+ or - Benchmark	Index
	%	%	%	%	
Property	90 - 100	100.0%	97.5%	-2.5%	IPD UK All Balanced Funds Index Weighted Average
Cash	0 - 10	0.0%	2.5%	+2.5%	
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 2014 £91,411,000

TABLE 10

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TOTAL PORTFOLIO PROGRESS REPORT - 1 APRIL 2014 to 30 JUNE 2014

Asset	Market Value 1.04.14	%	Net Purchases and Sales					Changes in Market Value					Market Value 30.06.14	%
			UBS	Baillie Gifford	Legal & General	Wellington	Other	UBS	Baillie Gifford	Legal & General	Wellington	Other		
	£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
EQUITIES														
UK Equities	494,178	31	0	3,875		(589)	0	0	(2,281)	4,696	(276)	0	499,603	30
US Equities	92,574	6	0	0	0	4,909	0	0	0	0	2,074	0	99,557	6
European & Middle Eastern Equities	30,752	2	0	0	0	(693)	0	0	0	0	(795)	0	29,264	2
Japanese Equities	19,035	1	0	0	0	(2,315)	0	0	0	0	1,496	0	18,216	1
Pacific Basin Equities	0	0	0	0	0	873	0	0	0	0	(52)	0	821	0
Emerging Market Equities	39,164	2	(18,261)	0	0	(4,085)	0	896	0	0	718	0	18,432	1
Global Pooled Funds	343,305	21	18,261	0	0		0	3,261	0	3,417	0	0	368,244	23
Total Overseas Equities	524,830	32	0	0	0	(1,311)	0	4,157	0	3,417	3,441	0	534,534	33
BONDS														
UK Gilts	70,652	4	0	0	(674)		0	0	0	(2,355)	0	0	67,623	4
Corporate Bonds	51,216	3	0	0	0		0	0	0	2,667	0	0	53,883	3
Overseas Bonds	42,497	3	0	0	2,642		0	0	0	(234)	0	0	44,905	3
Index-Linked Bonds	80,201	5	0	0	1,686		0	0	0	692	0	0	82,579	5
ALTERNATIVE INVESTMENTS														
Property	96,101	6	2,764	0	0		653	2,603	0	0	0	771	102,892	6
Private Equity	145,897	9	0	0	0		978	0	0	0	0	815	147,690	9
Hedge Funds	35,421	3	0	0	0		(5,915)	0	0	0	0	83	29,589	2
SUB TOTAL	1,540,993	96	2,764	3,875	3,654	(1,900)	(4,284)	6,760	(2,281)	8,883	3,165	1,669	1,563,298	95
CASH *	66,510	4	(1,782)	(753)	(1,315)	2,879	10,248	0	0	0	0	0	75,787	5
GRAND TOTAL	**1,607,503**	**100**	**982**	**3,122**	**2,339**	**979**	**5,964**	**6,760**	**(2,281)**	**8,883**	**3,165**	**1,669**	**1,639,085**	**100**

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

TABLE 11

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

VALUATION OF OTHER INVESTMENTS AS AT 30th JUNE 2014

	HOLDING	COST £	AVERAGE COST £	MARKET PRICE £	MARKET VALUE £	UNREALISED GAIN/LOSS £
PRIVATE EQUITY						
Managed by Mr P Davies, IFA						
Quoted Investment Trusts						
3I Group	1,424,713	4,013,565	2.817	4.019000	5,725,922	1,712,357
Candover Investments	236,060	1,687,945	7.150	5.640000	1,331,378	(356,567)
Electra Private Equity	1,016,179	13,886,422	13.665	26.820000	27,253,921	13,367,499
F&C Private Equity Trust	4,160,000	7,339,178	1.764	2.210000	9,193,600	1,854,422
Graphite Enterprise Trust	852,512	2,420,093	2.839	5.860000	4,995,720	2,575,627
HarbourVest European Senior Loans	2,284,315	991,977	0.434	0.345000	788,089	(203,888)
HG Capital Trust	1,934,000	11,207,516	5.795	10.070000	19,475,380	8,267,864
KKR & CO LP	220,000	1,403,458	6.379	14.228561	3,130,283	1,726,825
Northern Investors	293,247	467,808	1.595	3.900000	1,143,663	675,855
Oxford Technology 3 Venture Capital Trust	593,612	582,797	0.982	0.500000	296,806	(285,991)
Oxford Technology 4 Venture Capital Trust	1,021,820	995,164	0.974	0.450000	459,819	(535,345)
Schroder Private Equity	1,035,428	670,382	0.647	1.852372	1,917,998	1,247,616
Standard Life European Private Equity Trust	4,434,448	5,174,666	1.167	2.150000	9,534,063	4,359,397
SVG Capital	1,484,453	5,053,350	3.404	4.165000	6,182,747	1,129,397
		55,894,321			**91,429,389**	**35,535,068**
Other Fixed Interest						
Electra Private Equity 5.000% 12/29/2017 DD 12/29/10	2,870	**2,870,000**	1,000	1320.000000	**3,788,400**	**918,400**
Limited Partnerships Fund of Funds						
Partners Group Secondary 2006 L.P.		969,287			2,960,766	1,991,479
Partners Group Secondary 2008 L.P.		4,623,958			8,930,205	4,306,247
Partners Group Asia-Pacific 2007 L.P.		5,479,705			6,089,346	609,641
Partners Group Secondary 2011 L.P.		5,288,451			6,319,243	1,030,792
Partners Group Asia-Pacific 2011 L.P.		3,271,697			2,983,089	(288,608)
Adams Street 2007 Non US Fund		3,426,710			4,554,347	1,127,637
Adams Street 2008 Global Fund						
Adams Street 2008 Direct Fund		946,918			1,773,201	826,283
Adams Street 2008 Non US Fund		3,151,682			3,646,828	495,146
Adams Street 2008 US Fund		2,387,275			4,727,050	2,339,775
Adams Street 2009 Global Fund						
Adams Street 2009 Direct Fund		714,212			1,114,074	399,862
Adams Street 2009 Non US Developed Mkts Fund		1,239,565			1,315,836	76,271
Adams Street 2009 Non US Emerging Mkts Fund		615,797			550,252	(65,545)
Adams Street 2009 US Fund		2,229,225			2,880,807	651,582
Adams Street 2013 Global Fund		2,005,991			1,835,477	(170,514)
Oxford Technology ECF Limited Partner AC		1,401,940			2,448,300	1,046,360
Longwall Ventures ECF Limited Partner AC		435,000			343,700	(91,300)
		38,187,413			**52,472,521**	**14,285,108**
Cash Held by Custodian for Private Equity		**18,291,449**			**18,291,449**	
CASH HELD IN HOUSE		**27,586,579**			**27,586,579**	
TOTAL OF ALL INVESTMENTS		**142,829,762**			**193,568,338**	**50,738,576**

TABLE 12

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PRIVATE EQUITY TRANSACTIONS DURING QUARTER ENDED 30th JUNE 2014

DATE	HOLDING	TRANSACTION	BOOK COST £	PAYMENTS £	SALE PROCEEDS £	REALISED GAIN/LOSS £
		LIMITED PARTNERSHIP FUND OF FUNDS DRAWDOWNS				
16/04/2014		Adams Street 2008 Non US Fund	234,114	234,114		
17/04/2014		Adams Street 2008 Direct Fund	26,460	26,460		
17/04/2014		Adams Street 2009 Direct Fund	9,827	9,827		
24/04/2014		Adams Street 2008 US Fund	140,253	140,253		
24/04/2014		Oxford Technology ECF Limited Partner AC	30,000	30,000		
09/05/2014		Adams Street 2009 Non US Developed Mkts Fund	123,065	123,065		
09/05/2014		Adams Street 2009 US Fund	232,513	232,513		
14/05/2014		Adams Street 2013 Global Fund	151,028	151,028		
23/05/2014		Adams Street 2009 Non US Emerging Mkts Fund	50,615	50,615		
29/05/2014		Partners Group Secondary 2011 L.P.	1,580,516	1,580,516		
11/06/2014		Adams Street 2013 Global Fund	190,006	190,006		
24/06/2014		Partners Group Asia - Pacific 2011 L.P.	304,794	304,794		
27/06/2014		Adams Street 2008 Non US Fund	245,616	245,616		
			3,318,807	**3,318,807**		
		SALES				
		LIMITED PARTNERSHIP FUND OF FUNDS CAPITAL DISTRIBUTIONS				
07/04/2014		Adams Street 2009 Direct Fund	(23,539)		(23,539)	
14/04/2014		Adams Street 2008 Direct Fund	(67,529)		(67,529)	
16/04/2014		Adams Street 2008 Non US Fund	(108,966)		(108,966)	
24/04/2014		Adams Street 2008 US Fund	(262,455)		(262,455)	
25/04/2014		Partners Group Asia - Pacific 2007 L.P.	(225,918)		(225,918)	
25/04/2014		Partners Group Secondary 2006 L.P.	(159,271)		(159,271)	
09/05/2014		Adams Street 2009 Non US Developed Mkts Fund	(47,956)		(47,956)	
09/05/2014		Adams Street 2009 US Fund	(118,155)		(118,155)	
27/05/2014		Adams Street 2008 Direct Fund	(62,658)		(62,658)	
24/06/2014		Partners Group Asia - Pacific 2011 L.P.	(117,219)		(117,219)	
27/06/2014		Adams Street 2008 Non US Fund	(83,723)		(83,723)	
27/06/2014		Partners Group Secondary 2006 L.P.	(248,012)		(248,012)	
27/06/2014		Partners Group Secondary 2008 L.P.	(352,969)		(352,969)	
			(1,878,370)		**(1,878,370)**	
		CORPORATE ACTION				
26/05/2014		KKR - Return of Capital	(56,139)		(56,139)	0.000
05/06/2014	(84,711)	SVG Capital plc - Repurchase	(288,372)		(406,613)	118,241
			(344,511)		**(462,752)**	**118,241**
		TOTALS	**1,095,926**	**3,318,807**	**(2,341,122)**	**118,241**

TABLE 13

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 30th JUNE 2014

COMBINED PORTFOLIO (BY ASSET CLASS)

ASSET	% weighting of fund as at 30th June 2014	QUARTER ENDED 30th June 2014 BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	12 MONTHS ENDED 30th June 2014 BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	THREE YEARS ENDED 30th June 2014 BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	FIVE YEARS ENDED 30th June 2014 BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
GLOBAL EQUITIES	10.1%	2.7	2.4	**-0.3**	9.6	6.7	**-2.9**	8.5	8.2	**-0.3**	14.0	13.2	**-0.8**
UK EQUITIES	30.5%	2.2	1.3	**-0.9**	13.1	13.2	**0.1**	8.9	10.6	**1.7**	14.5	16.9	**2.4**
OVERSEAS EQUITIES	22.5%	2.6	2.1	**-0.5**	9.4	9.7	**0.3**	8.5	7.2	**-1.3**	13.8	12.5	**-1.3**
UK GOVERNMENT BONDS	4.2%	1.1	1.1	**0.0**	2.3	2.9	**0.6**	5.0	4.6	**-0.4**	5.0	4.8	**-0.2**
UK CORPORATE BONDS	3.3%	2.0	1.7	**-0.3**	6.7	5.7	**-1.0**	7.4	7.0	**-0.4**	8.6	8.7	**0.1**
OVERSEAS BONDS*	2.7%	-0.4	1.6	**2.0**	-6.1	4.9	**11.0**	-0.1	4.3	**4.4**	1.4	4.3	**2.9**
UK INDEX LINKED GILTS	5.0%	1.1	1.1	**0.0**	4.3	4.3	**0.0**	7.8	8.0	**0.2**	8.3	8.9	**0.6**
TOTAL PRIVATE EQUITY	9.0%	0.1	1.1	**1.0**	19.1	8.7	**-10.4**	13.6	8.8	**-4.8**	16.9	14.6	**-2.3**
HEDGE FUNDS	1.8%	0.9	0.3	**-0.6**	3.5	6.7	**3.2**	3.7	3.2	**-0.5**	3.7	5.3	**1.6**
PROPERTY ASSETS	6.3%	4.3	4.5	**0.2**	15.1	13.7	**-1.4**	7.0	7.0	**0.0**	9.4	10.2	**0.8**
TOTAL CASH	4.6%		-0.2	**-**		-0.3	**-**		0.9	**-**		0.5	**-**
TOTAL FUND	100%	**2.1**	**1.7**	**-0.4**	**10.8**	**9.3**	**-1.5**	**8.7**	**8.2**	**-0.5**	**12.9**	**12.4**	**-0.5**

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

TABLE 14

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 30th JUNE 2014

COMBINED PORTFOLIO (BY FUND MANAGER)

FUND MANAGER	% Weighting of Fund as at 30th June 2014	QUARTER ENDED 30th June 2014			12 MONTHS ENDED 30th June 2014			THREE YEARS ENDED 30th June 2014			FIVE YEARS ENDED 30th June 2014		
		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	20.7%	2.2	0.4	-1.8	13.1	13.3	0.2	8.9	11.5	2.6	14.5	18.2	3.7
WELLINGTON GLOBAL EQUITIES	11.9%	2.4	2.3	-0.1	9.1	6.4	-2.7	-	-	-	-	-	-
L&G UK EQUITIES - PASSIVE	9.1%	3.2	3.2	0.0	12.3	12.4	0.1	8.2	8.2	0.0	13.6	13.7	0.1
L&G GLOBAL EX UK EQUITIES - PASSIVE	8.7%	2.5	2.5	0.0	9.8	9.8	0.0	9.1	9.1	-	-	-	-
L&G FIXED INCOME	15.8%	1.6	1.4	-0.2	4.9	4.7	-0.2	6.8	6.7	-0.1	7.3	7.6	0.3
PARTNERS GROUP PROPERTY	0.8%	4.3	6.1	1.8	15.1	3.2	-11.9	7.0	8.5	1.5	-	-	-
PRIVATE EQUITY	9.0%	0.1	1.1	1.0	19.1	8.7	-10.4	13.6	8.8	-4.8	16.9	14.6	-2.3
UBS OVERSEAS EQUITIES	13.8%	2.3	1.9	-0.4	9.0	9.7	0.7	7.1	7.2	0.1	12.7	12.5	-0.2
UBS PROPERTY	5.6%	4.3	4.1	-0.2	15.1	14.1	-1.0	7.0	6.7	-0.3	9.4	9.2	-0.2
UBS HEDGE FUNDS	1.8%	0.9	0.3	-0.6	3.5	6.6	3.1	3.7	3.2	-0.5	3.7	5.3	1.6
IN-HOUSE CASH	2.8%	0.1	0.1	0.0	0.3	0.5	0.2	0.4	0.9	0.5	0.4	1.1	0.7
TOTAL FUND	**100.0%**	**2.1**	**1.7**	**-0.4**	**10.8**	**9.3**	**-1.5**	**8.7**	**8.0**	**-0.7**	**12.9**	**12.3**	**-0.6**

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

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 30th JUNE 2014

BAILLIE GIFFORD - UK EQUITIES ACTIVE MANDATE

TABLE 15

ASSET	QUARTER ENDED 30/06/2014			12 MONTHS ENDED 30/06/2014			THREE YEARS ENDED 30/06/2014			FIVE YEARS ENDED 30/06/2014		
	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	2.2	0.4	-1.8	13.1	13.7	0.6	8.9	11.9	3.0	14.5	18.7	4.2
TOTAL CASH	-	0.1	-	-	0.3	-	-	0.5	-	-	0.5	-
TOTAL ASSETS	**2.2**	**0.4**	**-1.8**	**13.1**	**13.3**	**0.2**	**8.9**	**11.5**	**2.6**	**14.5**	**18.2**	**3.7**

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

WELLINGTON - GLOBAL EQUITIES ACTIVE MANDATE

TABLE 16

ASSET	QUARTER ENDED 30/06/2014			12 MONTHS ENDED 30/06/2014			THREE YEARS ENDED 30/06/2014			FIVE YEARS ENDED 30/06/2014		
	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 INC UK EQUITIES	2.4	2.4	0.0	9.1	6.7	-2.4	-	-	-	-	-	-
TOTAL CASH	-	-2.8	-	-	1.0	-	-	-	-	-	-	-
TOTAL ASSETS	**2.4**	**2.3**	**-0.1**	**9.1**	**6.4**	**-2.7**	**-**	**-**	**-**	**-**	**-**	**-**

Target Objective - To seek to outperform the Benchmark by 2.0% per annum over rolling 3 year periods (gross of management fees)

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 30th JUNE 2014

LEGAL & GENERAL - PASSIVE EQUITY INDEX FUNDS **TABLE 17**

ASSET	QUARTER ENDED 30/06/2014			12 MONTHS ENDED 30/06/2014			THREE YEARS ENDED 30/06/2014			FIVE YEARS ENDED 30/06/2014		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
1 FTSE 100 EQUITY INDEX FUND	3.2	3.2	0.0	12.3	12.4	0.1	8.2	8.2	0.0	13.6	13.7	0.1
2 L&G WORLD (EX-UK) EQUITY FUND	2.5	2.5	0.0	9.8	9.8	0.0	9.1	9.1	-	-	-	-

Target Objective - 1. To track the FTSE 100 Index 2. To track the FTSE AW-World (ex-UK) Index

LEGAL & GENERAL - BONDS **TABLE 18**

ASSET	QUARTER ENDED 30/06/2014			12 MONTHS ENDED 30/06/2014			THREE YEARS ENDED 30/06/2014			FIVE YEARS ENDED 30/06/2014		
	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	1.1	1.1	0.0	2.3	2.9	0.6	5.0	4.6	-0.4	5.0	4.8	-0.2
UK CORPORATE BONDS	2.0	1.7	-0.3	6.7	5.7	-1.0	7.4	7.0	-0.4	8.6	8.7	0.1
OVERSEAS BONDS*	1.9	1.6	-0.3	5.1	4.9	-0.2	4.5	4.3	-0.2	4.2	4.2	0.0
UK INDEX LINKED	1.1	1.1	0.0	4.3	4.3	0.0	7.8	8.0	0.2	8.3	8.9	0.6
CASH/ALTERNATIVES*	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	**1.6**	**1.4**	**-0.2**	**4.9**	**4.7**	**-0.2**	**6.8**	**6.7**	**-0.1**	**7.3**	**7.6**	**0.3**

*** 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 0.6% per annum over rolling 3 year periods (gross of management fees)

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 30th JUNE 2014

INDEPENDENT ADVISOR - PRIVATE EQUITY

TABLE 19

ASSET	QUARTER ENDED 30/06/2014			12 MONTHS ENDED 30/06/2014			THREE YEARS ENDED 30/06/2014			FIVE YEARS ENDED 30/06/2014		
	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	0.1	1.4	1.3	19.1	10.8	-8.3	13.6	10.2	-3.4	16.9	16.6	-0.3
LIMITED LIABILITY PARTNERSHIPS	0.1	0.6	-	19.1	4.5	-	13.6	7.0	-	16.9	9.6	-
TOTAL ASSETS	**0.1**	**1.1**	**1.0**	**19.1**	**8.7**	**-10.4**	**13.6**	**8.8**	**-4.8**	**16.9**	**14.6**	**-2.3**

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

PARTNERS GROUP REAL ESTATE - PROPERTY

TABLE 20

ASSET	QUARTER ENDED 30/06/2014			12 MONTHS ENDED 30/06/2014			THREE YEARS ENDED 30/06/2014			FIVE YEARS ENDED 30/06/2014		
	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	4.3	6.1	-	15.1	3.2	-	7.0	8.5	-	-	-	-
TOTAL CASH	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS*	**4.3**	**6.1**	**1.8**	**15.1**	**3.2**	**-11.9**	**7.0**	**8.5**	**1.5**	-	-	

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 30th JUNE 2014

UBS GLOBAL ASSET MANAGEMENT- OVERSEAS EQUITIES **TABLE 21**

ASSET	QUARTER ENDED 30/06/2014			12 MONTHS ENDED 30/06/2014			THREE YEARS ENDED 30/06/2014			FIVE YEARS ENDED 30/06/2014		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
OVERSEAS EQUITIES	2.3	1.9	-0.4	9.0	9.7	0.7	7.1	7.2	0.1	12.7	12.5	-0.2
TOTAL CASH	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	**2.3**	**1.9**	**-0.4**	**9.0**	**9.7**	**0.7**	**7.1**	**7.2**	**0.1**	**12.7**	**12.5**	**-0.2**

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 22**

ASSET	QUARTER ENDED 30/06/2014			12 MONTHS ENDED 30/06/2014			THREE YEARS ENDED 30/06/2014			FIVE YEARS ENDED 30/06/2014		
	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	4.3	4.2	-0.1	15.1	15.5	0.4	7.0	7.1	0.1	9.4	10.4	1.0
TOTAL CASH*	-	0.2	-	-	-2.4	-	-	1.7	-	-	0.8	-
TOTAL ASSETS**	**4.3**	**4.1**	**-0.2**	**15.1**	**14.1**	**-1.0**	**7.0**	**6.7**	**-0.3**	**9.4**	**9.2**	**-0.2**

*** 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 2014

UBS GLOBAL ASSET MANAGEMENT - HEDGE FUNDS **TABLE 23**

ASSET	QUARTER ENDED 30/06/2014			12 MONTHS ENDED 30/06/2014			THREE YEARS ENDED 30/06/2014			FIVE YEARS ENDED 30/06/2014		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
HEDGE FUNDS	0.9	0.3	-0.6	3.5	6.7	3.2	3.7	3.3	-0.4	3.7	5.3	1.6
TOTAL CASH	-	0.0	-	-	0.1		-	-		-	-	
TOTAL ASSETS	**0.9**	**0.3**	**-0.6**	**3.5**	**6.6**	**3.1**	**3.7**	**3.2**	**-0.5**	**3.7**	**5.3**	**1.6**

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

INTERNALLY MANAGED CASH **TABLE 24**

ASSET	QUARTER ENDED 30/06/2014			12 MONTHS ENDED 30/06/2014			THREE YEARS ENDED 30/06/2014			FIVE YEARS ENDED 30/06/2014		
	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %	BENCHMARK RETURN %	OXFORDSHIRE TOTAL FUND %	VARIATION %
INTERNALLY MANAGED CASH*	0.1	0.1	0.0	0.3	0.5	0.2	0.4	0.9	0.5	0.4	1.1	0.7
TOTAL ASSETS	**0.1**	**0.1**	**0.0**	**0.3**	**0.5**	**0.2**	**0.4**	**0.9**	**0.5**	**0.4**	**1.1**	**0.7**

*** This portfolio includes cash held at the Custodian**

TABLE 25

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TOP 20 HOLDINGS AT 30/06/2014

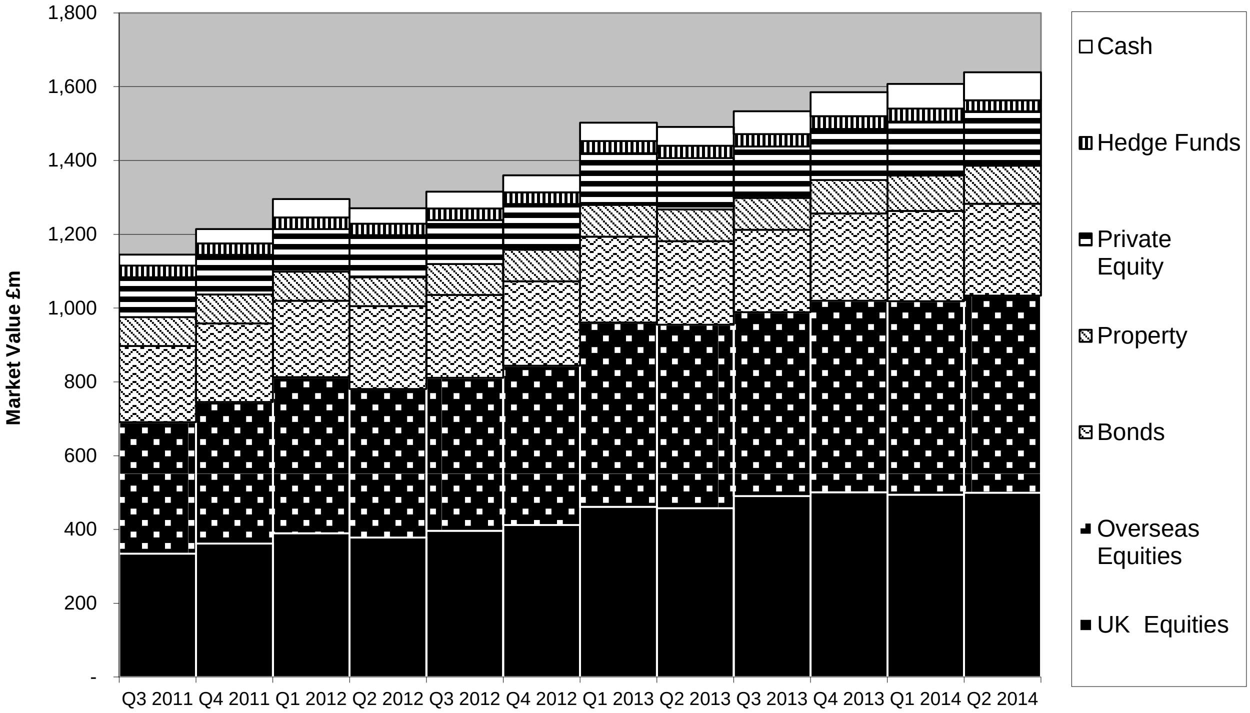
	ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
	DIRECT HOLDINGS		
1	ELECTRA PRIVATE EQUITY PLC	27,253,921	1.66
2	HGCAPITAL TRUST PLC	19,475,380	1.19
3	BG GROUP PLC	16,300,320	0.99
4	BRITISH AMERICAN TOBACCO PLC	16,234,713	0.99
5	HSBC HOLDINGS PLC	11,603,954	0.71
6	ASHTEAD GROUP PLC	11,571,367	0.71
7	BUNZL PLC	10,869,437	0.66
8	ROYAL DUTCH SHELL PLC-B SHS	10,860,823	0.66
9	PRUDENTIAL PLC	10,697,103	0.65
10	ST JAMESS PLACE PLC	10,299,722	0.63
11	LEGAL & GENERAL GROUP PLC	10,224,114	0.62
12	STANDARD LIFE EURO PR EQ ORD	9,534,063	0.58
13	F&C PRIVATE EQUITY TRUST-B	9,193,600	0.56
14	IMPERIAL TOBACCO GROUP PLC	8,886,020	0.54
15	SABMILLER PLC	8,468,750	0.52
16	MEGGITT PLC	7,960,569	0.49
17	BHP BILLITON PLC	7,823,286	0.48
18	WEIR GROUP PLC/THE	7,519,149	0.46
19	UNILEVER PLC	7,307,216	0.45
20	ROLLS-ROYCE HOLDINGS PLC	6,887,845	0.42
	TOP 20 HOLDINGS MARKET VALUE *	**228,971,352**	13.97
	* Excludes investments held within Pooled Funds		
	POOLED FUNDS AT 30/06/2014		
1	LIFE GLOBAL EQUITY ALL COUNTRY FUND A	226,876,989	13.84
2	HP UK FTSE 100 EQUITY INDEX	149,807,706	9.14
3	L&G WORLD (EX UK) EQUITY INDEX	141,367,029	8.62
4	LEGAL AND GENERAL TD CORE PLUS	97,614,318	5.96
5	BAILLIE GIFFORD BR SM-C-ACC	13,309,728	0.81
	TOTAL POOLED FUNDS MARKET VALUE	**628,975,770**	38.37
	TOTAL FUND MARKET VALUE	**1,639,085,000**	

GRAPH 1

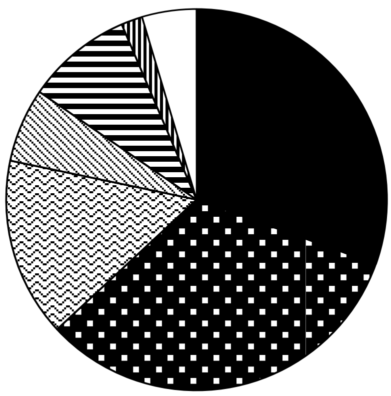
OXFORDSHIRE COUNTY COUNCIL PENSION FUND

MARKET VALUE OF TOTAL FUND

TOTAL FUND MARKET VALUE BY ASSET CLASS

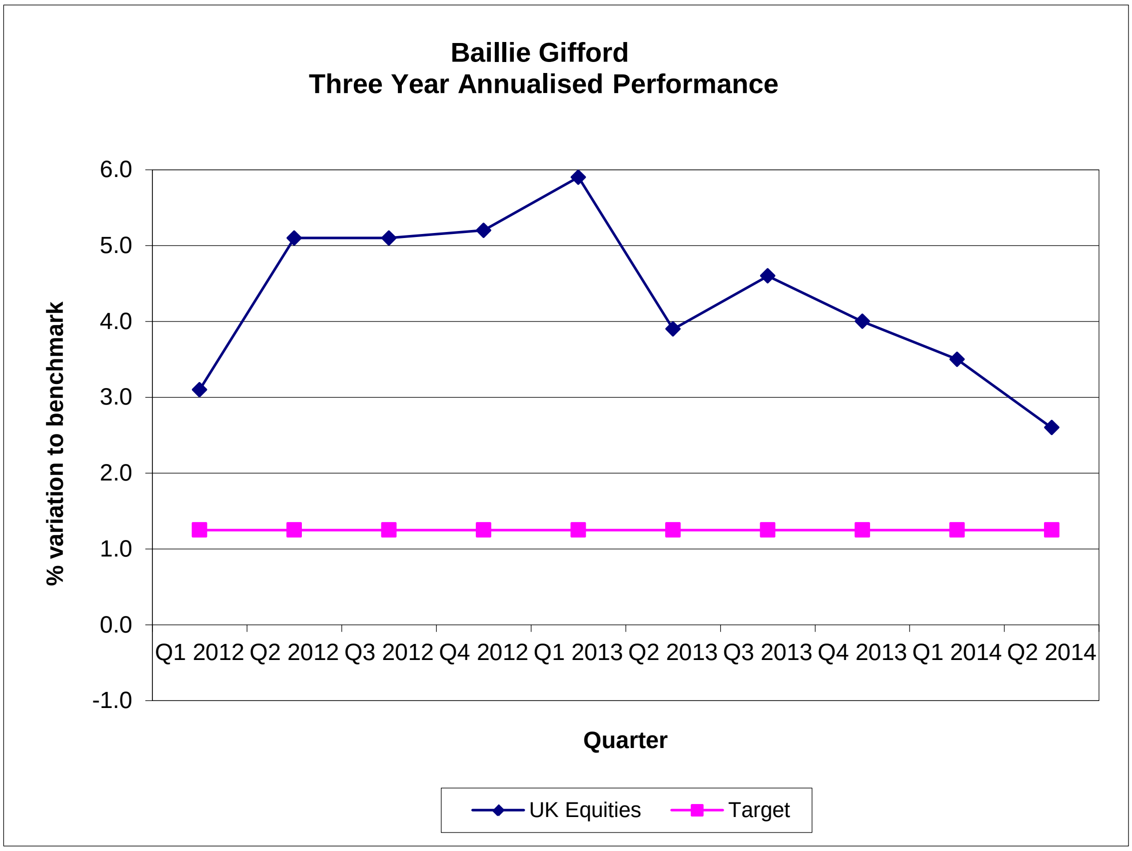


Asset Allocation Latest Quarter



Quarter	Market Value £m
Q3 2011	1,145.3
Q4 2011	1,214.3
Q1 2012	1,295.7
Q2 2012	1,270.6
Q3 2012	1,316.0
Q4 2012	1,359.8
Q1 2013	1,503.0
Q2 2013	1,491.4
Q3 2013	1,533.7
Q4 2013	1,585.2
Q1 2014	1,607.5
Q2 2014	1,639.1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND **GRAPH 2**



Baillie Gifford Three Year Annualised Performance

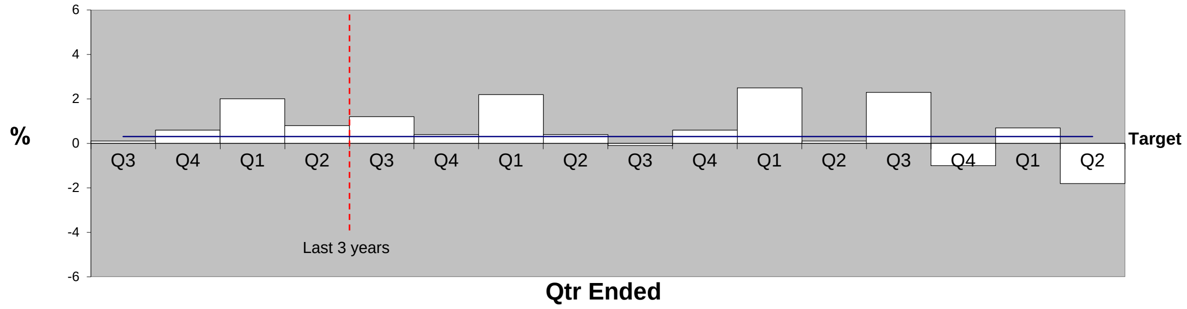
	UK Equities	Target
Q1 2012	3.1	1.25
Q2 2012	5.1	1.25
Q3 2012	5.1	1.25
Q4 2012	5.2	1.25
Q1 2013	5.9	1.25
Q2 2013	3.9	1.25
Q3 2013	4.6	1.25
Q4 2013	4.0	1.25
Q1 2014	3.5	1.25
Q2 2014	2.6	1.25

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 3

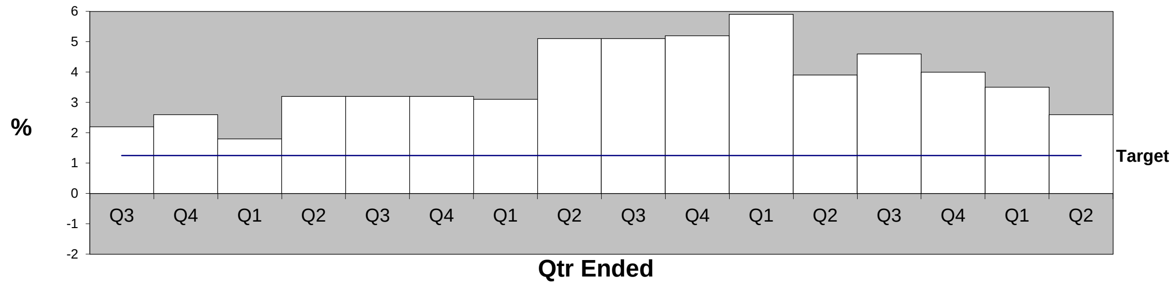
2010	2011	2012	2013	2014

Quarterly Performance



Performance	13.7	8.0	3.0	2.7	-12.3	8.8	8.3	-2.2	4.6	4.4	12.8	-1.6	7.9	4.5	0.1	0.4
	13.6	7.4	1.0	1.9	-13.5	8.4	6.1	-2.6	4.7	3.8	10.3	-1.7	5.6	5.5	-0.6	2.2
Relative Return	**0.1**	**0.6**	**2.0**	**0.8**	**1.2**	**0.4**	**2.2**	**0.4**	**-0.1**	**0.6**	**2.5**	**0.1**	**2.3**	**-1.0**	**0.7**	**-1.8**

3 Year Performance



Performance	3.6	8.0	8.4	9.2	9.2	16.1	21.9	18.9	13.2	12.7	14.7	16.7	14.7	13.4	12.3	11.5
Benchmark	1.4	5.4	6.6	6	6	12.9	18.8	13.8	8.1	7.5	8.8	12.8	10.1	9.4	8.8	8.9
Relative Return	**2.2**	**2.6**	**1.8**	**3.2**	**3.2**	**3.2**	**3.1**	**5.1**	**5.1**	**5.2**	**5.9**	**3.9**	**4.6**	**4**	**3.5**	**2.6**

Target Returns

Rolling annual target of 1.25% above benchmark

Top 10 holdings at 30/06/2014

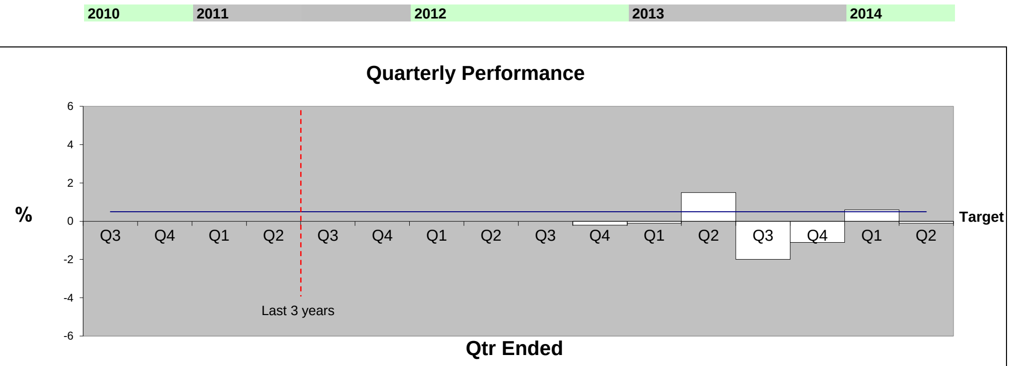
	Holding	Value £	% of portfolio
1	BRITISH AMERICAN TOBACCO PLC	13,320,740	3.93
2	BG GROUP PLC	13,192,826	3.89
3	ASHTEAD GROUP PLC	11,571,367	3.41
4	BUNZL PLC	10,869,437	3.21
5	ROYAL DUTCH SHELL PLC-B SHS	10,860,823	3.21
6	PRUDENTIAL PLC	10,697,103	3.16
7	ST JAMESS PLACE PLC	10,299,722	3.04
8	LEGAL & GENERAL GROUP PLC	10,224,114	3.02
9	HSBC HOLDINGS PLC	9,810,123	2.90
10	IMPERIAL TOBACCO GROUP PLC	8,886,020	2.62
	Top 10 Holdings Market Value	109,732,275	32.39
	Total Baillie Gifford Market Value	338,765,000	

Baillie Gifford

Top 10 holdings excludes investments held within pooled funds.

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 4



Performance										2.1	14.0	1.4	-0.8	3.8	1.0	2.3
										2.3	14.1	-0.1	1.2	4.9	0.4	2.4
Relative Return	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.2**	**-0.1**	**1.5**	**-2.0**	**-1.1**	**0.6**	**-0.1**

Target Returns

Rolling annual target of 2% above benchmark

Top 10 holdings at 30/06/2014

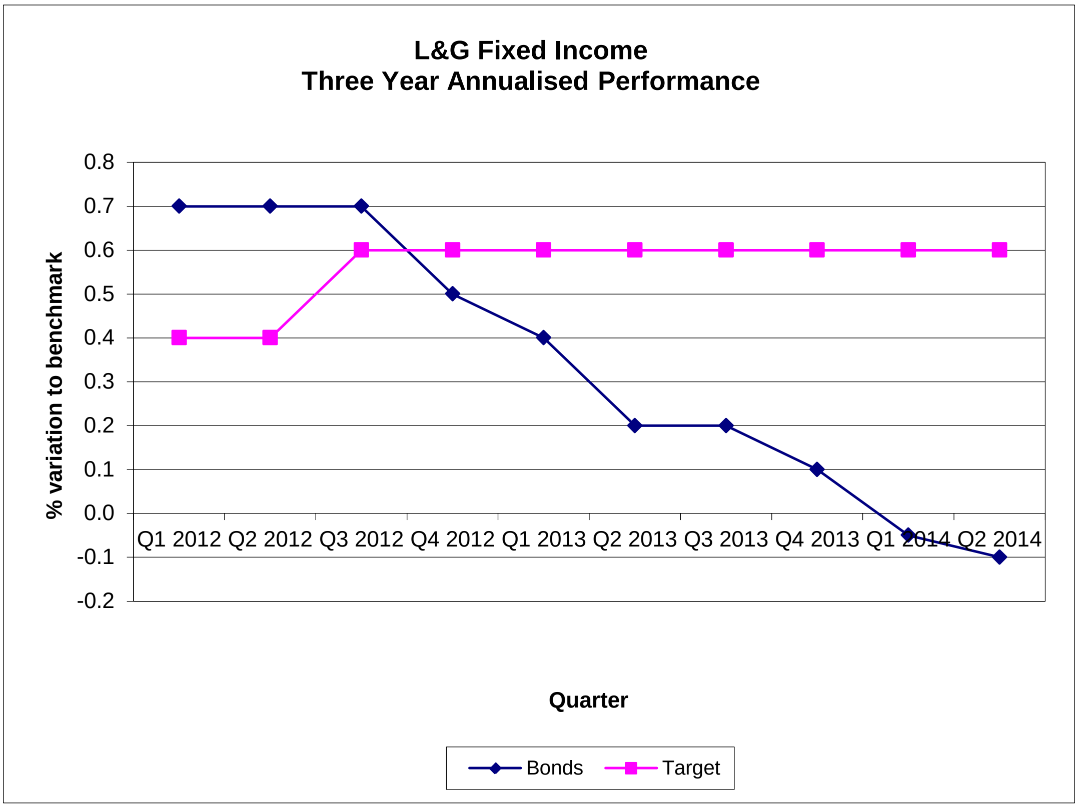
	Holding	Value £	% of portfolio
1	MERCK & CO. INC.	5,552,086	2.85
2	HALLIBURTON CO	3,960,631	2.03
3	MAXIM INTEGRATED PRODUCTS	3,919,524	2.01
4	PNC FINANCIAL SERVICES GROUP	3,519,284	1.81
5	JPMORGAN CHASE & CO	3,411,614	1.75
6	INTERNATIONAL PAPER CO	3,293,849	1.69
7	TAIWAN SEMICONDUCTOR-SP ADR	3,250,872	1.67
8	MITSUBISHI UFJ FINANCIAL GRO	3,194,747	1.64
9	MICROSOFT CORP	3,137,777	1.61
10	CISCO SYSTEMS INC	3,109,321	1.58
	Top 10 Holdings Market Value	36,349,705	18.64
	Total Wellington Market Value	194,965,000	

Wellington

Top 10 holdings excludes investments held within pooled funds.

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

GRAPH 5



L&G Fixed Income Three Year Annualised Performance

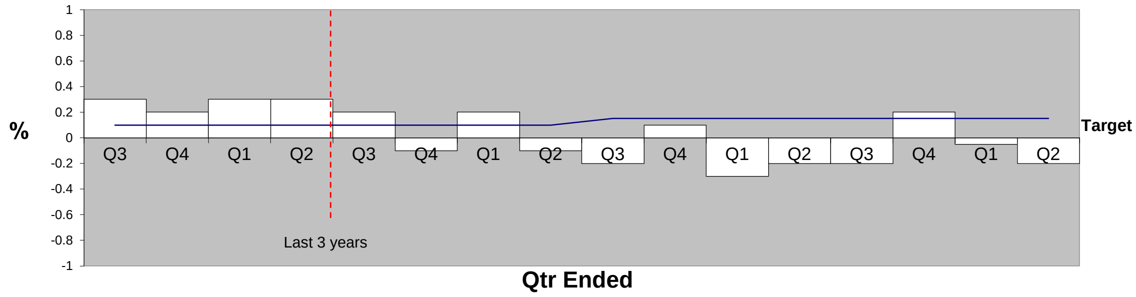
	Bonds	Target
Q1 2012	0.7	0.4
Q2 2012	0.7	0.4
Q3 2012	0.7	0.6
Q4 2012	0.5	0.6
Q1 2013	0.4	0.6
Q2 2013	0.2	0.6
Q3 2013	0.2	0.6
Q4 2013	0.1	0.6
Q1 2014	-0.1	0.6
Q2 2014	-0.1	0.6

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 6

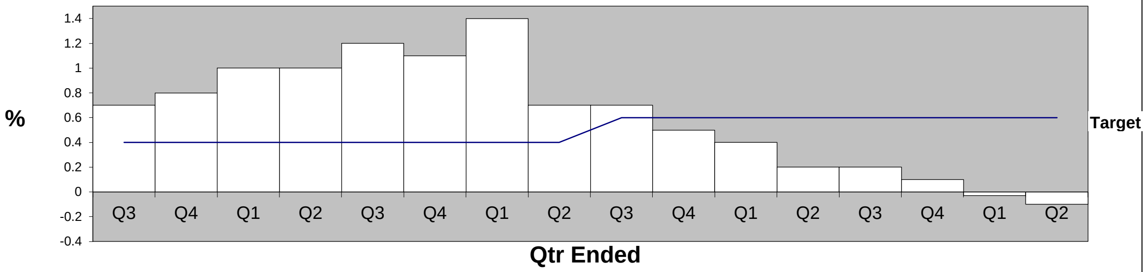
2010	2011	2012	2013	2014

Quarterly Performance



Performance	4.2	-0.9	0.4	3.0	5.0	5.2	0.0	2.3	1.3	2.4	3.4	-4.5	1.0	-0.3	2.7	1.4
	4.0	-1.2	0.1	2.8	5.1	5.0	0.1	2.0	1.5	2.3	3.7	-4.3	1.2	-0.5	2.7	1.6
Relative Return	**0.2**	**0.3**	**0.3**	**0.2**	**-0.1**	**0.2**	**-0.1**	**0.3**	**-0.2**	**0.1**	**-0.3**	**-0.2**	**-0.2**	**0.2**	**-0.1**	**-0.2**

3 Year Performance



Performance	6.9	8.7	8.7	6.9	6.5	8.1	10.7	10.3	9.0	9.6	9.9	7.3	6.2	6.4	7.2	6.7
Benchmark	6.1	7.7	7.7	5.7	5.4	6.7	10.0	9.6	8.3	9.1	9.5	7.1	6.0	6.3	7.2	6.8
Relative Return	**0.8**	**1.0**	**1.0**	**1.2**	**1.1**	**1.4**	**0.7**	**0.7**	**0.7**	**0.5**	**0.4**	**0.2**	**0.2**	**0.1**	**0.0**	**-0.1**

<u>Target Returns</u>

Rolling annual target of 0.60% above benchmark

<u>Top 10 holdings at 30/06/2014</u>

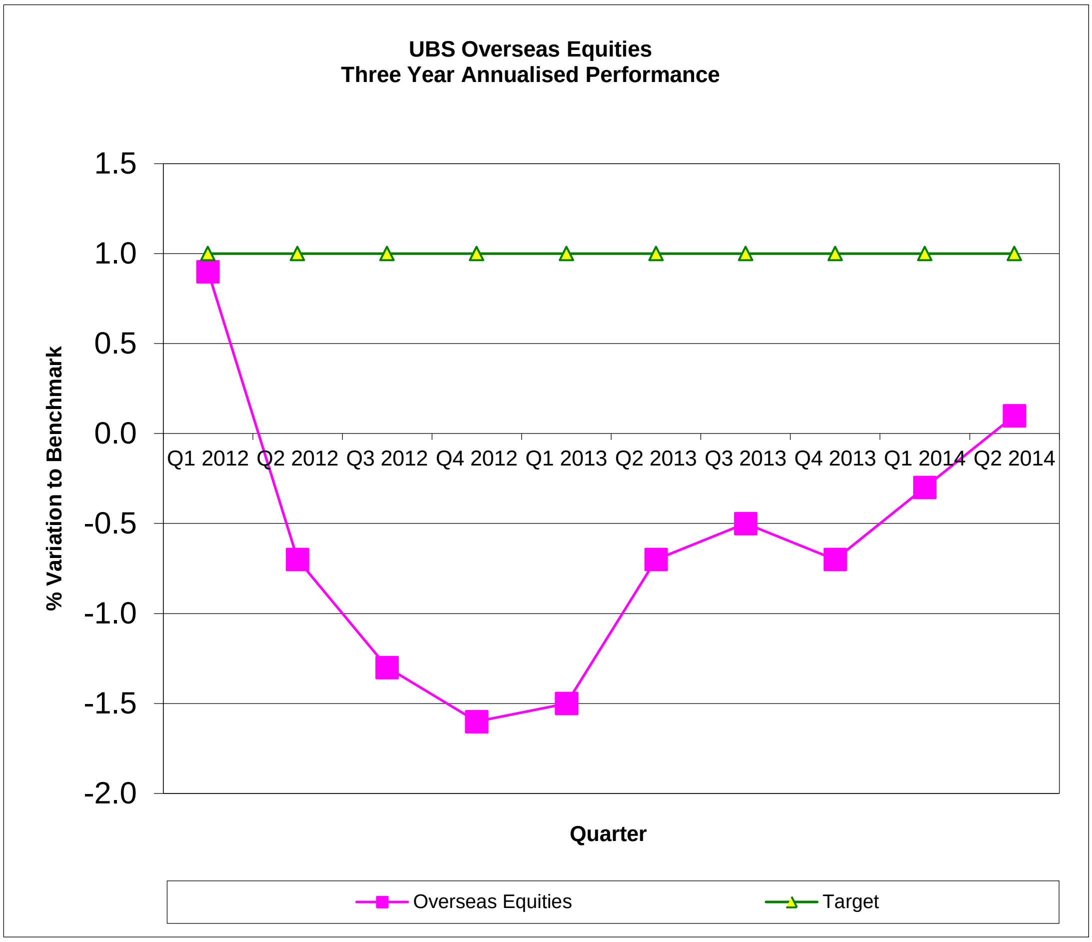
	Holding	Value £	% of portfolio
1	UK TSY I/L STOCK 2.5% 83-16/04/2020	6,535,917	2.54
2	UK TSY I/L STOCK 2.5% 86-17/07/2024	5,409,786	2.09
3	UK TSY I/L GILT 1.25% 06-22/11/2027	4,776,389	1.84
4	UK TSY I/L GILT 1.25% 05-22/11/2055	4,679,033	1.81
5	UK TSY I/L GILT 1.25% 08-22/11/2032	4,522,819	1.75
6	UK TSY I/L GILT 1.125% 07-22/11/2037	4,322,769	1.67
7	UK TSY I/L GILT 0.125% 12-22/03/2044	4,022,803	1.55
8	UK TREASURY 4.25% 06-07/12/2046	3,895,943	1.50
9	UK TSY I/L STOCK 2% 02-26/01/2035	3,885,584	1.50
10	UK TSY I/L GILT 0.375% 11-22/03/2062	3,837,513	1.48
	Top 10 Holdings Market Value	45,888,556	17.72
	Total Legal & General Market Value	258,986,000	

Legal & General

Top 10 holdings excludes investments held within pooled funds.

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

GRAPH 7



UBS Three Year Annualised Performance

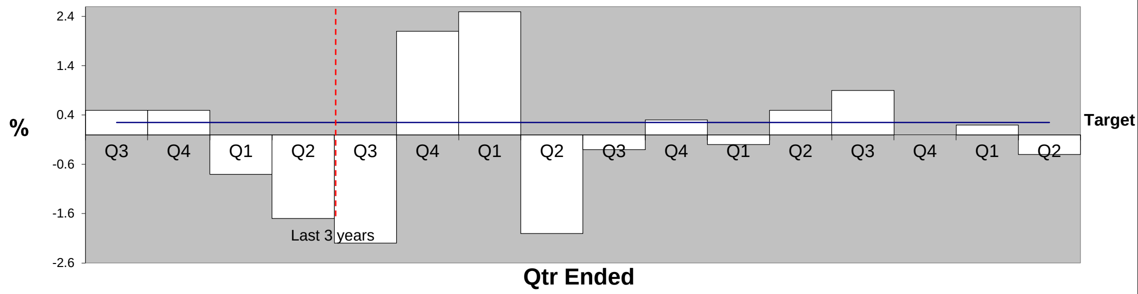
	Overseas Equities	Target
Q1 2012	0.9	1.0
Q2 2012	-0.7	1.0
Q3 2012	-1.3	1.0
Q4 2012	-1.6	1.0
Q1 2013	-1.5	1.0
Q2 2013	-0.7	1.0
Q3 2013	-0.5	1.0
Q4 2013	-0.7	1.0
Q1 2014	-0.3	1.0
Q2 2014	0.1	1.0

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 8

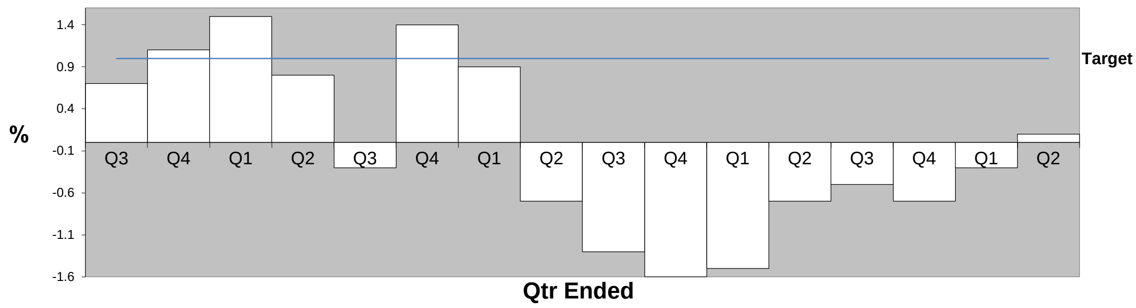
2010 **2011** **2012** **2013** **2014**

Quarterly Performance



Performance	9.5	9.5	1.1	-1.0	-18.3	7.3	11.9	-6.7	3.8	4.6	13.1	0.0	3.2	3.8	0.5	1.9
	9.0	9.0	1.9	0.7	-16.1	5.2	9.4	-4.7	4.1	4.3	13.3	-0.5	2.3	3.8	0.3	2.3
Relative Return	**0.5**	**0.5**	**-0.8**	**-1.7**	**-2.2**	**2.1**	**2.5**	**-2.0**	**-0.3**	**0.3**	**-0.2**	**0.5**	**0.9**	**0.0**	**0.2**	**-0.4**

3 Year Performance



Performance	2.2	5.3	9.6	9.8	5.3	9.1	16.5	10.2	3.9	4.3	5.6	10.5	8.3	6.4	6.2	7.2
Benchmark	1.5	4.2	8.1	9.0	5.6	7.7	15.6	10.9	5.2	5.9	7.1	11.2	8.8	7.1	6.5	7.1
Relative Return	**0.7**	**1.1**	**1.5**	**0.8**	**-0.3**	**1.4**	**0.9**	**-0.7**	**-1.3**	**-1.6**	**-1.5**	**-0.7**	**-0.5**	**-0.7**	**-0.3**	**0.1**

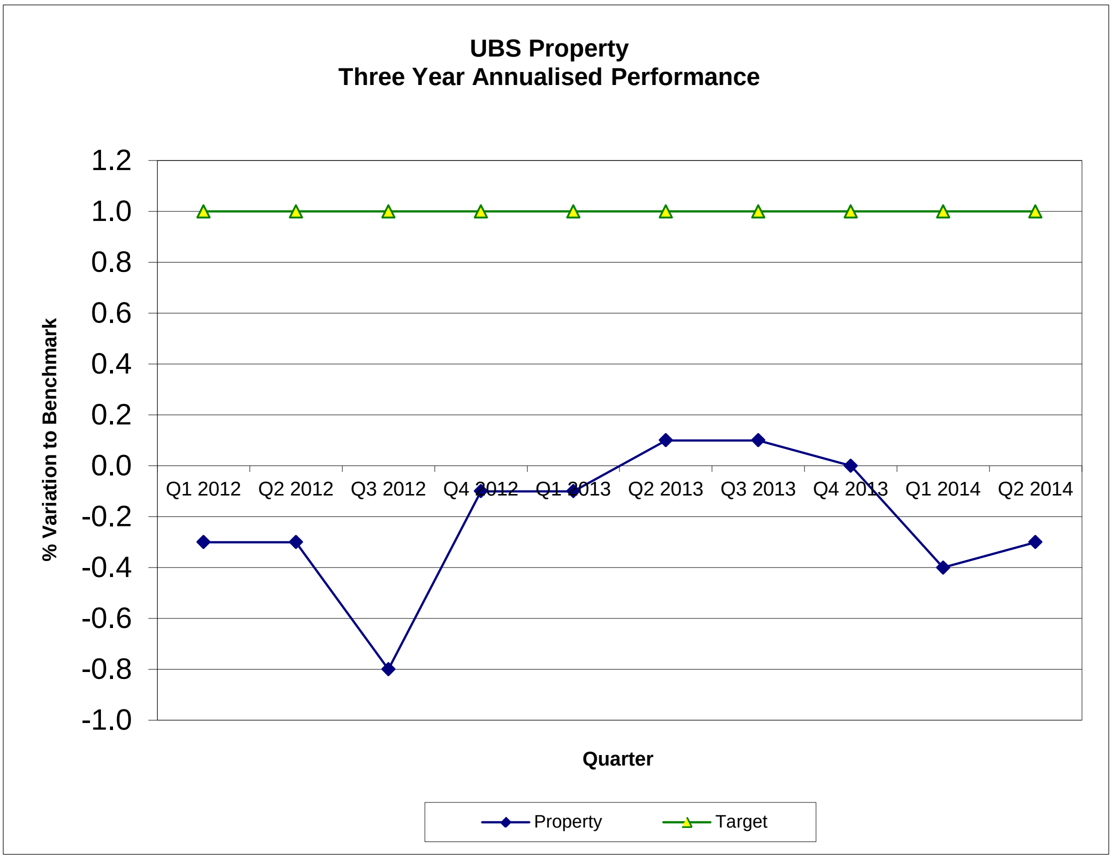
Target Returns

Rolling annual target of 1.00% above benchmark

UBS - Overseas Equities

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

GRAPH 9



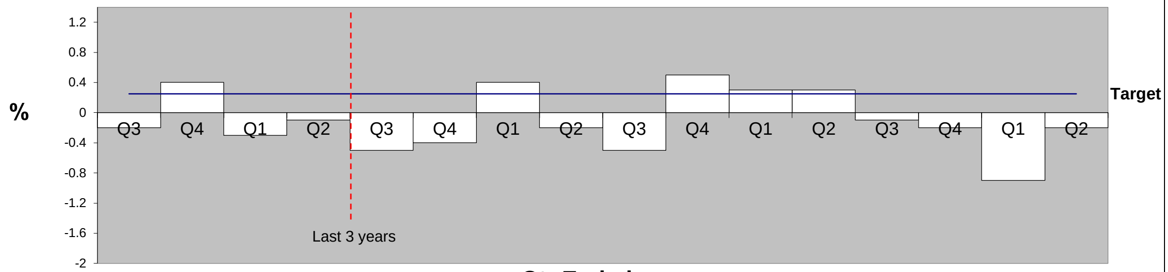
UBS Three Year Annualised Performance

	Property	Target
Q1 2012	-0.3	1.0
Q2 2012	-0.3	1.0
Q3 2012	-0.8	1.0
Q4 2012	-0.1	1.0
Q1 2013	-0.1	1.0
Q2 2013	0.1	1.0
Q3 2013	0.1	1.0
Q4 2013	0.0	1.0
Q1 2014	-0.4	1.0
Q2 2014	-0.3	1.0

PERFORMANCE RELATIVE TO BENCHMARK GRAPH 10

2010	2011	2012	2013	2014

Quarterly Performance

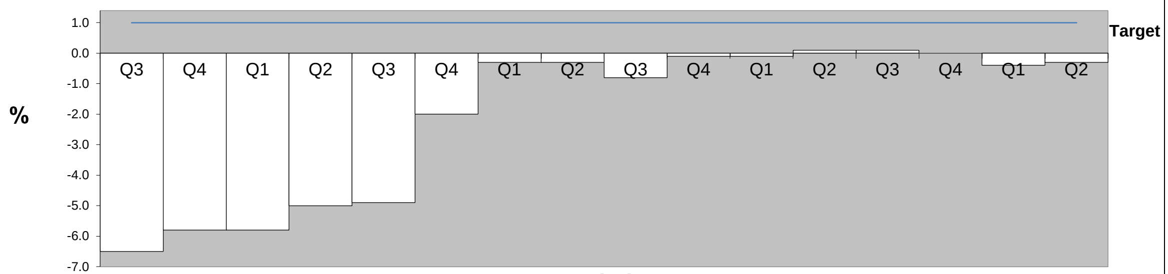


Qtr Ended

Performance	1.7	2.3	1.6	1.7	1.3	0.9	1.2	0.1	-0.1	0.1	1.1	1.7	2.3	4.1	2.4	4.1
	1.9	1.9	1.9	1.8	1.8	1.3	0.8	0.3	0.4	-0.4	0.8	1.4	2.4	4.3	3.3	4.3
Relative Return	**-0.2**	**0.4**	**-0.3**	**-0.1**	**-0.5**	**-0.4**	**0.4**	**-0.2**	**-0.5**	**0.5**	**0.3**	**0.3**	**-0.1**	**-0.2**	**-0.9**	**-0.2**

Target **3 year Performance**

3 Year Performance



Qtr Ended

Performance	-15.5	-11.5	-9.7	-7.3	-4.6	3.6	8.5	9.8	8.7	6.5	5.1	4.7	4.9	5.6	5.7	6.7
Benchmark	-9.0	-5.7	-3.9	-2.3	0.3	5.6	8.8	10.1	9.5	6.6	5.2	4.6	4.8	5.6	6.1	7.0
Relative Return	**-6.5**	**-5.8**	**-5.8**	**-5.0**	**-4.9**	**-2.0**	**-0.3**	**-0.3**	**-0.8**	**-0.1**	**-0.1**	**0.1**	**0.1**	**0.0**	**-0.4**	**-0.3**

Target Returns

Rolling annual target of 1.0% above benchmark

Top 10 holdings at 30/06/2014

	Holding	Value £	% of portfolio
1	BLACKROCK UK PROPERTY FUND-I	10,858,228	11.88
2	SCHRODER UK PROPERTY-INC	7,090,261	7.76
3	STANDARD LIFE POOLED PPTY FD	7,006,925	7.67
4	UBS CEN LON VAF UNITS GBP	6,228,952	6.81
5	PRUDENTIAL MGD PROP CORP-P	6,073,653	6.64
	Top 10 Holdings Market Value	37,258,019	40.76
	Total UBS Property Market Value	91,411,000	

UBS - Property

QUARTERLY REVIEW PREPARED FOR

Oxfordshire Council Pension Fund

Q2 2014

8 August 2014

Peter Davies
AllenbridgeEpic Investment Advisers Limited (AllenbridgeEpic)

peter.davies@allenbridgeepic.com www.allenbridgeepic.com

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PENSION FUND COMMITTEE - 5 SEPTEMBER 2014

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

Economy

1. The UK economy grew by 0.8% in each of the first two quarters of 2014, thereby restoring aggregate UK GDP to its peak level of 2008, although in per capita terms it is still more than 4% below its peak. Meanwhile US GDP surprised with a negative first quarter – possibly affected by the severe winter – and estimates for full-year 2014 growth were revised down by 0.7% by both the Federal Reserve and the IMF. The second quarter, however, appears to have produced healthy growth of 1% on the previous quarter. The sharp rise in the rate of inflation in Japan largely reflects the increase in consumption tax which came into force on April 1.

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

Consensus real growth (%)					**Consumer prices latest (%)**
	2012	**2013**	**2014E**	**2015E**	
UK	-0.1	+1.7	(+2.9) +3.1	+2.7	+1.9 (CPI)
USA	+2.2	+1.9	(+2.6) +2.0	+3.0	+2.1
Eurozone	-0.5	-0.4	(+1.2) +1.1	+1.6	+0.4
Japan	+1.9	+1.7	(+1.2) +1.4	+1.2	**+3.6**
China	+7.8	+7.7	(+7.3) +7.3	+7.0	+2.3

(Source of estimates: The Economist 9th August 2014)

2. In early June the European Central Bank cut its base rate from 0.25% to 0.15%, imposed a negative interest rate on central bank deposits, and announced a €400bn liquidity injection, in an effort to prevent deflation in the

Eurozone area. A week later, the Governor of the Bank of England said that the first rise in UK interest rates could be ‘sooner than markets currently expect’. This was interpreted as signalling a rate rise during 2014, and sterling appreciated in response.

3. In the US, the Federal Reserve has continued to reduce the level of Quantitative Easing (QE) by $10bn each month. Recent employment data has shown a strong level of new jobs, but no rise in interest rates is expected until late-2015 at the earliest.

4. In the elections for the European Parliament in May, the extreme parties polled strongly in many countries, and in France the FN topped the poll, while the ruling Socialist party attracted only 14% of the vote. Further afield, India elected Narendra Modi of the BJP as Prime Minister, ending a long period of dominance by the Congress Party. He is seen as an economic moderniser, so the Indian stock market rose 15% on the result. In Thailand, the military declared martial law in May, and then took power in a coup days later. Markets in the region have taken this news calmly.

5. In Iraq the seizure of several key cities by ISIS forces, and the threats of escalation in the fighting with government forces, caused nervousness in the oil market on fears that supplies could be disrupted. The shooting-down of passenger airline MH17 over Eastern Ukraine on July 17th has resulted in a tightening of the sanctions imposed by the EU and the USA on Russia’s financial, energy and defence sectors.

Markets

6. **Equity** markets in general gained ground during the quarter, with the S&P 500 Index in the US reaching new highs, and Emerging Markets advancing under the lead of India, although developments in Iraq damaged sentiment during June.

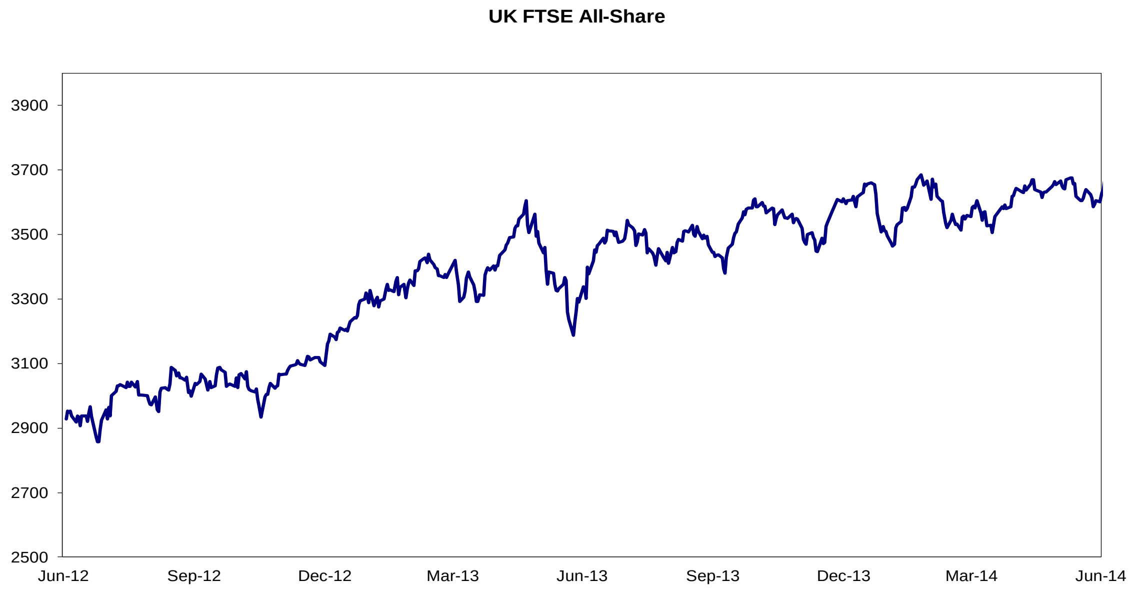
	Capital return (in £, %) to 30.06.14		
Weight %	**Region**	**3 months**	**12 months**
100.0	**FTSE All-World Index**	**+1.8**	**+6.9**
51.8	FTSE All-World North America	+2.4	+8.7
8.0	FTSE All-World Japan	+4.0	-3.6
11.7	FTSE All-World Asia Pacific ex Japan	+2.6	+1.6
17.4	FTSE All-World Europe (ex-UK)	-1.6	+12.0
7.9	FTSE All-World UK	+2.2	+8.3
9.2	FTSE All-World Emerging Markets	+3.7	-1.6

[Source: FTSE All-World Review, June 2014]

7. In the UK, the FTSE 100 Index out-performed the rest of the All-Share companies for the first quarter in two years.

(Capital only %, to 30.06.14)	3 months	12 months
FTSE 100	+ 2.2	+ 8.5
FTSE 250	- 3.4	+14.0
FTSE Small Cap	-0.7	+16.4
FTSE All-Share	+ 1.3	+ 9.4

The All-Share Index shows signs of having reached a plateau recently, after a steady rise since mid-2012 (see chart below).



8. By industrial sector there was little divergence, although Oil & Gas gained more than 8% as the oil price reacted to the situation in Iraq.

Capital return (in £, %) to 30.06.14		
Industry Group	**3 months**	**12 months**
Technology	+4.0	+17.5
Health Care	+1.9	+11.8
Oil & Gas	+8.3	+11.0

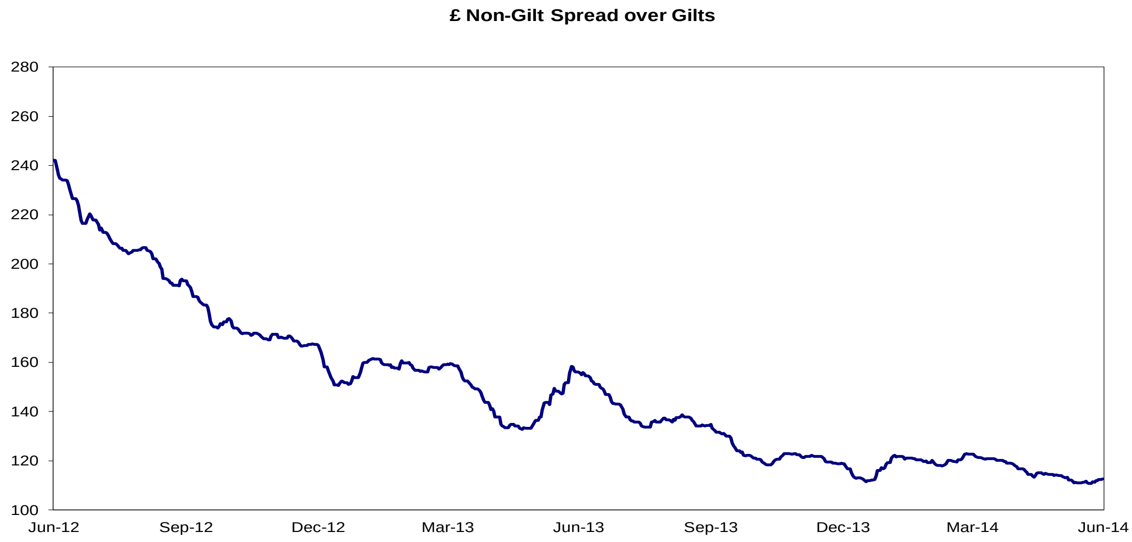
Industrials	+0.2	+9.2
FTSE All-World	**+1.8**	**+6.9**
Basic Materials	+1.1	+6.2
Utilities	+3.6	+5.4
Consumer Services	+0.2	+5.0
Financials	-0.2	+3.6
Telecommunications	+0.4	+0.9
Consumer Goods	+1.8	+0.9

[Source: FTSE All-World Review, June 2014]

9. **Government Bonds** continued their gains from the first quarter, most notably in Germany, although even Italian and Spanish government bonds were in demand, and – remarkably - their 10-year yields were equal to those on their US counterparts in mid-June. The yield spread of £ corporate bonds over gilts remained very narrow (see chart below). In July, there was evidence of investors selling high-yield bonds funds, and the Argentinian default at the end of July acted as a reminder of the risks of Emerging Market bonds.

10-year government bond yields (%)					
	Dec 11	**Dec 12**	**Dec 2013**	**Mar 2014**	**June 2014**
US	1.88	1.76	3.03	2.72	2.52
UK	1.98	1.85	3.04	2.73	2.68
Germany	1.83	1.32	1.94	1.57	1.25
Japan	0.98	0.79	0.74	0.65	0.57

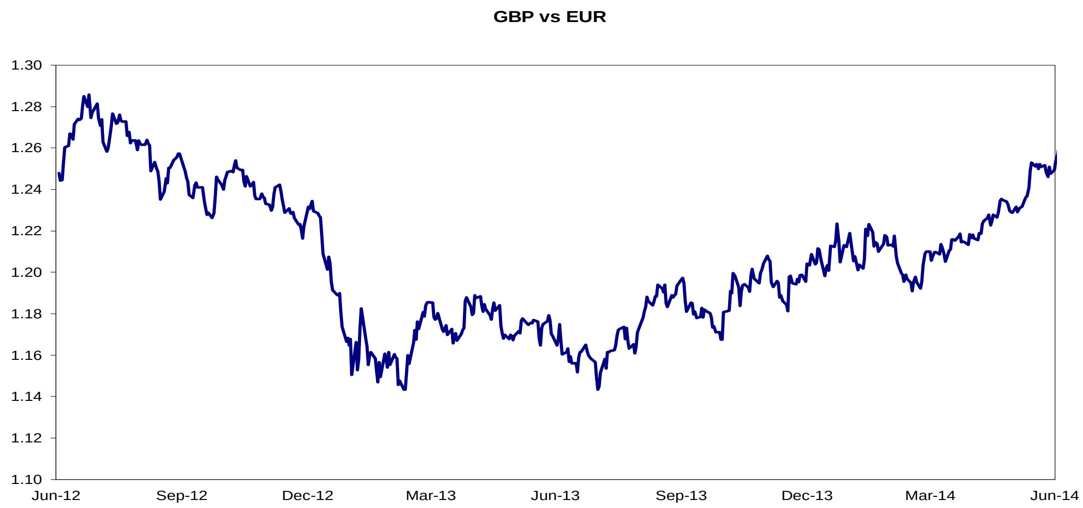
[Source: Financial Times]



Currencies

10. Sterling continued to strengthen, on strong GDP numbers and the expectation of a base rate rise this year. At $1.71 it has reached its highest level against the dollar for six years.

	31.03.14	30.06.14	£ move
$ per £	1.667	1.710	+ 2.6%
€ per £	1.210	1.249	+ 3.2%
Y per £	171.7	173.2	+ 0.9%



Commodities

11. While the gold price gained just 2% in the quarter, copper recovered from its first-quarter weakness. The oil price rose sharply in June as worries about the impact of the fighting in Iraq heightened.

Property

12. The UK Property market has delivered extremely high returns in the past twelve months, with the pace of growth accelerating in the second quarter of 2014. The IPD UK Monthly Property Index to end-June 2014 shows 12-month total returns of :

All Property +17.6%

Retail	**+ 12.5%**
Office	**+ 23.2%**
Industrial	**+ 22.3%**

These returns derive mostly from higher property valuations, not from rising rental levels.

Outlook

13. During the second quarter, equity and bond markets continued to be propelled upwards by the artificially low interest rates being maintained by central banks, while investors' search for yield also attracted sizeable sums of money into the UK commercial property market. Several subsequent events have affected markets since the end of June: the Argentinian bond default, the need for a government/EU bailout of Portugal's largest bank (Banco Espirito Santo).

14. Meanwhile, geopolitical developments - notably Russia's increasing isolation over its activities in Ukraine, and the fighting in the Middle East – have dampened sentiment among investors. When combined with the impending tightening of monetary policy by UK and US central banks, the need for caution remains as strong as ever.

Peter Davies

Senior Adviser – AllenbridgeEpic Investment Advisers

August 8th, 2014

[All graphs supplied by Legal & General Investment Management]

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of the Local Government Act 1972.

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of the Local Government Act 1972.

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Division(s): N/A

PENSION FUND COMMITTEE – 5 SEPTEMBER 2014

DRAFT REGULATIONS ON SCHEME GOVERNANCE

Report by the Chief Finance Officer

Introduction

1. The Public Service Pensions Act 2013 includes a requirement for the Department of Communities and Local Government (DCLG) as the responsible authority for the Local Government Pension Scheme to make regulations establishing a national scheme advisory board, and to enable each Administering authority to establish a local pension board. DCLG published these draft regulations in mid-June with an 8 week consultation period, closing on 15 August 2014. This report details the key elements of the draft regulations, and includes at Annex 1 a copy of the consultation response submitted by the officers.

Draft Regulations

2. The key elements within the draft regulations are:

- The role of the local Pension Board is to assist the Administering Authority to secure compliance with the LGPS regulations, and other legal and regulatory requirements, and generally to ensure the efficient and effective governance and administration of the LGPS
- Boards must be in place by 1 April 2015
- Boards must comprise an equal number of employer and employee representatives, with a minimum of 2 each.
- Elected members of local authorities cannot be either employer or employee representatives
- The employer and employee representatives must form the majority of the Board. Elected members can sit on the Board as other members, as long as other members remain the minority of total Board membership.
- The Administering Authority must satisfy itself that the employer and employee representatives have relevant experience and capacity to represent employers/employees as appropriate. Board members must also acquire appropriate knowledge and understanding of pension matters.
- The Administering Authority can seek Secretary of State approval to allow the Pension Fund Committee (the scheme manager as defined under the 2013 Act), and the local Pension Board to act as a single, dual function body.
- The Administering Authority must make arrangements to satisfy itself that the members of the Pension Board do not have a conflict of interests as defined by the 2013 Act, and to then monitor conflicts of interest over time.

- The costs of the establishment of the Local Pension Boards are to be treated as an administrative cost and be charged to the Pension Fund and be recovered through employer contributions.
- In fulfilling their responsibilities, the Administering Authority must have regard to guidance to be issued by the Secretary of State.
- The draft consultation offers two legal avenues for the establishment of the Pension Boards. They can be established as if they were a committee under Section 101 of the Local Government Act 1972, or they can be established directly under these Regulations which would provide the Administering Authority greater flexibility in determining voting rights, the establishment of sub-committees, formation of joint committees, substitution arrangements and remuneration/payment of expenses for Board members.
- The role of the Scheme Advisory Board is to provide advice to the Secretary of State on the desirability of making changes to the scheme, and to provide advice and assistance to administering authorities and local pension boards.
- The Chair of the scheme advisory board will be appointed by the Secretary of State, with further members (minimum of 2 maximum of 12) to be appointed by the Chair with the approval of the Secretary of State, who is required to ensure fairness in appointing employer and scheme member representatives.
- The costs of the scheme advisory board will be re-charged across the administering authorities.

3. Not covered specifically in the draft regulations, but raised as an issue in the Consultation document is the concept of administering authorities sharing a Pension Board. This is likely to be seen as the exception, requiring Secretary of State approval, based on the sharing of the administration and management of the funds e.g. through the establishment of a Joint Committee.

Key issues for consideration:

4. Given the different legal basis of the Pension Fund Committee and the Pension Boards, it is difficult to envisage how these could reasonably act as a single entity (Committee to reflect the political balance of Council, the Board to have a majority of non-elected members acting as employer/employee representatives, inability of County Council staff to act as an employee representative as cannot be a member of the Pension Committee of the Council). This point has been included in the consultation response, alongside a preference for option two for the legal basis for the establishment of the Pension Board. Option two provides greater flexibility in dealing with the different requirements of Board membership etc.

5. Does the current Constitution delegate responsibility for the establishment of the Pension Board to the Pension Fund Committee or does it sit with full Council? N.B. Pension Fund issues are specifically excluded from the remit of Cabinet).

6. Whilst the Administering Authority is responsible for the processes for the selection and removal of Board members, what role if any should be given to the remaining employers in the Fund?

7. Is it reasonable for membership of the Board to be drawn exclusively from employers outside the County Council, and is there a requirement to review the current membership of the Pension Fund Committee (9 County Councillors, 2 District Councillor representatives plus 1 non-voting beneficiary's representative).

8. What role (if any) should the unions have in establishing the process for selecting employee representatives?

9. The business case for potential future collaborative operating models with Buckinghamshire and Berkshire Pension Funds (see agenda item 14) includes the option to establish a single Joint Committee to which each of the three administering authorities would delegate their responsibilities in respect of the LGPS. If this was to become the preferred option, should we be looking to establish a joint Pension Board with Buckinghamshire and Berkshire, and seeking Secretary of State approval early enough to avoid the need to create 3 Pension Boards by the 1 April 2015 deadline? This point has also been included in the consultation response, along with the need to relax the timescales if the Joint committee cannot be in place until later in 2015/16.

10. Once established, what resources will be required to support the operation of the Board, both in terms of secretariat support and professional advice? Is there a need to ensure that such support is independent from that support and advice provided to the Pension Fund Committee?

Consultation Response

11. As the consultation period ended before this Committee meeting, the consultation response was drafted by officers following a short briefing with the Chairman of the Committee. Officer comments included those from legal and democratic services as well as finance.

12. Apart from the two points noted in paragraphs 4 and 9 above in respect of the separation of the Pension Committee and the Pension Board, and the option to establish Joint Pension Board where a Joint Committee is established other points raised were:

    - We could see no reason for the blanket exclusion of elected members from representing either employers or employees, and invited DCLG to re-consider this point, whilst ensuring independence from the members of the Pension Fund Committee itself
    - Whilst welcoming the requirement that Board members should be properly qualified to undertake the role, early publication of the guidance defining relevant experience, capacity , knowledge and understanding is vital in ensuring sufficient time is available to identify the initial set of members.

- We would support the view that Members of the Pension Committee should be subject to the same requirements in respect of knowledge and understanding as members of the Board. Currently there are no requirements in respect of members of the Pension Committee.

13. At this stage, this Committee needs to offer any views on the issues raised above, so that planning for the Pension Board can be undertaken as soon as the final Regulations are published.

RECOMMENDATIONS

14. The Committee is RECOMMENDED to:

(a) note the details of the consultation document and the response at Annex 1; and
(b) offer any comments on the key issues raised in this report to support the initial planning work for the creation of the new Pension Board.

Lorna Baxter
Chief Finance Officer

Background papers: None
Contact Officer: Sean Collins, Service Manager, Pensions Tel: (01865) 797190

August 2014

Annex 1 – Consultation Response

LGPS Governance Regulations 2014
Department for Communities & Local Government
Zone 5/F5 Eland House
Bressenden Place
London SW1E 5DU

Sent by email to Sandra.layne@communities.gsi.gov.uk

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

Sean Collins
Services Manager (Pensions)

Please ask for Sean Collins
e-mail: sean.collins@oxfordshire.gov.uk

Direct Line: 01865 797190
Fax: 01865 783108

My Ref: SJC/September 13 Your Ref:

26 August 2014

Dear Sandra

Draft Regulations on Scheme Governance - Consultation

The following are the views and comments of the officers of Oxfordshire County Council on the consultation on the Draft Regulations on Scheme Governance. Due to the short consultation period falling between the regular quarterly meetings of the Oxfordshire Pension Fund Committee, it was not possible to have this response endorsed by the Committee, but it will be shared with them when they meet on 5 September 2014.

We note in Regulation 106(1) the requirement to establish a Pension Board by 1 April 2015. At their meeting on 6 September 2014, the Committee will be considering a paper on the potential to create a Joint Committee with the Pension Funds of Buckinghamshire and Berkshire. If it is agreed to consult on such a proposal, and following such consultation, to take forward the creation of a Joint Committee, it is unlikely that the Joint Committee will be in place by 1 April 2015, but could follow soon afterwards. In such circumstances, the three Administering Authorities of Buckinghamshire, Berkshire and Oxfordshire would be looking for some flexibility under Regulation 106 (1) to delay the establishment of a pension board, so a single Joint Pension Board could be established to assist the Joint Committee in meeting its responsibilities. In the absence of any flexibility under Regulation 106 (1), the three Administering Authorities would be required to establish individual Pension Boards which may only be required to meet once before being closed down.

In respect of Regulation 106(2), we note the comments contained in paragraphs 3.1 and 3.2 of the consultation letter, and agree that there are serious practical issues in establishing the functions of the Pension Board to be undertaken by the Pension Fund Committee. We also believe that such an arrangement would provide a clear conflict of interest, and fail to ensure sufficient scrutiny and challenge of the decisions made by the Pension Fund Committee. We therefore do not believe the Regulations need to make such provision.

Of the two options offered under Regulation 106(5), we would support the second alternative. Given the membership requirements of the Pension Board, there are a number of issues in respect of voting rights and compliance with Local Government Law on political composition of Committees which the flexibility of option 2 would overcome. We would leave the Regulation as drafted, rather than seek to over-complicate the regulation by including too many specific exclusions or inclusions.

We are unclear on the basis of the decision under Regulation 107 (2) (a) not to allow a member of a local authority to be appointed as an employer or employee representative on the Board. We understand the need to avoid the conflict of interest which could arise where a member of the Pension Committee also sat on the Board. However we see no reason why other members of a local authority, whether members of the administering authority or one of the other local authority employers within the Fund, should not sit as representatives on the Board. Indeed, members of the Council sit on the Oxfordshire Joint Consultative Committee representing the Council as an employer, alongside Union nominees as representatives of the employees, and may be best placed to act as an employer representative. We would like to see an amendment to Regulation 107 (2) (a) to enable members of a local authority, independent of the members of the Pension Fund Committee, to act as employer or employee representatives on the Pension Board.

We welcome the requirement that members of the Board should be properly qualified to undertake the role. We would welcome early publication of the guidance setting out the definitions of relevant experience and capacity to undertake the duties and responsibilities. Similarly we would welcome early publication of the definitions of the knowledge and understanding required to undertake the role. Delay in publication of the guidance will hamper the process to establish the Pension Board in accordance with the timescales set in the Regulations. In respect of paragraphs 3.18 and 3.19 we would support a change in the current Regulations to ensure that the Members of the Pension Fund Committee are subject to the same requirements in respect of knowledge and understanding.

In terms of the other connected policy issues, we would comment as follows. As noted above, Oxfordshire is in discussions with Buckinghamshire and Berkshire Pension Funds about the benefits of setting up a Joint Committee to which each of the three Administering Authorities would delegate their full responsibilities under the LGPS Regulations. We would argue strongly that in such circumstances, the three Administering Authorities can also establish a single Joint Pension Board. We would accept that the majority of responsibilities under the Pension Regulations must be delegated to a Joint Committee in order to seek to establish a Joint Pension Board. In line with the draft regulation 106 (2) we would suggest any proposal for a Joint Pension Board must be approved by the Secretary of State, after taking advice from the Scheme Advisory Board and/or Pension Regulator as appropriate.

We have no strong opinion on any additional provision required in respect of Regulation 113 and the funding of the Scheme Advisory Board. We would though look for complete transparency over the costs and expenses of the Scheme Advisory Board so that each Administering Authority can satisfy itself of the appropriateness of the costs it is being asked to meet.

Oxfordshire Pension Fund does hold an annual forum to which all employers are invited. We see this as a matter of good practice. We do not have a strong view as to whether there needs to be a regulatory requirement to ensure all funds offer the same opportunity to their employers.

We hope this comments are helpful in developing the final Regulations and we look forward to early publication of these and the associated guidance.

Yours sincerely

Sean Collins
Services Manager (Pensions)

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Division(s): All

PENSION FUND COMMITTEE – 5 SEPTEMBER 2014

OPTIONS FOR THE FUTURE ARRANGEMENTS FOR THE OXFORDSHIRE PENSION FUND

Report by the Chief Finance Officer

Introduction

1. Since June 2013, this Committee has received a number of reports on the future arrangements for the management of the Oxfordshire LGPS Fund. These reports were prompted by the need to identify means to reduce the deficit on the Fund and therefore the pressure on employers, Council Tax Payers, and Scheme Members, as well as an attempt to pre-empt any requirement by the Government for the merger of pension funds.

2. Whilst the Government have confirmed that they do not intend to take forward fund mergers at this time, they are still keen to explore means of improving the cost effectiveness of the management arrangements of the local government pension scheme, and to reduce the level of current deficits. The requirement to identify alternatives to the current arrangements therefore still remains.

3. The lead officers of the Buckinghamshire, Oxfordshire and Berkshire Pension Funds have developed the business proposal which reviews the options outlined in the initial report of June 2013 in light of the latest government thinking, including the role of common investment vehicles and passive investment mandates. Their report is included as annex 1 to this report.

Business Proposal

4. The options identified in the initial report looked at the extent of collaboration between the three funds. These ranged from option 1 which saw the full merger of the three existing funds into a single Fund, through option 2 which saw the merger of just the administration function, to option 3 which saw the three funds continue to operate with separate investment strategies and administration functions.

5. The initial Option 1 was revised following the advice of the Department for Communities and Local Government (DCLG) and the Local Government Association (LGA). Merger would have required primary legislation and the creation of a new tax-raising body, and the Government were not prepared to prioritise this during the current parliament. The alternative of a Joint Committee which would allow for a single investment strategy and shared administration function was seen to deliver many of the same benefits as a full merger.

6. The increase in scale associated with this option was seen to lead to savings in a number of areas, being:

   - Reduced investment management fees of 6bps or £3m
   - Introduction of internal management bringing savings up to 13bps or £6.5m
   - Potential for better governance – savings potentially up to 1% or £50m
   - Reduction in staffing, consultancy support etc of £0.5m

7. The business proposal examines the scope for delivering similar savings under options 2 and 3. To achieve similar economies of scale the individual funds would need to look to join a common investment vehicle (CIV) or national procurement frameworks. Whilst a CIV could also include savings through internal management, neither model could deliver the governance savings within existing resources, and only option 2 would deliver savings through a reduction of senior management staff and administrative system support, but at a reduced level of £141,000

8. The ability to achieve the savings under option 1 are fully under the control of the current three administering authorities, as the legal framework for the model current exists. As no current suitable CIVs or procurement frameworks exist, nor could they be set up in the absence of wider support, delivery of the savings under the remaining options is not within the control of the three administering authorities and any timescales associated with delivering such changes is uncertain.

9. In light of the greater clarity of the delivery of savings under option 1, and the greater potential savings following from this option, this remains the preferred option of the three lead officers.

10. The business proposal therefore explores the options for the establishment of the support arrangements for a Joint Committee. A solution based on a private sector organisation is ruled out due to the significant VAT advantages of retaining the function within a local authority framework. Total reclaimable VAT is currently in the region of £1.8m per annum on fund management fees alone across the three funds.

11. This leaves the options of a lead authority or a wholly owned company. On balance, the three lead officers believe that the wholly owned company provides a more sustainable option, which would be better placed to grow new business and retain the work for the three authorities if they wished to revert to individual committees again in the future. This would also have the advantage of allowing a clean sheet in looking to harmonize the terms and conditions of the transferred staff (all three councils operate their own local terms and conditions).

12. The business proposal also contains more detailed information on the proposed new arrangements include draft staffing structures and some of the

steps required to deliver the new arrangements in accordance with a proposed timescale of 1 July 2015.

13. The section on investments and finance also contains further details of potential investment approaches which could be developed under the new arrangements which should contribute to improvements in net investment returns.

Next Steps

14. At this stage the Committee are not being asked for a final decision on the way forward. Instead the Committee are being recommended to initiate two consultation processes to establish the views of key stakeholders including scheme employers and scheme members and their representatives, and separately the views of current staff.

15. The business proposal envisages these consultation exercises being undertaken during October through to December 2014, allowing final Committee decisions on the future arrangements early in the new year, with recommendations to full Council as appropriate.

16. This timeline should also allow for any further discussions with DCLG and the LGA following the recent Call for Evidence and subsequent Government consultation. This can ensure that any final decision is consistent in respect of their intentions for any future regulations.

Other Issues

17. This report and the Business Proposal focus on the implications for this Pension Committee. There will be wider implications which will need to be considered by the Council.

18. The relationship between this programme and the programme to transfer finance and HR services to the Integrated Business Centre at Hampshire is being managed by the same officer programme board, and both are currently working to a July 2015 timescale.

19. There will also be potential implications dependent if the decision is to proceed with a new company or a lead authority, in respect of the provision of support services, including Committee and Legal Services, and the provision of finance and HR support.

RECOMMENDATIONS

20. The Committee is RECOMMENDED to:

(a) consider the detailed business proposal included at Annex 1 to this report;

(b) offer any comments and amendments on the key issues raised in the proposal and agree to consult key stakeholders and staff on the basis of the business proposal (including any proposed amendments); and

(c) determine any further issues they wish to see included in the final report early in 2015 when the Committee will be asked to make final recommendations to full Council.

Lorna Baxter
Chief Finance Officer

Background papers: None
Contact Officer: Sean Collins, Service Manager (Pensions), Tel: (01865) 797190

August 2014

Collaboration on Pensions Management between Buckinghamshire County Council, Oxfordshire County Council and the Royal Borough of Windsor & Maidenhead.

Business Proposal
September 2014

Contents

Introduction

In the summer of 2013, Officers presented to their relative Committees (both Pensions Committees and Cabinets) their paper on cost savings to be garnered from closer working. This paper gave 3 options:

1. A single combined Pension Fund with a single administering authority;
2. 3 Separate Pension Funds with a single administration team;
3. Collaborative working expanding on current practice;

and concluded that the preferred option was option1. Officers were mandated to meet with the Department for Communities and Local Government to ascertain their reaction to option 1 should the Councils wish to proceed with that option, and to work up a more detailed business case to support the preferred option.

This document provides the more detailed business case, including an amended option 1 for the creation of a Joint Committee to oversee the responsibilities of the three administering authorities of the Berkshire, Buckinghamshire and Oxfordshire Local Government Pension Scheme funds. Assuming that such a Committee is formed, it also considers two options for delivering the support to the Committee i) that the three separate pensions functions be subsumed into a single pensions services company to be equally owned by the three administering authorities and ii) services are providing by one of the current administering administration authorities acting as lead authority. Options 2 and 3 include the use of national procurement frameworks and common investment vehicles as an alternative means of delivering the savings associated with moving to a Joint Committee.

The proposal to amend option 1 is the outcome of detailed work by officers from the three authorities over the past three years. This has involved discussions with the Department for Communities and Local Government (DCLG), and the Local Government Association (LGA), who suggested the Joint Committee route to be an alternative way forward in the absence of any current will to take forward the new legislation required to support a full scheme merger.

At their meeting with the Department officers were advised that to combine the three funds into 1 with a single administering authority would require a statutory instrument to be laid in Parliament to amend the Local Government Pension Scheme regulations. Officials stated that there was no available time in the current Parliament to lay such a regulation. However, they suggested that to all intents and purposes option 1 could be achieved by agreement to form a Joint Committee to manage the three funds as one. This guidance has been incorporated into this business proposal.

Review of the Options

Since the initial joint report from the Officers there has been considerable discussion nationally on future arrangements for the management of LGPS funds in England and Wales. This included the Call for Evidence launched by DCLG, the study undertaken by Hymans Robertson on behalf of DCLG and the Cabinet Office, and the recent consultation paper which focussed on common investment vehicles and switching management of listed equities from an active to a passive basis. The options identified in the initial paper have therefore been reviewed again in light of these further developments.

A view coming across from a significant number of the consultation responses, was that the Government's consultation focussed too heavily on cost savings, and not sufficiently on the potentially much more significant benefits associated with improving investment performance, where current figures show a wide dispersion of results. There was though general agreement that the potential savings resulting from a focus on scheme administration were insignificant compared to those on the investment side.

The key issue therefore in reviewing the current management arrangements across the three funds were to the extent to which change would lead to greater net investment returns as a means to reducing the current fund deficits. The Hymans Roberson report identified a number of factors common across the best performing funds being:

- Limited number of managers
- Retain managers for the long term
- Adopt simple structures focussed on equities, bonds and property
- Limited use of alternatives
- Some use of internal management
- Regular re-balancing to asset allocation benchmark

Other research quoted the performance benefit associated with good governance, with figures of 1% out-performance reported as a consequence of a well governed fund.

Whilst size was not seen to directly relate to fund performance, a number of writers have linked size to a number of the other factors, particularly around the size and skills of the in-house investment teams which can lead to both improved governance and greater use of direct in-house investment.

The key question therefore is how the Funds of Buckinghamshire, Oxfordshire and Berkshire best meet the characteristics of a good performing fund. Arguably, all the factors identified by Hymans (apart from the scale of internal management) are independent of size, and can be delivered by the existing funds within their existing structures i.e. under option 3 above.

Whilst the research material is inconclusive on the issue of size and actual fund performance, there are a number of research papers which take the view that larger funds have the potential to out-perform smaller funds. For example, State Street Investment Analytics (who undertake performance management across most of the LGPS funds) in their research paper "Do Larger Funds Perform Better?" published in September 2013 identified the following benefits a larger fund size confers in terms of improving returns:

- Potential to reduce investment management costs
- Potential to consider internal management
- Potential for better governance

The paper identifies average investment management costs as 23 basis points (bps) for larger funds (£5bn and above) compared to 38bps for smaller funds (£1bn and below). The average investment management costs of medium sized funds (£1bn-£2bn) consistent with the current size of the Buckinghamshire, Oxfordshire and Berkshire Funds were shown as 29bps in the paper, suggesting a saving in the region of 6bps or £3m per annum.

The average investment management cost of an internally managed fund in the same survey is 10bps, with almost all funds where at least two thirds of the fund is internally managed being over £5bn. The extent to which a combined fund could switch to internal management therefore suggests further potential savings of up to 13bps, or a further £6.5m per annum.

These savings which are potentially delivered through the revised option 1 are considerable greater than the conservative £2.25m per annum included in the initial joint report, and make no allowance for any additional savings from the potential for better governance. State Street define better governance as a greater focus on fund strategy relative to liabilities, and a true long-term approach to scheme investments.

This paper does not consider the question of a greater allocation to passive mandates, as many of the consultation responses indicated that simply switching to passive to save fees was not an appropriate solution, and all funds should retain the right to consider their relative allocations to passive and active management. If the Government choose to impose a greater allocation to passive investment on all LGPS funds, the financial impact in terms of fund manager fees is likely to be similar across all options as the current low level of fees charged and the scale of assets under management make it unlikely that further fee reductions could be negotiated.

The question following on from the Government's recent consultation exercise though is whether such savings can be delivered through an alternative to "merging" the three funds. More specifically, can similar savings be made through common investment vehicles or procurement frameworks?

There is some difficulty in evaluating the potential benefits of common investment vehicles, as the potential structures of these common investment vehicles has not yet been determined. The first common investment vehicle in the LGPS is likely to be the one being developed by the London Councils on behalf of the 32 London Boroughs. The business case for the CIV suggests total benefits of £120m if the full £24bn of assets held by the London Boroughs is managed through the CIV. This equates to 50bps and comprises both fee savings and improved investment returns through improved governance. At the present time, asset allocation decisions will remain with the individual boroughs, and funds will be externally managed. The London CIV is being developed specifically to benefit the London Boroughs, but it is hoped that it will be opened up to LGPS funds outside London at a future time.

The main concern with the CIV model is around governance and asset allocation decisions, and the potential conflict between the freedom of the individual administering authorities to select their own fund managers, and the CIV who will be pushing for the rationalisation over time of the current mandates to allow for the economies of scale. The potential savings are predicated on a full investment through the CIV. Whilst the potential benefits through economies of scale are at least consistent with those by moving to a larger fund, the governance structure introduces a risk of the sustainability of the benefits, as individual funds can choose to withdraw assets at any point.

For Buckinghamshire, Oxfordshire and Berkshire, the short term issue is where and when the opportunity to invest through a CIV will arise. Whilst the London CIV may allow investments from LGPS Funds outside London, it is also the stated position of the London Councils that a single CIV for the whole of the LGPS is likely to generate dis-economies of scale and could be potentially disruptive to the investment market. The difficulties of setting up a CIV through which the three Councils could invest should not be under-estimated (as can be evidenced by the timescales involved in establishing the Pensions Infrastructure Platform). It should also be noted that the current investment strategies of the three Funds differ both in terms of asset allocation and fund managers. If the three Committees retain their current investment strategies then the CIV or CIVs will need to be greater than simply the three funds to generate the same levels of economies of scale.

The benefits of National Procurement Frameworks should also be considered as an alternative to a merged fund. Again, there are currently no investment management frameworks to evidence the potential savings, but the expectation would be that the savings under a national procurement framework would be at least the same as those negotiated by the larger funds.

The issues with national procurement frameworks as an alternative to a "merged" fund are similar to those with CIVs. Firstly they are dependent on individual funds agreeing to move towards a consolidated number of investment mandates and fund managers. Secondly, no investment management frameworks currently exist, so there needs to be an agreement as to who will establish and manage these frameworks. Thirdly, use of national procurement frameworks will not address the current governance deficits at individual pension fund level. Finally, whilst CIV's can move towards internal management over time, national procurement frameworks are purely focussed on the economies of scale and the ability to reduce investment management fees over time, and as such cannot deliver the same level of savings as the other two options.

In summary therefore we see the financial benefits of the three options as follows:

	Potential to Reduce Investment Management Costs	Potential to Consider Internal Management	Potential for Better Governance	Total Potential Savings*
Joint Committee – Shared Investment Strategy, and Administration.	Economies of scale from increased fund size could deliver investment management fee savings of 6bps or £3m	Based on the analysis of State Street, a fund of £5bn would have potential to consider internal management with additional potential savings of up to 13 bps or £6.5m	Economies of Scale would allow for a higher proportion of budget to be allocated to improving governance of Fund. Better governance has been found to add 1% or £50m to investment returns.	Minimum savings of c £3m through economies of scale through moving to single investment strategy, with potential for further savings of up to £6.5m from internal management and more from better governance.
Individual Committees – Individual Investment Strategies and Shared Administration	Economies of Scale would have to be realised through a CIV or National Procurement	Individual Committees would remain too small to support internal management	Not within existing resources, and retention of separate investment strategies.	Would be dependent on the establishment of suitable CIV's and/or National

	Framework. Assuming these were established, then similar savings should be possible i.e. £3m	arrangements. Could gain similar benefits dependent on basis of CIV, but not through national procurement route.		Procurement Frameworks outside the direct control of the three Funds. If suitable CIV's established then potential to deliver similar total savings, but governance savings would be at higher cost.
Individual Committees – Individual Investment Strategies and Administration Arrangements Retained	Economies of Scale would have to be realised through a CIV or National Procurement Framework. Assuming these were established, then similar savings should be possible i.e. £3m	Individual Committees would remain too small to support internal management arrangements. Could gain similar benefits dependent on basis of CIV, but not through national procurement route.	Not within existing resources, and retention of separate investment strategies.	Would be dependent on the establishment of suitable CIV's and/or National Procurement Frameworks outside the direct control of the three Funds. If suitable CIV's established then potential to deliver similar total savings, but governance savings would be at higher cost.

*There are further savings associated with costs of administration support and consultancy advice etc as set out in the financial analysis below. These are estimated at £463,000 for the Joint Committee option (against a one off cost of c £500,000). None of these savings would accrue if the third option to retain individual investment strategies and administration arrangements was followed, whilst £141,000 of these savings could be potentially made if administration was shared under option 2.

We therefore remain of the view that the greatest potential savings will come from option one and the establishment of a Joint Committee, which as well as addressing under our own control the benefits of economies of scale in terms of investment mandates, allows consideration to be given to internal management and will allow for an improvement in the current governance budget. The alternative options of joining a common investment vehicle or a national procurement framework are currently not available, and even if they are developed, do not offer the same governance benefits, or the same reductions in staffing and consultancy support etc, and as such limit the overall level of savings achievable.

The rest of this paper therefore focuses on the proposal to move to a Joint Committee.

The Proposed Option – Joint Committee

The proposal is that the three administering authorities agree to form a Joint Committee to manage the functions of an administering authority on behalf of Buckinghamshire County Council, Oxfordshire County Council and the Royal Borough of Windsor & Maidenhead. Such a Joint Committee would be established under section 102 (5) of the Local Government Act 1972.

Under the provisions of the Local Government Act 1972 and the Local Government and Housing Act 1989 the three authorities can agree to delegate their functions as Scheme Manager to the Joint Committee. The Joint Committee would be responsible for asset allocation, fund manager selection and investment monitoring and reporting. It should be noted that whilst the Joint Committee would have delegated powers, the formal Scheme Manager under the relevant regulations would continue to be the three Administering Authorities of Oxfordshire and Buckinghamshire County Councils and the Royal Borough of Windsor and Maidenhead.

The constitution of the Joint Committee would need to be contained in the formal agreement entered into by the three authorities. The agreement would also prescribe the number of members which each authority may appoint, the terms of office, voting rights, the sharing of expenses and other related matters. We would propose that each authority nominates three members each to the Joint Committee to give a total Committee size of nine, with political representation balanced at full Committee level.

We would also propose that the Joint Committee is supported by a Consultative Group which would sit outside the formal statutory arrangements, but would exist to allow a wider representation of employer views to be considered. Each Administering Authority would be invited to nominate 5 members to the Consultative Group. The determination of these nominations would be a matter for each administering authority, and should be considered further in light of consultation feedback from the current scheme employers.

In addition to the Joint Committee, each Administering Authority must also establish a Pensions Board. As part of the consultation of the draft regulations, the Department for Communities and Local Government have asked for views on the establishment of a joint Pension Board where Administering Authorities have delegated their functions as Scheme Manager to a Joint Committee. It is assumed that any final decision would require the approval of the Secretary of State. On the assumption that the arrangements for a Joint Pension Board are included in the final Regulations, it would be our intention to seek Secretary of State approval for the establishment of a single Pension Board for the three Administering Authorities, and to avoid the need to establish separate Pension Boards from April 2015 in any interim period before the Joint Committee is established. If approval was forth coming, our proposal would be to establish a Pension Board of seven members, being one employer and one employee representative nominated by each of the three administering authorities, and an independent chairman.

Options for the Investment and Administration Functions

As part of the work on this business case, three options were identified for the delivery of the investment and administration functions to support the work of the Joint Committee, being

- Out-source the work to a private organisation
- Appoint one of the three administering authorities to act as Lead Authority
- Create a new wholly owned company to run the functions.

Out-sourcing to a private organisation was dismissed early in the appraisal on financial grounds due to the loss of taxation benefits associated with operating within the local authority framework, and in particular the ability to reclaim VAT which amounts to c£1.8m in respect of investment management fees alone across the three funds.

The main advantage of the Lead Authority option was seen to be a potential saving in terms of both cost and time in establishing the new arrangements. However the ability to establish a new company through the purchase of an “off the shelf” model with standard articles of agreement etc mean these potential savings would not be significant.

There are a number of concerns with the Lead Authority option. Firstly, a Lead Authority creates potential tensions as by definition there is a senior partner and two junior partners. Whilst the arrangements can stipulate how the junior partners can retain an element of influence and control, There will always be the underling risk of perception of bias or undue influence. A new company wholly owned by the three administering authorities in equal shares avoids such issues.

A second concern is in respect of the management of the staff transfer. Whilst the staff would all transfer under TUPE on their existing terms and conditions, we would be looking for the harmonisation of terms and conditions to avoid the situation where staff undertaking identical roles are operating on different terms and conditions. This would be easier to achieve with the flexibility of a new company and the option for new terms and conditions, rather than seeking to harmonise within the standard terms and conditions of the lead authority.

The third concern with the Lead Authority model is how the model is unpicked in the event that the Joint Committee arrangements cease, and the three Administering Authorities revert to working independently. Unless the two junior authorities were happy to continue to have their investment and administrative support provided by the Lead Authority, they would be faced with the need to recruit back to their independent teams. Whilst the Lead Authority could well retain the high skills and experience built up over the operation of the joint arrangements, staff grades are now likely to be in excess of those applicable to a smaller fund, and any internal fund management arrangements may no longer be sustainable. It is likely, that in the event of a future return to three independent Pension Committees, purchasing support services from a standalone company wholly owned by the three administering authorities would be seen to be acceptable.

The proposed way forward therefore would involve the establishment of a wholly owned company, limited by shares, to support the work of the Joint Committee.

Wholly Owned Company, Limited by Shares

As noted above, a wholly owned company limited by shares can be established through the purchase of an existing “off the shelf” model. As a separate entity the company can own property, employ staff, enter contracts, and sue and be sued. The three administering authorities would own shares in the company, and their liability would be limited to the value of the shares owned. This could be as little as £1. There would be additional obligations on the new company to produce and provide to companies House a set amount of information on an annual basis.

Shares would not need to be offered to the general public, and as a private limited company the reporting obligations to Companies House are not as onerous. The Administering Authorities would need to appoint Directors to manage the company.

As a company controlled by the administering authorities, there would be no requirement to run a procurement process before entering a contract to provide the investment and administration services, under an exemption often referred to as the Teckal exemption. The Teckal exemption applies when a contracting authority still exercise control over the company that is similar to the control it has over its own departments, and the company provides the essential part of its work for the contracting authority.

The existing staff in the three administering authorities employed to provide investment and administration support would transfer to the new company under TUPE. As noted above, under TUPE all staff transfer on their existing terms and conditions, but we would propose to undertake a harmonisation of these terms and conditions (all three authorities currently operate their own local pay arrangements) at no detriment to the staff. As a company controlled by the administering authorities, the new company would fall under Schedule 2 Part 2 of the LGPS Regulations 2013, and therefore would be able to designate that staff have access to the LGPS.

Consultation Requirements

Given the nature of the proposed changes, there would be a requirement to undertake two consultation exercises. The first would be with key stakeholders under the current arrangements (including current scheme employers and scheme member representatives) to establish their views on the proposals before a final decision is made. It is proposed that each of the three administering authorities undertake their own stakeholder consultation on the principles set out in this document, and all responses are then incorporated into the final report to the current administering authorities.

A separate consultation will also need to be undertaken with the staff impacted by these proposed changes. This consultation will need to focus on the specific impacts for staff and include information on the new structures, any changes to job roles and the process for filling new positions, whether it be by interview or a slotting in process. As the consultation is on a single new structure, the consultation process should be common across all staff. Any feedback from the staff consultation process also needs to be fed back into the final report to the three administering authorities.

SWOT Analysis

A popular tool used to assist businesses in their planning is a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis which is shown on the following page. The analysis compares the proposed model against the status quo, with many of the strengths and opportunities also relative to the options 2 and 3 above.

Strengths • Team resilience • Economies of scale from eliminating duplicated posts • Better Governance → Better Investment Returns • Key man risk mitigation • Reduced aggregated costs	**Weaknesses** • Unravelling back to 3 administering authorities will be problematic
Opportunities • Opportunity to offer differing investment strategies for different Employers • Demonstrate best in class Administration and Investment • Tender for administration contracts • Reduce Investment Management fees via “bulk” purchases • Further reduce fees by directly managing parts of the portfolio • Act as manager for an LGPS Collective Investment Vehicle • Growth by managing funds for other administering authorities (delegated investment functions) • Become the partner of choice for LGPS funds seeking a merger	**Threats** • Mandatory Passive Investment negates case for “merger” • Mandated Mergers by DCLG • Projected cost savings are not achieved • Projected additional returns are not achieved • Staff do not wish to transfer to new service company

Benefits of this proposal

The key benefits of this proposal are:

1. Economies of scale in administration (£0..463 saving see below)
2. Lower management fees (£1.5m-£3m saving)
3. Ability to generate higher returns through better investment governance and internal management
4. Staff resilience
5. Risk mitigation

6. Opportunity to develop alternative investment strategies based on employer risk appetite and funding position

The amalgamation of these benefits should result in:

1. Reduced pressures on Council Tax as costs are reduced and net returns increased
2. Protection of Member Benefits which would also be threatened under the cost management arrangements to cap the overall increase in employer contributions.
3. A more resilient pensions service benefitting members and all other stakeholders.

Timescale

Officers recommend that should this proposal be adopted the Joint Committee assumes responsibility for the three funds on 1 July 2015. On the same date the day to day management of the funds would be transferred into a service company by the transfer of relevant staff. This transfer would be in accordance with the TUPE regulations. An indicative timeline is shown below.

a) Formation of Joint Committee and creation of Service Company

Period	**Action**
September & October 2014	Business Proposal presented to Pension Committees for approval
October – December 2014	Stakeholder and employee consultations
January 2015	Approval sought from Councils for formation of Joint Committee
May 2015	First meeting of Joint Committee to approve formation of service company and appointment of senior officers
1 July 2015	Staff transfer to service company which takes on responsibility for managing the 3 funds

b) Staff Transfers to Service Company.

Period	**Action**
May 2015	Service Company appoints HR advisor
May 2015	Joint Committee appoint senior officers to Service Company (Chief Executive, Investment Director, Pensions Administration Manager, Business Manager)

April - June 2015	Administering authorities consult with staff
May - June 2015	Service Company issues “at risk” notices (if required)
June 2015	Administering authorities issue transfer letter
1 July 2015	Employees transfer to Service Company
Mid July 2015	Redundancy notices issued

Financial Analysis

a) Management Fees

A lot of the Government’s focus has been on cost reduction, with an emphasis on passive rather than active management fees, which does not take into account the net additional benefit active management can bring. Although there are not currently many mandates that are directly comparable across all 3 funds, a simple analysis of the investment mandates of the 3 existing funds indicates that a saving of at least £1.7m could be achieved if the lowest existing base fee were applied wherever there are similar mandates. This does not take into account increased mandate discounts that may be applicable or additional savings that could be generated as a consequence of consolidating mandates across the 3 funds in line with a single new investment strategy agreed by a Joint Committee. This indicates that the £3m saving potential saving identified on the basis of the State Street report is deliverable in this case.

b) Administration Costs

There are also opportunities for savings in the administration costs of a joint fund approach. Even if all existing staff were retained for a period to reduce any initial risks and to enable an effective development and implementation of process improvements, there would still be reasonable savings to be achieved through the joint administration approach almost immediately. The areas where savings could be made as a result of duplication are:

Senior Management Costs of the Administering Authorities (£111k)
Committee Advisers/Investment Consultancy (£215k)
Committee Services (£39k)
External/Internal Audit (£50k)
Performance Management Services (£18k)
Altair (Pensions Administration) System (£30k)

The above savings would be in the order of £463k, before taking into account any structural efficiencies that could be achieved over the medium term once uniform processes and procedures are in place across the whole joint administration function.

The cost of implementation should be no more than £500k covering Consultancy Costs, Legal Advice and setting up new systems.

Pensions Administration

Justification for merging the Pensions Administration Teams

Currently each administering authority has its own pensions administration team (located in Maidenhead, Aylesbury and Cowley). Whilst each team uses the same administration software ("Altair") the productivity of each team varies as shown in the tables below:

Members per fte staff				
	Berks	**Bucks**	**Oxon**	**Combined**
Actives	1550	1143	851	1107
Deferreds	1264	862	580	829
Pensioners	886	679	405	605
	3700	2684	1836	2541

2010/11 Annualised Tasks per Staff				
	Berks	**Bucks**	**Oxon**	**Combined**
Starters	265	170	132	175
Leavers	236	128	167	170
Retirements	68	48	33	46
Estimates	182	95	22	83
ARC's	15	2	5	6
Transfers In	36	14	25	24
Transfers Out	36	34	18	27
Divorces	11	7	5	7
Deaths	30	19	18	21
Changes	402	291	172	264

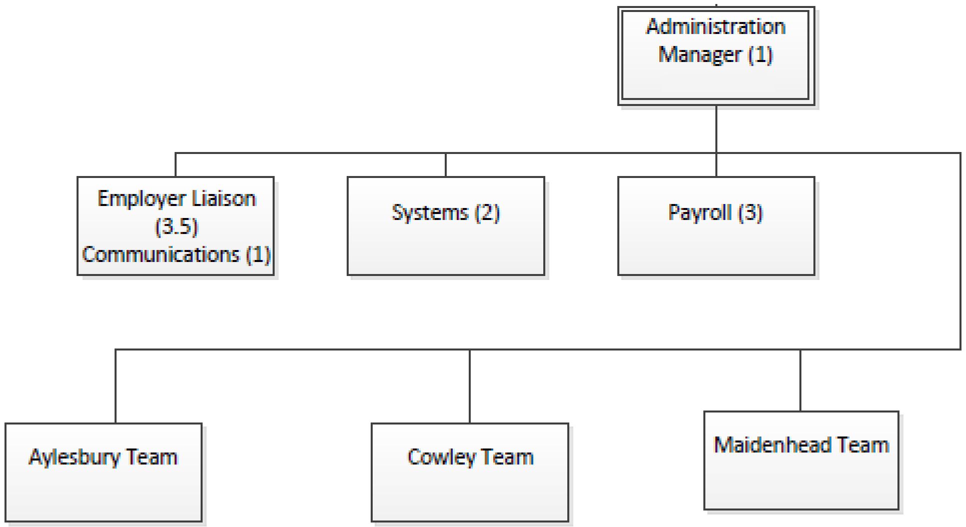
	1282	808	596	824

It is clear that there is a wide disparity in productivity between teams – to a certain extent this can be explained at the "task" level by tasks being defined differently or split into differing stages (which may or may not be recorded separately). Nevertheless there are opportunities to combine and rationalise teams with an overall objective of reducing the administration cost per member. In the first place there is considerable duplication at the management level and with peripheral services such as systems updating and management, payroll service, communications and training where a single team (or individual) could easily service all three teams. This elimination of duplicated services will rapidly result in a reduction in costs as included in the financial analysis above.

In the medium term it is intended that all three teams will adopt the best practice for each task thereby increasing overall productivity levels and facilitating transfer of work between teams to deal with the inevitable "ebbs and flows" that small teams face. It is proposed that the Pensions Administration Manager together with payroll, communications, systems management and other peripheral services will be located at a single location and only pure administration (processing member records, dealing with enquiries, calculating benefits) will be retained at the other two offices which would be managed by a team leader. Over time as staff turnover progresses recruitment would be into a central location with the ultimate objective that the satellite offices will eventually be closed.

All post will be directed to a single location scanned and allocated to administrators on a daily basis. An Administration Manager would be responsible for monitoring and managing workloads. Thus over time teams will gain exposure to members based in other counties than the one they are based in.

It is intended that once agreement is reached to form a Joint Committee a full Project Plan will be developed to ensure that there is a smooth transition to a shared service. Key to this will be the appointment of an Acting Pensions Administration Manager whose primary objective would be to select best practice from across the three authorities and develop procedures that all administration staff would follow thus ensuring common practice in all three offices thereby facilitating the movement of work between offices.
The proposed staff structure is shown in the organisation chart overleaf:



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Opportunities
The principal opportunity is the ability to reduce costs by:

- Utilising best practice across all three authorities to gain operational efficiencies
- Generating efficiency savings by consolidating services such as systems maintenance, payroll and communications

In the medium term by demonstrating lower administration costs per member the combined operation could:

- Bid for administration contracts as a Third Party Administrator as administering authorities seek to reduce their own costs.
- Offer a pensions administration service to other administering authorities wishing to consolidate their fund with a larger and more cost effective fund.

Next Steps
Following the creation of the Joint Committee and appointment of senior Officers the projects that will need to be completed prior to full integration of the three funds will include:

- Appointing staff
- Renegotiating contracts with Heywoods (administration software provider)
- Redirecting post to a single “scanning” centre
- Agreeing common work flows
- Integrating payroll into a single unit with a common pay date
- Consolidating communications (in particular creating a single brand, web-site and printed materials)

Investments and Finance

Justification for a merged Investments and Finance Operation

There have been many studies demonstrating that good investment governance leads to better investment returns after costs. The oft quoted figure is that this increase can be of the order of 1% per annum (equivalent to around £50 million for the combined fund) but for the purposes of this business plan we assume a conservative 0.5% or £25 million per annum of added value (i.e. over and above index returns) can be achieved. This is over and above any fee savings achieved.

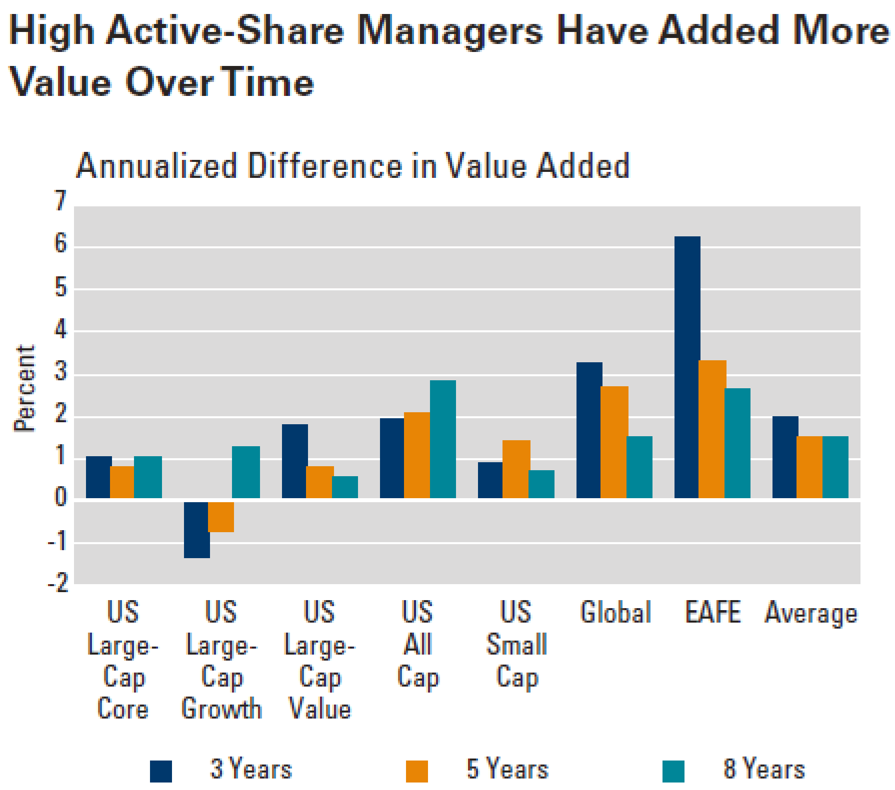
This additional return can be achieved by ensuring that the investment team is adequately resourced to effectively manage a £5.5 billion fund and that members of both the Joint Committee and the Pensions Board have a good understanding of investments. In the proposed structure we recommend that a highly experienced individual with a broad knowledge of differing asset classes be appointed as the Investment Director and he/she is supported by a team of 5 with varying degrees of experience. The Investment Director would focus on asset allocation and reviewing new investment opportunities whilst the other members of the team would be responsible for monitoring existing managers and reporting (with recommendations as necessary) on the performance of the existing managers as well as identifying potential new managers for the Fund.

Whilst it is outwith the remit of this plan Officers are confident that additional value add will be gained by employing, for at least part of the Fund, managers who follow a high conviction strategy. For instance Baillie Gifford who is an existing manager for Oxfordshire has added a net 1.6% per annum over the past decade whilst research commissioned by RBWM showed that high conviction managers add value over time as the table below shows:

	Highly Concentrated	Concentrated	Diversified	Highly Diversified
Value Add % p.a.	1.96%	0.53%	-0.55%	-1.94%

Source: Inalytics Ltd, Research Note 07, March 2013

This is further supported by research from Wellington Management where conviction was measured by a measure known as "active share" (in essence a measure of how much the portfolio varies from an index where 100 implies that no index constituents are held and 0 means that a portfolio exactly matches an index):



Investing in high conviction managers does require an investment team with sufficient resource to understand the manager's investment thesis, monitor performance and have sufficient expertise to be able to challenge managers should performance fade. If we make a conservative assumption that a portfolio of such managers can add 1% per annum to net returns and that 20% of the Fund's assets are in such funds the value add would be in the region of £10 million per annum. A similar amount could also be achieved by using high conviction unconstrained mangers for bonds.

In the medium term, and subject to Joint Committee approval, it would be possible for the investment team to manage directly parts of the equity and bond portfolios thereby eliminating some fund management fees and bolstering net returns.

Another large potential net gain (although it would take some time to achieve) is in the field of private funds. Currently the majority of the 3 funds investments in private equity are via funds of funds where typically the fund of fund manager will levy a management fee of 0.65% per annum. A substantial proportion of this fee could be saved if the combined Fund had sufficient resources to make (and monitor) investments directly with individual private equity firms. In the longer run performance fees would also reduce as there would be less "carry" paid to fund of fund managers.

Finally a strong investment team would be in a position to review and recommend investments in under researched or more complex strategies which are "off the radar" screen for smaller funds reliant on their investment consultants.

The table below gives an indication of the magnitude of additional returns that could be achieved by having a strong investment team with the ability to analyse "active strategies". These additional returns are expressed in terms of additional expected returns over the long term (10 years).

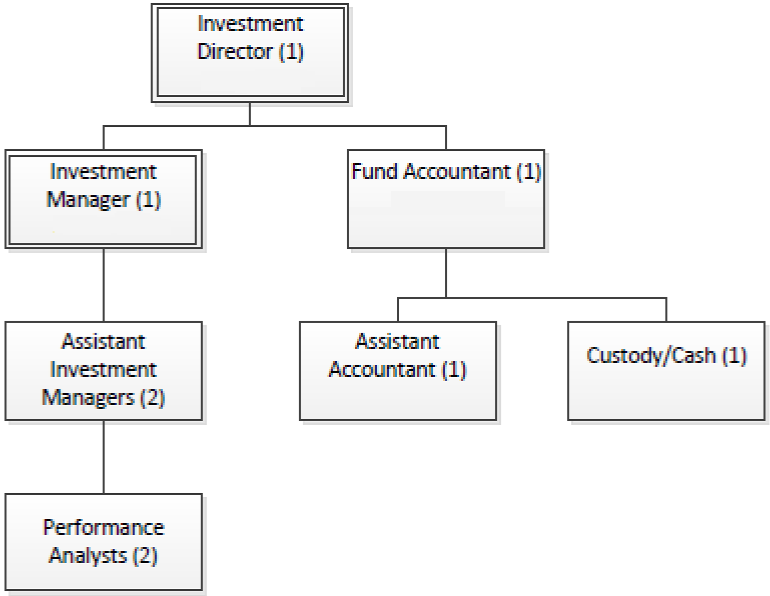
Asset Class	**Range of Additional Return**	**Conservative Estimate**	**Possible Weighting**	**Additional Return £m p.a.**	**Notes**
Listed Equities	1-5%	1%	20%	10.0	Part of portfolio invested with high conviction managers
Private Equity	0.5-1.0%	0.5%	5%	1.25	Reduction in Fees by not using funds of funds
Specialist Global Bonds	1-2%	1%	10%	5.0	
Illiquid Credit Strategies	3-7%	5%	5%	11.25	Driven by complexity and illiquidity premia
Specialist	1-2%	1%	5%	1.25	e.g. Residential, opportunistic funds

Property					
“Bulk Discount” on active management fees	0.0-0.20%	0.1%	50%	2.5	
Asset Allocation Monitoring	0-0.5%	0.1%	Whole Fund	5.0	Better timed implication of asset allocation changes (not tactical asset allocation)
Total				36.25	Equivalent to 0.725% per annum

These figures are illustrative only and much will depend on the investment strategy followed by the Fund.

At the same time, however, it will be important that the Joint Committee and the Pension Board receive adequate training to ensure that they are in a position to judge the suitability of recommendations that the investment team will make.

Staffing
The organisation chart overleaf shows the proposed staffing for the Investment and Finance team for the Service Company.



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The team will also include the accounting and ancillary financial services for the Fund (overseeing custody relationships, treasury management and managing cash-flows).

This structure will in aggregate provide a more robust team for the combined operation than any of the three administering authorities currently have as stand alone operations

Opportunities

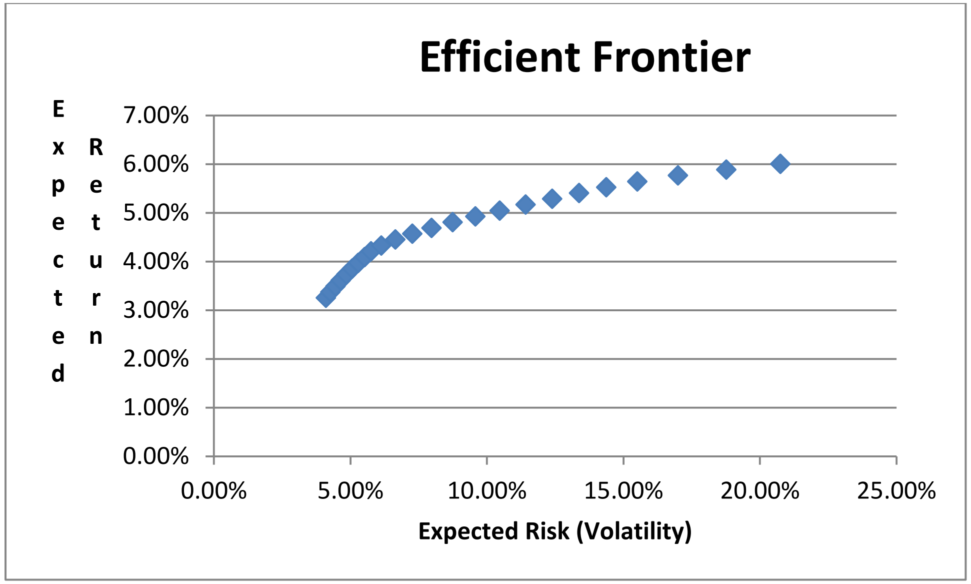
The combined value of the three funds is around £5.5 billion spread across a wide range of asset classes and fund managers.
One of the advantages of having such a sized fund is that it will be able to offer employers a choice of investment strategies appropriate to both the size of the employer but also its ability to tolerate risk. Thus employers will be able to decide at a local level the strategy they wish to be invested in rather than the current one size fits all. At the current time our thoughts are that two or three strategies could be offered:

A) Higher Risk – invested in higher risk/higher return assets taking advantage when available of the illiquidity premium. Asset classes that could be included are equities (“high” alpha strategies), private equity (single funds, co-investments), infrastructure (with a capital growth bias), commodities, property (capital growth orientation), hedge funds (individual holdings). Such a strategy would be more appropriate for employers with a strong covenant, and low maturity (i.e. higher percentage of active members relative to deferred members and pensioners)

B) Lower Risk – equities (focus on lower risk products), fund of funds private equity, income orientated property (including residential), fund of funds hedge funds, income orientated infrastructure (i.e. focus on mature projects), bonds, index-linked gilts and convertible bonds (bonds with an equity related upside). Such a strategy would suit employers with high levels of maturity or a short term admission into the Fund

C) Medium Risk – an amalgam of strategies A and B offering employers a “halfway house” and would be the default option.

There are a number of ways that can be used to establish the mix of assets within each strategy. The most common way (albeit with several heroic assumptions being made) is via the use of an “efficient frontier” – to create an efficient frontier 3 items of information are required: expected return and volatility and the correlation of returns between each asset class. This information is input into a “mean variance optimiser” to create a set of portfolios which offer the highest expected return at specific levels of risk. The chart below prepared by JP Morgan Asset Management using RBWM’s expected returns and JP Morgan’s volatility and correlation assumptions shows, as should be expected, that higher returns require greater risk to be taken. (Note that expected returns are in excess of inflation).



The Fund's investments in each asset class would be "unitised" and each strategy would hold units in the requisite asset classes. Employers would be able to select which strategy they wish to be in although the Joint Committee would have the final say (for instance if an employer with a weak covenant and a large deficit was to select the higher risk capital growth strategy but the Committee though the lower risk strategy would be preferable for the common good of all employers). It should be noted that at this stage this is only a suggestion (but one with considerable merit) and much work needs to be done on implementation particularly with respect to the mechanics of unitisation and ensuring that cash flows are managed effectively.

Looking further ahead by developing a well resourced investment team and establishing sub funds the combined operation will be in a strong position to act as an investment expert for the LGPS and potentially to offer investment services including the management of collective investment vehicles to other LGPS funds.

Next steps
Following the creation of the Joint Committee and appointment of senior Officers the projects that will need to be completed prior to full integration of the three funds will include:

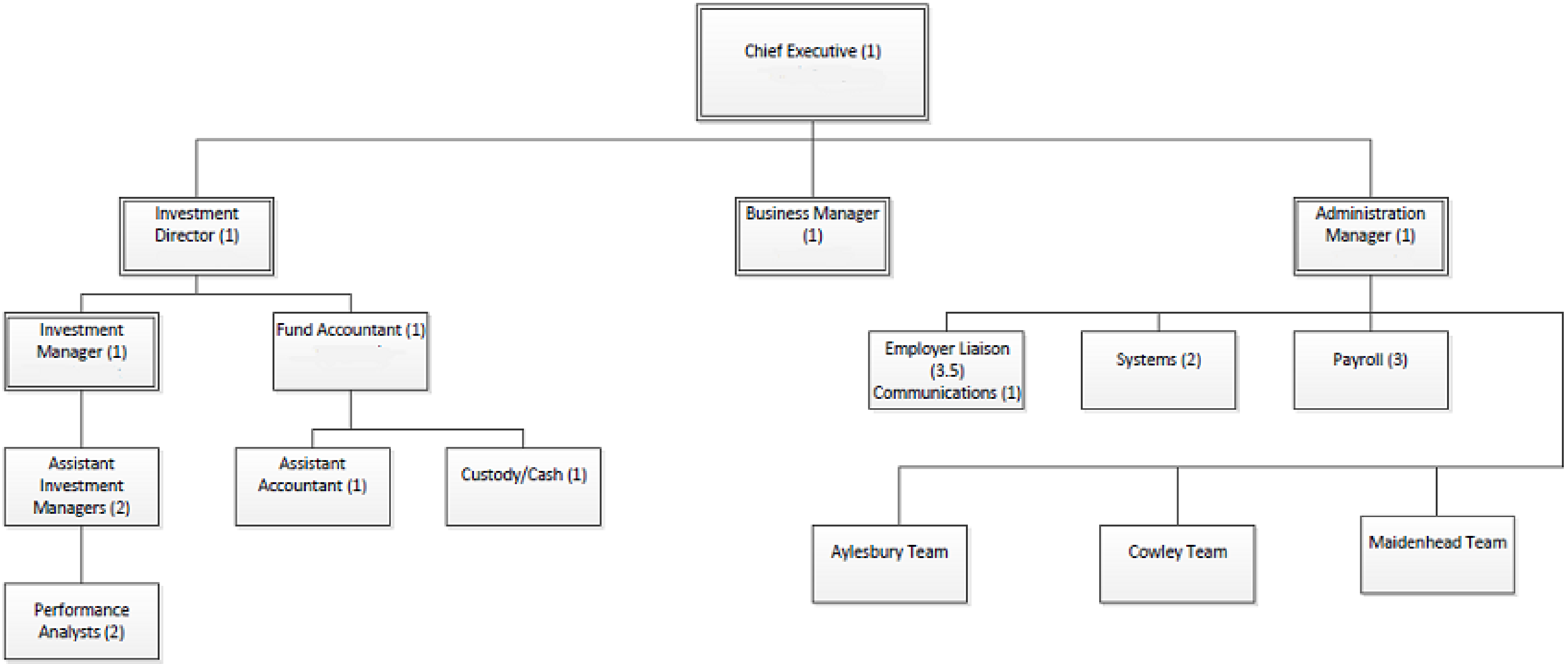
- Appointing staff
- Agreeing investment strategies with the Joint Committee

- Consideration to the forming an Investment Sub Committee
- Appointment of Independent Investment Advisers
- Designing investment mandates and tendering for managers (via framework agreements to facilitate changes in managers)
- Tendering for a single global custodian
- Merger of funds and implementing new investment strategies

Time Scales
Assuming that the Joint Committee comes into effect on 1 July 2015.

Period	Action
July- October 2015	Consult with employers on attitude to risk and preferred investment strategies
July – December 2015	Formulate Investment Strategies
January 2016 - October 2016	Tender for managers as required
October- November 2016	Agree with Actuary discount rates for each investment strategy
December 2016	Appoint new managers as required
January- February 2017	Valuation results discussed with Employers – final strategy elections made
1 April 2017	New strategies come into effect and Employers assigned accordingly
1 April 2017	Revised Contribution rates (set with regard to Employer's choice of strategy) come into force

Organisation Chart – Service Company



Risk Analysis

Risk	Unmitigated Risk			Mitigating Actions	Mitigated Risk		
	Likelihood	Impact	Overall		Likelihood	Impact	Overall
No buy-in from DCLG	Low	High	Medium	Ministers appear to be keen to explore the opportunity of better collaboration between LGPS Pension Funds	Low	High	Medium
Level of Investment Returns/ savings indicated not achieved	Low	Medium	Medium	The level of immediate savings is relatively modest. Longer term "savings" through better investment returns will need continuous monitoring and mitigating action taken if they are not forthcoming.	Low	Low	Low
Not being able to retain Administration staff to enable to business continuity	High	High	High	Operation of satellite offices to retain existing administration staff and transition to single office over time.	Low	Medium	Low
It takes a long time to generate the savings/ performance improvements.	Medium	Low	Low	A comprehensive project plan with clear and achievable objectives identifying where, how and when savings can be made.	Medium	Low	Low
Cost of implementation is greater than anticipated	High	High	High	Comprehensive project planning and budgeting.	Low	Low	Low
Enforced alternative merger by DCLG, because the proposed combined Fund would not be deemed optimum	Medium	High	High	On-going discussions with DCLG will allow the 3 authorities to influence the shape of any merged LGPS fund and get DCLG buy-in.	Low	Low	Low

Risk	Unmitigated Risk			Mitigating Actions	Mitigated Risk		
	Likelihood	Impact	Overall		Likelihood	Impact	Overall
Not all administering authorities agree to proceed with the recommended proposal	Low	High	Medium	Early consideration by all 3 administering authorities before undertaking more detailed work and holding discussions with DCLG will ensure that there is collective buy-in before proceeding any further.	Low	Low	Low

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OXFORDSHIRE PENSION FUND
REPORT AND ACCOUNTS 2013/14
Registered Number: PS049/20

CONTENTS

FOREWORD TO THE 2013/14 PENSION FUND REPORT AND ACCOUNTS BY THE CHIEF FINANCE OFFICER

Introduction

The focus on public sector pensions continued throughout 2013/14, and it was another busy year for the Oxfordshire Local Government Pension Scheme (LGPS) Fund. The major work centred on preparation for the implementation of the New Look Scheme from 1 April 2014. The new scheme design included the switch from final salary to career average salary benefits, the introduction of a new 50:50 option and changes to the employee contribution bands and contribution rates. The changes in both payroll and pension systems; employer and administering authority processes and information returns;' as well as the widespread communications to employers and scheme members became more challenging with the late publication from the Government of the transitional arrangements for current scheme members. To date the effort seems to have paid off and the implementation of the new arrangements has gone fairly smoothly.

In addition to the implementation of the new scheme, 2013/14 was also a Valuation year. This involved working with employers and the Fund Actuary to review the current and projected scheme assets and liabilities and agree employer contribution rates for the next three years. Overall, the funding level has improved with assets now covering 82% of the liabilities compared to 79% three years ago. The improvement stems from better than expected investment performance over the three years, as well as lower than assumed pay increases. For employers though, the average contribution rate has increased from 19% to 19.3% of pensionable pay, reflecting a reduction in expected investment returns going forward as well as a lower pay base on which to re-cover past deficits.

There was limited movement in the asset allocation during 2013/14 but the year did end with a fundamental asset allocation review. Key decisions taken were to end the allocation to hedge funds and reduce the allocation to equities, allowing for new investments in Infrastructure and Diversified Growth Funds which will be implemented during 2014/15.

This report sets out in more detail some of the key information with regard to the Pension Fund, including the audited accounts, information on the Fund's investments, the performance of Fund Managers, and the key strategy documents which drive the governance of the Fund.

Background

The Oxfordshire Pension Fund is administered by Oxfordshire County Council. There are now over 120 employers within the Fund, including 38 Academy Schools. This is a 50% increase in employer numbers over the last couple of years. The increase reflects the changing nature of public service delivery. Each new Academy and each new service provider following an out-sourcing of previous Council provided services, forming a new employer within the Fund.

The number of active members as at March 2014 was up compared to the same time last year, now totalling 20,511. The numbers of pensioners and deferred members have also risen to 12,879 and 20,087 respectively.

Importantly, the Fund remains cash positive collecting around £1m each month more than it pays out by way of benefits. This allows the Fund to retain an investment strategy which maximises the long term returns to the Fund, without the restriction of maintaining high levels of cash or liquid assets to meet pension payments.

Investment Performance and Asset Allocation

Investment performance over the last year was below benchmark, with an overall return on the Fund of 6.7% against the benchmark of 7.5%. The two strongest asset classes were property (increase of 10.5%) and UK equities (9.9%), whereas it was a poor year for fixed income losing 1.4%.

Baillie Gifford was again the strongest performing manager, beating their benchmark in 2013/14 by 2.3% and leading to an average 3 year outperformance of 3.5%. Overall the Fund's performance over a 3 year period was 8.2%, just below the benchmark of 8.5%. Wellington, the latest appointment, returned 0.7% below their benchmark for the year but figures towards the end of the year suggested their value style was beginning to be reflected by out-performance in the markets.

The Future

There remains a significant change programme to be delivered. Following a Government Call for Evidence, a consultation exploring the benefits of switching from active management for all quoted investments and into passive funds, where investments are made in line with a given index was issued in May. The consultation also seeks views on moving investments into Collective Investment Vehicles which will benefit from increased economies of scale.

Locally, the Oxfordshire Pension Fund Committee is still exploring the costs and benefits of joint working with the Pension Funds of Buckinghamshire and Berkshire. Whilst the Government has ruled out a full scale merger, we are still exploring the benefits of a Joint Committee supported by a single organisation to manage the three funds.

There will also be the challenge of setting up the new governance arrangements required under the Public Service Pensions Act, including the new local Pension Boards which are proposed to comprise equal representation from employers and scheme employees. The Government are running a separate consultation on this at present.

The third Government consultation due out shortly will focus on cost management going forward, and the mechanism to limit movement in the average employer contribution through changes to employee rates or scheme benefits.

2014/15 therefore promises to be yet another eventful year for the LGPS in Oxfordshire. We look forward to the challenge.

Lorna Baxter
Chief Finance Officer June 2014

Statement of Responsibilities for the Pension Fund

The County Council's Responsibilities

The County Council is required to:

- make arrangements for the proper administration of the financial affairs of the Pension Fund and to ensure that one of its officers has the responsibility for the administration of those affairs. For the County Council, that officer is the Chief Finance Officer;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

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

The Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Pension Fund's accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 ('the Code of Practice').

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

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

The Chief Finance Officer has also:

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

LORNA BAXTER
Chief Finance Officer

Administering Authority	Oxfordshire County Council PO Box 12 County Hall Oxford OX1 1TH
Administrator	Chief Finance Officer

Pension Fund Committee County Council Members 2013/14 Membership	Cllr Stewart Lilly (Chairman) Cllr Patrick Greene (Deputy Chairman) Cllr Lynda Atkins Cllr Surinder Dhesi Cllr Jean Fooks Cllr Nick Hards Cllr Richard Langridge Cllr Sandy Lovatt Cllr Neil Owen
Representatives of District Councils	Cllr Hywel Davies (WODC) Cllr Jerry Patterson (VOWHDC)
Beneficiary Observer	Paul Gerrish
Independent Investment Adviser	Peter Davies AllenbridgeEpic Investment Advisers Limited
Fund Managers	Adams Street Partners Baillie Gifford Legal & General Investment Management Partners Group UBS Global Asset Management UBS Wealth Management Wellington Management
Actuary	Alison Hamilton FFA Barnett Waddingham LLP
Auditor	Ernst & Young LLP
AVC Provider	Prudential Assurance Company Ltd
Custodian	BNY Mellon (to Sep 2013) / BNP Paribas (from Sep 2013)
Performance Management	WM Performance Services

MEMBERS, MANAGERS & ADVISORS

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 Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2007 [as amended] (effective from April 2008).[1] 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 recent scheme amendment enables the Academy Schools to be a full employer in the scheme in their own right. A list of all those bodies with employees currently participating in the Scheme is shown on pages 8 to 10.

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. Since 2011 the amount is based 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.

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

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 2013-14 were based on the completed valuation of the Scheme's financial position as at 31 March 2010 and are shown on pages 8 to 10. The results of the next actuarial valuation, taking place in 2013 will coincide with the introduction of major scheme changes to reflect the outcome of the Hutton Report and required government savings, to be operational from April 2014.

♦ 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 56 to 58.

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 set by HMRC with additional reporting timetables for 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.

PARTICIPATING EMPLOYERS

Scheduled Bodies	Contribution Rate Payroll % 2013/14	Contribution Rate Additional Monetary Amount 2013/14
Abbey Woods Academy	19.3	-
Abingdon Town Council	15.1	£11,800
Abingdon & Witney College	14.4	£87,000
Activate Learning	13.9	£178,000
Aspirations Academy Trust	19.3	-
Banbury Town Council	15.1	£13,600
Bartholomew School Academy	19.3	-
Benson Parish Council	15.1	£1,600
Berinsfield Parish Council	15.1	£600
Bicester Town Council	15.1	£8,100
Blackbird Multi Academy Trust	19.3	-
Bloxham Parish Council	15.1	-
Burford School	20	-
Carterton Town Council	15.1	£3,300
Cherwell District Council	13.9	£1,095,000
Cherwell School Academy	19.3	-
Chalgrove Parish Council	15.1	-
Cheney Academy School	19.3	-
Chinnor Parish Council	15.1	£2,500
Chipping Norton School Academy	19.3	-
Chipping Norton Town Council	15.1	£1,700
Cholsey Primary School (OPEN)	19.3	-
Cumnor Parish Council	15.1	£1,000
Didcot Girls' Academy	19.3	-
Didcot Town Council	15.1	£9,000
Dominic Barberi Multi Academy Co	19.3	-
Europa School	19.3	-
Eynsham Parish Council	15.1	£800

Scheduled Bodies (cont)	Contribution Rate Payroll % 2013/14	Contribution Rate Additional Monetary Amount 2013/14
Faringdon Academy of Schools	19.3	-
Faringdon Town Council	15.1	£3,500
Gillots School Academy	19.3	-
Gosford Hill Academy School	19.3	-
Hanwell Fields Academy	19.3	-
Henry Box School	19.3	-
Henley College	14.6	£54,000
Henley-on-Thames Town Council	15.1	£9,700
Heyford Park Free School	19.3	-
Isis Academy School	19.3	-
John Mason Academy Trust	19.3	-
Kidlington Parish Council	15.1	£7,100
Ladygrove Park Primary School	19.3	-
Langtree School Academy	19.3	-
Long Hanborough Parish Council	15.1	-
Lord Williams School	19.3	-
Littlemore Parish Council	*	-
Malborough CE VC School	19.3	-
Manor School Didcot Academy Trust	19.3	-
Marcham Parish Council	15.1	£500
North Hinksey Parish Council	*	-
Northern House School	19.3	-
North Oxfordshire Academy	13.1	£33,000
Old Marston Parish Council	15.1	£300
Oxford Brookes University	18.5	-
Oxford City Council	20.2	-
Oxfordshire County Council	19.3	-
Oxford Diocesan Trust	19.3	-

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Scheduled Bodies (cont)	Contribution Rate: Payroll % 2013/14	Contribution Rate: Additional Monetary Amount 2013/14	Admitted Bodies	Contribution Rate: Payroll % 2013/14	Contribution Rate: Additional Monetary Amount 2013/14
Oxford Spires Academy	14.5	£32,700	A2 Dominion	13.7	£54,000
Radley Parish Council	15.1	-	Adviza	19.3	-
Ramsden Parish Council	15.1	-	Allied Healthcare	19.3	-
Risinghurst & Sandhills Parish Council	*	-	Banbury Citizens Advice Bureau	13.7	£2,000
Rotherfield Greys Parish Council	15.1	£100	Banbury Homes	13.7	£3,000
Rotherfield Peppard Parish Council	15.1	£300	Banbury Museum Trust	23.1	-
Propeller Academy Trust	19.3	-	Barnardos	19.3	-
Rush Common School Academy	19.3	-	CAPITA (Vale)	14.1	£25,000
Sonning Common Parish Council	15.1	-	Capita Symonds Ltd	19.3	-
South Oxfordshire District Council	13.3	£400,000	Cara Services Ltd	19.3	-
St Birinus Academy	19.3	-	Care Outlook Ltd	19.3	-
St John's Academy Trust	19.3	-	Carillion (AMBS) Ltd	19.3	-
Sutton Courtenay Parish Council	15.1	£600	Cater Link Ltd	14.9	-
Thame Town Council	15.1	£12,200	CfBT Career Service	16.2	£9,000
The Oxford Academy	14.9	£36,000	Charter Community Housing	15.1	£79,000
Tynedale School	19.3	-	Civica	19.3	-
Vale Academy Trust	19.3	-	Community Voice	19.3	-
Vale of White Horse District Council	14.5	£520,000	Cottsway Housing Association	14.1	£231,000
Wallingford School Academy	19.3	-	Fresh Start Ltd (Bloxham School Contract)	19.3	-
Wallingford Town Council	15.1	£7,000	Fresh Start Ltd (Sibford Gower School Contract)	19.3	-
Wantage Town Council	*	-	Fusion Lifestyle	20.2	-
West Oxfordshire District Council	14.4	£430,000	Home Farm Trust - South & Vale 1 Contract	19.3	-
Wheatley Parish Council	15.1	£900	Home Farm Trust - South & Vale 2 Contract	19.3	-
Whitchurch Parish Council	*	-	Leonard Cheshire Disability	19.3	-
Willowcroft Academy Trust	19.3	-	Nexus Community	14.4	-
Witney Town Council	15.1	£12,400	Order of St John's Care Trust	19.3	-
Woodstock Town Council	15.1	£1,000	Oxford Archaeological Unit	13.7	£118,000

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	Contribution Rate 2013/14	Additional Monetary Amount 2013/14
Oxford Citizens' Housing Association	19.3	-
Oxford Community Work Agency	13.7	£7,000
Oxford Health NHS Foundation Trust	19.3	-
Oxford Health NHS Foundation Trust (Reablement)	19.3	-
Oxford Homeless Pathways	13.7	£16,000
Oxford Inspires	13.1	£5,000
Oxfordshire South & Vale Citizen's Advice Bureau	13.7	£1,000
Oxfordshire Youth Arts Partnership	13.7	£3,000
Reading Quest	*	-
RM Education	12	£1,400
School Lunch Company - Tower Hill School	24.6	-
School Lunch Company - Cumnor School	24	-
Skanska Construction UK Ltd	14.6	-
SOLL Vale	15.8	£8,000
Sovereign Vale	21.1	-
Stonham Services	13.7	£3,000
Swalcliffe Park School Trust	13.7	£41,000
Thames Valley Partnership	13.7	£6,000
The Camden Society - City 1 Contract	19.3	-
The Camden Society - City 2 Contract	19.3	-
The Camden Society - North Contract	19.3	-
The Camden Society - West Contract	19.3	-
The Cleaning Co-op	19.3	-
United Sustainable Energy Authority	14.8	£7,000
West Oxon Citizens' Advice Bureau	13.7	£5,000

* No active members at the date of the last valuation (31 March 2010). A contribution rate will be advised by the actuary at the date an active member joins the fund.

Investment Review 2013/14

Economic Background

The UK economy confounded most forecasters by growing strongly in the second half of 2013, and recording 1.7% GDP growth for the full year. The United States and Japan grew by similar amounts, but the Eurozone contracted, as it had in 2012, by 0.4%. China's growth, at 7.7%, represented a slowdown on recent years.
Official forecasts for the UK in 2014 centre on a figure of 3%, although the durability of the strong contribution from private consumption must be in doubt at a time when real incomes are at best flat.
Central Banks continued to provide abundant liquidity during the year, with Japan embarking on a massive programme of monetary stimulus, and the US Federal Reserve injecting $85bn of Quantitative Easing (QE) each month. When the Fed indicated in May and June that it would be 'tapering' this sum in due course, share and bond markets fell sharply – even though an eventual reduction in the level of QE was a known factor. The start of tapering was unexpectedly delayed from September until January 2014, since when the sum has been reducing by $10bn each month. The European Central Bank, meanwhile, cut its interest rate by ¼% in May - to stimulate growth - and then by a further ¼% in November, in an attempt to ward off the threat of deflation. The Bank of England, under the new Governor, Mark Carney, has retreated from its policy of 'official guidance', but is not expected to increase interest rates before the spring of 2015.

Market Returns

While Global Equities produced a total return of just 6.8% during the year to March 2014, there was a sharp divergence between Developed Markets (+8.8%) and Emerging Markets (-10.8%). European and North American equities registered solid gains, but Emerging Markets were badly hit by withdrawals of capital following the Fed's 'taper' announcement in May/June 2013. They suffered again when the Argentinian peso slumped in January 2014, to be followed by weakness in the Turkish, South African, Brazilian and Chilean currencies. In February, the situation in Ukraine, and the Russian annexation of the Crimea, gave rise to increased nervousness across European stock markets.

In government bond markets, prices fell as the 10-year yields on US and UK bonds rose by almost 1% from their extremely low levels of March 2013, while yields on German 10-year bonds rose by just ¼% during the year. Yields on peripheral European bonds (Italy, Portugal and Greece) moved lower, as investors became less worried about a break-up of the Eurozone and governments began to implement austerity measures. Investors' search for yield caused rises in corporate bond prices, even in the sub-investment grade category.
Elsewhere, UK commercial property delivered double-digit returns as the demand for Office and Industrial properties surged from mid-2013; Retail property, however, remained subdued.

The Oxfordshire County Council Fund achieved a total return of 6.7% for the year, compared with a 7.5% return on its benchmark (see section on Investment Benchmark and Performance for more detail).

Outlook

The strong gains seen in Developed Market equities since the summer of 2011 have been largely driven by sizeable injections of liquidity from Central Banks in the form of QE. As the Federal Reserve gradually turns off the taps the slowdown in equities has become noticeable, and when interest rates in the US and UK are eventually increased towards more normal levels, we expect to see a softening in equity markets unless corporate profits can expand to justify current levels.

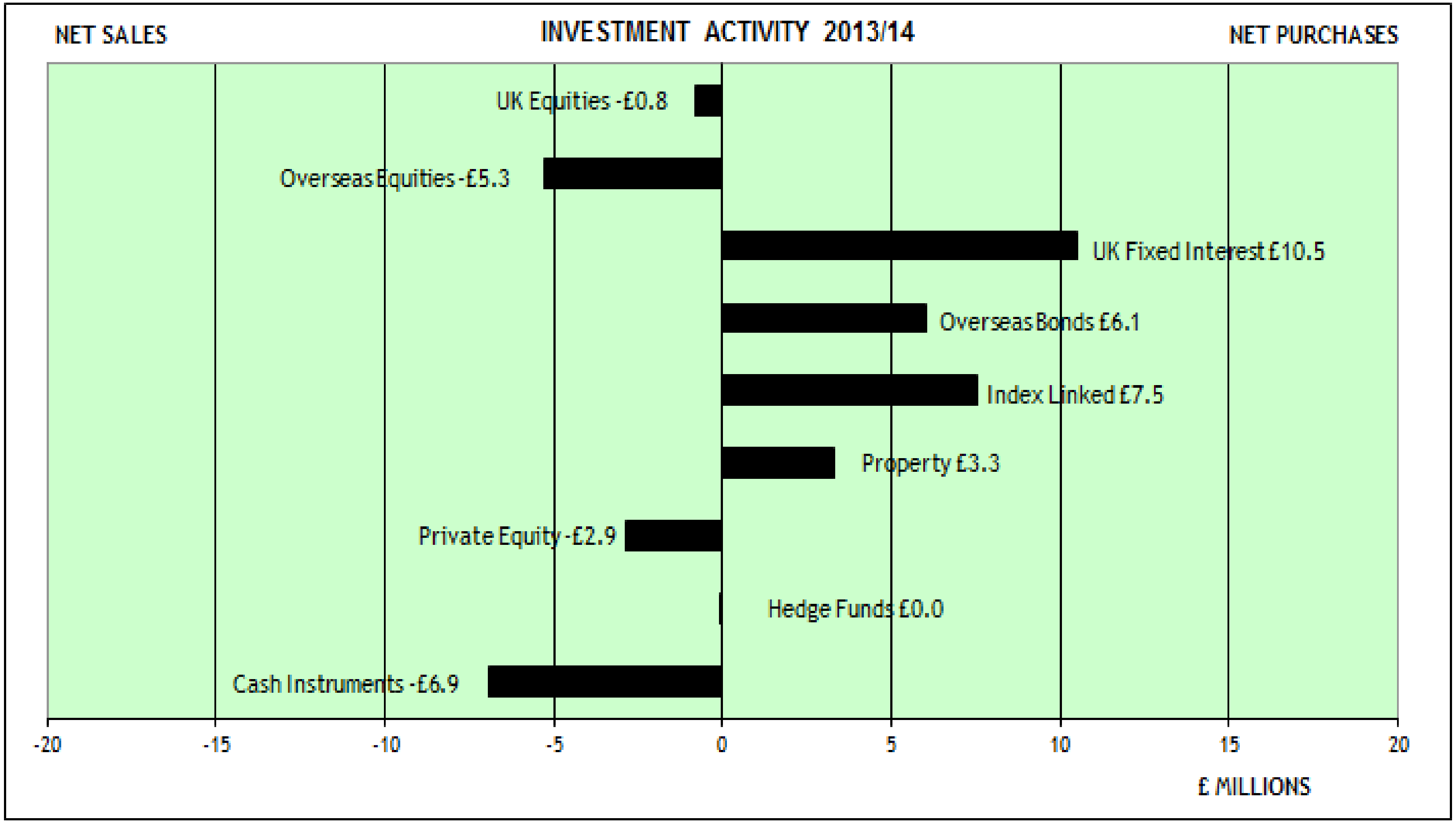
Meanwhile, in our view, medium- and long-term bonds do not offer attractive levels of real return, and yields can be expected to rise as short-term interest rates are increased.

Table showing the total returns (capital plus income) in sterling terms calculated on major indices for the year to 31 March 2014.

SECTOR		INDEX	% Total Returns Year to 31.3.14
Equities	Global	FTSE All World	6.8
	UK	FTSE Actuaries All Share	8.8
	North America	FTSE North American Developed	10.3
	Japan	FTSE Japan Developed	-1.6
	Europe	FTSE Europe (ex UK) Developed	18.3
	Asia Pacific (ex Japan)	FTSE Asia Pacific (ex Japan) Developed	-6.6
	Emerging Markets	FTSE Emerging Markets	-10.8
Bonds	UK Government	FTSE Government UK Gilts All Stocks	-2.6
	UK Index-Linked	FTSE Government Index- Linked (over 5 years)	-4.4
	UK Corporate Bonds	iBoxx Sterling Non-Gilt All Stocks Index	1.5
	Overseas	JP Morgan Traded WXUK	-8.5
Cash	UK	7 DAY £ LIBID INDEX	0.4
Property	UK Commercial	IPD (HSBC) All Balanced Funds Index	11.9

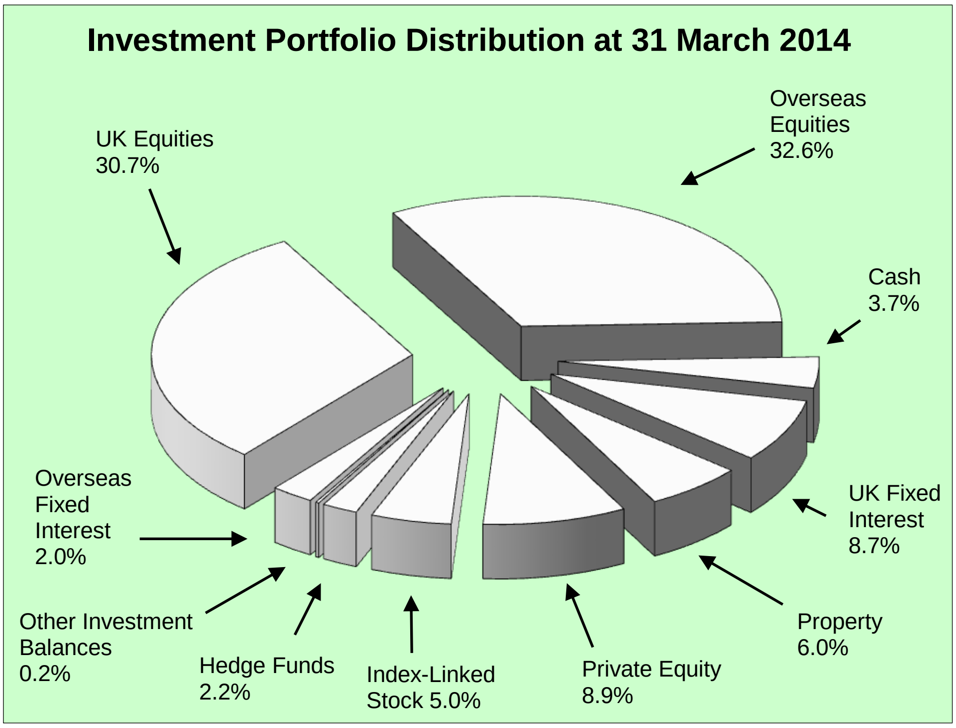
- **Investment Activity**

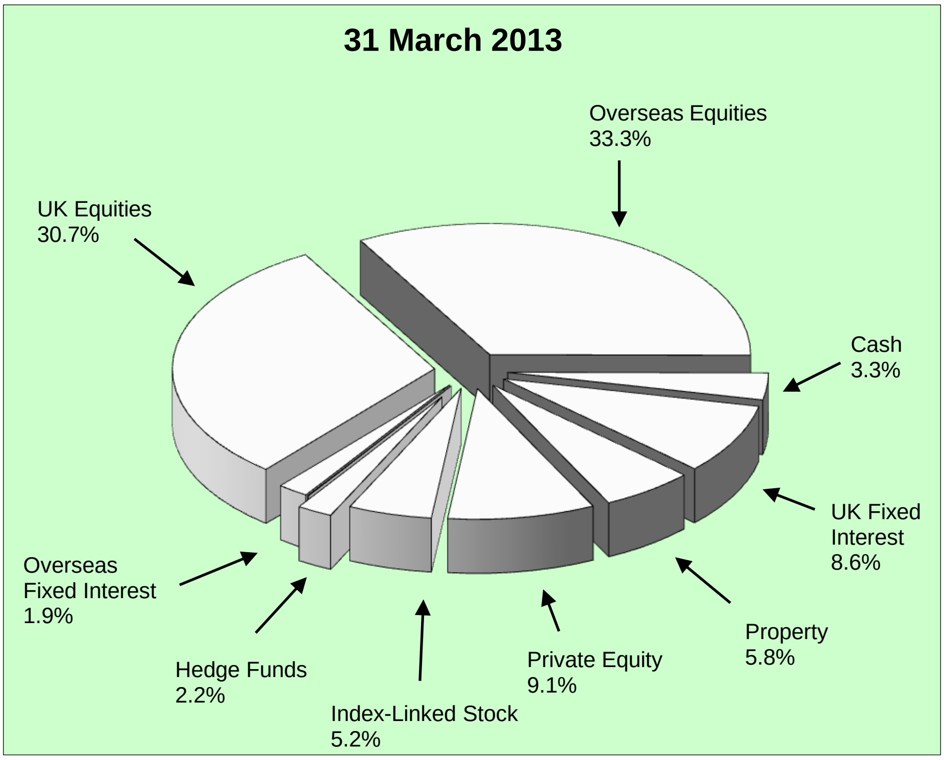
The Pension Fund invested a net £12 million during the year ended 31 March 2014. The amounts invested or disinvested in each principal category of asset are shown in the chart below.

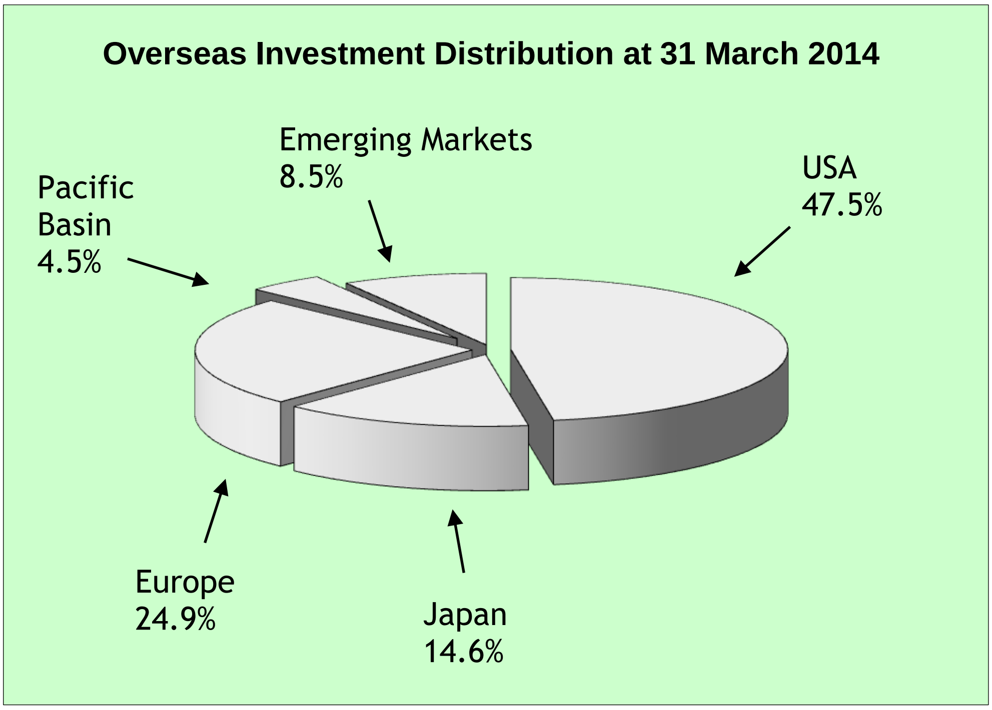


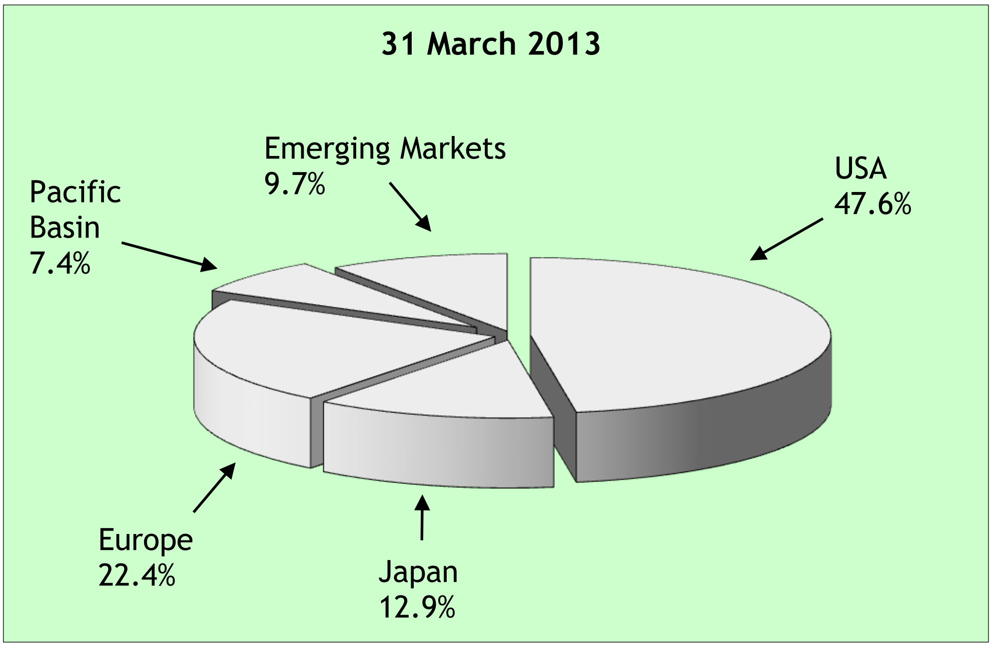
Portfolio Distribution

The distribution of the Pension Fund amongst the principal categories of assets as at 31 March 2014 is shown in the chart below. A comparative chart of the position at 31 March 2013 is also shown. The two further charts show the distribution of overseas investments at 31 March 2014 and 31 March 2013. Changes in the asset weightings, from one year to another, are due to investment activity and market movements.

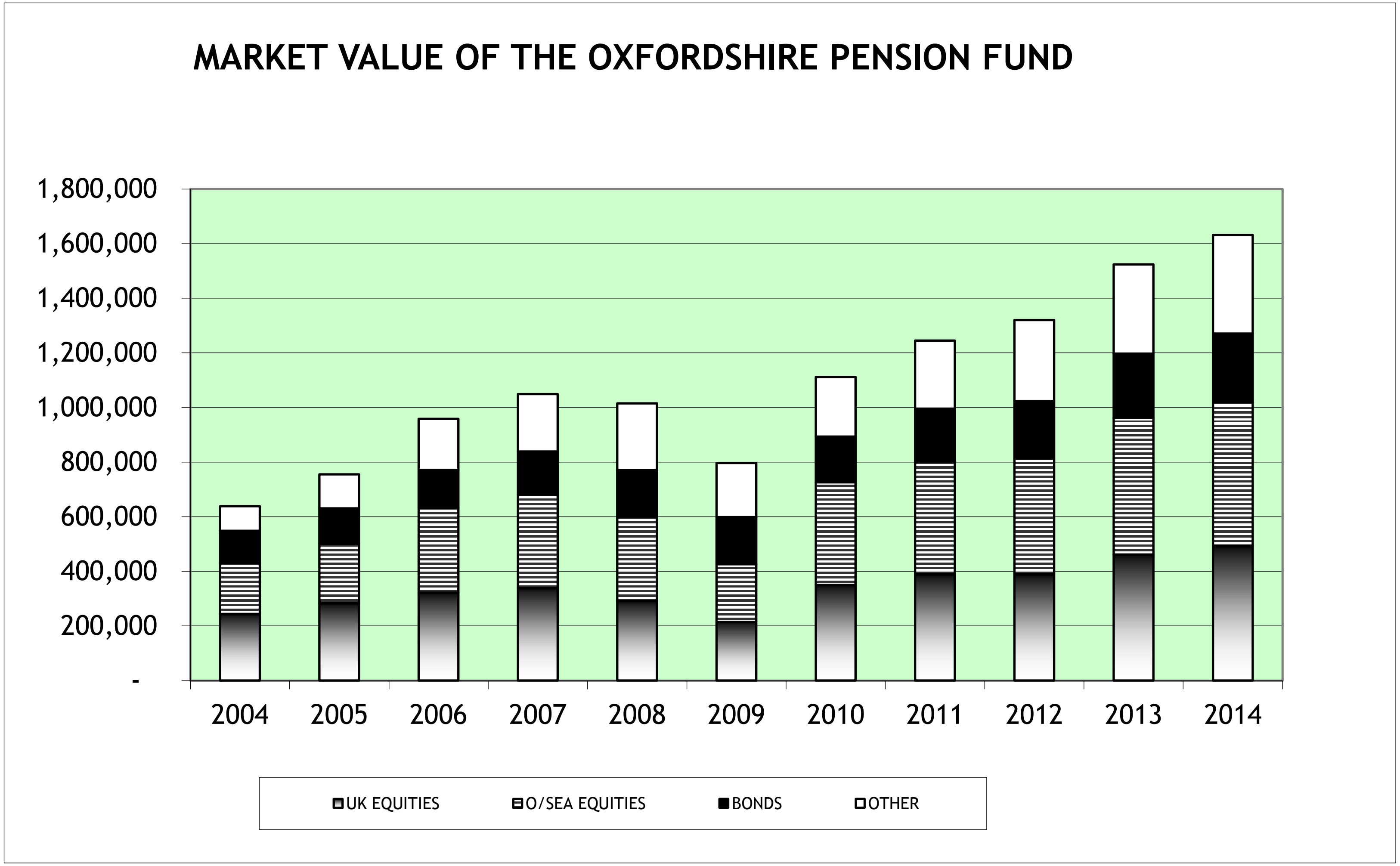





Overseas Investment Distribution at 31 March 2014
Emerging Markets
8.5%
Pacific
Basin
4.5%
USA
47.5%
Europe
24.9%
Japan
14.6%


31 March 2013
Emerging Markets
9.7%
Pacific
Basin
7.4%
USA
47.6%
Europe
22.4%
Japan
12.9%

Portfolio Asset Allocation over the Ten Years to March 2014
The total assets of the Pension Fund have grown from £638 million at end of March 2004 to £1,631 million at end of March 2014 (see chart below). Over the period the percentage in UK equities decreased from 38.2% to 30.3% and bonds decreased from 18.6% to 15.4%



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 strategic asset allocation during 2013/14. During the year officers met quarterly to consider the allocation of assets, rebalancing where appropriate after consultation with the Independent Financial Adviser and the Chairman of the Committee.

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 Committee each September. 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 tables indicate that performance in 2013/14 fell 0.9% below benchmark with an overall return of 6.6%. The table shows the range of returns for 2013/14 across the different asset classes, ranging from losses in respect of gilts to a return of 9.9% on UK equities and 11.0% on property. As well as the volatility between asset classes, the figures also show the volatility between years, with index linked gilts being one of the top performers over three years, despite being the poorest performance in 2013/14. These figures indicate the importance of taking a long term view of investment performance and not making decisions based on short term returns.

Performance over 3 years was 0.4% below benchmark, with the investments in private equity being the largest detractor. It should be noted though that this reflects the high benchmark figure of 14.5% in line with the FTSE Smaller Companies index, and the 10.3% return from private equity was only beaten by the three year return on UK equities.

Asset	Strategic Asset Allocation Benchmark %	One Year Ended 31 March 2014		Three Years Ended 31 March 2014	
		Benchmark Return %	Oxfordshire Total Fund %	Benchmark Return %	Oxfordshire Total Fund %
UK Equities	28.8	8.8	9.9	8.8	11.0
Overseas Equities	19.8	6.8	7.7	7.6	6.1
* Global Equities	14.4	6.8	5.7	7.7	7.2
UK Gilts	3.0	-2.6	-2.5	5.5	5.0
Index Linked Gilts	5.0	-4.4	-4.5	8.9	9.3
Overseas Bonds	2.0	-8.5	2.4	0.6	4.2
Corporate Bonds	6.0	1.5	0.5	7.3	7.2
Property	8.0	11.9	11.0	6.1	6.1
Private Equity	10.0	20.4	7.6	14.5	10.3
Hedge Funds	3.0	3.5	7.9	3.7	3.4
† Cash	0.0	-	0.1	-	0.9
Total Fund		**7.5**	**6.6**	**8.5**	**8.1**

* 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 performance of the individual Fund Managers against their benchmark is shown in the following table. Each Fund Manager is given a different target to outperform their benchmark over a three year rolling period. The figures highlight the particularly strong performance of Baillie Gifford over recent years in their management of a UK equity mandate. Over the 3 years to March 2014, they were 3.5% above benchmark against a target out-performance of 1.25% per annum. Wellington only received funding in September 2012 so have yet to complete a full three year's set of results.

Fund Manager	Target %	One Year Ended 31 March 2014		Three Years Ended 31 March 2014	
		Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %
Baillie Gifford UK Equities	1.3	8.8	11.1	8.8	12.3
Wellington Overseas Equities	2.0	6.2	5.5	-	-
UBS Overseas Equities	1.0	6.0	7.7	6.5	6.2
Legal & General UK Equities - Passive	n/a	6.7	6.7	7.6	7.7
Legal & General Ex UK Equities - Passive	n/a	7.7	7.7	-	-
Legal & General Fixed Income	0.6	-1.1	-1.1	7.2	7.2
UBS Property	1.0	11.9	11.5	6.1	5.9
Partners Grp Property	Excess	11.9	1.1	6.1	7.6
Private equity	1.0	20.4	7.6	14.5	10.3
UBS Hedge Funds	Excess	3.5	7.8	3.7	3.4
Cash	n/a	0.4	0.5	0.4	0.9
Total Fund		**7.5**	**6.6**	**8.5**	**8.1**

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. The figures indicate that whilst performance has fallen below benchmark for each period, it has exceeded the average return for all LGPS funds over the last 1, 3 and 5 years, though slightly behind over 10 years.

% Returns per annum for the financial year ended 31 March 2014				
Actual Returns	1 year	3 years	5 years	10 years
Oxfordshire Total Fund Return	6.6	8.1	13.5	7.5
Average Returns and other Comparators				
WM Local Authority Average Return	6.4	7.5	12.7	7.8
Oxfordshire Benchmark	7.5	8.5	14.2	8.1
Retail Price Index	2.5	3.1	3.8	3.3
Average Earnings	2.2	1.0	2.3	3.2

*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 2014			
	Notes	2014 £'000	2013 £'000
Contributions and Benefits			
Contributions Receivable	7	(80,620)	(78,406)
Transfers from Other Schemes	8	(5,211)	(5,769)
Other Income	9	(476)	(528)
Income Sub Total		**(86,307)**	**(84,703)**
Benefits Payable	10	70,139	65,846
Payments to and on Account of Leavers	11	4,384	4,215
Administrative Expenses Borne by the Scheme	12	1,469	1,406
Other Expenses	9		0
Expenditure Sub Total		**75,992**	**71,467**
Net Additions from dealings with members		**(10,315)**	**(13,236)**
Returns on Investments			
Investment Income	13	(23,288)	(17,850)
Commission Recapture		(1)	(1)
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	17a	(77,626)	(175,818)
Less Investment Management Expenses	14	3,611	3,064
Less Taxes on Income	13	156	87
Net returns on Investments		**(97,148)**	**(190,518)**
Net Increase in the Net Assets Available for Benefits During the Year		**(107,463)**	**(203,754)**
Opening Net Assets of the Scheme		1,523,748	1,319,994
Closing Net Assets of the Scheme		**1,631,211**	**1,523,748**

£0.032m has been reclassified between Administrative Expenses Borne by the Scheme and Investment Management Expenses for the year ended 31 March 2013. Further details are included in note 12.

Net Assets as at 31 March 2014			
	Notes	2014 £'000	2013 £'000
Investment Assets			
Fixed Interest Securities	17b	74,957	65,628
Index Linked Securities	17b	80,201	77,416
Equities	17b	498,744	455,489
Pooled Investments	17b	703,652	676,896
Pooled Property Investments	17b	97,287	86,589
Private Equity	17b	91,435	90,881
Derivative Contracts	17c	100	813
Cash Deposits	17d	10,285	8,995
Other Investment Balances	17d	5,593	4,247
Investment Liabilities			
Derivative Contracts	17c	(111)	(55)
Other Investment Balances	17d	(2,288)	(5,742)
Total Investments		**1,559,855**	**1,461,157**
Assets and Liabilities			
Current Assets	18	58,816	50,966
Current Liabilities	19	(1,701)	(2,505)
Net Current Assets		**57,115**	**48,461**
Long-Term Assets	20	14,241	14,130
Net Assets of the scheme available to fund benefits at year end		**1,631,211**	**1,523,748**

Note 1 – Description of the fund

This description of the fund is a summary only. Further details are available in the Fund's 2013/14 Annual Report and in the underlying statutes.

General

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. Oxfordshire County Council is the administering body for this pension fund. The scheme is principally governed by the Superannuation Act 1972. The fund is administered in accordance with Local Government Pension Scheme Regulations. The scheme covers eligible employees and elected members of the County Council, District Councils within the county area and employees of other bodies eligible to join the Scheme.

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

Membership

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

Organisations participating in the Oxfordshire County Council Pension Fund include:

- Scheduled Bodies – Local Authorities and similar bodies, such as Academies, whose staff are automatically entitled to become members of the fund.
- Admitted Bodies – Organisations that participate in the fund under an admission agreement between the fund and the organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Admitted Bodies can be split in to two groups:
  - Community Admission Bodies – these are typically employers that provide a public service on a not-for-profit basis and often have links to scheduled bodies already in the fund. Housing Corporations fall under this category.
  - Transferee Admission Bodies – these are bodies that provide a service or asset in connection with the exercise of a function of a scheme employer in certain circumstances. Typically this will be when a service is transferred from a scheme employer and is to allow continuing membership for staff still involved in the delivery of the service transferred.

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

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

	As at 31 March 2014	As at 31 March 2013
Number of Contributory Employees in Scheme		
Oxfordshire County Council	11.434	12,070
Other Scheduled Bodies	7,956	6,657
Admitted Bodies	1,193	1,235
	20,583	**19,962**
Number of Pensioners and Dependants		
Oxfordshire County Council	7,556	7,219
Other Scheduled Bodies	4,635	4,395
Admitted Bodies	713	636
	12,904	**12,250**
Deferred Pensioners		
Oxfordshire County Council	13,076	12,721
Other Scheduled Bodies	6,164	5,512
Admitted Bodies	871	810
	20,111	**19,043**

Thirteen Scheduled Bodies, of which eleven are Academies and two are Parish Councils, plus eleven Admitted Bodies joined the scheme in 2013/14. There was no significant impact on the membership of the scheme because the majority of the new bodies are Academies, whose members were previously in the scheme as County Council employees. Scheme membership of other new bodies is small.

Funding

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The contribution from employees is prescribed by statute, and for the year ending 31 March 2014 rates ranged from 5.5% to 7.5% of whole time equivalent pensionable earnings.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The latest actuarial valuation took place in 2013 and determined the contribution rates to take effect from 01 April 2014.

Benefits

The benefits payable under the Scheme are laid down by the Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007 and are summarised in the following table. Pension payments are guaranteed and any shortfall is met through the Pension Fund through 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.

The scheme also provides a range of other benefits including early retirement, disability pensions and death benefits.

Benefits are index-linked in order to keep pace with inflation. The Government announced in June 2010 that the basis of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1 April 2011.

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

Note 2 – Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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 24.

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 53.

Note 3 – Summary of Significant Accounting Policies

Investments

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

   (a) The majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, as at 31 March 2014.

(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 2014.

(e) Fixed Interest stocks are valued on a 'clean' basis (i.e. the value of interest accruing from the previous interest payment date to the valuation date has been included within the amount receivable for accrued income).

(f) Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using market quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

(g) Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

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

Foreign Currencies

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

Contributions

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

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

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

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

Investment Income

5. Dividends and interest have been accounted for on an accruals basis. Dividends from quoted securities are accounted for when the security is declared ex-div. Interest is accrued on a daily basis. Investment income is reported net of attributable tax credits but gross of withholding taxes. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within ‘Change in Market Value’. Foreign income has been translated into sterling at the date of the transaction. Income due at the year-end was translated into sterling at the rate ruling at 31 March 2014.

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 time spent on scheme administration and investment related business. The fees of the Fund’s general investment managers have been accounted for on the basis contained within their management agreements. Investment management fees are accounted for on an accruals basis.

Expenses

7. Expenses are accounted for on an accruals basis.

Cash

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

Note 4 – Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments
Determining the fair value of unquoted private equity investments is highly subjective in nature. Unquoted private equity investments are valued by the investment managers using various valuation techniques and this involves the use of significant judgements by the managers. The value of unquoted private equity investments at 31 March 2014 was £51.602m (£45.497m at 31 March 2013).

Pension Fund Liability
The pension fund liability is calculated every three years by the funds actuary, with annual updates in the intervening years. Methods and assumptions consistent with IAS19 are used in the calculations. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 28. The estimate of the liability is therefore subject to significant variances based on changes to the assumptions used.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.
The key judgements and estimation uncertainties that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are:-

Item	**Uncertainties**	**Potential Impact**
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. The fund engages an actuarial firm to provide expert advice on the assumptions to be applied.	The actuarial present value of promised retirement benefits included in the financial statements is £2,479m. There is a risk that this figure is under, or overstated in note 30 to the accounts.
Unquoted Private Equity	Unquoted private equity investments are valued at fair value using recognised valuation techniques. Due to the assumptions involved in this process there is a degree of estimation involved in the valuation.	Unquoted private equity investments included in the financial statements total £51.602m. There is a risk these investments are under, or overstated in the accounts.
Fund of Funds Hedge Funds	Fund of Funds Hedge Fund investments are valued based on the sum of the fair values provided	The total value for Fund of Funds Hedge Funds included in the financial

	by the administrators of the underlying funds, plus adjustments that directors of the fund of funds deem appropriate. As these investments are not publicly listed there is a degree of estimation involved in the valuation.	statements is £35.397m. There is a risk that these investments could be under, or overstated in the accounts.

Note 6 – Events After the Balance Sheet Date

There have been no events since 31 March 2014, up to the date when these accounts were signed, which require any adjustments to these accounts.

Note 7 – Contributions

	2013/14 £'000	2012/13 £'000
Employers		
Normal	(43,131)	(41,381)
Augmentation	(18)	0
Deficit Funding	(17,216)	(16,523)
Costs of Early Retirement	(825)	(1,831)
	(61,190)	(59,735)
Members		
Normal	(19,047)	(18,321)
Additional *	(383)	(350)
	(19,430)	(18,671)
Total	**(80,620)**	**(78,406)**

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 24.

	Employer Contributions		Members Contributions	
	2013/14	2012/13	2013/14	2012/13
	£'000	£'000	£'000	£'000
Oxfordshire County Council	(30,690)	(31,967)	(9,552)	(9,819)
Scheduled Bodies	(26,016)	(22,845)	(8,521)	(7,483)
Resolution Bodies	(595)	(607)	(211)	(198)
Community Admission Bodies	(2,334)	(3,087)	(695)	(790)
Transferee Admission Bodies	(1,555)	(1,229)	(451)	(381)
Total	**(61,190)**	**(59,735)**	**(19,430)**	**(18,671)**

Note 8 - Transfers In

	2013/14 £'000	2012/13 £'000
Individual Transfers In from other schemes	(5,211)	(5,769)
Total	**(5,211)**	(5,769)

Note 9 - Other Income and Expenses

Other Income for 2013/14 of £0.476m reflects the interest resulting from the unwinding of the discount for the long-term receivable recognised for transfers to Magistrates' Courts. The long-term receivable was calculated on a discounted cash flow basis. This resulted in a charge to the fund account in the year the long-term receivable was originally recognized, representing the value of the discount. The discount is being written down over a ten year period. Further information regarding the deferred asset is included in Note 20.

Note 10 - Benefits

	2013/14 £'000	2012/13 £'000
Pensions Payable	55,992	52,673
Lump Sums – Retirement Grants	13,124	11,593
Lump Sums – Death Grants	1,023	1,580
Total	**70,139**	**65,846**

	Pensions Payable		Lump Sums	
	2013/14	2012/13	2013/14	2012/13
	£'000	£'000	£'000	£'000
Oxfordshire County Council	27,833	26,281	6,685	7,045
Scheduled Bodies	24,900	23,577	5,779	4,653
Resolution Bodies	474	430	199	56
Community Admission Bodies	1,988	1,742	880	831
Transferee Admission Bodies	797	643	604	588
Total	**55,992**	**52,673**	**14,147**	**13,173**

Note 11 - Payments to and on account of leavers

	2013/14 £'000	2012/13 £'000
Refunds of Contributions	5	6
Payments for members joining state scheme	(4)	(5)
Individual Transfers Out to other schemes	4,383	4,214
Total	**4,384**	**4,215**

Note 12 – Administrative Expenses

	2013/14 £'000	2012/13 £'000
Employee Costs		
- Administrative	727	742
- Investment	142	183
Support Services Including ICT	257	235
Actuarial Fees	68	17
External Audit Fees	21	48
Internal Audit Fees	14	14
Printing & Stationery	33	34
Advisory & Consultancy Fees	86	65
Other	121	68
Total	**1,469**	**1,406**

A number of administrative expenses have been reclassified for 2012/13 following a review of the most appropriate categories for different expenditure items. This includes a net £0.032m that has been reclassified to Investment Management Expenses as detailed in Note 14. The following changes have resulted from the reclassifications: Administrative Employee Costs have increased by £0.045m, Investment Employee Costs have increased by £0.005m, Support Services Including ICT have increased by £0.168m, Advisory & Consultancy Fees have increased by £0.015m and Other Expenses have reduced by £0.265m.

Note 13 – Investment Income

	2013/14 £'000	2012/13 £'000
Fixed Interest Securities	(2,194)	(2,071)
Index Linked Securities	(1,473)	(1,593)
Equity Dividends	(14,674)	(10,030)
Pooled Property Investments	(2,767)	(2,976)
Pooled Investments – Unit Trusts & Other Managed Funds	(613)	0
Interest on Cash Deposits	(219)	(287)
Private Equity Income	(1,333)	(861)
Other – Securities Lending	(15)	(32)
	(23,288)	**(17,850)**
Irrecoverable Withholding Tax - Equities	**156**	**87**
Total	**(23,132)**	**(17,763)**

Note 14 – Investment Management Expenses

	2013/14 £'000	2012/13 £'000
Management Fees	3,485	2,858
Custody Fees	77	77
Performance Monitoring Service	18	13
Other	31	116
Total	**3,611**	**3,064**

For 2012/13 £0.032m has been reclassified as Investment Management Expenses from Administrative Expenses. This has resulted in a £0.001m increase in Custody Fees and a £0.031m increase in Other Expenses.

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 15 – 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 £0.015m in 2013/14 (2012/13 £0.032m). This is included within investment income in the Pension Fund Accounts. No stock was on loan at 31 March 2014, as a new Custodian was appointed in the year and the stock lending programme was not operational at the year end.

Note 16 – 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.

Members of the Pension Fund Committee and the post of Service Manager (Pensions, Insurance & Money Management) are the key management personnel involved with the Pension Fund. At the start of 2013/14, the Committee consisted of seven County Councillors, two District Councillors and a beneficiary observer. Following County Council elections the Committee membership changed and the number of County Councillors was increased to nine. Members of the Pension Fund Committee are disclosed in the Pension Fund Report and Accounts. An amount of

£0.057m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

	2013/14 £'000	2012/13 £'000
Short Term Benefits	48*	47*
Long Term/Post Retirement Benefits	9	9
Total	**57**	**56**

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

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

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

For the 12 months ended 31 March 2014, employer contributions to the Pension Fund from the County Council were £30.690m (2012/13 £31.967m). At 31 March 2014 there were receivables in respect of contributions due from the County Council of £2.378m and payables due to the County Council of £0.058m for support services.

The County Council was reimbursed £ 0.960m (2012/13 £1.042m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

Note 17 – Investments

	Value at 31.3.2014 £'000	Value at 31.3.2013 £'000
Investment Assets		
Fixed Interest Securities	74,957	65,628
Index Linked Securities	80,201	77,416
Equities	498,744	455,489
Pooled Investments	703,652	676,896
Pooled Property Investments	97,287	86,589
Private Equity	91,435	90,881
Derivatives:		
- Forward Currency Contracts	100	813
Cash Deposits	10,285	8,995
Investment Income Due	3,233	2,961
Amounts Receivable for Sales	2,360	1,286
Total Investment Assets	**1,562,254**	**1,466,954**
Investment Liabilities		
Derivatives:		
- Forward Currency Contracts	(111)	(55)
Investment Expenses Due	(1,143)	(1,111)
Amounts Payable for Purchases	(1,145)	(4,631)
Total Investment Liabilities	**(2,399)**	**(5,797)**
Net Investment Assets	**1,559,855**	**1,461,157**

Note 17a – Reconciliation of Movements in Investments and Derivatives

	Value at 1.4.2013	Purchases at Cost & Derivative Payments £'000	Sales Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Cash Movement £'000	Increase in Receivables / (Payables) £'000	Value at 31.3.2014 £'000
Fixed Interest Securities	65,628	90,327	(76,142)	(4,856)			74,957
Index Linked Securities	77,416	19,715	(12,189)	(4,741)			80,201
Equities	455,489	120,363	(101,771)	24,663			498,744
Pooled Investments	676,896	19,036	(39,046)	46,766			703,652
Pooled Property Investments	86,589	9,370	(6,068)	7,396			97,287
Private Equity	90,881	43	(5,199)	5,710			91,435
Derivative Contracts							
FX	758	178,181	(183,149)	4,199			(11)
Other Investment Balances							
Cash Deposits	8,995	34,889	(41,793)	(1,510)	9,704		10,285
Amounts Receivable for Sales of Investments	1,286					1,074	2,360
Investment Income Due	2,961					272	3,233
Amounts Payable for Purchases of Investments	(5,742)					3,454	(2,288)
	1,461,157	**471,924**	**(465,357)**	**77,627**	**9,704**	**4,800**	**1,559,855**

Included within the above purchases and sales figures are transaction costs of £0.433m. Costs are also borne by the scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

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

	Value at 1.4.2012	Purchases at Cost & Derivative Payments £'000	Sales Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Cash Movement £'000	Increase in Receivables / (Payables) £'000	Value at 31.3.2013 £'000
Fixed Interest Securities	142,416	90,494	(169,110)	1,828			65,628
Index Linked Securities	68,246	51,302	(48,597)	6,465			77,416
Equities	231,167	217,227	(58,568)	65,663			455,489
Pooled Investments	652,936	267,180	(324,129)	80,909			676,896
Pooled Property Investments	78,731	10,145	(1,537)	(750)			86,589
Private Equity	72,736	2,860	(6,249)	21,534			90,881
<u>Derivative Contracts</u>							
Futures							
FX	912	4,360	(4,815)	301			758
<u>Other Investment Balances</u>							
Cash Deposits	3,172	40,019	(35,619)	(132)	1,555		8,995
Amounts Receivable for Sales of Investments	6,710					(5,424)	1,286
Investment Income Due	3,977					(1,016)	2,961
Amounts Payable for Purchases of Investments	(3,215)					(2,527)	(5,742)
	1,257,788	**683,587**	**(648,624)**	**175,818**	**1,555**	**(8,967)**	**1,461,157**

Note 17b - Analysis of Investments (Excluding Derivative Contracts)

Fixed Interest Securities

	2013/14 £'000	2012/13 £'000
UK Public Sector	39,387	33,327
UK Other	3,731	3,570
Overseas Public Sector	31,839	28,731
	74,957	**65,628**

Index Linked Securities

	2013/14 £'000	2012/13 £'000
UK Public Sector Index Linked	80,201	77,416
	80,201	**77,416**

Equity Investments

	2013/14 £'000	2012/13 £'000
UK listed equities	334,584	290,833
Overseas Listed Equities:		
North America	92,574	91,275
Japan	19,035	14,503
Europe	30,752	30,329
Pacific Basin	0	4,552
Emerging Markets	21,799	23,997
	498,744	**455,489**

Pooled Investment Vehicles

	2013/14 £'000	2012/13 £'000
UK Registered Managed Funds - Property	20,045	18,250
Non UK Registered Managed Funds - Property	23,867	18,023
UK Registered Managed Funds - Other	393,933	391,229
Non UK Registered Managed Funds - Other	104,364	96,581
UK Registered Property Unit Trusts	48,269	45,100
Non UK Registered Property Unit Trusts	5,107	5,216
Non UK Registered Unit Linked Insurance Fund	205,354	189,085
	800,939	**763,484**

Private Equity

	2013/14 £'000	2012/13 £'000
Listed Investments	91,435	90,872
Unlisted Investments	0	9
	91,435	**90,881**

Total Investments (excluding derivative contracts)

	2013/14 £'000	2012/13 £'000
	1,546,276	1,452,898

Note 17c – Derivative Contracts

Objectives and policies

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

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

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

Hedge Funds
IFRS accounting requires that the Fund discloses information on fair value hedges, cash flow hedges and hedges of net investments in foreign operations. The Fund has exposure to such hedges through its £35.397m investment in a Fund of Funds Hedge Fund. As the Fund has no direct ownership in these hedge arrangements, with all decisions made by the Fund Managers rather than the Oxfordshire Pension Fund, the hedge disclosure requirements are deemed not to apply.

Forward Foreign Exchange (FX)
The scheme had open FX contracts at the year-end as follows:

Contract	Settlement Date	Currency Bought '000	Currency Sold '000	Asset value At year end £'000	Liability value at year end £'000	Net Forward currency Contracts £'000
Forward OTC	1 month	105 GBP	195 AUD		(3)	
Forward OTC	1 month	12,131 GBP	20,230 USD		(4)	
Forward OTC	1 month	6,768 GBP	1,155,000 JPY	42		
Forward OTC	1 month	368 GBP	680 CAD		(2)	
Forward OTC	1 month	16,401 GBP	19.900 EUR		(50)	
Forward OTC	3 months	108 GBP	195 AUD			
Forward OTC	3 months	16,500 GBP	19.900 EUR	39		
Forward OTC	3 months	370 GBP	680 CAD		(1)	
Forward OTC	3 months	12,162 GBP	20,230 USD	19		
Forward OTC	3 months	6,729 GBP	1,155,000 JPY		(6)	
Forward OTC	6 months	1,509 GBP	1,829 EUR		(45)	
Forward Currency Contracts at 31 March 2014				**100**	**(111)**	**(11)**
Prior Year Comparative						
Forward Currency contracts at 31 March 2013				**813**	**(55)**	**758**

Note 17d – Other Investment Balances

	2013/14 £'000	2012/13 £'000
Receivables		
Sale of Investments	2,360	1,286
Dividend & Interest Accrued	3,182	2,810
Inland Revenue	51	144
Other	0	7
	5,593	**4,247**
Payables		
Purchase of Investments	(1,146)	(4,631)
Management Fees	(1,104)	(1,077)
Custodian Fees	(38)	(34)
	(2,288)	**(5,742)**
Total	**3,305**	**(1,495)**

Cash Deposits

	2013/14 £'000	2012/13 £'000
Non-Sterling Cash Deposits	10,285	8,995
	10,285	**8,995**

	2013/14 £'000	% of Total Fund	2012/13 £'000	% of Total Fund
UBS Global Optimal Thirds	205,354	12.59	189,086	12.41
L&G UK FTSE100 Equity Index	145,112	8.90	151,058	9.91
L&G World (ex-UK) Equity Index	137,950	8.46	128,102	8.41
L&G Core Plus Bond Fund	96,388	5.91	92,649	6.08

Note 18 - Current Assets

2013/14	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	2,695	3,435	19		1,440	**7,589**
Employee Contributions	161	1,119	6		333	**1,619**
Transferred Benefits		94			74	**168**
Costs of Early Retirement	11	515		2	287	**815**
Inland Revenue	146					**146**
Other	41	100		12	42	**195**
Cash Balances					48,284	**48,284**
Total	**3,054**	**5,263**	**25**	**14**	**50,460**	**58,816**

2012/13	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	2,470	3,263	20	0	1,189	**6,942**
Employee Contributions	113	1,066	6	0	311	**1,496**
Transferred Benefits	0	428	0	0	114	**542**
Costs of Early Retirement	6	788	0	0	412	**1,206**
Inland Revenue	21	0	0	0	0	**21**
Other	46	139	0	3	118	**306**
Cash Balances	0	0	0	0	40,453	**40,453**
Total	**2,656**	**5,684**	**26**	**3**	**42,597**	**50,966**

Note 19 - Current Liabilities

2013/14	Central Government Bodies £'000	Local Authorities £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Transferred Benefits	(7)	(166)	0	0	**(173)**
Benefits Payable	(11)	(169)	0	(20)	**(200)**
Inland Revenue	(829)	0	0	0	**(829)**
Costs of Early Retirement	(391)	0	0	0	**(391)**
Staff Costs	0	(58)	0	0	**(58)**
Consultancy	0	0	0	(25)	**(25)**
Other	(3)	6	0	(16)	**(25)**
Total	**(1,241)**	**(399)**	**0**	**(61)**	**(1,701)**

2012/13	Central Government Bodies £'000	Local Authorities £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Transferred Benefits	0	(850)	0	(509)	**(1,359)**
Benefits Payable	(6)	(60)	0	(28)	**(94)**
Inland Revenue	(736)	0	0	0	**(736)**
Costs of Early Retirement	(201)	0	0	0	**(201)**
Staff Costs	0	(70)	0	0	**(70)**
Consultancy	0	0	0	(4)	**(4)**
Other	(1)	(5)	0	(35)	**(41)**
Total	**(944)**	**(985)**	**0**	**(576)**	**(2,505)**

Note 20 – Long-Term Assets

2013/14	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Employer Contributions	13,558	0	0	0	31	**13,589**
Costs of Early Retirement	31	335	0	0	286	**652**
Total	**13,589**	**335**	**0**	**0**	**317**	**14,241**

2012/13	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Employer Contributions	13,148	0	0	0	0	**13,148**
Costs of Early Retirement	13	599	0	0	370	**982**
Total	**13,161**	**599**	**0**	**0**	**370**	**14,130**

Long-Term assets for 2013/14 include deferred receivables in relation to the transfer of staff to Magistrates' Courts for which a payment of £21.860m is due to be received in ten equal annual instalments, in line with the national agreement reached between Actuaries on behalf of Pension Funds, and the Government Actuary Department on behalf of the Government.

Note 21 – Assets under External Management

The market value of assets under external fund management amounted to £1,475.228m as at 31 March 2014. The table below gives a breakdown of this sum and shows the market value of assets under management with each external manager:

Fund Manager	31/03/2014 Market Value £'000	31/03/2014 %	31/03/2013 Market Value £'000	31/03/2013 %
Baillie Gifford	337,925	22.91	304,811	22.67
Legal & General	538,938	36.51	521,324	38.77
UBS	345,989	23.44	286,281	21.29
Wellington	190,821	12.93	180,813	13.45
Adams Street Partners	21,496	1.46	18,166	1.35
Partners Group	40,856	2.77	33,260	2.47
	1,476,025	**100.00**	**1,344,655**	**100.00**

Note 22 - Top 5 Holdings

Value of the Fund's Top Five Holdings at 31 March 2014	£'000	% of Fund
Electra Investment Trust	26,441	1.62
HG Capital Trust	20,326	1.25
British American Tobacco	15,567	0.95
BG Group Plc	14,743	0.90
Ashtead Group Plc	12,577	0.77

Note 23 - Taxation

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

Note 24 - Additional Voluntary Contributions

	Market Value 31 March 2014 £'000	Market Value 31 March 2013 £'000
Prudential	14,077	14,534

AVC contributions of £1.554m were paid directly to Prudential during the year (2012/13 - £1.671m).

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

Note 25 – Contingent Liabilities

There are two contingencies to note:

1) The Museums, Libraries and Archive (MLA) Council. Staff from three of the regional MLA employers who were previous members of the Oxfordshire County Council Pension Fund transferred to the MLA Council on 6 April 2009 and 31 March 2010. Actuaries are currently working on the calculation of the payments to be made to the Premium section of the Principal Civil Service Pension Scheme in relation to the transfer of past service rights.

2) The Pension Fund received a Final Determination from the Pension Ombudsman, in which he has instructed the Administering Authority to pay compensation to a complainant as a result of mal-administration. The final level of compensation is contingent on the circumstances of the complainant over the next 10 years, though the maximum payment has been calculated as approximately £0.2m plus pensions increase.

As at 31 March 2014 the fund had outstanding capital commitments (investments) totalling £57.783m (31 March 2013 - £59.970m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and pooled property fund elements of the investment portfolio. The amounts ‘called’ by these funds are irregular in both size and timing from the date of the original commitment due to the nature of the investments.

Note 26 – Statement of Investment Principles

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

Note 27 – Actuarial Present Value of Promised Retirement Benefits

	2014 £’000	**2013 £’000**
Present Value of Funded Obligation	2,478,689	2,304,966

Present Value of Funded Obligation consists of £2,202.628m (2013 – £1,833.996m) in respect of Vested Obligation and £276.061m (2013 – £470.970m) in respect of Non-Vested Obligation. The movement from March 2013 can in part be explained by the normal changes over the year as new benefits are accrued and previous benefits paid out. This explains an increase in the present value of the Funded Obligation of £126.304m (2013 - £114.361m).
There has been a further increase in the present value of the Funded Obligation of £47.419m (2013 - £106.762m) reflecting a change in the actuarial assumptions as a consequence of changes in the financial markets. The key changes in financial assumptions were:

- An increase in the assumed level of CPI and therefore pension increase from 2.6% to 2.8% (net effect an increase in Present Value of Funded Obligation)

- A reduction in the assumed level of pay increases from 4.8% to 4.6% (net effect a reduction in Present Value of Funded Obligations)
- A reduction in the discount factor from 4.5% to 4.4% (net effect an increase in Present Value of Funded Obligations).

Note 28 – Financial Instruments

Note 28a - Classification of Financial Instruments

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

	2013/14			**2012/13**		
	Fair Value Through Profit & Loss £'000	**Loans & Receivables £'000**	**Financial Liabilities at Amortised Cost £'000**	**Fair Value Through Profit & Loss £'000**	**Loans & Receivables £'000**	**Financial Liabilities at Amortised Cost £'000**
Financial Assets						
Fixed Interest Securities	74,957			65,628		
Index Linked Securities	80,201			77,416		
Equities	498,744			455,489		
Pooled Investments	703,652			676,896		
Pooled Property Investments	97,287			86,589		
Private Equity	91,435			90,881		
Derivatives	100			813		
Cash		58,569			49,448	
Other Investment Balances	5,542			4,103		
Receivables		30			65	
	1,551,918	**58,599**	**0**	**1,457,815**	**49,513**	**0**
Financial Liabilities						
Derivatives	(111)			(55)		
Other Investment Balances	(2,288)			(5,742)		
Payables			(101)			(108)
	(2,399)	**0**	**(101)**	**(5,797)**	**0**	**(108)**
Total	**1,549,519**	**0**	**(101)**	**1,452,018**	**49,513**	**(108)**

Note 28b - Fair Value of Financial Instruments and Liabilities

The carrying values of the financial assets and liabilities compared with their fair values are summarised below by instrument class.

	2014		2013	
	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000
Financial Assets - Current				
Loans & Receivables	58,599	58,599	49,513	49,513
Financial Assets at fair value through profit or loss	1,486,804	1,486,804	1,404,114	1,404,114
	1,545,403	1,545,403	1,453,627	1,453,627
Financial Assets - Long Term				
Financial Assets at fair value through profit or loss	65,114	65,114	53,701	53,701
Financial Liabilities - Current				
Amortised Cost	(101)	(101)	(108)	(108)
Financial Liabilities at fair value through profit or loss	(2,399)	(2,399)	(5,797)	(5,797)
	(2,500)	(2,500)	(5,905)	(5,905)
Total	**1,608,017**	**1,608,017**	**1,501,423**	**1,501,423**

The Fair Value of operational debtors and creditors, cash and short-term deposits, is assumed to be equal to the carrying value.

Note 28c - Net Gains and Losses on Financial Instruments

	31 March 2014 £'000	31 March 2013 £'000
Financial Assets		
Fair Value through Profit and Loss	74,938	175,650
Loans and Receivables	(1,510)	(132)
Financial Liabilities		
Fair Value through Profit and Loss	4,199	301
Financial Liabilities Measured at Amortised Cost	0	0
Total	**77,627**	**175,819**

Note 28d – Valuation of Financial Instruments Carried at Fair Value

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

Level 1
Fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2
Fair value is based on inputs other than quoted prices included within Level 1 that are observable either directly (i.e., from prices) or indirectly (i.e., derived from prices).

Level 3
Fair value is determined by reference to valuation techniques using inputs that are not observable in the market.

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

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

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

Value at 31 March 2014	**Level 1 £’000**	**Level 2 £’000**	**Level 3 £’000**	**Total £’000**
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	670,974	772,132	108,812	1,551,918
Loans and Receivables	58,599	0	0	58,599
Total Financial Assets	**729,573**	**772,132**	**108,812**	**1,610,517**
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	(2,288)	(111)	0	(2,399)
Financial Liabilities at Amortised Cost	(101)	0	0	(101)
Total Financial Liabilities	**(2,389)**	**(111)**	**0**	**(2,500)**
Net Financial Assets	**727,184**	**772,021**	**108,812**	**1,608,017**

Value at 31 March 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	617,520	749,787	93,862	1,461,169
Loans and Receivables	21,190	24,968	0	46,158
Total Financial Assets	**638,710**	**774,755**	**93,862**	**1,507,327**
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	(5,742)	(55)	0	(5,797)
Financial Liabilities at Amortised Cost	(108)	0	0	(108)
Total Financial Liabilities	**(5,850)**	**(55)**	**0**	**(5,905)**
Net Financial Assets	**632,860**	**774,700**	**93,862**	**1,501,422**

Note 29 – Risk

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

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

- The tri-annual Fund Valuation which reviews the assets and liabilities of the Fund, and resets employer contribution rates to target a 100% Funding Level. The 2010 Valuation estimated that the current Funding Level is only 79%, but set contribution rates to address the deficit over the next 25 years.
- The Statement of Investment Principles which sets out the Fund's approach to the investment of funds, and specifically sets out the approach to the mitigation of investment risk.
- The review of the Strategic Asset allocation to ensure compliance with the Statement of Investment Principles.
- The regular review of the performance of all Fund Managers.

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

- Maintaining an element of the asset allocation in fixed income securities, the behaviour of which most closely mirrors that of the Fund liabilities. The allocation to fixed income securities is constantly reviewed with the proposal that the allocation will increase as the maturity of the fund increases. Whilst the Fund maintains a high proportion of active members where the payment of liabilities is not due for many decades, the Fund can afford to seek the higher investment returns associated with the more volatile asset classes.
- Maintaining an element of the asset allocation in passive equity funds which remove the risk associated with poor manager performance (though retaining the market risk).
- Ensuring a diversification amongst asset groups, and in particular an allocation to alternative asset classes for which performance has historically not correlated to equity performance.

- Ensuring a diversification of Fund Managers and investment styles (e.g. some with a growth philosophy, some with a value philosophy) to mitigate the risk of poor manager performance impacting on asset values.
- Restrictions on investments in line with the LGPS Investment Management Regulations, which set limits for total exposure to different investment classes, investment types etc.

The key risks associated with the level of liabilities stem from the level of initial pension benefit payable, the indexation of this benefit and the time the benefit is in payment for. These risks largely lie outside the control of the Pension Fund. The new scheme that will take effect from 1 April 2014 will link normal retirement age to future estimates of life expectancy to bring stability to the length of time benefits are in payment, move the calculation of benefits to career average revalued earnings to avoid the sudden hike possible in final benefits under a final salary scheme, and switch the basis of indexation to CPI.

The Actuary when completing the 2010 Valuation undertook sensitivity analysis calculations to look at the impact on potential liabilities and the funding level. A variation of 0.5% per annum in the discount rate would move the calculated funding level from 79% down to 73% or up to 85%. A change in mortality rates of 10% per annum would lead to a reduction in the funding level to 77% or an increase to 81%.

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

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

Credit Risk

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

At 31 March 2014 the Fund's exposure to credit risk predominantly related to the following investments:

Investment Category	31 March 2014 £'000	31 March 2013 £'000
UK Government Gilts	39,388	33,328
UK Corporate Bonds	100,119	96,219
UK Index Linked Gilts	80,201	77,416
Overseas Government Bonds	31,839	28,731
Non-Sterling Cash Deposits	10,285	8,995
Cash Balances	48,284	40,453
Total	**310,116**	**285,142**

The Pension Fund manages the credit risk by ensuring a diversification of investments both in terms of product and in terms of redemption dates, whilst limiting investments made to sub-investment grade bonds to those made through pooled funds. Corporate Bonds are held through a pooled fund vehicle and up to 15% of holdings can be invested in sub-investment grade bonds. Cash held in sterling at 31 March 2014 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	Balance as at 31 March 2014	Rating	Balance as at 31 March 2013
		£'000		£'000
Money Market Funds				
Deutsche Managed Sterling Fund		0	AAA	21,324
Ignis Asset Management	AAA	12,450	AAA	0
Bank Deposit Accounts				
Royal Bank of Scotland Plc	A	3	A	8,773
Euroclear Bank S.A.		0	AA+	876
UBS AG	A	4	A	0
Santander UK Plc			A	501
Bank Current Accounts	A	6,098		
Lloyds TSB Plc	A+	29,729	A	8,979
Total		**48,284**		**40,453**

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

Liquidity Risk

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

During 2013/14 the Pension Fund received/accrued contributions of £86.3m (2012/13 - £84.7m) and paid out benefits of £75.9m (2012/13 - £71.5m). There were further receipts/accruals of £23.3m (2012/13 - £17.9m) in respect of investment income, against which need to be set investment management fees of £3.7m (2012/13 - £3.0m) and taxes of £0.2m (2012/13 - £0.1m). The net inflow was therefore £29.8m (2012/13 - £28.0m).

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

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

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

The risks associated with the reform of the LGPS are largely in respect of the contributions receivable (benefits in payment are unlikely to be significantly impacted in the short term, and are likely to reduce in the longer term). These risks are seen to have reduced in light of the confirmed structure of the new scheme. The fact that no staff on salaries below £43,000 will see an increase in their contribution rate has reduced the risk of widespread opt out, though the risk still remains. Similarly, confirmation of the retention of the Fair Deal provisions reduces the sudden loss of significant contributions on the outsourcing of services, though this remains a longer term risk to the on-going liquidity of the Fund. The new element of risk introduced by the proposals relates to the introduction of an option to pay 50% of your contribution for 50% of your future benefits. If this option sees a significant take up, this will impact on current contributions received.

However, as noted above, for the Fund to reach a position where it is forced to sell assets and therefore face a potential financial loss, (as well as to forego future investment returns which have been assumed to meet pension liabilities in the future), the net movement in cash would be equivalent to a reduction in contributions received in the region of 50% or an increase in benefits payable in the region of 70%. Movements of this scale are deemed highly unlikely. The Pension Fund will seek to mitigate these risks through advice to the Government on the impact of any proposals for change, as well as clear communication to current scheme members of the on-going benefits of scheme membership and the personal risks to their future financial prospects of opting out at this time.

Market Risk

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

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

Interest Rate Risk

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

Asset Type	Carrying Amount as at 31 March 2014	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	10,285	103	(103)
Cash Balances	48,284	483	(483)
Fixed Interest Securities	251,546	2,515	(2,515)
Total Change in Assets Available	**310,115**	**3,101**	**(3,101)**

Asset Type	Carrying Amount as at 31 March 2013	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	8,995	90	-90
Cash Balances	40,453	405	-405
Fixed Interest Securities	235,694	2,357	-2,357
Total Change in Assets Available	**285,142**	**2,852**	**-2,852**

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

Currency Risk

Currency risk concerns the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is exposed to foreign exchange risk on financial instruments that are denominated in currencies other than the Fund's functional currency (£GBP). Risks around foreign currency rates are mitigated in part by allowing the Fund Managers to put in place currency hedging arrangements up to the value of the stock held in a foreign currency (also see note 17c).

Based on the Fund's exposure to various currencies at 31 March 2014 and data on the level of volatility associated with these currencies it has been determined that the likely volatility associated with exchange rate movements is 7.6%. This is based on the one year implied volatility of the currency pairs to which the fund has exposure.

This analysis assumes that all other variables remain constant.

The table below shows the impact a 7.6% weakening/strengthening of the pound against the various currencies would have on the assets available to pay benefits:

Currency Exposure - Asset Type	Asset Values as at 31 March 2014	Change in Year in the Net Assets Available to Pay Benefits	
		+7.6%	-7.6%
	£'000	£'000	£'000
Overseas Equities	164,160	176,571	151,749
Pooled Overseas Equities	360,670	387,938	333,403
Private Equity	4,993	5,370	4,615
Pooled Private Equity (LLPs)	48,840	52,533	45,148
Pooled Property	28,974	31,164	26,783
Cash	10,285	11,062	9,507
Total Change in Assets Available	**617,922**	**664,638**	**571,205**

Currency Exposure - Asset Type	Asset Values as at 31 March 2013	Change in Year in the Net Assets Available to Pay Benefits	
		+5.8%	-5.8%
	£'000	£'000	£'000
Overseas Equities	164,656	9,483	(9,483)
Pooled Overseas Equities	335,438	19,318	(19,318)
Private Equity	6,035	348	(348)
Pooled Private Equity (LLPs)	43,222	2,489	(2,489)
Pooled Property	23,239	1,338	(1,338)
Cash	8,995	518	(518)
Total Change in Assets Available	**581,585**	**33,494**	**(33,494)**

Other Price Risk

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

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

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

Asset Type	Value as at 31 March 2014 £'000	Percentage Change %	Value Increase £'000	Value Decrease £'000
UK Equities	456,493	11.6	509,218	403,768
Pooled UK Equities (Small Cap)	14,483	8.3	15,680	13,285
Global Equities	187,362	9.7	205,461	169,263
Emerging Markets Equities	17,365	13	19,626	15,104
Pooled Overseas Equities	205,354	11.4	228,847	181,862
Pooled World Equities	137,951	9.4	150,918	124,983
UK Bonds	43,119	5.1	45,331	40,907
Overseas Bonds	31,839	6.0	33,746	29,932
UK Index Linked Bonds	80,201	9.3	87,620	72,782
Pooled Corporate Bonds	96,388	4.6	100,816	91,960
Pooled Hedge Funds	35,397	2.8	36,381	34,413
Private Equity	91,435	8.3	98,997	83,873
Pooled Private Equity (LLPs)	51,602	8.3	55,870	47,335
Pooled Property	97,287	2.5	99,720	94,855
Cash	58,569	0.0	58,569	58,569
Total Assets Available to Pay Benefits	**1,604,845**	**8.8**	**1,746,800**	**1,462,891**

Asset Type	Value as at 31 March 2013 £'000	Percentage Change %	Value Increase £'000	Value Decrease £'000
UK Equities	461,312	12.8	520,314	402,310
Pooled Overseas Equities	500,094	14.9	574,558	425,630
UK Bonds	129,547	4.4	135,234	123,860
Overseas Bonds	28,731	2.4	29,432	28,030
UK Index Linked Bonds	77,416	8.4	83,950	70,883
Pooled Hedge Funds	32,842	2.8	33,775	31,910
Private Equity	90,881	13.7	103,313	78,448
Pooled Private Equity (LLPs)	45,488	8.4	49,291	41,685
Pooled Property	86,589	1.6	88,009	85,168
Cash	49,448	0.0	49,458	49,438
Total Assets Available to Pay Benefits	**1,502,348**		**1,631,549**	**1,373,145**

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 2014

Introduction

The last full triennial valuation of the Oxfordshire County Council Pension Fund was carried as at 31 March 2013 in accordance with the Funding Strategy Statement of the fund. The results were published in the triennial valuation report dated March 2014.

The most recent full actuarial valuation of the Fund was at 31 March 2013 and the results were published in March 2014. This statement gives an update on the funding position as at 31 March 2014 and comments on the main factors that have led to a change since the full valuation.

The estimated funding position in this statement at 31 March 2014 is just based on market movements over the year rather than being a full valuation with updated member data.

2013 Valuation

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

- The Fund as a whole had a funding level of 82% i.e. the assets were 82% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £330m which is higher than the nominal deficit at the previous valuation in 2010.
- To cover the cost of new benefits and to also pay off the deficit over a period of 25 years, a total contribution rate of 19.3% of pensionable salaries is required.
- The contribution rate for each employer was set based on the annual cost of new benefits plus any adjustment required to pay for their individual deficit reflecting the employer's experience within the Fund.

Assumptions

The assumptions used at the whole Fund level to value the benefits at 31 March 2013 and used in providing this estimate at 31 March 2014 are summarised below:

Assumption	*31 March 2013*	*31 March 2014*
Discount rate	*5.8% p.a.*	*6.0% p.a.*
Pension increases	*2.7% p.a.*	*2.8% p.a.*
Salary increases	*2.7% until 31 March 2015 then 4.5% p.a.*	*2.8% until 31 March 2015 then 4.6% p.a.*
Mortality	*95% of the S1PA tables with future improvements in line with the CMI 2012 Model with a long term rate of improvement of 1.5% per annum.*	
Retirement	*Each member retires at a single age, weighted based on when each part of their pension is payable unreduced*	
Commutation	*Members will convert 50% of the maximum possible amount of pension into cash*	

The effect of the change in the assumptions over the year is discussed in the final section.

Assets

The assumptions used to value the liabilities are smoothed based on market conditions around the valuation date, therefore the smoothed asset values are also measured in a consistent manner although the difference between the smoothed and market values at either date is not expected to be significant.

At 31 March 2013, the smoothed value of the assets used was £1,510m and this has increased over the year to an estimated £1,617m.

Updated position

The estimated funding position at 31 March 2014 is a funding level of 85% which is an improvement on the position at 31 March 2013.

The assets have given a return of 6% over the year, which was in line with the assumption at the 2013 valuation.

Payment of deficit contributions during 2013/14 in line with agreed contribution schedules has improved the position. Changes in the assumptions, reflecting an updated asset allocation, used to value the liabilities between 31 March 2013 and 31 March 2014 have also made an improvement to the funding position.

The next fill triennial valuation will be carried out as at 31 March 2016 with new contribution rates set from 1 April 2017.

Alison Hamilton FFA
Partner, Barnett Waddingham LLP

SUMMARY OF BENEFITS AT MARCH 2014

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

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 retirement, (where an employer decision results in the 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 Chief Finance Officer has delegated powers for investing the Oxfordshire Pension Fund in accordance with the policies determined by the Pension Fund Committee. The Committee is comprised of nine County Councillors plus two District Council representatives. A beneficiaries' representative attends Committee meetings as a non-voting member.

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

3 Investment Objectives and Strategy

Investment Objectives

The investment objectives are:

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

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

Risk

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

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

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

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

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

Strategic asset allocation

In March 2014, the Pension Fund Committee reviewed the benchmark for the strategic allocation of assets, following the results of the 2013 Valuation. As the Fund is currently in the process of transition to the new benchmark, both the existing benchmark and the revised benchmark are set out in the table below:

Asset Class	Current Target asset allocation %	Range %	Revised Target Asset Allocation %	Range %
UK Equities				
- passively managed	10		9	
- actively managed	21		20	
Total UK Equities	31	29 – 33	29	27 – 31
Overseas Equities				
- passively managed	8		7	
- actively managed	24		23	
Total Overseas Equities	32	30 -34	30	28 - 32
Total Equities	**63**	**59 - 67**	**59**	**55 - 63**
UK Gilts	3		3	
Index Linked Gilts	5		5	
Overseas Bonds	2		2	
Corporate Bonds	6		6	
Total Bonds & Index Linked	**16**	**14 - 18**	**16**	**14 - 18**
Property	8	5 - 9	8	5 - 9
Private Equity	10	6 - 11	9	6 - 11
Hedge Funds	3	2 - 4	0	
Diversified Growth Fund	0		5	4 - 6
Infrastructure	0		3	2 - 4
Cash	0	0 - 5	0	0 - 5
Total Other Assets	**21**		**25**	
Total All Assets	**100**		**100**	

4 Management of the Assets

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

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

As noted above, notice has been served to terminate the Hedge Fund mandate, and new mandates for Diversified Growth and Infrastructure are currently being sought.

Restrictions on Investment

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

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

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

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

The Council has determined to increase its limits as follows:

- to increase the limit on the proportion of the Fund that may be invested in any single insurance contract
- the limit on this investment has been increased to 35%
- this increase has been agreed to ensure that Legal and General retain the flexibility to manage their fixed income mandate within the limits previously set. Currently, Legal and General manage the allocations for passive UK and overseas equities, and the allocation for corporate bonds through a single insurance contract. Whilst the benchmark figure for the combined allocation to these funds is 24%, the flexibility provided to Legal and General to switch between corporate bonds and other elements of the fixed income mandate means the total allocation could rise above 25%. As the three component parts of the Legal and General contract are diversified, and operated within strict limits, it is not felt that this increase in overall limit exposes the Fund to undue risk.
- The increase was agreed for a period not exceeding 18 months, and followed on from an agreement which covered the previous 2 years which included the transition period where Legal & General held additional funds in the passive mandate, whilst awaiting the appointment of a new global equity manager.
- It is proposed that the increase should be retained for the next three year period. The reduction in the revised asset allocation in the total allocation to the passive funds is not thought to be sufficient to ensure that Legal &

General would retain sufficient flexibility to manage their fixed income mandate within the lower limits. The higher level will also provide flexibility in managing the transition to the Diversified Growth Fund and Infrastructure mandates, allowing cash released by the termination of the Hedge Fund mandate to be managed passively whilst finalising new mandate arrangements. The increase will be reviewed as part of the 2017 Fundamental Asset Allocation Review and expires no later than 30 June 2017.

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

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

6 Exercise of Rights attached to Investments

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

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

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

7 Custody & Stock Lending

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

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

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

8 Compliance

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

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

9 Review of this Statement

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

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/howthepensionfundismanaged. Detailed below is a summary.

- **Funding Strategy Statement**

This is a key document in driving the triennial 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 current Governance Compliance Statement indicates that the Oxfordshire Fund is fully compliant in respect of most of the best practice statements, and partially compliant in the remaining three. These three relate to the fact that not all key scheme employers have representation on the Pension Fund Committee, 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, and the absence of a formal annual training plan for Committee Members, including a log of all training undertaken.

- **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** – The investment team circulate this document to all Oxfordshire County Council Directors and all employing bodies. It is also available on line from the website page. Copies are available for public inspection in the main Oxfordshire public libraries.
- **Summary of Report and Accounts Leaflet** – The Pension Fund Investment Manager selects sections from the main document to incorporate into an issue of Reporting Pensions for all current members. Pensioners receive the fund

information with their annual newsletter.

- **Annual Pension Fund Forum** – An annual event for all employers in the fund, with an open invitation to submit topics for discussion and to send representatives. The forum is to keep employing bodies informed of topical issues and events that have occurred in the last year and also to give them the opportunity to raise any questions in relation to the Pension Fund.
- **Pensions Employer/User Group** – This is a meeting held quarterly for all employing bodies within the Oxfordshire Fund. The purpose of the group is to inform, consult and discuss LGPS matters such as changes in legislation, the results of the actuarial valuation and other policy changes. We will continue with the recently revised format of presenting on specific subjects at these meetings.
- **Employee Guide to LGPS** – presents aspects of the scheme to all members as a series of short subject leaflets. Taken together they provide a full guide for members, but individually offer broad information on specific subjects. The leaflets are available from the Oxfordshire County Council Pension Fund website or on request from Pension Services.
- **Short Guide to the LGPS** - a reduced version of the scheme guide, with main points, for all employers to give to all employees on starting employment.
- **Reports by Beneficiaries Representative** – The beneficiaries' representative attends all Pension Fund Committee meetings as an observer. He has no voting rights but is allowed to speak with the permission of the Chairman. The Representative's report after each meeting is circulated to all employers for their staff, and is also on the pensions website pages.
- **Reporting Pensions** – a quarterly newsletter distributed, with the assistance of fund employers to scheme members and those eligible to join the fund. These pick up major changes to the LGPS and ensure that Oxfordshire County Council Pension Fund complies with the Disclosure of Information Regulations.
- **Website** – Pages for the Oxfordshire County Council Pension Fund are located on the County's public website. They offer access to administration and investment information, including Pension Fund Committee reports and minutes. Fund Employers can find detailed Administration information as an online toolkit to support their role in the fund. All members; current, pensioners, and deferred, have dedicated sections, with links to newsletters and guides.
- **Intranet** - is not maintained by Pension Services as it reflects the decisions and policies of the County Council as a fund employer. Their pages also provide links and access to the Pension Fund website. Other fund employers also provide information on their intra-net sites for employees.
- **Talking Pensions –** This is an informal monthly newssheet for all employers in the Oxfordshire Fund distributed to all Human Resources and Payroll contacts.
- **Annual Benefit Statements -** Pension Services issue statements to current members and to members who have left the scheme with an entitlement to pension but not to an immediate payment. Additional information to the Statement is available from the website.
- **Administration principles - we encourage all new employers to attend a meeting to help acquaint themselves to our requirements**

and importantly, their responsibilities within the scheme

USEFUL CONTACTS AND ADDRESSES

BENEFIT ADMINISTRATION

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

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

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

BENEFICIARIES REPRESENTATIVE

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

SPECIFIED PERSON FOR INTERNAL DISPUTE RESOLUTION PROCEDURE
Disputes to be sent to:-

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

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

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 630 2200

Division(s): N/A

PENSION FUND COMMITTEE – 5 SEPTEMBER 2014

PENSION FUND INVESTMENT AND ADMINISTRATION EXPENSES OUTTURN REPORT FOR THE YEAR ENDED 31 MARCH 2014.

Report by Chief Finance Officer

Introduction

1. In March 2013 the Pension Fund Committee agreed a budget in respect of the Pension Fund's investment and administration expenses for the 2013/14 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.

Scheme Administration Expenses

3. **Employee Costs** were underspent by a total of £147,000. In the Administration team this was due to vacancies within the team during the course of the year, two members of staff taking unpaid leave for four and six months, plus staff returning from maternity/paternity leave on a part-time basis. There were no new staff appointed to provide training for, and a training session covering the new regulations was provided in-house at a considerably cheaper rate. The Investment team also had vacancies for the majority of the year.

4. The budget for **Actuarial Fees** was underspent because the triennial actuarial valuation wasn't as costly as first estimated.

5. **Audit Fees** were underspent due to a £29,000 rebate received on the audit charges.

Investment Management Expenses

6. **Fund Management Fees**. Although a budgeted sum is agreed for this item it is not possible to accurately estimate the annual charges because they are linked to the market values of the assets being managed, which continually fluctuate. The actual spend on fund management fees for 2013/14 was £585,000 above the budget forecast. The main variation was due to an overspend on the equity fund manager's fees. Equity markets performed

strongly during 2013/14 and the value of the equity portfolios held by Baillie Gifford and Wellington, plus the pooled funds held by Legal & General and UBS, rose above the forecasted figures which were used to calculate the management fees budget.

7. The **Global Custody Fee** is dependent upon the market value of assets held, the type of investments and the number and type of trades arranged by the fund managers. It is therefore not possible to accurately predict the total fee for the year. The Global Custody Fee budget was underspent by £23,000 during 2013/14. This was due to the appointment of BNP Paribas from September 2013 onwards. BNP Paribas have a lower fee schedule than the outgoing custodian BNY Mellon, whose pricing schedule was used to calculate the budgeted spend.

8. The **Pension Fund Committee** budget that falls under Investment Management Expenses was underspent by £12,000 as all external training sessions attended by members during the year were free of charge. In addition the training event held in-house was delivered by Fund Managers and advisors without any additional charge to the Fund.

9. The income derived from **Securities Lending** was lower than forecast, in part due to the stock lending program not being operational during the transition from BNY Mellon to BNP Paribas.

RECOMMENDATIONS

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

Lorna Baxter
Chief Finance Officer

Background Papers: None

Contact Officers: Donna Ross, Principal Financial Manager, Tel: (01865) 323976
Sally Fox, Pensions Administration Manager, Tel: (01865) 797111

July 2014

Annex 1

Pension Fund Budget Outturn for the Financial Year ended 31 March 2014

	Budget £'000	Actual £'000	Variance £'000
Administrative Expenses			
Employee Costs			
- Administrative	838	742	-95
- Investment	194	142	-52
Support Services Including ICT	257	257	-0
Actuarial Fees	90	68	-22
External Audit Fees	50	21	-29
Internal Audit Fees	14	14	-0
Printing & Stationery	41	33	-8
Advisory & Consultancy Fees	133	126	-7
Other - Pension Fund Committee	8	8	0
Other;			
- Postage	8	11	3
- Storage	10	6	-4
- Subscriptions & Memberships	35	22	-13
- Misc Expenditure	31	23	-7
- Misc Income	0	-5	-5
Total Administrative Expenses	**1,708**	**1,469**	**-239**
Investment Management Expenses			
Management Fees	2,900	3,485	585
Custody Fees	100	77	-23
Performance Monitoring Services	13	18	5
Other - Pension Fund Committee	42	31	-11
Total Investment Management Expenses	**3,055**	**3,611**	**556**
Total Investment Management & Scheme Administration Expenses	**4,763**	**5,080**	**317**
Less Stock Lending Income	-60	-15	45
Total Expenses as per Budget	**4,703**	**5,065**	**362**

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Division(s): N/A

PENSION FUND COMMITTEE – 5 SEPTEMBER 2014

PENSION ADMINISTRATION – SERVICE PERFORMANCE

Report by the Chief Financial Officer

Introduction

1. This report is to update members on the current service performance of the administration team during the year to March 2014.

Team Structure & Staffing

2. There has been some staff turnover during the year with the resignation of a senior administrator and an administrator. These vacancies were filled by internal promotions leaving a gap of two administration assistant posts.

3. Given the current restrictions in offering permanent posts and external recruitment these vacancies have been difficult to fill and during the year a succession of temporary staff has been employed.

4. During the year there has also been one period of unpaid leave, of four months; an extended period of paternity leave for six months; one maternity leave period starting early due to sickness and some longer term periods of sickness. There has also been a shift to more part time / flexible working within the team.

5. One temporary administrator was given a permanent contract but overall the FTE has reduced to 20.4 from 21.4.

Service Performance

6. The year started with the go live of the upgraded Altair pension administration software following an intense implementation period from January to March 2013.

7. From then on the focus was on preparing, as far as possible, for the LGPS 2014 in terms of systems, processes, staff training and employer engagement. All of which was depended on the regulations being issued according to the published timetable. In the end the Transitional Regulations were published in March 2014 rather than September 2013 and this then delayed the issuing of GAD factors.

8. The Communications Manager joined the LGA national working party producing information about the LGPS 2014, which helped the team enormously with being directly linked to those interpreting and explaining the new regulations, even though there had not been finalised.

9. Likewise the Technical Manager volunteered Oxfordshire as a test site for new 2014 software releases which gave Pension Services the advantage of seeing and testing the software changes and receiving the live version of the software early.

10. These initiatives combined with regular meetings for all team leaders meant that the team was as well prepared as possible given the late issue of the final regulations.

11. Scheme members have been informed through quarterly bulletins and the website which gave links to the national 2014 website.

12. Employers, who now have greater responsibility for the provision of data under LGPS 2014, have been given details of national training events run by the LGA and a training session for Employer Discretions was held at Unipart House. Information was also provided through quarterly employer meetings, monthly newsletters and specific training where requested.

13. Team members had updates at the monthly team meeting, team newsletters and a training day delivered by the LGA.

Performance Data

14. The increased use of task management does give a better overall picture of workload for the overall team and individual team members, allowing managers to give more specific individual feedback and pick up any training or organisation issues.

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

Industry Standard PI's	Target	Achieved	Average
Letter detailing transfer in quote	10 days	91.4%	89.9%
Letter detailing transfer out quote	10 days	95.9%	91.7%
Process refund & issue payment voucher	5 days	60.9%	86.6%
Note: OCCPF work to a 10 day target, on which 88.9% completion rate is achieved.			
Letter notifying estimate of retirement benefit	10 days	92.4%	90.1%
Letter notifying actual retirement benefit	5 days	70.4%	92.3%

Note: OCCPF work to a 10 day target, on which 95.7% completion rate is achieved.			
Process and pay lump sum retirement grant	5 days	70.4%	92.4%
Note: OCCPF work to a 10 day target, on which 95.7% completion rate is achieved.			
Letter acknowledging death of member	5 days	88.9%	90.3%
Letter notifying amount of dependent's benefit	5 days	94.1%	91.1%
Note: OCCPF work to a 10 day target, on which 94.8% completion rate is achieved			
Calculate & notify deferred benefits	10 days	20.5%	74.9%
Note: The OCCPF has a high number of part time members with multiple pension records. An exercise previously revealed that to meet these turnaround times created more work because many staff were then reemployed thereby increasing the level of re-do work.			

16. All Pension Services work is reliant on data provided by scheme employers. Individual forms are sent in throughout the year to advise of new entrants; leavers; hour changes; rates of pay; unpaid leave and maternity leave. At the end of the financial year each employer is required to make a return of all staff that are, or have been in the scheme during the year. This information is uploaded to our system and reconciliation is run to identify any anomalies and / or missing information. As at 30 April 2013 the system showed that 44,678 records on the system to be verified and posted. Generally this is cleared down by employer which then feeds in to the printing of annual benefit statements. As at 31 March 2014 there remained 9,955 outstanding items of work to resolve.

17. Resource is targeted towards scheme employers with a high proportion of queries. It simply may be that there is a need to get the employer to provide the data; or provide Pension Services help with queries by reviewing pay records and / or the provision of training to make sure their staffs understand their responsibilities in administering the LGPS pension.

18. Other queries are worked on throughout the year to ensure that the correct information has been sent to Pension Services, these are prioritised in line with what other work may need to be carried out for that member.

19. The tolerance levels for investigation are any decrease in pensionable remuneration, or an increase of 10% +.

20. All of the above has also been impacted on the change in scheme employer profile in that the County Council, the largest employer is diminishing in numbers as academy schools increase. This is further compounded by the amount of outsourcing resulting in multiple contracts for employers, with annual contracts and with one scheme member.

Formal Complaints

21. If a scheme member wishes to complain about a decision regarding their pension they are encouraged to contact Pension Services to discuss the matter since many complaints arise as a result of misunderstanding or incorrect information.

22. However, if a complaint cannot be resolved informally the regulations set out a formal procedure, The Internal Dispute Resolution Procedure (IDRP). During the calendar year 2013 (the last full year recorded) a total of 12 complaints were received. These are summarised below:

Employer	Referred To	Summary	Decision
OCC	IDRP 1 - Administering Authority	Member told that AVC from previous authority had not been transferred in within 12 month window & so could no longer be transferred. Since AVC was linked to main scheme benefits the time limit for transfers did not apply & member was allowed to transfer.	Found
OCC	IDRP 1 - Employer	Appealing decision not to award ill health retirement. Member has been re-referred to OHU for further assessment. Certificate received showing ill health retirement has been confirmed - but as yet don't know from what date.	Found
Oxford City	Internal – Administering Authority	Deferred member unhappy that benefits had been transferred from previous scheme employer since felt this would be disadvantageous at retirement. Now age 60. Wanted fund / previous fund to reverse transfer. Having reviewed file find this was subject of an IDRP in 2006 - the determination confirmed that transfer had been made in line with member request. Information sent to member.	Not Found
Oxfordshire Fire Service	Ombudsman / High Court	Member believes that benefits have not been calculated on best year of last 3 years pay. This is because member	Not found

		believes a lump sum payment made in 2007 should be attributed in its entirety to that year's pensionable pay. PO confirms FRS is correct in using only part of lump sum in calculating final pensionable pay. Ombudsman's determination confirmed OCC interpretation of the Regulations. The member has now referred this matter to High Court - awaiting decision. 03.07.14 - High Court decision received - case not found.	
Oxford City	IDRP1 - Employer	Deferred benefit brought into payment. But member thinks that this should be paid from date of leaving in 2010. In reply employer upholds original decision stating that this was a specific question to the IRMP who confirmed that member's illness did not meet criteria before date of payment in March 2013.	Not found
OCC	IDRP 1 – Employer	Member appealing decision to award 3rd tier ill-health benefits. April 2014 - letter from TPAS chasing decision. Decision confirmed that award of tier 3 was correct. Subsequent review of ill-health granted tier 2 benefits from June 2014.	Not found
OCC	IDRP 1 - Employer	Member appealing decision not to award ill-health retirement. Referred for second opinion 18.09.13. Finally determined that tier 1 ill health should be given.	Found
Oxfordshire Fire Service	Ombudsman / High Court	Member believes that benefits have not been calculated on best year of last 3 years pay. This is because member believes a lump sum payment made in 2007 should be attributed in its entirety to that year's pensionable pay. Ombudsman's determination	Not found

		confirmed OCC interpretation of the Regulations. The member has now referred this matter to High Court - awaiting decision. 03.07.14 High Court Decision received - case not found.	
OCC	IDRP 1 - Employer	Deferred member making complaint that employer will not release benefits on the grounds of ill-health. 09.06.14 - spoke to employer - they are still waiting for outcome of OH review. 03.07.14 - Members husband called re delay in making decision - employer still waiting for GP report - has updated member + reminder of TPAS & process.	Outstanding
OCC	IDRP 1 - Employer	Member appealing decision not to award ill-health retirement. IDRP 2 received.	Not found
OCC	Internal – Administering Authority	Complaint about the length of time taken to provide details of deferred benefits. This was due to an outstanding query with the scheme employer. Information obtained & letter + apology sent.	Found
Fusion	IDRP 1 - Employer	Complaint about deduction of AVC / length of time to resolve issues. Employer confirmed that wrong amount of AVC had been deducted from date of transfer; however this had not been queried by member. Therefore employer made reimbursement of lost interest due to late payment over of AVC. The employer also made a goodwill payment to member for the delay in resolving this matter.	Found

23. This has been a challenging year with externally and internally driven pressures on the work of the team. Whilst there has been a turnover of staff the team remain engaged and committed to providing a good service to scheme members.

RECOMMENDATION

24. The Committee is RECOMMENDED to note this report.

Lorna Baxter
Chief Finance Officer

Background Papers: None

Contact Officer: Sally Fox, Pension Services Manager. Tel: (01865) 797111

August 2014

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Division(s): N/A

PENSION FUND COMMITTEE – 5 SEPTEMBER 2014

EMPLOYER UPDATE

Report by the Chief Finance Officer

Introduction

1. This report is to update members on recent employer issues including applications for admission.

Update on Previous Applications for Admission

2. Admission agreements are in progress, but not finally signed / sealed for the following employers:

- Carillion – a revision to the admission agreement to include the additional 61 staff has been circulated but not yet signed.
- Carillion – East Oxford Primary School
- Innovate
- Proclean Oxford Limited
- The Cleaning Co-Op
- D F Williams
- PAM Wellbeing Limited

3. Applications have been finalised for Hayward Cleaning Services; Civica UK Limited and Cara Cleaning Services.

4. The contract for services with Ecocleen Ltd has been withdrawn.

5. Edwards and Ward have supplied information about all contracts they have taken on in Oxfordshire and Pension Services are working through these.

New Requests for Admission

6. The Service Manager (PIMMS) has given approval for the following admissions, provided that either a bond, or pass through arrangement is put in place: -

- Regency Cleaning – contract with John Mason
- Fresh Start Catering – contract with Langford Village Primary School
- Edwards & Ward – contract with Wolvercote Primary School
- School Lunch Company – contracts with Chesterton School; Chadlington School; Whitchurch; Kidmore End School; Coombe School; Sacred Heart

School; St Joseph's School Oxford; South Stoke School; St Peters Cassington

- School Lunch Company – cleaning contract with Stonesfield Primary School.
- Oxford Active – contract with West Oxford Primary School to provide after school club.
- Aspens Services – catering contract with the Isis Academy (Iffley Mead).
- Greenwich Leisure Limited (GLL) are taking on leisure services from Vale of White Horse District Council and South Oxfordshire District Council under one contract from 01 September and seeking admission to the fund.

Closure Valuations

7. The Soll Vale Limited contract with Vale of White Horse District Council ceases on 31 August 2014. A closure valuation will be arranged after this date.

8. The Greenwich Leisure Limited contract with South Oxfordshire District Council ceases on 31 August 2014. A closure valuation will be arranged after this date.

Cessation Valuations

9. The present Funding Strategy Statement states that all cessation valuations should be completed on a low risk basis unless another scheme employer has under-written the financial risk or the employer is a member of a pool (where the risk is shared by the other pool members).

10. We have recently been contacted by Actuarial Consultants acting on behalf of Housing Associations to seek our approval to undertaking cessation valuations for Housing Associations on an on-going basis (higher risk), subject to a separate legal agreement being entered which requires the Housing Association to meet the full costs of the on-going liabilities as part of a future payment plan.

11. Such a proposal should work in the best interests of both the Fund and the Housing Associations as the actual payments made to the Fund will be in line with the pension payments paid out by the Fund. The current arrangements of a cessation valuation calculated on a low risk basis means that total payments made by the Housing Association are at risk of being excessive (where investment returns are in line with normal long term trends as opposed to the low risk gilt yield) or fall short of the actual sum required (e.g. if life expectancy of the scheme members is greater than the longevity assumptions made by the Actuary).

12. The Council's Legal Services have been consulted, and believe that with appropriate clauses included to enable the Fund to seek immediate payment of a low risk cessation sum in the event of a fall in the Housing Association's credit rating or takeover/merger/acquisition activity, then such a proposal can be supported.

13. To enable the proposal to be taken forward, the Committee would need to agree to minor changes to the Funding Strategy Statement to include as an exception to low risk cessation valuations the situation where a scheme employer comes to a separate legal agreement with the Administering Authority to meet the full cost of their on-going pension liabilities as part of a future payment plan.

Project – Employer Covenants

14. An initial meeting has been held with the actuary and work has now started on collating data.

RECOMMENDATIONS

15. The Committee is RECOMMENDED to:

(a) note the progress of previously approved applications for admitted body status;

(b) note the approved applications for admitted body status by Regency Cleaning; Fresh Start Catering; Edwards & Ward; The School Lunch Company; Oxford Active; Aspens Services and Greenwich Leisure Limited subject to either pass through arrangements or bonds being put in place;

(c) note the closure of two scheme admission agreements with Soll Vale and Greenwich Leisure Limited;

(d) agree the changes to the Funding Strategy Statement as set out in paragraph 13 above; and

(e) note information on employer covenant project.

Lorna Baxter
Chief Finance Officer

Background papers:

Contact Officer: Sally Fox
Tel: 01865 797111

August 2014

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Division(s): N/A

PENSION FUND COMMITTEE – 5 SEPTEMBER 2014

CO-HABITING PARTNERS

Report by the Chief Finance Officer

Introduction

1. In March this Committee received a report seeking the Committee's views in updating the Administering Authority Discretions in line with the LGPS Regulations 2013, which came in to force on 1 April 2014

2. The new regulations removed the requirement for current scheme members, as at 1 April 2014, to nominate a co-habiting partner, to be eligible to receive benefits in the event of the death of the member, with the provision of evidence after death. The March report asked the Committee what information they required as evidence. Members requested that advice was sought from Legal Department.

Evidence Required

3. Legal has provided the following comments on evidence which may be used to determine whether a benefit is payable:

   - You and your co-habiting partner are, and have been, free to marry each other or enter into a **civil partnership** with each other, and

   - For those that have never been married/in a civil partnership the only thing is to request a declaration from the surviving partner.

4. If either/both has/have been widowed previously, Pension Services would need to see the death certificate of the former spouse and possibly the marriage certificate. If divorced, Pension Services would need to see a decree absolute bearing the court's original stamp. Similarly, if they have been in a civil partnership (with someone else) which has been dissolved Pension Services would need the dissolution document.

5. The declaration would need to state that you and your co-habiting partner have been living together as if you were husband and wife, or **civil partners**, and neither you or your co-habiting partner have been living with someone else as if you/they were husband and wife or **civil partners**, and either your co-habiting partner is, and has been, financially dependent on you or you are, and have been, financially interdependent on each other.

6. Evidence of Co-habitation would include:

- Joint leases or a letter from landlord/lady stating that both live at the same address.
- Joint Utilities Bills/mortgage/rent
- Letters addressed to both at the same address.
- Official documents such as drivers licenses which are addressed individually but showing the same address.
- Electoral Roll
- Evidence of important post like phone bills or bank statements that are sent to the same home address.

Procedure

7. Any deferred, or pensioner member with a leaving date prior to 1 April 2014 is still required to complete a nomination form for their co-habiting partner to be eligible to receive benefits in the event of the member's death.

8. For any current scheme member, as at 1 April 2014, and those who have become either deferred or pensioner members after that date there is no regulatory requirement to complete a nomination form.

9. Given the similarities in process to determine co-habitation it would seem sensible to encourage all members to complete a declaration form in these circumstances, particularly since previous experience has shown that removing the existing form, for some, but not all, scheme members, will cause confusion. It is appreciated that this could lead to post 1 April 2014 members querying the need to complete the form, but this can be handled on an individual case basis.

RECOMMENDATION

10. The Committee is RECOMMENDED to:

(a) agree the list of evidence to be required in these circumstances; and

(b) confirm the proposed procedure.

Lorna Baxter
Chief Finance Officer

Background papers: None
Contact Officer: Sally Fox, Pension Services Manager, Tel: (01865) 797111

August 2014

Division(s): N/A

PENSION FUND COMMITTEE – 5 SEPTEMBER 2014

WRITE OFF's

Report by the Chief Finance Officer

Introduction

1. In December 2012 a change was made to the Scheme of Financial Delegations to allow write offs under £500, chargeable to the Pension Fund, to be approved by the Pension Services Manager. (Under the Scheme of Financial Delegation, such write offs need to be reported to this Committee for information).

2. For debts between £500 and £7,500 approval is required by the Service Manager (Pensions) and The Deputy Chief Finance Officer. For debts between £7,500 and £10,000 chargeable to the Pension Fund, approval would need to be sought from the Chief Finance Officer. These write offs will also need to be reported to this Committee for information.

3. Debts in excess of £10,000 would require approval of Pension Fund Committee

Current Cases

4. The Pension Services Manager has approved the write off of £60.76 chargeable to the pension fund in respect of seven cases.

5. In all cases the member has died and Pension Services has been unable to recover the amount of the over pension. The amounts ranged between £2.99 and £30.74

RECOMMENDATION

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

Lorna Baxter
Chief Finance Officer

Background papers: None
Contact Officer: Sally Fox, Pension Services Manager, Tel. (01865) 797111

August 2014

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