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OXFORDSHIRE
COUNTY COUNCIL

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 11 March 2016 at 10.00 am

Meeting Rooms 1 & 2, County Hall, New Road, Oxford

PG Clark

Peter G. Clark
Head of Paid Service

March 2016

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

Surinder Dhesi	Richard Langridge	Les Sibley
Jean Fooks	Sandy Lovatt	
Nick Hards	Neil Owen	

Co-optees

City Councillor James Fry
District Councillor Bill Service

Notes:

- ***A lunch will be provided.***
- ***Date of next meeting: 10 June 2016.***
- ***The meeting will be preceded at 9.30am (in the Committee Rooms) by a training session on the knowledge and skill requirements for Committee 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** (Pages 1 - 14)

To approve the minutes of the meetings held on 4 December 2015 and 29 January 2016 (**PF3**) and to receive information arising from them.

4. Petitions and Public Address

5. **Collaboration Update** (Pages 15 - 22)

10:10

At the special meeting on 29 January 2016, the Committee agreed a submission to the Government on their intentions towards future pension investment collaboration. The submission was a joint submission on behalf of the 10 administering authorities signed up to Project Brunel.

The submission was agreed by the respective Pension Fund Committees of all 10 administering authorities and subsequently sent to the Government by their deadline of 19 February 2016. At the time of writing the attached update report **PF5** for this meeting, there has been no formal response to the submission.

On the assumption that the Government will accept the submission as the basis for a full proposal from Project Brunel, the report looks at the next steps in developing the final submission by the 15 July 2016 deadline. It also seeks a nominee to sit on the Shadow Joint Committee Oversight Board and a named substitute for this position.

The Committee is RECOMMENDED to:

(a) note the current position;

(b) agree a nominee and a named substitute to represent the Committee on the Shadow Joint Committee Oversight Board; and

(c) consider the requirement for monthly informal briefings to follow on from meetings of the Oversight Board and the arrangements for the agreement of the final submission.

6. Business Plan 2016/17 (Pages 23 - 44)

10:20

The report **(PF6)** covers the business plan for the forthcoming financial year and includes the proposed budget for the year, the cash management strategy and the risk register. Committee will also be asked to develop its' own training plan.

The following documents are attached:

- Business Plan 2016/17
- Business Plan – Annex 1
- Part D – Risk Register
- Part E – Members' Training Plan
- Part F – Cash Management Strategy

The Committee is RECOMMENDED to:

(a) approve the Business Plan and Budget for 2016/17 as set out at Annex 1;

(b) note the risks that are currently not at target level and keep these under review during 2016/17;

(c) add items as appropriate to the 2016/17 training plan and to continue to review during 2016/17;

(d) approve the Pension Fund Cash Management Strategy for 2016/17;

(e) delegate authority to the Chief Finance Officer to make changes necessary to the Pension Fund Cash Management Strategy during the year, in line with changes to the County Council's Treasury Management Strategy;

(f) delegate authority to the Chief Finance Officer to open separate pension fund bank, deposit and investment accounts as appropriate; and

(g) delegate authority to the Chief Finance Officer to borrow money for the pension fund in accordance with the regulations.

7. Employer Management (Pages 45 - 72)

10:50

The report **(HWB7)** sets out the latest position in respect of the employers within the Oxfordshire Fund. It will include a review of the Administration Strategy and in particular the penalties to be imposed on employers for non-compliance with their responsibilities under the regulations. The report also includes any new requests for admission to the Fund, an update on previously approved applications and the write off of any amounts due to the Fund.

The Committee is RECOMMENDED to:

(a) note the performance of scheme employers in making required returns;

(b) note the number of annual benefit statements issued and to advise officers of any further actions they want taken to resolve non-return of data;

(c) agree to consult on proposed changes to charges within the Pension Administration Strategy;

(d) confirm what approach they wish to be taken in assessment of employer covenants;

(e) agree write off of £241.79;

(f) note previous applications for admission to the fund & those applications approved by Service Manager (PIMMS);

(g) agree admission of the Carillion and Optalis in respect of contracts listed, and Note potential admission of another provider; and

(h) note progress made in respect of closure valuation.

8. Pension Liabilities and Cash Flow Monitoring (Pages 73 - 76)

11:10

The report **(PF8)** reviews the future pension liabilities of this Fund, and the forecast cash flow position, and considers the sensitivity of the position to the actions of the major scheme employers. The report also discusses future investment implications.

The Committee is RECOMMENDED to:

(a) note the current position;

(b) ask the Officers to continue to work with Barnett Waddingham and with all main scheme employers to develop a better understanding of the likely pattern of

employer contributions in the forthcoming years and the potential cash flow models;, and

(c) ask the Independent Financial Adviser and Officers to bring a future paper on the alternative investment models that will deliver the new cash flow requirements of the Fund whilst as far as possible maintaining stable and affordable employer contribution levels.

9. **Corporate Governance - Voting** (Pages 77 - 116)

11:20

The report **(PF9)** provides the Committee with information on the voting records of the Fund Managers, which they have exercised on behalf of the Fund.

The Committee is RECOMMENDED to note the Fund's voting activities, and determine any issues they wish to follow up with specific fund managers, or in general.

10. **Pension Fund Scheme of Delegation** (Pages 117 - 122)

11:25

In addition to the responsibilities listed in the Council's schemes of delegation, the Pension Fund Committee has delegated some additional responsibilities for functions specifically related to pension fund activities to officers.

The Committee last approved the Pension Fund Scheme of Delegation at their meeting in June 2015. A number of minor amendments have been made to the scheme of delegation to reflect structural changes since the last approved version. References to the Chief Executive have been replaced with the Head of Paid Service, and references to the Principal Financial Manager – Treasury Management & Pension Fund Investments have been replaced with Financial Manager – Pension Fund Investments.

The Committee is RECOMMENDED to approve the Scheme of Delegation for the Pension Fund as set out in the attached Annex PF10.

11. **Overview of Past and Current Investment Position** (Pages 123 - 134)

11:30

Tables 1 to 5 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, present an overview of the Fund's position as at 31 December 2015, and highlight any key performance issues, with reference to the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 31 December 2015
Table 2	shows net investments/disinvestments during the quarter
Tables 3 and 4	provide investment performance for the consolidated Pension Fund for the quarter ended 31 December 2015
Table 5	Provides details on the Pension Fund's top holdings

In addition to the above tables, the following graphs have been included:

Graph 1 Market value of the Fund over the last three years
Graphs 2-7 Performance of the Fund Managers attending Committee for the quarter ending 31 December 2015

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 15, 16, 17 and 18 on the agenda.

EXCLUSION OF PRESS AND PUBLIC

12. EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 13, 14, 15, 16, 17 and 18 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 18, there is no report circulated with the Agenda. Any exempt information will be reported orally.

13. **Exempt Minutes** (Pages 135 - 136)

To approve the exempt part of the Minutes of the meeting held on 4 December 2015 **(PF13)** and to receive information arising from them.

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 disclosure could distort the proper process of each of the 10 Committees negotiating the final proposal. It is intended that once all Committees have agreed the final proposal for submission to Government, the final proposal will become a public document. Disclosure would also prejudice the commercial position of the individual pension fund, and future negotiations with Fund Managers.

14. **Overview and Outlook for Investment Markets** (Pages 137 - 144)

11:40

Report of the Independent Financial Adviser (**PF14**).

The report sets out an overview of the current and future investment scene and market developments across various regions and sectors; and provides the context for the consideration of the reports from the Fund Managers. 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.

15. UBS

11:50

(1) The Independent Financial Adviser will report orally on the performance and strategy of UBS drawing on the tables at Agenda Items 11 and 14.

(2) The representatives (Nick Irish and Digby Armstrong) 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 31 December 2015;

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

In support of the above is their report for the period to 31 December 2015.

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.

16. Wellington

12:30

(1) The Independent Financial Adviser will report orally on the performance and strategy of Wellington drawing on the tables at Agenda Items 11 and 14.

(2) The representatives (Ian Link and Nicola Staunton) 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 31 December 2015;

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

In support of the above is their report for the period to 31 December 2015.

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.

17. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting (Pages 145 - 150)

13:10

The Independent Financial Adviser will report on **(PF17)** the officer meetings with Insight, Legal & General and Baillie Gifford, as well as update the Committee on any other issues relating to the Fund Managers not present including issues in respect of the Private Equity Portfolio.

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

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

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

18. Summary by the Independent Financial Adviser

13:15

The Independent Financial Adviser will summarise any issues arising from the previous discussions with 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.

19. Annual Review of the Independent Financial Adviser (Pages 151 - 154)

13:20

The report **(PF19)** reviews the work undertaken by the Independent Financial Adviser over the past 12 months, and invites the Committee to agree any feedback on the levels of service received and/or changes going forward.

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.

The Committee is RECOMMENDED to note the report and to consider if it wishes to offer any feedback to Mr Davis in relation to his performance as Independent Financial Adviser during the last year.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

20. Corporate Governance and Socially Responsible Investment

13:25

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

21. Annual Pension Forum

13:30

There will be an oral update on the Annual Pension Forum.

LUNCH

Pre-Meeting Briefing
There will be a pre-meeting briefing in the **Members' Board Room, County Hall,** on **Wednesday 9 March 2016** at **2pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 4 December 2015 commencing at 10.00 am and finishing at 1.15 pm

Present:

Voting Members:	Councillor Stewart Lilly – in the Chair Councillor Patrick Greene (Deputy Chairman) Councillor Surinder Dhesi Councillor Jean Fooks Councillor Nick Hards Councillor Richard Langridge Councillor Neil Owen Councillor David Wilmshurst (In place of Councillor Sandy Lovatt)
District Council Representatives:	Councillor James Fry
By Invitation:	Philip Wilde (Beneficiaries Observer) Peter Davies (Independent Financial Adviser)
Officers:	
Whole of meeting	J. Dean (Corporate Services); S. Collins and G. Ley (Corporate Finance) 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.

64/15 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Councillor David Wilmshurst attended for Councillor Sandy Lovatt and apologies were received from Councillors Bill Service and Les Sibley.

65/15 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

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

66/15 MINUTES
(Agenda No. 3)

The Minutes of the meeting held on 4 September 2015 were approved and signed.

There were no Matters Arising.

67/15 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 4)

There were no petitions submitted or requests to make a public address.

68/15 EMPLOYER MANAGEMENT
(Agenda No. 5)

The Committee had before them a report (PF5) which gave an update on the key operational issues arising around individual employer members of the Fund, including the latest performance data. The report also included updates on applications for admissions to the Fund and details of any cessation issues.

Sally Fox gave an update stating that as at 30 November 2015, 60% of annual benefit statements had been issued and therefore it would be necessary to make further subsequent to The Pension Regulator until 100% was reached. The Chairman reported that he and the rest of the Committee had been mindful of the situation occurring, adding that now there were in excess of 200 member organisations as against approximately 80 earlier this year. He stated that he had spoken to Sally's Team who were doing exceptionally good work, but unfortunately the accurate data which the Team had been requesting from employer organisations had not been forthcoming in some cases.

RESOLVED to:

(a) note the performance of scheme employers in making required returns;

(b) note the number of annual benefit statements issued and to advise officers of any further actions they want taken to resolve non-return of data;

(c) note the benchmarking data;

(d) agree a write off of £97.33;

(e) note the previous applications for admission to the fund & those applications approved by Service Manager (PIMMS);

(f) agree admission of the School Lunch Company in respect of schools listed; and

(g) note the progress made in respect of closure valuation.

69/15 COLLABORATION UPDATE

(Agenda No. 6)

The Committee considered a report (PF6) which gave an update on future collaborative arrangements following on from announcements made by the Chancellor of the Exchequer on the requirement of Local Government Pension Schemes (LGPS) funds to identify arrangements for future collaboration.

Following a full discussion it was **RESOLVED:** (on a motion by Cllr Richard Langridge and seconded by Cllr Nick Hards) to

(a) formally explore the option of joining the 8 funds in the South West (and others as agreed) to develop a proposal for future pooling arrangements in response to the Government's requirements; and

(b) set up a special meeting of this Committee to agree the initial submission to the Government which is due on 19 February: this meeting will take place on or around 29 January 2015 and members of the Local Pension Board be invited to be present.

70/15 PROPOSED FUTURE TEAM STRUCTURE

(Agenda No. 7)

The Committee considered a report (PF7) which set out the proposed team structures for the Pensions Investment & Administration Teams in the light of the recent changes within the Council and the new pressures facing Pension Services.

RESOLVED: to agree the proposed team structures, as set out at Annex 2 to the report.

71/15 FUTURE WORK PROGRAMME

(Agenda No. 8)

Members considered a report (PF8) which set out the key tasks which faced the Committee over the next year, and which invited Members to consider the timescales for addressing these issues and areas which could be usefully considered in depth by the newly established Local Pension Board.

On the subject of the Training Plan, to be considered at the March 2016 meeting, the Committee recognised that training was very much a shared responsibility and was keen to identify the areas which would be of most benefit to members. An area which was identified at this meeting was that of high carbon risk investments and they asked that the offer from Baillie Gifford to present a session on this subject be taken up.

RESOLVED: to

(a) agree the list set out at Paragraph 17 of the report, ie:

March 2016	Collaboration
	Risk Management
	Cash Flow Forecasts
	Employer Management
	Training Plan
June 2016	2016 Valuation - Approach
	Collaboration Update
	Employer Management Update
September 2016	Collaboration Update
	Risk Management Review
	Review Against Pension regulator Standards
December 2016	2016 Valuation - Results
	Collaboration Update

(b) invite the Local Pension Board to initially consider the issues of collaboration and employer management (including employer communications), with further work to be undertaken on risk management following the Committee's review of the current arrangements at their March meeting.

72/15 FUND MANAGER MONITORING ARRANGEMENTS 2016-17

(Agenda No. 9)

The Committee considered a proposed schedule for 2016-17 based on last year's agreement that each Manager should attend the Committee on an annual basis (PF9).

RESOLVED: to approve the Fund Manager Monitoring Arrangements for the year 2016/17 as set out in the report.

73/15 PENSION FUND COMMUNICATIONS POLICY REVIEW

(Agenda No. 10)

The Pension Fund Committee is required to establish, review and publish its policy concerning pension scheme communications with all stakeholders. Whilst the communication policy had been presented at the previous meeting, it was relevant to re-present elements which might have altered the terms of the current strategy and its delivery.

The report (PF10) sought guidance on employer engagement and to a review of the employer's forum; and also sought approval for the adoption of a recognisable symbol for the Pension Fund. The report also required consideration of possible changes in the method of communication, in order to adopt the disclosure regulations and ensure a move to a members' self - service system.

Following a discussion it was

RESOLVED to ask the officers to convey to the employers the disappointment of the Committee at the lack of interest in the annual Pension Fund Forum, particularly in light of the important and significant changes that are currently occurring in this area; and to

(a) agree that it is this Committee's view that employers should be mindful of their duties in keeping up to date with issues and information relating to pensions of their employees and thus to request the Local Pension Board to look at ways in which this problem could be addressed, and to report back to the Committee with a view to changes being made to the Strategy;

(b) make changes to the policy to enable the adoption of self service; and

(c) choose the first image of the snake's head fritillary as the logo for Oxfordshire's Fund.

74/15 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 11)

The Independent Financial Adviser reviewed the investment activity during the past quarter and presented an overview of the Fund's position as at 30 September 2015.

Mr Davies pointed out that the overall value of the Fund had fallen by £63m at the end of September. He reported however, that since then the Fund had recouped £60 - £65m.

RESOLVED: to receive the tables and graphs and that the information contained in them be borne in mind insofar as they related to Items 13, 14, 15, 16 and 17 on the agenda.

75/15 EXEMPT ITEMS

(Agenda No. 12)

The Committee RESOLVED that the public be excluded for the duration of items 13,14,15,16 and 17 in the Agenda since it was likely that if they were present during those items there would be disclosure of exempt information as defined in Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it was considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

76/15 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 13)

The Committee considered a report of the Independent Financial Adviser (PF13) which gave an overview of the current and future investment scene and market developments across various regions and sectors. The report itself did not contain exempt information and was available to the public.

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

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

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

77/15 ADAMS STREET

(Agenda No. 14)

The Independent Financial Adviser reported orally on the performance and strategy of Adams Street drawing on the tables at Agenda Items 11 and 13.

The representatives, Ana Maria Harrison and Sergey Sheshuryak presented their approach to investments in relation to their part of the Fund and their strategy against the background of the current investment scene. They also gave their views on the future investment scene.

At the end of the presentation they responded to questions from members.

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

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

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

78/15 REVIEW OF PRIVATE EQUITY

(Agenda No. 15)

The Committee considered a report from the Independent Financial Adviser (PF15) which reviewed the private equity investments within the Fund.

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 and to accept the advice of the Independent Financial Adviser as set out in the report.

79/15 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 16)

The Independent Financial Adviser reported on the officer meetings with UBS, Wellington and Insight in conjunction with information contained in the tables (PF16).

Discussion on this item is the subject of an exempt Minute.

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

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

RESOLVED: to note the main issues arising from the report and from his oral report to the meeting.

80/15 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 17)

The Independent Financial Adviser reported that no further summary was required.

ITEM FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

81/15 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 18)

As part of a discussion about the Fossil Fuel lobby, the Chairman confirmed the previous stated position of the Committee ie that this Committee maintains a watchful brief and is mindful of opinions expressed by members of the public, but at the same time it must adhere to the guidance laid down by the Local Government Pension Scheme and associated case law. Furthermore, the Committee's first duty is to attain the best value possible for the 40,000 + people belonging to the Oxfordshire pension scheme. He added that the officers had been requested to quantify out of the total asset allocation how much is in fossil fuel investment.

Following a request from a member of the Committee it was **RESOLVED** that Baillie Gifford would be asked to come and talk to the Committee about investment issues in relation to climate change as well as that of fossil fuel investment.

.... in the Chair

Date of signing

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 29 January 2016 commencing at 10.00 am and finishing at 11.05 am

Present:

Voting Members:	Councillor Stewart Lilly – in the Chair Councillor Patrick Greene (Deputy Chairman) Councillor Surinder Dhesi Councillor Jean Fooks Councillor Nick Hards Councillor Sandy Lovatt Councillor Neil Owen Councillor Les Sibley Councillor Rodney Rose (In place of Councillor Richard Langridge)
District Council Representatives:	City Councillor James Fry District Councillor Bill Service
Members of the Local Pension Board (By Invitation):	Alistair Bastin District Councillor Roger Cox Stephen Davies County Councillor Bob Johnston David Locke
By Invitation	Peter Fryer (Beneficiaries Observer) Peter Davies (Independent Financial Adviser)
Officers:	
Whole of meeting	J. Dean, L. Baxter, S. Collins, S. Fox and G. Ley (Corporate Services)

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.

1/16 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 1)

Cllr Rodney Rose attended for Cllr Richard Langridge and Peter Fryer attended in place of Philip Wilde as Beneficiaries Observer.

Of the members of the Local Pension Board, Graham Burrow (Independent Chairman) and Duncan Hall gave their apologies.

2/16 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE
(Agenda No. 2)

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

3/16 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 3)

There were no petitions submitted or requests to make a public address.

4/16 FUTURE COLLABORATION - PROPOSAL TO GOVERNMENT
(Agenda No. 4)

Prior to consideration of the report the Chairman welcomed members of the Local Pension Board (LPB) to the meeting. The LPB had been invited to take part in the discussion on this item.

Members of the Committee and the Local Pension Board considered a report **(PF4)** which responded to the requirement from the Government to submit an outline proposal by 19 February 2016 on future collaboration arrangements with other pension funds. A decision had been made at the last meeting of this Committee on 4 December 2015 to formally explore the development of a joint proposal with 10 south west Funds (the Project Brunel group).The report updated the Committee and members of the LPB on the discussions which had taken place on future collaborative arrangements since then.

In addition to the covering report, the Committee had before them, at **Annex 1**, the proposal to be submitted to the Government. It was intended that this would be a joint proposal to be submitted by all ten funds within Project Brunel, and was being presented to the relevant Committees over the course of the next week. The initial feasibility study and the initial business case produced on behalf of the Project by Price Waterhouse Cooper (PwC) were set down at Annex 1 and Annex 2. These documents included detailed information on fee levels etc of the individual funds, as well as potential future fee savings. Whilst the covering report itself did not contain exempt information and was available to the public, Annexes 1 - 3 were confidential in that they contained exempt information relating to potential future commercial arrangements.

The public was therefore excluded during consideration of <u>*Annex 1*</u> *because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:*

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

proper process of each of the 10 Committee's negotiating the final proposal. It is intended that once all Committees have agreed the final proposal for submission to Government, the final proposal will become a public document.

The public were also excluded during consideration of Annexes 2 and 3, because their discussion in public would be likely to lead to the disclosure to the members of the public present of information in the following category prescribed by Part 1 of Schedule 12A to the Local Government Act 1972 (as amended):

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that disclosure would prejudice the commercial position of the individual pension fund, and future negotiations with Fund Managers.

Sean Collins introduced the report, emphasising that it was important to focus on the outline principles of the proposal as set down in Annex 1, and not necessarily the detail (at Annexes 2 and 3) at this stage. Detailed proposals would be considered at a later meeting of this Committee prior to submission to the Government on 15 July 2016, although it would be helpful to have issues raised now, so that they could be considered as part of the next stages of work.

Lorna Baxter gave her support to the Brunel Scheme, commenting that she and Sean Collins had accompanied the Chairman to a meeting of all Chairmen of the 10 Councils held in Taunton on 8 January 2016. At that meeting it had become clear that all 10 espoused a similar approach to investment strategies and all wished to adopt a collaborative approach based on equality.

The Chairman thanked Lorna Baxter and her officers for all their hard work leading up to this, commenting that he had been impressed by the democratic manner in which the discussions had been conducted so far. He added that Price Waterhouse Cooper and the Local Government Association were also supportive of the proposals to date.

It was made clear that this Committee would still hold a responsibility for asset allocation and investment in sub-funds.

Members of the Committee and the Local Pension Board then raised a series of questions covering the following issues:

- The possibility of more Councils joining the Brunel Scheme? – Project Brunel was open to requests to join from other funds, but wished to limit overall numbers to 12 to ensure the governance arrangements remained manageable, with all requests assessed against the like-minded criteria.

- The nature of sub-funds – It would still be the responsibility of this Pension Fund Committee to meet their pension liabilities. All Brunel Funds were facing the same challenges of a declining work force, and improved longevity, and the Project would need to identify a suitable range of sub-funds to meet the asset allocation requirements of each fund, with sufficient flexibility to address changing liability profiles over time. The issue of how sub-funds are constructed and managed would be a critical piece of work for officers and the Independent Financial Adviser in the next stage of the project, including how target levels of performance and risk/volatility were established for each sub-fund.

- Representation on the Oversight Group – This was assumed to be the individual Committee Chairmen, but each Committee would be free to determine their own representative. However, the Project would be looking for a fixed appointment to ensure consistency of approach in the governance of the Collective Asset Pool (CAP).

- Structure of future arrangements – The Government had initially assumed that proposals would be based on the Authorised Contractual Scheme as developed for the London CIV. Officers were working with the Department for Communities & Local Government, Here Majesties Treasury and colleagues within the Local Government Pension Scheme area to set out the benefits of the CAP arrangements in terms of reduced time and costs on implementation, whilst retaining the controls, policies and procedures found in accredited arrangements.

- Infrastructure – It was confirmed that any decision to invest in an infrastructure sub-fund would remain with the Committee, who would need to ensure that it was made in the interests of Oxfordshire Pension Fund's beneficiaries. The work of Project Pool, a collaboration by 24 LGPS funds had identified that Infrastructure was one of the asset classes that would benefit from a cross pool approach, and this would need to be developed further in the next stage of the work.

- Costs and Savings – More detailed work on implementation costs would form part of the next stage of the project, as further details on the model were confirmed. These discussions would include the basis of how costs were to be spread across the 10 individual funds in the most equitable way, and to ensure that there were no dis-incentives to the collaboration arrangements in the costing model. It was likely that there would be some savings in Actuarial and Investment Advice Services, but these would not be significant as each local Committee would still need to undertake their own asset allocation exercises, their own fund valuation etc. The main benefits of the projects would come by way of reduced investment management fees, and improved investment performance.

As the work developed this would be shared with Pension Fund Committee and Local Pension Board members. It would be important for Members to be engaged in the detail of the project throughout the next stage, so they would be in a position to agree the final proposal to meet the Government's July 2016 timetable.

The Chairman, in conclusion, thanked all for their attendance.

....

RESOLVED: (on a motion by Cllr Lilly, seconded by Cllr Patrick and carried unanimously) to:

(a) agree the proposal at Annex1 to the report as the basis for submission to the Government; and

(b) delegate to the Chief Finance Officer the responsibility to agree any final amendments to this proposal following discussion at all 10 Pension Fund Committees, and following consultation with the Chairman, Deputy Chairman and the Opposition Spokesperson.

.... in the Chair

Date of signing

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Division(s): N/A

PENSION FUND COMMITTEE – 11 MARCH 2016

COLLABORATION UPDATE

Report by Chief Financial Officer

Introduction

1. At their additional meeting on 29 January 2016, the Committee agreed a submission to the Government on their intentions towards future pension investment collaboration. The submission was a joint submission on behalf of the 10 administering authorities signed up to Project Brunel.

2. The submission was agreed by the respective Pension Fund committees of all 10 administering authorities and subsequently sent to the Government by their deadline of 19 February 2016. At the time of writing this report, there has been no formal response to the submission.

3. On the assumption that the Government will accept the submission as the basis for a full proposal from Project Brunel, this report looks at the next steps in developing the final submission by the 15 July 2016 deadline.

Informal Feedback and Next Steps

4. Whilst we have not received any formal response to the submission since 19 February 2016, members of the Project Brunel team met with key officials from Her Majesty's Treasury and the Department for Communities and Local Government to discuss the submission. The two key areas these discussions focussed upon were the commitment to future investment in infrastructure and the governance arrangements. There was no discussion on the fact that the pool falls below the £25bn criteria, at just under £23bn.

5. In respect of feedback, the officials were keen to understand the commitment of the Brunel funds to future investments in infrastructure. This followed up from the previous statements from the Chancellor, and the inclusion of infrastructure investment as the fourth criteria against which collaboration proposals will be judged.

6. The position was confirmed that whilst the Brunel funds are happy to support future infrastructure investment in principle, actual decisions on the level of infrastructure investment could not be pre-determined. They would be dependent on the asset allocation decisions made by the local Pension Fund Committees in light of their own pension liability profiles, and the availability of infrastructure investments which provided investment returns consistent with these pension liabilities.

7. The clear message given to the officials was that it was critical to develop a supply line of appropriate infrastructure proposals available to be considered by the Brunel funds. To this end, it is noted that in the proposals submitted by the Manchester Pension Fund and the London Pension Fund Authority, there is a wish to develop a centre of excellence around investing in infrastructure, including exploring the potential to develop a clearing house for major infrastructure investments.

8. The development of a national infrastructure investment model would be consistent with the findings of the Project Pool work supported by Hymans Robertson, and as such, the officers within Project Brunel would support working closely with the other proposed pools to develop a single solution to support future infrastructure investments.

9. In respect of governance, the challenge from the Government Officials centred on the appropriateness of going forward with an unregulated model. On this point, it was explained that the current position in Project Brunel is that developing a full Authorised Contractual Scheme arrangement regulated by the Financial Conduct Authority is not necessary to deliver the proposed collaborative arrangements, and therefore adds unnecessary cost and time to the implementation on the proposal. Moving to a regulated model is not ruled out in the future, if the needs of the collaborative model so require.

10. It was also stated that in so far as possible, the Collective Asset Pool and Joint Committee model would be developed to incorporate as many of the policies and practices that would be required under a regulated model, to ensure the efficiency and effectiveness of the model.

11. Officials were keen to understand how the model would ensure sufficient control moved from the individual local Pension Fund Committees to the Collective Asset Pool, and where the key investment decisions would be made in the future.

12. In the view of Project Brunel, the best way of moving the issues forward and demonstrating how the model will work is to set up shadow governance arrangements. This will provide more robust governance arrangements for the Project, improve communication flows and help clarify future roles and responsibilities.

13. To this end, the Project has drafted terms of reference for a Shadow Joint Committee Oversight Board, and these are contained at Annex 1 to this report. It is hoped that this Board can meet on a monthly basis until the July submission has been finalised, and an initial meeting date has been set for 22 March 2016. Each of the local Pension Fund Committees are invited to nominate a representative to sit on this Board and a named substitute to attend in their absence.

14. The lead officers for each Fund are continuing to meet, and it is intended to re-construct these meetings as a shadow Operations Group. It is intended to support the Board and the Operations Group through the appointment of a

Project Manager. It has also been suggested that the Project will need to appoint a Chief of Operations and a Risk and Compliance Officer who will act to co-ordinate the work of the officers from the individual funds.

15. The Operations Group is next due to meet on 10 March 2016, and will look to develop its own terms of reference, and job descriptions for the Chief of Operations and the Risk and Compliance Officer and clarify the key decision making processes within the new arrangements.

16. The Committee will need to consider how the information discussed at the Shadow Board and Shadow Operations Group is best fed back, so that all members have the ability to understand and influence the final proposal. One suggestion will be to run informal briefings for all Committee and Pension Board members following each meeting of the Oversight Board.

17. Given the changes to delegations involved in setting up the new Collective Asset Pool, it has been advised that the final agreement of the proposal needs to be made by full Council, on the recommendation of the Pension Fund Committee. The final submission will need to be signed off by full Council at its meeting on 12 July in advance of the Government deadline of 15 July 2016. The Pension Fund Committee is scheduled to meet on 10 June 2016, which is likely to be in advance of the final submission being completed. The Committee will therefore need to consider whether they would wish for an additional meeting to consider the final submission, or delay the scheduled meeting until the final week in June.

Other Pooling Submissions

18. At the time of writing the report, the Government have not published any details of the submissions received. Any analysis of the submissions is therefore based on information provided by the individual funds and pools.

19. It is understood that in addition to the submission from Brunel, submissions were made by Access (central and south east funds), Central, Borders to Coast (with funds the length of the Country), the Welsh Funds, the London Common Investment Vehicle, the Northern Powerhouse, and the Local Pension Partnership (LPFA and Lancashire). These last two pools have also indicated a willingness to work together as a single pool.

20. It is understood that not all funds have made a firm commitment to a single pool, and indeed it is understood that at least one Fund has indicated a wish to invest across more than one pool.

21. In terms of size, the proposals from Brunel, the Welsh funds and the Local Pension Partnership fall short of the £25bn criteria. In terms of governance models, many of the submissions suggest more work is required. The Northern Powerhouse (the three big funds of Greater Manchester, Merseyside and West Yorkshire) has indicated an intention not to follow the Authorised Contractual Scheme but to develop a shared service model, though will look at alternatives as appropriate to each asset class. The Central, Access and

Borders to Coast pools are looking to commission a joint legal report on potential governance models. The London Boroughs submission is based around the London Collective Investment Vehicle which they have already established, whereas the Local Pension Partnership has also established an Authorised Contractual Scheme.

RECOMMENDATION

22. **The Committee is RECOMMENDED to:**

(a) note the current position;

(b) agree a nominee and a named substitute to represent the Committee on the Shadow Joint Committee Oversight Board; and

(c) consider the requirement for monthly informal briefings to follow on from meetings of the Oversight Board and the arrangements for the agreement of the final submission.

Lorna Baxter
Chief Finance Officer

Contact Officer: Sean Collins, Service Manager, Pensions, Insurance & Investments; Tel: (01865) 897224

February 2016

Shadow Joint Committee Oversight Board – Terms of Reference

1. Purpose

The purpose of the Shadow Oversight Board ("Shadow Board") is to support fund officers to develop the final proposal for Project Brunel. The Shadow Board will also provide effective engagement with the local fund committees as the project progresses. It will seek to encourage best practice, promote equity and fairness across all the local funds, and increase transparency and accountability to the local committees.

Evolution to Oversight Board

If successful with initial proposal in July, the Shadow Board will oversee the appointment of Board members and continue to progress the delivery of the JCS and its functions until formal Board appointment is completed (recognising that this has to be done by the local committees). The Shadow Board's remit therefore will evolve during this period as set out below.

2. Remit

The remit of the Shadow Board is:

Stage 1 – until July 2016 proposal is submitted

- To provide advice to the work being undertaken by the fund officers to draft the final proposal for Project Brunel
- To consider issues and draft proposals as they are developed to ensure engagement with local fund committees
- To agree project management arrangements and the appointment of advisors.
- To agree costs to deliver final proposal for Project Brunel
- To agree lead authority responsibilities for delivery of the project and support arrangements
- To agree collation of work streams into final report to committees and final proposal
- To endorse positions and conclusions from work streams, including
    - Policy for sharing of transition and other costs
    - Exit policy from the pool
    - Process for agreeing structure of sub funds
    - Policy for monitoring managers and reporting to local funds
    - Assurance, compliance and risk management framework including audit and financial implications
    - Potential impact of MIFID II on the pool and local funds
- Agree the draft TOR for the Joint Committee Oversight Board and Operations Group and sub group roles and responsibilities

Stage 2 – post approval of proposal until Joint Committee Oversight Board is established, in addition to Stage 1

- Agree process for appointing to Joint Committee Oversight Board
- Make appointments to Joint Committee Oversight Board
- Enter contracts required to commence transition to new structure.

Stage 3 – Joint Committee Oversight Board established

- Adopt contracts and policies in place
- Agree ToR for Joint Committee Oversight Board and Operations group.

3. Membership

The membership of the Shadow Board and the process for appointment of those members is as follows:

Seat	Representative	Appointment process
Interim Chair	Independent	As agreed by Shadow Board
Fund members	Local committee representative	Chairs of local committee to nominate a representative for their fund and a named substitute
Independent members	Shadow Board appoints	Specialists in governance, compliance, pensions finance

4. Term of Shadow Board

The term of appointment for all Shadow Board members is for the period to 31 March 2017 or the establishment of the Joint Committee Oversight, whichever is earlier. The term can only be extended beyond the above with agreement from all local committees.

5. Subcommittees and working groups

The Shadow Board may establish these as and when required but will be responsible for developing and agreeing the terms of reference, membership and the when and how work should be reported back to the Shadow Board.

6. Chair and Vice Chair

Interim independent Chair will be appointed.

The Vice Chair shall be nominated by the Shadow Board at its first meeting. The Vice Chair will deputise for the Chair when the Chair is absent. If both are absent, the Shadow Board shall appoint an acting chair from those present at the meeting.

7. Agreement of recommendations

Agreement of recommendations shall be by consensus of the Shadow Board which will be determined by the Chair. Where consensus cannot be reached or where the view of the Chair is challenged the majority view shall prevail with 6 votes *(i.e. majority of 10 funds)* required to support any motion.

8. Frequency of meetings

The Shadow Board shall meet at least monthly. The Chair can call more meetings as required. Due to time constraints, meetings may have to be called at short notice. Correspondence will be by email.

9. Attendance

Members are expected to attend all meetings or ensure their substitute attends. Given the nature of the project and Shadow Board, members will, where possible, be able to attend via a conference call.

10. Quorum

The formal quorum will be 6. Substitutes will count towards the quorum.

11. Declarations of Interest

Each member of the Shadow Board will be expected to declare at each meeting any conflict of interests in the subject area to be considered by the Shadow Board. If there is a conflict of interest the member may be asked to leave the meeting whilst the matter is considered. Conflict of interest means a financial or other interest which is likely to prejudice the member in fulfilling their role as a member of the Shadow Board.

12. Remuneration of Shadow Board members

Members will not be paid remuneration for attending the Shadow Board meetings. Local funds are responsible for paying expenses in line with their fund's policy.

13. Personal Liability of Shadow Board members

As this is a body established by the local administering authorities, the members are undertaking work on behalf of the local funds and are therefore covered by the arrangements in place for their local committee.

14. Secretariat

Fund officers will support the Shadow Board including;

- Provision of high level minutes including actions and agreements from meeting
- Arrange meetings
- Provision of agendas and any papers.

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Division(s):N/A

PENSION FUND COMMITTEE – 11 MARCH 2016

BUSINESS PLAN 2016/17

Report by Chief Financial Officer

Introduction

1. This report sets out the business plan for the Pension Fund for 2016/17. The Plan sets out the key objectives of the Fund, details the key service activities for the year, and includes the proposed budget and risk register for the service. Members are also asked to consider their own training needs in light of the business plan and agree items to add to their training plan.

Key Objectives and Activities

2. The key objectives for the Oxfordshire Pension Fund are set out on the first page of the Business Plan for 2016/17, and remain consistent with those agreed for previous years. These are summarised as:
   - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pensons Regulator
   - To achieve a 100% funding level
   - To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
   - To maintain as near stable and affordable employer contribution rates as possible.

3. Part A of the plan (contained in the annex) sets out the broad service activity undertaken by the Fund. The service priorities for the forthcoming financial year are then set out in more detail in Part B. These priorities do not include the business as usual activity which will continue alongside the activities included in Part B.

4. The service priorities follow those set out in the future work programme item discussed at the December meeting of the Committee. These are:
   - Develop collaboration proposals in line with the requirements and timetable set by Government
   - Manage the 2016 Valuation process
   - Develop a more sophisticated cash flow model, to include greater understanding of the key actions of the large employers within the Fund
   - Develop a more robust risk management model
   - Strengthen the approach to employer management to improve the quality and timeliness of receipt of all pension data

Budget 2016/17

5. Part C sets out the Fund's budget for 2016/17 and compares it with the budget for 2015/16. Overall there is an increase in the budget which is primarily due to an increase in the management fees budget which is explained in more detail below. A report comparing the Pension Fund budget for 2015/16 against the actual expenditure will be produced for the September 2016 meeting.

6. The investment team and administrative team staffing budgets have been amended to reflect the new structure agreed by the Committee at its meeting in December 2015.

7. An amount of £45,000 has been included in the budget for advisory and consultancy services under Oversight & Governance, as the estimate for fees relating to the investment pooling work and the fundamental asset review that is due to take place in 2016/17.

8. The management fees budget has increased significantly from the previous year. The reason for the large difference is presentational and relates to the Fund adopting best practice in reporting management fees. The change has no net impact on the Fund. In previous years management fees have only included those that are invoiced to the Fund. Some of the Fund's investments deduct fees at source so that they are reflected within the price of the asset. In-line with best practice the Fund will now include all management fees the fund is directly and legally responsible for in the budget. This has the effect of increasing the management fees budget. The Fund does not budget for investment income but when recording the additional management fees in the accounting records they will be offset by recognising an equal amount of investment income meaning the net effect is nil.

9. Administration support service charges have been increased to reflect additional work introduction of member self-service and further software improvements.

10. The budget for printing and postage (other) has increased to ensure that the fund meets the requirement of the disclosure regulations in advising members of the introduction of member self-service.

11. Advisory and consultancy fees included under Administrative Expenses have been increased to fund additional work in respect of GMP reconciliation.

Risk Register

12. Part D of the Business Plan covers the Risk Register for the Pension Fund. As covered in the service priorities for 2016/17, this is an area which needs to be strengthened during 2016/17, having been highlighted as an area of weakness when completing the Key Performance Indicator framework produced by the Scheme Advisory Board.

13. The main concern with risk management to date has been that there has been no active review of risks, and no clear action plans to drive a reduction in risk levels. The format of the latest risk register has therefore been amended to include a target level of risk, and an action plan column to detail actions to be taken where risk is currently higher than its target level. It is accepted that some level of risk will always be required, and in some circumstances the Committee will be happy to accept a higher level of risk, where the costs of further mitigation are deemed excessive in relation to the remaining risk.

14. The key risks that are currently not at target level are:

- Investment Strategy not aligned with the Pension Liability Profile
- Employer Default
- Inaccurate or out of date Pension Liability data
- Insufficient Skills and Knowledge amongst Officers and committee Members

Training Plan

15. Part E of the business plan is the training plan for Committee Members. This is another area which has been highlighted under recent reviews as an area needed improvement.

16. The Governance Compliance Statement records that we are only partially complaint with best practice, in that whilst the Committee considers each year the allocation to be provided as part of the annual budget to be spent on Committee member training, it does not adopt a specific training programme.

17. At the present time, the only specific item included in the 2016/17 training programme is a training session on the 2016 valuation, to be provided by the Fund Actuary immediately prior to the June committee meeting. The programme also includes training delivered by way of attendance at conferences and seminars. We are currently aware of three requests to attend conferences and these are included in the training plan

18. Individual Committee Members need to consider their own training needs in light of the business plan for the year, and add items to the Training Plan as appropriate. It should be noted that the training records of all Members are disclosed annually as part of the Annual Report and Accounts.

Cash Management

19. The final section of the business plan, Part F, provides the annual cash management strategy for the Fund. The Strategy is based on the Treasury Management Strategy for the Council, but has a significantly reduced number of counter-parties reflecting the lower sums of cash involved, and the wider set of alternative investment classes open to the Pension Fund.

RECOMMENDATION

20. **The Committee is RECOMMENDED to:**

(a) approve the Business Plan and Budget for 2016/17 as set out at Annex 1;
(b) note the risks that are currently not at target level and keep these under review during 2016/17;
(c) add items as appropriate to the 2016/17 training plan and to continue to review during 2016/17;
(d) approve the Pension Fund Cash Management Strategy for 2016/17;
(e) delegate authority to the Chief Finance Officer to make changes necessary to the Pension Fund Cash Management Strategy during the year, in line with changes to the County Council's Treasury Management Strategy;
(f) delegate authority to the Chief Finance Officer to open separate pension fund bank, deposit and investment accounts as appropriate; and
(g) delegate authority to the Chief Finance Officer to borrow money for the pension fund in accordance with the regulations.

Lorna Baxter
Chief Finance Officer

Contact Officer:
Sean Collins, Service Manager (Pensions), Tel: (01865) 897224

February 2016

Annex 1

Oxfordshire Pension Fund: Business Plan 2016/17

Service Manager - Pensions & Treasury Management: Sean Collins

Service Definition:

- To administer the Local Government Pension Scheme on behalf of Oxfordshire County Council

Our Customers:

- Scheduled scheme employers e.g. County Council, District Councils, Oxford Brookes University, other Colleges and Academies
- Designating scheme employers e.g. Town & Parish Councils
- Community Admission Bodies e.g. charitable organisations with a community of interest
- Transferee Admission Bodies i.e. bodies where services have been transferred on contract from County or Districts
- Contributory Employees
- Pensioners and their Dependants
- Council Tax payers

Key Objectives:

- Administer pension benefits in accordance with the LGPS regulations
- Achieve a 100% funding level;
- Ensure there are sufficient liquid resources available to meet the Fund’s liabilities and commitments; and
- Maintain as nearly a constant employer contribution rate as is possible.

Part A: Service Activities

Service Activity	Outputs	Outcomes
Investment Management		
Management of the Pension Fund Investments	The Fund is invested in assets in accordance with the Committee's wishes. The Fund's assets are kept securely. Quarterly reports to the Pension Fund Committee.	Pension Fund deficit is minimised by securing favourable returns on investments (compared to benchmarks).
Management of the Pension Fund Accounts	Completion of the Annual Report and Accounts.	No adverse comments from the Fund's auditors.
Management of the Pension Fund Cash	Cash management strategy and outturn reports. Cash Managed in accordance with the strategy.	The Pension Fund cash is managed securely and effectively.
Scheme Administration		
Management of the Pension Fund Administration	The administration procedures are robust and in accordance with regulations and service standards Changes to regulatory framework of the scheme	The workload is completed & checked in accordance with regulations and procedures. Work is completed within specified time scales No adverse comments from the Fund's auditors Implementation of actions arising from regulation changes

Part B – Service Priorities

Task	Actions	Measures of Success
Develop a proposal for future pension investment collaboration in accordance with the criteria and timetable set out by the Government.	Work with like-minded funds in Project Brunel to agree detailed governance arrangements, investment sub-funds etc. Work across the LGPS with all pools to create national arrangements where deemed most appropriate.	Report signed off by full council in July 2016 and accepted by Government as the basis of future work. Delivery of those aspects of the implementation plan in accordance with the proposal by April 2017.
Manage the 2016 Valuation.	Liaise with the Fund Actuary to agree funding strategy and key assumptions for the Valuation. Provide to the Actuary all employer data to the required quality and timetable. Liaise with scheme employers to manage their expectations on the Valuation results and timetable.	Valuation results published in accordance with agreed timetable, and accepted and understood by scheme employers.
Develop a more sophisticated Cash Flow Model to identify future investment requirements of the fund over the medium term..	Work with the large scheme employers to understand their key strategic direction in so far as it relates to their LGPS workforce. Work with the Fund Actuary to develop a technical model which allows liability, contribution and investment income forecasts to be modelled for the potential scenarios discussed with the scheme employers. Develop an understanding of the alternative investment classes that	Cash flows managed to ensure all pension liabilities are met as they fall due, with minimal impact on employer contribution rates.

	can deliver investment returns in line with the projected liability profile.	
Develop a more robust risk management model.	Redesign the current risk register to ensure it covers all risks, and includes a target level for each risk, and an action plan for bringing all risks to target. Develop an approach which allows all risks to be actively monitored, and the risk register to become a live document.	Improvement in the current scores against the Scheme Advisory Board's key performance indicator on risk management. No unforeseen events which damage the performance of the fund against its key objectives.
Develop more sophisticated management arrangements to ensure all Pension Fund data is kept in accordance with the requirements of the Pension Fund Regulator	Undertake full training to fully understand the requirements of the Pension Regulator. Develop meaningful management reports on data quality, and sampling checks to test the data is in accordance with the Regulators Standards. Work with scheme employers to ensure all requirements are understood and data submitted accurately and timely.	No issues raised by the Pension Regulator. Reduced levels of queries and complaints from Scheme Members.

Part C. Budget:

	2016/17 Budget £'000		2015/16 Budget £'000
Administrative Expenses			
Administrative Employee Costs	1,043		915
Support Services including ICT	393		343
Printing and Stationery	51		40
Advisory and Consultancy Fees	45		30
Other	44		39
	1,576		**1,367**
Investment Management Expenses			
Management Fees	6,540		4,290
Custody Fees	70		100
Other	0		50
	6,610		**4,440**
Oversight and Governance			
Investment Employee Costs	224		260
Support Services Including ICT	40		50
Actuarial Fees	75		75
External Audit Fees	24		25
Internal Audit Fees	14		14
Advisory and Consultancy Fees	113		275
Committee and Board Costs	48		48
	538		**747**
Total Pension Fund Budget	**8,724**		**6,554**

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Part D: Risk Register

Identification of Risks:

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

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

Key to Scoring

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

Likelihood

4	Very likely	This risk is very likely to occur (over 75% probability)
3	Likely	There is a distinct likelihood that this will happen (40%-75%)
2	Possible	There a possibility that this could happen (10% - 40%)
1	Unlikely	This is not likely to happen but it could (less than 10% probability)

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

	misappropriation.		Managers and/or Custodian	deficit not closed		Controls Report from each Fund Manager. Clear separation of duties.										
7	Employer Default	Financial	Market Forces, increased contribution rates, budget reductions.	Deficit Falls to be Met By Other Employers	Pension Services Manager	All new employers set up with ceding employing under-writing deficit, or bond put in place.	3	2	6	Review the old admitted bodies where there is no guarantor or bond in place.	March 2017	2	2	4	Sept 16	→
8	Inaccurate or out of date pension liability data	Financial & Administrative	Late or Incomplete Returns from Employers	Errors in Pension Liability Profile impacting on Risks 1 and 2 above.	Pension Services Manager	Monitoring of Monthly returns	4	3	12	Develop improved management reporting to highlight data issues at an earlier point in time. Develop escalation issues to ensure data issues are resolved at earliest point, including new charges, and improved training/guidance.	March 2017	3	1	3	Sept 16	→
9	Inaccurate or out of date pension liability data	Administrative	Late or Incomplete Returns from Employers	Late Payment of Pension Benefits.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	3	2	6	Develop improved management reporting to highlight data issues at an earlier point in time. Develop escalation issues to ensure data issues are resolved at earliest point, including new charges, and improved training/guidance.	March 2017	3	1	3	Sept 16	→
10	Insufficient resources to	Administrative	Budget Reductions	Breach of Regulation	Service Manager	Annual Budget	4	1	4			4	1	4		→

	deliver responsibilities-					Review as part of Business Plan.										
11	Insufficient Skills and Knowledge on Committee	Governance	Poor Training Programme	Breach of Regulation	Service Manager	Training Review	4	2	8	Develop Needs Based Training Programme	June 2016	4	1	4	Sept 16	→
12	Insufficient Skills and Knowledge amongst Officers	Administrative	Poor Training Programme and/or high staff turnover	Breach of Regulation and Errors in Payments	Service Manager	Training Plan. Control checklists.	3	2	6	Training programme in place for new staff.	March 2017	3	1	3	Sept 16	→
13	Key System Failure	Administrative	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme	3	1	3			3	1	3		→
14	Breach of Data Security	Administrative	Poor Controls	Breach of Regulation	Pension Services Manager	Security Controls, passwords etc.	3	1	3			3	1	3		→
15	Failure to Meet Government Requirements on Pooling	Governance	Inability to agree proposals with other administering authorities.	Direct Intervention by Secretary of State	Service Manager	Full engagement in Project Brunel	5	1	5			5	1	5		→
16	Failure of Pooled Vehicle to meet local objectives	Financial	Sub-Funds agreed not consistent with our liability profile.	Long Term - Pension deficit not closed	Service Manager	Full engagement in Project Brunel	4	1	4			4	1	4		→

Part E – Members Training Plan 2016/17

The following table sets out the training programme for the members of the Oxfordshire Pension Fund Committee for the 2016/17 financial year. It includes pre-committee training, internal training sessions organised for the Committee members and attendance at external training seminars, conferences etc.

Subject Area	Delivery Model	Members	Date
Valuation Process	**Pre-Committee Training to be delivered by Barnett Waddingham, Fund Actuary**	**All plus members of the Pension Board**	**10 June 2016**
General	**Attendance at LGA LGPS Trustees Conference**	**Cllr Bill Service Phillip Wilde**	**23-24 June 2016**
General	**Attendance at Baillie Gifford Conference**	**Cllr Jean Fooks**	**5–6 October 2016**

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Part F - Cash Management Strategy

Introduction

1. The Oxfordshire Pension Fund maintains a balance of cash arising from the receipt of employer and employee contributions, and internally managed investments exceeding the amount of payments made on behalf of the Fund. The cash managed in-house by the Administering Authority, provides a working balance for the fund to meet its short term commitments and forms 0-5% of the Fund’s strategic asset allocation.

2. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 S.I.No. 3093 state that from 1 April 2011 the administering authority must hold in a separate bank account all monies held on behalf of the Pension Fund. The regulations also state that the Administering Authority must formulate an investment policy to govern how the authority invests any Pension Fund money that is not needed immediately to make payments from the fund. This report sets out the strategy for the financial year 2016/17.

Management Arrangements

4. The pension fund cash balances are managed by the Council’s Treasury Management team and Pension Fund Investments team. Cash balances are reviewed on a daily basis and withdrawals and deposits arranged in accordance with the current strategy. Pension Fund cash deposits are held separately from the County Council’s cash.

Rebalancing

5. The Oxfordshire County Council Pension Fund has a strategic asset allocation range of 0 - 5% for cash. The cash balance is regularly monitored and reviewed as part of a quarterly fund rebalancing exercise undertaken by officers and the Independent Financial Adviser.

6. Arrangements will be made for cash balances which are not required for cashflow purposes, to be transferred to the pension fund Investment Managers in accordance with the decisions taken during the rebalancing exercise.

7. In general a minimum cash balance of £10million will be retained following a fund rebalancing exercise, to meet cashflow requirements and private equity investment transactions. The level of cash balances will fluctuate on a daily basis and may be considerably higher than the minimum balance dependent upon the timing of transactions and strategic asset allocation decisions.

Investment Strategy

8. The Pension Fund cash investment policies and procedures will be in line with those of the administering authority. Priorities for the investment of cash will be:-

(a) The security of capital and
(b) The liquidity of investments
(c) Optimum return on investments commensurate with proper levels of security and liquidity

Investment of Pension Fund Cash

9. Management of the Pension Fund's cash balances will be in accordance with the Administering Authority's approved Treasury Management Strategy and policies and procedures.

10. The pension fund cash balances will be held predominantly in short-term instruments such as notice accounts, money market funds and short-term fixed deposits. Approved instruments for pension fund cash deposits will be the County Council's list of specified investments for maturities up to 1 year, excluding the Debt Management Account deposit facility which is not available to pension funds and UK Government Gilts which are managed by an external fund manager. The County Council's current approved list of specified investments is attached at annex 1.

11. Pension Fund deposits will be restricted to a subset the County Council's approved counterparties at the time of deposit and will include the Fund's custodian bank. Approved counterparties as at are shown in annex 2. There will be a limit of £25m for cash held with each counterparty.

Borrowing for Pension Fund

12. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 gives administering authorities a limited power to borrow on behalf of the pension fund for up to 90 days. The power cannot be used to invest, but only for cashflow management in specified circumstances which should in practice be exceptional, i.e. to ensure that benefits are paid on time, and in transition management situations when the allocation of a pension fund's assets is being amended. Money can only be borrowed for these purposes if, at the time of borrowing, the administering authority reasonably believes that the sum borrowed, and any interest charged as a result, can be repaid out of the pension fund within 90 days of the date when the money is borrowed.

13. Pension Fund management arrangements presume no borrowing normally, but the possibility remains of unexpected pressures occurring and in these circumstances the power would enable the Pension Fund to avoid becoming forced sellers of fund assets due to cashflow requirements.

14. The Chief Finance Officer (S.151 Officer) has delegated authority to borrow money for the Pension Fund in accordance with the regulations but only in exceptional circumstances. It is proposed that the authority to borrow on behalf of the Pension Fund continues to be delegated to the Chief Finance Officer during 2016/17.

Lorna Baxter
Chief Financial Officer

February 2016

Oxfordshire County Council 2016/17 Approved Specified Investments for Maturities up to one year

Investment Instrument	Minimum Credit Criteria
~~Debt Management Agency Deposit Facility~~	~~N/A~~
Term Deposits – UK Government	N/A
Term Deposits – Banks and Building Societies	Fitch short-term F1, Long-term BBB-, Minimum Sovereign Rating AA+
Certificates of Deposit issued by Banks and Building Societies	A1 or P1
Money Market Funds with a Constant Net Asset Value	AAA
Other Money Market Funds and Collective Investment Schemes[1]	Minimum equivalent credit rating of A+. These funds do not have short-term or support ratings
Reverse Repurchase Agreements – maturity under 1 year from arrangement and counterparty of high credit quality (not collateral)	Counterparty Rating: Fitch short-term F1, Long-term A-
Covered Bonds – maturity under 1 year from arrangement	A-
~~UK Government Gilts~~	~~AAA~~
~~Treasury Bills~~	~~N/A~~

[1] I.e., credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

Annex 2

Approved Counterparties

Standard Life Sterling Liquidity Fund

BNP Paribas
Lloyds Bank Plc
Oversea-Chinese Banking Corp
Svenska Handelsbanken

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Division(s): N/A

PENSION FUND COMMITTEE – 11 MARCH 2016

EMPLOYER MANAGEMENT

Report by the Chief Finance Officer

Introduction

1. This report sets out the latest position in respect of the employers within the Oxfordshire Fund. It includes a review of the Administration Strategy penalties to be imposed on employers for non-compliance with their responsibilities under the regulations. The report also includes new requests for admission to the Fund, an update on previously approved applications and the write off of any amounts due to the Fund.

Performance Data / Data Quality

2. The previous report to this Committee highlighted the issues for the fund and scheme employers in moving to a monthly data reporting system. While this is slowly improving, there is still a major task in Pension Services to clear the backlog and to make the whole process much more efficient.

3. The control spreadsheet with so many scheme employers and returns has become unwieldy and is currently being reviewed. Therefore rather than providing the committee with an annexe detailing all employer results this report highlights the main issues: -

<u>Oxfordshire County Council</u> – since transfer to the IBC, pension data is being provided in file format whilst the MARS returns are being developed. There have been various issues with the data provided. Revised data was received in mid-February. There are still some issues which IBC need to resolve and the Pension Services Data Team are liaising with IBC.

<u>Oxford City</u> – following the issue of the 2015 annual benefit statements the City advised Pension Service that incorrect data had been returned. As a result the City payroll team reviewed all returns and provided corrected figures and has asked for Pension Services to upload and re-issue annual benefit statements.

<u>Activate Learning</u> – there are a large number of outstanding queries alongside data issues. Pension Services has been working with the employer to resolve these and data is now being received.

<u>Academy Schools</u> – following the OCC move to the IBC payroll some 24 academy schools transferred their payrolls to other external providers with the majority moving to Kier. There has been a considerable amount of work to get data provided in the required format. This has now been received, but there is a backlog in processing this.

Transferee admission bodies – It has been found that some of the companies taking staff from scheduled employers (OCC in main) have not filtered information and details of employer responsibilities in relation to the administering of the LGPS through to payroll departments. Therefore there have been several cases where contributions have been incorrectly deducted. One example of this is The Camden Society where pension contributions were not deducted on the allowances paid resulting in a significant under deduction of contributions. The Camden Society has now paid over employee contributions but Pension Services are chasing payment of under deducted employer contributions.

Carillion also have long standing data queries to be resolved and Pension Services are working with the UK based payroll team to address these.

4. There is also a backlog of returns from new transferee admission bodies – this is primarily due to internal workloads and pressures within Pension Services.

5. To put this in to context, under The Pension Regulator Code of Practice the fund is required to hold accurate data and the above paragraphs show the considerable backlog the Pension Services team need to manage and clear, where possible, ahead of the 2016 valuation.

6. With the introduction of the 2014 LGPS the message out to scheme employers was that Pension Services would be unable to check the data received to the previous level of detail and this issue has become a balancing act which has yet to be resolved to allow Pension Services to be more efficient in processing returns.

Payment of Contributions

7. There are no specific issues with the payment of contributions. The Pension Investment Team is proactive in ensuring late contributions are followed up.

Annual Benefit Statements

8. Members will be aware that Pension Services has been discussing the late issue of the 2015 annual benefit statements with The Pension Regulator. An update of the number of statements issued was provided to the Regulator as at 29 February 2016

9. The latest position regarding the issue of ABS for active scheme members in the Oxfordshire Pension Fund will be reported at the meeting.

Administration Strategy

10. Given the issues identified above at the last meeting of this Committee, members asked for the Administration Strategy to be reviewed to increase charges for non-compliance of scheme employers in providing data.

11. One issue around this is ensuring that the team has a robust system for recording when information is received and quickly assessing the quality of that data. Team

managers are being asked to review their operational areas to make sure that any charges are consistently and fairly applied.

12. It has been difficult to find information about other fund's charging structures. Therefore, in the absence of any data, Officers have made suggestions below (which have also been incorporated into the revised Administration Strategy at Annex 1) and are seeking the Committee's view about the proposed increase to charges. Please note that a further two categories of charges have been added to the schedule:-

- Payments to the wrong bank account changed from a flat £50 to £75
- Failure to provide monthly contribution return (MARS return) – introduce a sliding scale to reflect that increased workload is directly related to number of scheme members:
    - 1 to 50 Scheme Members - £100 plus £50 per chase
    - 51 to 500 Scheme Members - £500 plus £250 per chase
    - Over 500 Scheme Members - £1,000 plus £500 per chase.
- Failing to provide End of Year returns – introduce sliding scale as again impact is directly related to number of scheme members
    - 1 to 50 Scheme Members - £100 per day late
    - 51 to 500 Scheme Members - £500 per day late
    - Over 500 Scheme Members - £1,000 per day late
- Failure to provide any other information within 10 working days remains at charge of £50 per working day.

The newly introduced charges are:-

- Where interest is payable as a direct result of employer delays in supplying information – that interest will be recharged to the employer
- Where work has to be re-done due to incorrect information supplied by the employer the charge will be £50 per case.

13. These new charges would be subject to a consultation exercise with employers. Final decision would therefore need to be made at the June meeting in light of consultation responses.

14. In light of the scale of the new charges, a facility for Officers to agree a reduction/waiver of fees would need to be introduced, with levels based on the Scheme of Financial Delegation levels for the write off of debt. Reductions/Waivers would be considered in light of the actual costs of the additional work required within Pension Services.

Assessment of Employer Covenant

14. Last year the fund actuaries presented an employer risk analysis report to this committee which assessed the financial strength of individual employers and the impact on the fund should the employer cease to exist within the fund.

15. As a result of this report, monitoring of incoming contribution payments and data has since been reported on a quarterly basis. Whilst these measures are a useful indicator of how a scheme employer is discharging their LGPS responsibilities these

are a fairly basic level of assessment which is useful operationally and to feed in to the information presented to this committee. Members are therefore asked to consider whether this is sufficient information or whether they wish this to be better developed. A guide from Barnett Waddingham is contained at Annex 2.

16. At a recently attended seminar there was an interesting session on the assessment of scheme employer covenants, a topic which has become much more high profile in recent months.

17. Attached to this report at Annex 3 are flyers from the London Pension Fund Authority and Aon Hewitt both of whom have developed systems to monitor employer covenants on an annual basis. There is also information from the fund actuaries about the services they can offer.

Write Offs

18. In June 2015, the Committee reviewed the scheme of financial delegation and agreed the following:

Write off of outstanding debts to the Local Government Pension Scheme above £10,000 need the approval of the Pension Fund Committee. The authorisation of debt write offs up to and including £10,000 is delegated to the Service Manager – Pensions, Insurance and Money Management. For debts between £7,500 and £10,000 authorisation is in conjunction with the Chief Finance Officer. For Debts below £500, authorisation of debt write off is delegated to the Pension Services Manager All debts below £10,000 need to be reported to Committee following write off. This report provides the details of those debts written off in the last quarter.

19. In the current period, the Pension Services Manager has approved the write off of £241.79 chargeable to the pension fund in respect of eleven cases where the member has died.

20. In the period June 2015 to March 2016 a total of £407.15 has been written off, in respect of 28 cases where the member has died.

Update on Previous Applications for Admission

21. Admission agreements have been sealed in respect of:

- The School Lunch Company and Stonesfield Primary School
- The School Lunch Company and St Nicholas' Church of England Primary School
- The School Lunch Company and Standlake Church of England Primary School
- Edwards and Ward and St Mary's Church of England (VC) Primary School
- Greenwich Leisure Limited and South Oxfordshire District Council and Vale of White Horse District Council. Please note this needs to be amended.
- The admission agreement between Age UK and Oxfordshire County Council is outstanding.

- The long outstanding admission agreement between Carillion and Oxfordshire County Council for the second transfer of staff has not yet been resolved despite reminders and meetings with Carillion.

New Applications

22. Kennington Parish Council has passed a resolution to allow the Parish Clerk to join the LGPS from April 2016.

23. William Fletcher School are outsourcing one person to Carillion on 1 April 2016. It is intended that this will be a pass through arrangement although final confirmation has not yet been received.

24. Optalis, which is a wholly owned subsidiary of Wokingham Borough Council has advised that they have taken on the Oxfordshire County Council contract for Nicholson House, which was previously outsourced to Leonard Cheshire Disability.

25. This transfer which took place on 15 February was a second generation transfer for nine staff originally employed by Oxfordshire County Council. From information subsequently received it appears that this was awarded under an Approved Provider List where the master agreement does contain an obligation to apply with Fair Deal. However, there is no pass through provision in this contract and so an actuarial assessment for contribution and bond rate needs to be undertaken.

26. Out of the above discussions it would appear that the contract awarded to Allied Healthcare is also due to be re-let under the Approved Provider List although, as yet, Pension Services has not received any information. This would affect four staff previously employed by Oxfordshire County Council.

Closure Valuations

27. The legal agreement in the current case has been finalised and in process of being signed and sealed.

RECOMMENDATIONS

28. The Committee is RECOMMENDED to:

(a) note the performance of scheme employers in making required returns;

(b) note the number of annual benefit statements issued and to advise officers of any further actions they want taken to resolve non-return of data;

(c) agree to consult on proposed changes to charges within the Pension Administration Strategy;

(d) confirm what approach they wish to be taken in assessment of employer covenants;

(e) agree write off of £241.79;

(f) note previous applications for admission to the fund & those applications approved by Service Manager (PIMMS);

(g) agree admission of the Carillion and Optalis in respect of contracts listed, and Note potential admission of another provider; and

(h) note progress made in respect of closure valuation.

Lorna Baxter
Chief Finance Officer

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

February 2016

Oxfordshire Pension Fund
Administration Strategy Statement

Introduction

Oxfordshire County Council as the scheme manager for the Oxfordshire Pension Fund (the “Administering Authority”) has prepared this administration strategy in line with Regulation 59 and Regulation 70 of the Local Government Pension Scheme Regulations 2013 (the “Regulations”).

This strategy *will* apply to all Employers whether they have signed up, or not. However, we would much rather work with Employers to provide a service that is both efficient and effective and in which scheme members can have confidence.

Purpose

This policy sets out the role and responsibilities of the Scheme Manager (previously known as the Administering Authority) and the role and responsibilities of *all* Scheme Employers to ensure effective administration of the Local Government Pension Scheme.

Aim

To administer the scheme in line with both the Regulations and The Pension Regulator’s codes of practice by ensuring thatt Scheme Employers understand and comply with the requirement to submit information to Pension Services for the administration of LGPS 2014 and what records Scheme Employers are required to maintain, in line with the definitions of the 2008 scheme regulations.

Documents Making Up the Strategy

Service Level Agreement, setting out the roles and responsibilities of the Scheme Manager and the Scheme Employer; detailing the KPIs which will be used in reporting performance.

Oxfordshire Pension Fund’s Communication Strategy

Scale of Charges – setting out what charges will be made in certain circumstances

The Agreement – setting out trigger points, the extent and manner in which Scheme Employer contribution rates will be varied under this strategy.

Review of Strategy

This strategy will be reviewed annually or earlier if there are material changes.

Service Level Agreement

The following tasks are the responsibility of the Administering Authority in administering the scheme. The timescale shown is from receipt of *all* information: -

Task	Timescale Working days	Target	Notes
New Entrants	20	95%	
Transfers in	10	90%	
Estimates (member)	10	90%	Limited to one request per annum
General Enquiry (member)	10	90%	
Transfers out	10	95%	
Retirement	10	95%	
Deferred Benefits	40	90%	
Refund of Benefits – Payment	10	95%	
Death	10	95%	
Divorce - PSO	10	95%	
Estimates (employer)	10	90%	
General Enquiry (employer)	10	90%	
APCs	10	90%	
Re-employments	40	90%	
Changes e.g. address; name	10	90%	
Pension Adjustments – PI; MOD; GMP	Payroll Deadline	90%	
Annual Allowance	10	90%	

Scheme Employer responsibilities:-

Data retention and submission	• Keep final pay details in line with 2008 definition of final pay • Keep pay information to comply with any Regulation 10 decisions • Submit monthly data return (MARS) to pension.services@oxfordshire.gov.uk by 19th of the month following payroll
Data queries	Oxfordshire Pension Fund is not responsible for verifying the accuracy of the data provided. • Any queries arising will be referred back to the scheme employer. • Scheme employers will be responsible for recovering any overpayments arising from provision of incorrect information.
Pay over monies due	• Monthly contributions to be paid correctly and on time. Payment to clear Oxfordshire Pension Fund bank account by 19th of the month following payroll. Should the 19th fall on a weekend or bank holiday the deadline date changes to the immediately preceding working day. • Deficit contributions • Rechargeable benefits • Retirement strain costs All payments to be made to the Oxfordshire Pension Fund A/C. All paperwork supporting payments to be submitted when payment is processed to : pension.contributions@oxfordshire.gov.uk
End of Year Returns	You ***must*** submit your end of year return **by** 30th April at the latest, after the end of each financial year. This return must include a figure for pensionable

	remuneration that reflects the full time equivalent pay (plus any other pensionable salary additions) for the period 01 April to 31 March of each tax year, in line with the 2008 definition of pay.
End of Year Errors	From April 2015 Oxfordshire Pension Fund will be limited in the checks it is able to carry out on the data submitted. • Any queries arising will be referred back to the Scheme Employer • Scheme Employers will be responsible for recovering any overpayments arising from provision of incorrect information.
Discretionary Policies	Discretionary Policies must be • Made within three months of a material change • Published • Reviewed
Pension Contacts	Notify Pension Services of any new contact within one month of the change – form on website - https://www.oxfordshire.gov.uk/cms/content/pension-scheme-forms-employers
Outsourcing of Services	Most Scheme Employers have a responsibility through either Fair Deal or Best Value Directions Orders to ensure that staffs pension rights are protected on transfer of scheme eligible staff to another employer, even if not currently in the pension scheme. Please contact Pension Services if you are considering outsourcing.

Communication and Liaison

Scheme Employers are required to provide contact details of any nominated staff dealing with pension issues. The Scheme Employer is required to notify the Scheme Manager of any changes as soon as they occur.

In line with the Oxfordshire Pension Fund Communication Policy, the Scheme Manager will:

- Send a monthly newsletter – Talking Pensions – to all nominated contacts.
- Hold quarterly Scheme Employer meetings to discuss current pension issues.
- Hold quarterly administration training sessions for new Scheme Employers.
- Provide ad-hoc training / information sessions as requested.
- Maintain the pension website at www.oxfordshire.gov.uk/pensions for Scheme Employers, including links to national websites.

Payments & Charges

Payment of all contributions, with the exception of AVCs, deducted each month should be paid to the Oxfordshire Pension Fund bank account. Payment and the return detailing the contributions deducted must be received and cleared through the account by the Pension Investment Team by 19th month following deduction.

AVC contributions should be paid directly to the scheme's AVC provider – The Prudential Assurance Company.

Scheme Employers will be sent a separate invoice for any early strain costs arising from redundancy, early or flexible retirement, or the waiving of any actuarial percentage reductions along with a proposed payment schedule. Early strain costs arising from ill-health retirements will not be charged directly, but assessed as part of the triennial valuation exercise.

Interest on late payments will be charged at 1% above base rate and compounded with three-monthly rests in line with Regulation 71.

The schedule of charges is:

Making payment to Oxfordshire County Council bank account rather than Oxfordshire Pension Fund bank account	£75 per case
Late receipt of contributions	Interest at 1% above bank rate as per regulation 71*
Failure to provide contribution return by 19th month following deduction	1-50 scheme members - £100 plus £50 for each subsequent chase

	51-500 scheme members - £500 plus £250 for each subsequent chase Over 500 scheme members - £1,000 plus £500 for each subsequent chase.
Failure to provide MARS return by 19th month	1-50 scheme members - £100 plus £50 for each subsequent chase 51-500 scheme members - £500 plus £250 for each subsequent chase Over 500 scheme members - £1,000 plus £500 for each subsequent chase.
Failure to provide End of Year return by 30 April	1-50 scheme members - £100 per day 51-500 scheme members - £500 per day Over 500 scheme members - £1,000 per day
Failure to provide information requested within 10 working days.	£50 per case
Re-do of work due to incorrect information supplied by scheme employer	£50 per case
Where a retirement payment is paid late due to scheme employer providing information	The interest payable will be recharged to the scheme employer

*The Local Government Pension Scheme Regulations 2013

Dated (Please write date)

(1) THE OXFORDSHIRE PENSION FUND

And

(2) (EMPLOYER – Please write name of organisation)

The Agreement
In relation to the Oxfordshire Pension Fund
County Hall
New Road
Oxford

OX1 1TH

Pensions Administration Strategy (PAS)

This Agreement is made the day of 2014

Between:

(1) **THE OXFORDSHIRE PENSION FUND** of County Hall, New Road, Oxford OX1 1TH (the **"Scheme Manger"**); and

(2) **xx** of xx (the "Employer")

Whereas

(A) The Scheme manager is an administering authority for the purposes of the Local Government Pension Scheme Regulations 2013 (the "Regulations"). It administers and maintains the Oxfordshire Pension Fund (the "Fund") in accordance with the Regulations.

(B) The Scheme Employer is a body listed in Schedule 2 of the Regulations and, in the case of a body listed in Part 3 of Schedule 2 of the Regulations, has entered into one or more admission agreements with the Scheme Manager.

(C) In accordance with Regulation 59 of the Regulations, the Scheme Manager has prepared the Pension Administration Strategy Statement setting out amongst other things the Service Level Agreement.

(D) In preparing the Pension Administration Strategy Statement, the Scheme Manager consulted the employing authorities in the Fund (including the Employer) [and such other persons it considered appropriate]. The Scheme Manager published the Pension Administration Strategy Statement and sent a copy of it to each of the employing authorities in the Fund (including the Scheme Employer) and to the Secretary of State for Communities and Local Government.

(E) The Scheme Manager will keep the Pension Administration Strategy Statement (including the Service Level Agreement) under review and will make such revisions as are appropriate following any material change in its policies in relation to any of the matters contained in the Pension Administration Strategy Statement.

(F) The Scheme Manager and the Scheme Employer have agreed to enter into this Agreement to document their agreement to comply with and be bound by the terms of the Service Level Agreement.

Now it is agreed as follows:

1. Interpretation
Terms not otherwise defined herein shall bear the meaning ascribed to them in the Regulations.

2. The Service Level Agreement
2.1 With effect from the date of this Agreement, the Scheme Manager and the Scheme Employer agree to use their reasonable endeavours to comply with and be bound by the terms of the Service Level Agreement.
2.2 In consideration of this Agreement the Scheme Manager will charge the Scheme Employer a contribution towards the cost of the administration of the Fund which reflects the fact that compliance with the Service Level Agreement will result in greater efficiencies and lower administration costs for the Fund.
2.3 If in the opinion of the Scheme Manager the Scheme Employer has not complied with the terms of the Service Level Agreement the Scheme Manager may charge the Scheme Employer a higher contribution towards the cost of the administration of the Fund.
2.4 When considering whether to charge the Scheme Employer a higher contribution towards the cost of the administration of the Fund in accordance with Clause 2.3 the Scheme Employer shall take into account any failure on its own part to comply with the terms of the Service Level Agreement.
2.5 Clause 2.3 shall not affect the Scheme Manager's ability under Regulation 70 of the Regulations to give written notice to the Scheme Employer where it has incurred additional costs which should be recovered from the Scheme Employer because of the Scheme Employer's level of performance in carrying out its functions under the Regulations or the Service Level Agreement.
2.6 The Scheme Employer acknowledges that the Service Level Agreement may be revised from time to time by the Scheme Manager in accordance with Regulation 59 of the Regulations and that the Scheme Employer will comply with and be bound by the terms of the revised Service Level Agreement.

3. Other Charges
3.1 The Scheme Employer acknowledges that the contribution it is required to pay towards the cost of the administration of the Fund is to cover the cost of meeting the Core Scheme Functions.
3.2 Where the Scheme Employer requests that the Scheme Manager provides services beyond these functions the Scheme Manager reserves the right to charge the Scheme Employer for the provision of such services. Non-core services include by way of example and without limitation the provision of FRS17 reports, bulk redundancy calculations, bulk information requests, member presentations, site visits and the payment of compensatory added year's benefits. Such services will be provided on terms agreed at the time between the Scheme Manager and the Scheme Employer.

4. Notices

4.1 Any notices under this Agreement shall be in writing and shall be served by sending the same by first class post, facsimile or by hand or leaving the same at the headquarter address of the Scheme Employer or the headquarter address of the Scheme Manager.

5. Waiver

Failure or neglect by the Scheme Manager to enforce at any time any of the provisions of this Agreement shall not be construed nor shall be deemed to be a waiver of the Scheme Manager's rights nor in any way affect the validity of the whole or any part of this Agreement nor prejudice the Scheme Manager's rights to take subsequent action.

6. More than one Counterpart

This Agreement may be executed in more than one counterpart, which together constitutes one agreement. When each signatory to this Agreement has executed at least one part of it, it will be as effective as if all the signatories to it had executed all of the counterparts. Each counterpart Agreement will be treated as an original.

7. Laws

7.1 This Agreement will be governed by and interpreted in accordance with the laws of England and subject to the exclusive jurisdiction of the English courts.
7.2 Any rights that a third party may have under the Contracts (Rights of Third Parties) Act 1999 are excluded.

AS WITNESS the hands of the parties hereto have been set the day and year first before written.

……………………………………………………………..
SIGNED FOR AND ON BEHALF OF
THE OXFORDSHIRE PENSION FUND

For and on behalf of the [Name of Employer]:

SIGNED by [*name*]

Signature

Position

(and duly authorised signatory)

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Barnett Waddingham LLP

The appropriate approach for each LGPS Fund will vary depending on factors such as the balance of the types of employers in the Fund, the size of the potential risk, how much capacity the Fund has to do some of this work internally and the purpose of the particular exercise. For example, a Fund that has a lot of small charities, stretched resources and is trying to implement a framework for an actuarial valuation will need a different approach and different type of external support than a Fund that is examining a proposal put forward by a very large single employer that is going through a restructuring and wants to significantly extend their recovery period and change their funding approach.

We would suggest that covenant-related advice can broadly be broken down into the following four areas:

- Understanding your employers
- Assessing your employers
- Reducing risk
- Integrating the funding strategy with the covenant assessment

The first two areas are really about improving the information held and enabling you to identify the employers that need to be engaged with. The third and fourth areas are about what you do with that information.

Understanding your employers

This is an area that Barnett Waddinham has helped various Funds with. This essentially involves adapting best practice in various areas so that, for example, you have a robust employer database and you might also carry out a mini-audit of your admission agreements to make sure that they are doing what they are supposed to (e.g. there are sometimes issues with old community admission agreements). The first step in this would be to arrange a time for Barnett Waddingham to come to your office to have a discussion about what areas you'd like to be covered.

Assessing your employers

We do not directly assess employers' covenants i.e. we do not offer a service whereby we say that one employer is stronger than another.

We can, however, interpret the results and combine these with funding information to quantify the overall risk to the Fund i.e. the covenant assessment tells you how likely an employer is to default and we can estimate or calculate the cessation deficit so that you know what the effect would be on the Fund if they did default. I'll come back to this but first, I thought it would be useful to set out some of the different types of covenant assessment.

- You can simply use the employer type or sector e.g. councils are less likely to default than housing associations. This gives a simple breakdown so that you might then take a different approach for the various types of employers.
- You can use credit scores. These are usually solely based on public information and their main advantages are that they are relatively cheap and they exist for most employers in the UK. The problems with them are that they are fairly simplistic, no judgement is applied and they are not designed specifically for pensions purposes.
- You can use a framework designed for your Fund or for pension schemes generally. This approach might involve an annual questionnaire so that you can ensure, for example, that you are told when employers take out a charge on their assets (although such checks may already be part of your process). The difficulties with this approach are ensuring that you have enough resources to monitor the employers in this way and this gets trickier the

further you take this approach. For example, if you start using the financial information in the accounts to develop a scoring system, this takes a lot of expertise for it to be appropriate and consistent between employers. You could also open yourselves up to challenge if an employer does not agree with their score.

- A detailed covenant assessment can be carried out by a specialist firm. This is fairly expensive so it is likely to be appropriate for specific cases rather than for regular monitoring of all employers.

We regularly carry out exercises for Funds where we obtain their credit score from Dun & Bradstreet and combine it with their cessation deficit to produce a report which identifies where the risk lies and we have been asked to do a number of these as part of the 2016 valuations. The cost is in the region of £5k plus VAT (it depends on the number of employers) and it's in a format that can be presented to your committee.

We can help with advising on the framework and reviewing the design of any questionnaires. We cannot advise on a scoring system but we can put you in touch with covenant specialists who would be able to help. For example, one Fund has appointed a covenant specialist and they are planning on holding a number of workshops with employers to help their understanding before they design the framework in more detail. The LPFA have designed a framework for their employers and they are keen to share their experiences and knowledge with other LGPS Funds.

<u>Reducing risk</u>
The previous two areas help with this objective as they may identify issues that you were not previously aware of and that can lead to discussions with the employers and we would be happy to be part of these discussions if it was helpful. Similarly, it might help to identify policies or admission agreement wording that could be improved.

If an employer is identified as posing a risk, steps that could be considered are exploring whether it's possible to obtain or increase security, whether it's possible to get a guarantee from a stronger connected employer (e.g. a council or Government department), reviewing any bond amount and putting in more monitoring procedures such as regularly checking their number of active members or requesting quarterly updates/meetings.

Increased employer engagement helps employers to understand the consequences of their actions and to help Funds minimise unrecoverable debts.

<u>Integrating the funding strategy with the covenant assessment</u>
The Oxfordshire Pension Fund already does this to some extent. The recovery period at the 2013 valuation for councils was 25 years whereas the Small Admitted Bodies pool (generally charities and trusts) was only 10 years.

It would be possible to extend this so that you categorise employers. For example, you might have Category A which is all bodies with tax raising powers, Category B which is other employers which are deemed to be low risk and Category C which is the employers identified as medium or high risk. The higher categories would have longer deficit recovery periods and Category C employers could get "promoted" to Category B if they put in place security or show that their risk has fallen. Similarly, Category B employers might get moved down to Category C but these are the tricky cases as these employers are possibly the ones that would struggle the most with an increase in contributions at the next valuation so it's important to design a system that is not too inflexible.

Other approaches that have been taken in the LGPS include

- Different investment strategies for different employers. Those that are identified as riskier employers might only be allowed to invest in lower risk investments. The approach usually used for this approach is to unitise the assets between employers and this leads to considerable extra administration work. We'd be happy to discuss this in more detail but it would be a fundamental change to the way that the Fund operates.

- Different discount rates for different employers but still keeping the same investment strategy for all employers. Using more prudent assumptions for riskier employers means that they need to have more assets for a given set of liabilities and these extra assets are the protection the Fund has against unexpected default. The practical effect in the short to medium term is an increase in contributions i.e. it's reasonably similar to having a shorter deficit recovery period.

In summary, the advantages of carrying out this work include that increasing the Fund's knowledge of its employers can help it to plan and prepare and to minimise unrecoverable deficits. It provides management information to prioritise employers with which to engage. Increased engagement with employers can help both the employer and the Fund to understand the consequences of their actions, for example the potential for deficits to crystallise, to identify opportunities to increase employer security, to increase efficiency and to reduce costs.

We can provide support at all stages of the process including scoping out the project, reviewing current information, quantifying the risk, helping with actions to reduce the risk and increasing the integration with the funding strategy.

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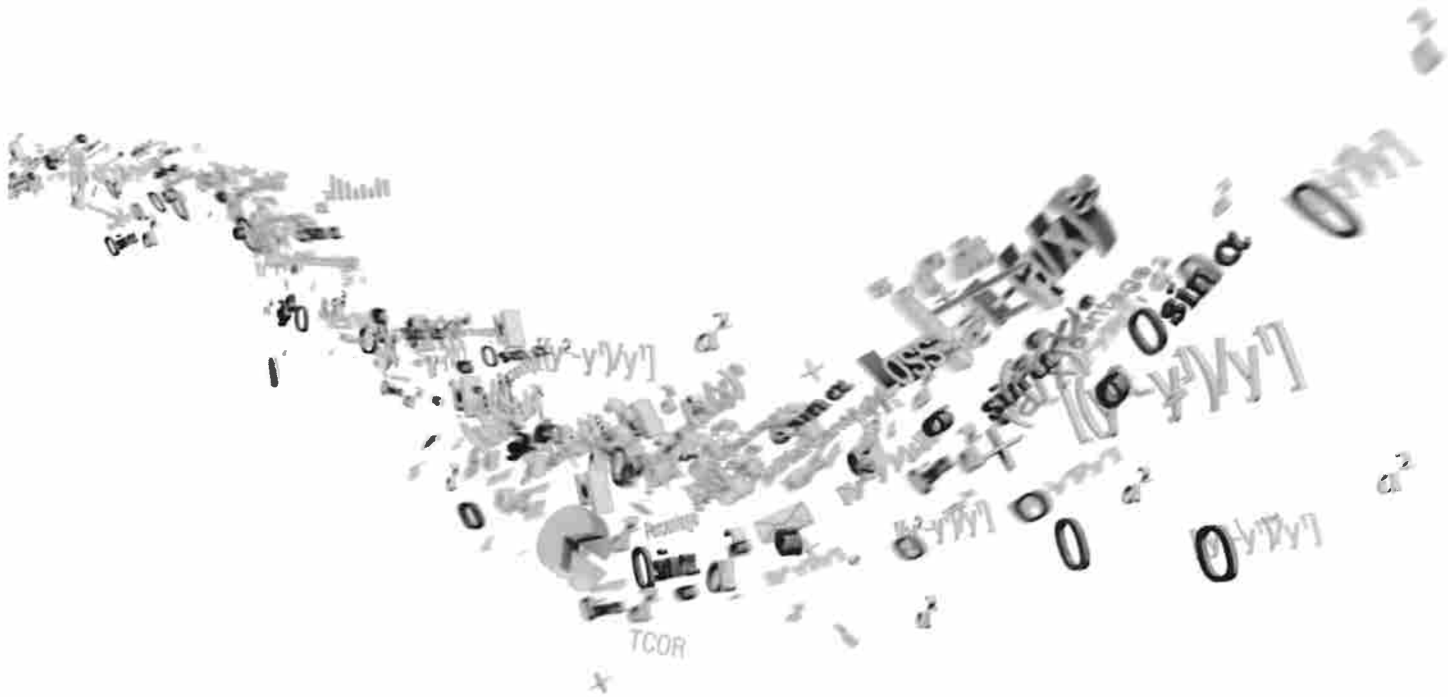
Integrated risk management

Assessing employer risks in the LGPS



Empower Results®

Why is assessing employer covenant important?

For administering authorities

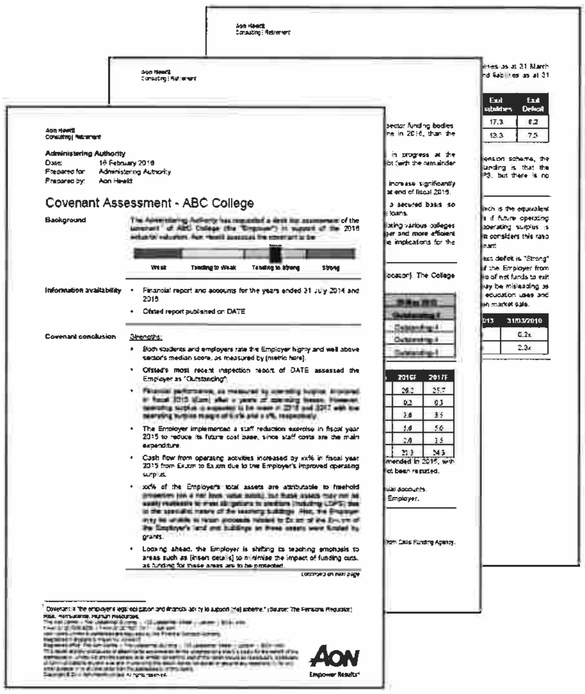
- with the 10,000 employers in the LGPS becoming ever more disparate, a one size fits all approach to funding and investment is no longer appropriate
- some sectors traditionally considered to be "public sector" are no longer classified as such and have no government guarantee
- academy conversions and new ways of delivering services mean local authorities represent a reducing share of the LGPS
- employers are increasingly asking for justification of contributions and details of their exposure to former employers' liabilities
- new national and local governance arrangements are likely to lead to greater scrutiny of funding plans and a focus on covenant assessment

For employers

- letting authorities need to take a view on bond requirements for admission bodies providing services on their behalf
- guarantors will be interested in the risk of default by guaranteed bodies
- pooled employers ought to be interested in the strength of covenant of other employers in the pool

Aon Hewitt has developed an employer covenant assessment service specifically for the LGPS. This combines our specialist covenant expertise developed over many years of advising trustees and corporates with our knowledge and experience of advising LGPS funds.

Our standard report dovetails with our funding advice and can also be used when considering employer-specific funding strategies. Our high level assessment is a cost-effective and efficient solution for assessing the absolute level and movement in financial strength of a dozen or more employers. A more detailed assessment is available where the circumstances, size of employer or its liabilities (deficit) warrants it.



When should you seek external help?

Factor	Light touch OK More likely to be internal	In-depth review needed More likely to be external
Corporate structure	Tax-raising	Non tax-raising
Funding	Well funded	Badly funded
Materiality	Small employer	Large employer
Investment risk	Low	High
Cash flow (sustainable growth)	Unconstrained	Constrained
Covenant changes	Stable	Material employer activity
Other creditors	No	Yes
Sector	Stable	Volatile
Employer	Cooperative	Uncooperative

Other issues to consider

- Does the administering authority have the necessary expertise, experience and resources?
- Is the administering authority able to take an objective view? For example - what if a committee member also has an important role with the employer?
- Is the administering authority considering offering / requiring different employer investment strategies?
- To what extent does the administering authority already differentiate between employers in its funding strategy?

Aon Hewitt's LGPS-specific employer covenant assessment can

- complement the administering authority's existing approach
- support a new approach to covenant assessment
- ensure covenant feeds into funding and investment decisions as part of an integrated approach to employer risk management
- assist scheme employers in better understanding their risks

London Pensions Fund Authority

LPFA

your pension our world

Employer Covenant Assessment

Minimising employer risk in your pension fund

Current and future spending cuts have a huge impact on public sector bodies, charities and admission bodies. There have been instances in LGPS funds of multi million pound pension liabilities not being met and falling on other fund employers or Local Authorities and risk of further insolvencies remains high.

LPFA has been recognised within the Pensions Industry for monitoring employer risk. The procedures we follow are in line with the Pensions Regulator covenant guidance and Code of Practice 14 which applies to all Public Sector Pension funds from 1 April 2015.

Monitoring risk in our view is ongoing and not a one off event.

Recommendations to reduce risks will include increased financial monitoring, first charge arrangements and parent company guarantees.

At the 2013 valuation the LPFA fund implemented over £311 million of additional security and guarantees and has received an additional £54 million via additional contribution payments since this date.

Using our sector specific covenant forms and working with key funding agencies and Government Departments we can assist funds in managing your risk.

Risks need to be mitigated early through continual monitoring otherwise liabilities may ultimately be unrecoverable.

The costs of assessing and monitoring are insignificant compared to the potential loss of monies to the pension fund. Active and collaborative engagement with employers may highlight issues at an early stage and reduce overall risk.

What can be done to manage these risks?

Through regular monitoring, as well as educating and collaborative engagement with fund employers you can improve the risk to your fund.

Examples of this include:

- Obtaining government letters of assurance/ parent company guarantees in relation to pension liabilities of fund employers
- Implementing first charge arrangements.
- Establishing which employers pose a significant risk to your fund
- Preparing reports for Local Pension boards and Pension Committees

How we can help you?

The London Pensions Fund Authority are able to offer experienced staff that are carrying out annual employer covenant assessments for over 600 fund employers in the LGPS.

We can offer assistance to local authorities and pension committees on the following areas of work:

- Provide sector specific covenant documentation updated on an annual basis
- Carry out covenant assessments and identify key fund risks
- Preparing comprehensive reports on risk to pension committees and Local Pension boards
- Check that legal documentation still appears valid
- Presentations at fund forums on employer risk responsibilities in the LGPS
- Production of newsletters and guides for pension funds on employer risk issues

PROFESSIONAL PENSIONS PENSION SCHEME OF THE YEAR AWARDS 2015 FINALIST

LAPF Investments 2015 Awards FINALIST

Contact us

If you would like more information regarding the services we offer or would like to discuss your requirements with us in more detail then please contact:

Tony Williams
Head of Employer Services
Tel: 020 7369 6237
Email: tony.williams@lpfa.org.uk

Division(s): N/A

PENSION FUND COMMITTEE – 11 MARCH 2016

PENSION LIABILITIES AND CASH FLOW MONITORING

Report by Chief Financial Officer

Introduction

1. The key objectives set out for the Pension Fund in both the Statement of Investment Principles and the Funding Strategy Statement are to ensure sufficient liquid resources are available to pay all pension fund liabilities as they fall due, whilst maintaining a stable and reasonable cost to all scheme employers.

2. This objective has in the past largely been met through a focus on the tri-ennial valuation and the fundamental asset allocation which have looked at meeting the long term aspects of the overall objective. There has been little focus on the short-term aspects of this objective, as the Fund as a whole has maintained a strongly cash positive position such that the contributions collected from employers and employees have comfortably exceeded the pensions in payment. The net excess of contributions has been added to the invested assets.

3. In common with many LGPS Funds across the Country, the cashflow position of the Oxfordshire Fund has become increasingly less positive over the past few years. A net inflow from contributions of £26m in 2010/11 was halved by last year, and the latest forecasts for the current financial year suggest a net inflow of just £8m.

4. Over the next year, the Oxfordshire Fund will need to consider the future cash flow projections alongside the work on the 2016 Valuation and the subsequent fundamental asset allocation review, and the development of the new sub-funds within the new pooled investment arrangements.

Current Cash Flow Projections

5. For the 2015/16 financial year, the projected cash flows from dealing with scheme members are as follows based on the first 9 months of the year:

	£000
Employer Contributions	67,374
Employee Contributions	20,290
Employer Contributions to Early Retirements	1,794
Transfers from Other Funds	4,214
Total Contributions	**93,672**
Pension Benefits	81,087
Transfers to Other Funds	4,394
Refunds	128
Total Payments	**85,609**
Net Cash Flow	**8,063**

6. Barnett Waddingham, the Fund Actuary has produced a funding model which provides forecast cash flow projections based on the results of the 2013 Valuation. The model predicted a cash flow position for 2015/16 of £8.77m and is therefore broadly in line with the latest forecasts.

7. The Barnett Waddingham model predicts cash flow for future years, allowing the user to amend the main assumptions. Keeping to the same assumptions used under the 2013 Valuation the model predicts a further reduction of £1m in net cash flow by the end of 2016/17. This reflects an increasing number of pension benefits in payment, as more reach retirement age whilst the death rate of existing pensioners reduces, and a stable or reducing workforce.

8. Reality though is likely to see a number of variations to the 2013 Valuation assumptions, particularly in light of the further reductions in public sector expenditure. Each 1% reduction in the assumed workforce would see a £1.1m reduction in the contributions receivable in 2016/17, and if these also resulted in further redundancies and early retirements, we would also see further increases in the pensions in payment.

9. Outsourcings where the new employer is admitted under a closed admission agreement where LGPS is only available to transferring staff and not subsequent replacements will also cause further reductions in contributions receivable over the medium to longer term. The scale of such proposals is currently unclear.

10. On the basis of the current information, the Oxfordshire Fund is likely to remain cash positive in 2016/17. The Barnett Waddingham model indicates the Fund will see a further fall of £3.6m in net cash flow in 2017/18, though this will be subject to the final results of the 2016 valuation and key decisions taken by the large employers within the Fund. There is therefore a real risk that cashflow will become negative in 2017/18 or soon after.

Implications of Negative Cash Flow

11. Once the Fund becomes cash negative, the Fund will need to change its current investment strategy. This does not necessarily mean an amendment to the current asset allocations, but it will require a certain level of investment income to be returned centrally to be used to meet pension liabilities rather than being re-invested by the Fund Managers. Currently the Fund is achieving annual investment income of around £25m, most of which is being re-invested by the Fund Managers (main exception is income from private equity).

12. A key element of the next stage of the work on developing our approach to investment pooling will therefore be to identify investment opportunities that will return income to the Fund, on a predictable and reliable basis. At the same time, all Funds will continue to need to identify investment opportunities that will enable the current scheme deficits to be closed over the longer term. Simply switching from the current growth assets to more defensive income generating assets carries the risk of a significant shortfall in deficit recovery and therefore significant increases in employer contributions.

13. This in turn will impact on the Valuation results and lead to a potential increase in employer contribution rates. This of course whilst initially improving cash flow again for the Pension Fund, increases the financial pressure on scheme employers, leading to further reductions in scheme membership.

14. The modelling of potential cash flow therefore cannot be seen as a straight forward task. This though does not mean that work should not continue with Barnett Waddingham to develop the current model, allowing greater flexibility to the scenarios to be tested.

15. Alongside this, work needs to be undertaken with each of the main employers to develop a better understanding of their future service levels and delivery models, to develop a better prediction of future contribution levels.

RECOMMENDATION

16. **The Committee is RECOMMENDED to:**

(a) note the current position;
(b) ask the Officers to continue to work with Barnett Waddingham and with all main scheme employers to develop a better understanding of the likely pattern of employer contributions in the forthcoming years and the potential cash flow models;, and
(c) ask the Independent Financial Adviser and Officers to bring a future paper on the alternative investment models that will deliver the new cash flow requirements of the Fund whilst as far as possible maintaining stable and affordable employer contribution levels.

Lorna Baxter
Chief Finance Officer

Contact Officer:
Sean Collins, Service Manager, Pensions, Insurance & Money Management, Tel: (01865) 897224

February 2016

Division(s): N/A

PENSION FUND COMMITTEE – 11 MARCH 2016

CORPORATE GOVERNANCE - VOTING

Report by Chief Financial Officer

Introduction

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

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

3. The Oxfordshire County Council Pension Fund’s voting policy is set out in its Statement of Investment Principles (SIP), which states that voting decisions are fully delegated to the Fund Managers to exercise voting rights in respect of the Pension Fund’s holdings. Officers monitor this activity and raise any concerns with the Fund Managers.

Voting Details

4. Manifest was appointed in August 2014 to monitor the voting activity of the Fund. As part of this service they provide a comprehensive annual report summarising the Fund’s voting activity, a copy of which is included at Annex 1. The report covers the 12 month period ending 31 July 2015. The report covers the key governance issues as identified by Manifest, and compares the voting patterns of Oxfordshire’s Fund Managers with all shareholders, and with a best practice template determined by Manifest.

5. Manifest make it clear in their report that voting is only one element of a fund manager’s engagement with companies, and therefore differences in voting patterns should be seen as a starting point for discussions with the Fund Manager rather than a performance issue in their own right.

6. Voting decisions on internally managed holdings are determined by the Service Manager – Pensions, Insurance & Money Management after taking advice from the Fund’s Independent Financial Adviser. These votes are

outside the scope of the Manifest report. Over the 12 month period ending 31 July 2015 a total of 148 resolutions were voted on at 15 separate meetings consisting of 12 Annual General Meetings, two Ordinary General Meetings, and one Extraordinary General Meeting. All of the 148 votes cast were in line with the recommendation from management.

7. There was one meeting for an internally managed holding which included controversial items on the agenda. This was the October 2014 meeting for Electra Private Equity Plc. The proposals at the meeting were put forward by an activist shareholder and sought to appoint two individuals to the board. Management recommended voting against the proposals and this was the position taken by the Pension Fund in voting its shares. The proposals were rejected by shareholders but at a meeting in November 2015 the same individuals were successful in being appointed to the board.

8. The Fund Managers include a summary of company engagement and voting activity in their quarterly reports.

RECOMMENDATION

9. **The Committee is RECOMMENDED to note the Fund's voting activities, and determine any issues they wish to follow up with specific fund managers, or in general.**

Lorna Baxter
Chief Finance Officer

Contact Officer: Gregory Ley, Financial Manager – Pension Fund Investment,
Tel: (01865) 323978

February 2016

ANNEX 1

Monitoring Review of Shareholder Voting 2014/15
Oxfordshire Pension Fund

Prepared by:

manifest

December 2015

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Table of Contents

List of Tables and Figures

1 Introduction

1.1 Aim of Shareholder Vote Monitoring

This is the first year for which Manifest has undertaken a thematic review of the shareholder voting of the Oxfordshire Pension Fund, putting Oxfordshire's fund manager voting behaviour into a comparative and wider context. The aim of the report is to provide further understanding of:

- voting activity taken on behalf of the Fund;
- wider voting issues;
- governance standards at companies; and
- how the Fund's investment managers use voting rights.

As an on-going annual report, the report assesses progress in terms of the governance standards at investee companies versus best practice, as well as the use of share voting by Oxfordshire's appointed fund managers as a part of their engagement with companies.

Importantly, this report looks at the full picture of how Oxfordshire's fund managers are making use of the Fund's voting rights and will therefore enable Oxfordshire to better understand and challenge fund managers about the role their voting activity plays in ownership strategy. The report enables Oxfordshire to fulfil the objectives of the Stewardship Code in constructively challenging external fund managers in their stewardship activities.

1.2 Voting in Context

Oxfordshire's voting policy gives discretion to managers to vote in line with their own voting policy and therefore does not require managers to follow a specific policy. It is important to note therefore, that the Manifest best practice template should not be viewed as a measure of 'success' or 'compliance' but more of an aspirational benchmark for best practice company behaviour. It is to be used as a flagging mechanism to identify potential risk.

The use of shareholder voting rights is not the only means by which shareholder concerns can be communicated to management; however, use of these rights is something that investors are being asked to consider in a more strategic, holistic manner. Managers implement their voting policy in conjunction with other shareholder tools, such as engagement, as a part of their investment management. It should therefore be noted that investment managers may be supportive of company management through a period where engagement has occurred and management are working towards making improvements from that engagement activity, even though the company currently falls short of the desired standard.

Vote monitoring is therefore about understanding investment risk management and oversight of stewardship activities, not enforcing compliance with a policy. It allows for a comparison of fund managers, general shareholder voting behaviour and fund expectations. But share voting is a useful bellweather for governance risk and how fund managers manage it, because of the provisions of specific research designed to assess corporate governance characteristics and the availability of information about fund manager voting, simultaneously and consistently.

1.3 Scope of Analysis

The period covered by this report encompasses the period of the 1st August 2014 to the 31st July 2015. It therefore represents a full years' voting.

Manifest analyses the issues at hand to provide 'Voting Guidance' for each voting resolution. This guidance is the result of assessing the company and the resolutions proposed for the meeting in light of a Voting Template framed upon corporate governance best practice policy developed by Manifest for Oxfordshire. This frame of reference can be amended or modified on a customised basis at any time.

Members should consider the Voting Template as a best practice policy in terms of corporate governance standards for investee companies, rather than in terms of being voting instructions for fund managers to follow. The report should not therefore be used as a benchmark target for Oxfordshire's managers, but as a frame of reference for better understanding how the fund managers use voting rights in the context of their investment priorities.

Therefore, for the purposes of this report, Members should bear in mind that it is more significant that the Voting Template identifies an issue of concern (i.e. suggests there may be a reason to not support management or requiring further fund manager review) in relation to a resolution, than the voting action suggested by the template (i.e. an 'Abstain', 'Against' or 'Case by Case' consideration). It is in this light that we have analysed and compared fund manager voting against issues of potential concern, with the emphasis on 'potential'. The report also analyses some of the specific governance issues which have been identified by Manifest's implementation of the voting policy during the monitoring period, to ascertain some notable patterns of the fund policy and external fund managers voting practice.

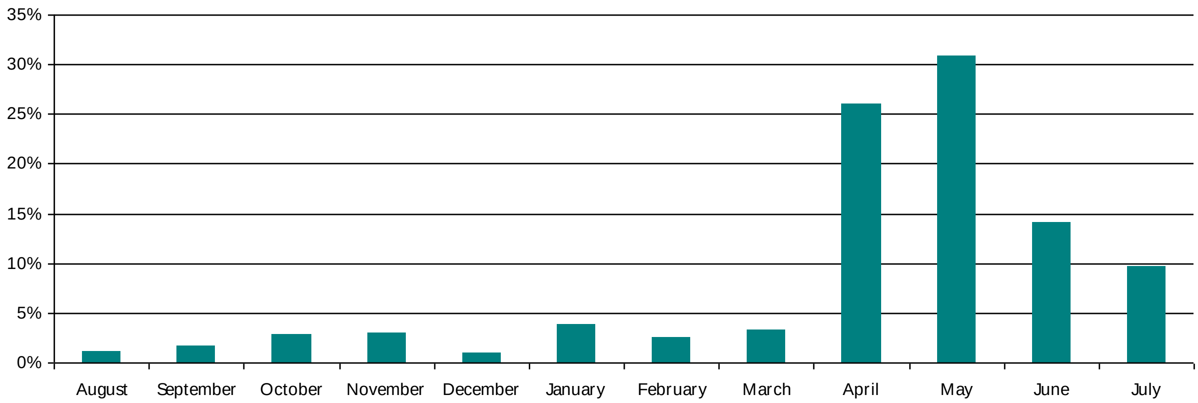
1.4 Peak workloads

Institutional investors are faced with a highly seasonal cycle of activity when it comes to voting shares. With the vast majority of companies reporting a financial year end of the 31st December, and many others using the traditional April to March financial year, there are clear 'peaks' of meeting activity approximately three to four months after the end of the financial years, there are clear 'peaks' of meeting activity approximately three to four months after the end of the financial years. This means the majority of company meetings are concentrated in the period between April-June (Quarter 2). Because of this concentration Quarter 2 is commonly referred to as 'peak season' and those outside this seasonal concentration "off-peak season".

Figure 1: Percentage of Total Annual Resolutions Voted Per Month below shows the percentage of total annual resolutions voted by Oxfordshire's fund managers per month, covered by the full monitoring survey. It shows graphically the severe concentration of voting decisions that occurs in April and May of the calendar year, with 56.9% of the voting occurring during those two months, and a further 23.8% during June and July.

Asset owners like the Oxfordshire Pension Fund should be aware that such a high concentration of work in an area which has become more of a compliance burden in recent years inevitably leads to the commoditisation of voting decisions and especially the likelihood of outsourcing voting decision-making responsibility to outside consultants. This dynamic remains the focus of regulatory scrutiny in the UK, France, Europe, the US, Canada and Australia, especially towards proxy research consultants, and the role that investors play in retaining control of voting decisions. A key question for asset owners should therefore be to consider whether their fund managers adequately resource their voting decision-making processes internally.

Figure 1: Percentage of Total Annual Resolutions Voted Per Month



1.5 Governance Hot Topics

There follows at the end of the report a selection of short pieces on issues of topical relevance to institutional investors in 2015/16.

2 Executive Summary

Section 3 ("Explanation of Voting Activity & Monitoring Approach") explains what shareholder voting is and what types of issues shareholders are frequently asked to vote upon. It also sets out the number of meetings voted by Oxfordshire's fund managers in the review period, and explains how Manifest approaches monitoring the fund manager voting at those events.

Manifest undertook full monitoring of meetings in companies in mainstream markets (primarily the UK, Europe and North America) for the period of 1st August 2014 to the 31st July 2015. The research brought a total of 290 meetings, comprising a total of 5,638 resolutions. Taking into account occurrences of more than one fund manager voting at the same meeting and on the same resolution, a total of 5,701 resolution analyses were undertaken over 340 shareholder meetings. Of these:

- 2,099 were voted by L&G Investment Management, representing the largest proportion of the report data;
- 1,390 were voted by Wellington;
- 1,135 were voted by UBS;
- 1,077 were voted by Baillie Gifford;
- 1,024 were resolutions where the Voting Template highlighted potential governance concerns and on these resolutions fund managers supported management on 981; and
- In total 155 resolutions were voted against management recommendation.

Whilst the number of resolutions where funds managers supported management despite potential concerns being identified seems relatively high, this is ultimately evidence to support the significance of the word 'potential'. Not all concerns merit a vote against management, especially where investors may prefer to use other communications to articulate their concerns before using their share voting rights, or where a concern is not deemed material enough by the fund manager to warrant opposing management's proposal on the issue. Conversely, the report also identifies instances where investors have opposed management even where no governance concerns were highlighted, which suggests an organic, active use of voting rights to enhance the wider ownership process.

Section 4 ("Common Policy Issues at Investee Companies") examines the range of governance issues and considerations which lie behind the resolutions on which Oxfordshire's fund managers were asked to vote, and detailing those which Manifest identified most frequently among the companies at whose meetings the fund managers voted.

Many of these instances will have seen portfolio companies provide explanations for non-compliance, following the "comply-or-explain" regime. These explanations may in some cases be accepted by shareholders, although some shareholders may have 'red lines' on certain governance matters. These concerns are the substantive issues and the prevalence of these issues is not synonymous with fund managers voting records due to different tactical approaches, for example issues may be raised during engagements which are not reflected in voting.

Board balance issues are the most frequently identified concerns, partly because they are the substantial issues of the most frequently voted resolutions. The most common specific best practice governance criteria against which Manifest found Oxfordshire's portfolio companies to fall short were:

- Board and Committee independence;
- No Nomination Committee;
- Roles of Chairman and Chief Executive are combined;
- Authority to make political donations;
- Authority to issue share without pre-emption rights exceeded best practice threshold;
- Lack of gender diversity targets;
- No independent verification of the Company's ESG reporting; and
- No meetings held by the non-executive directors without the executives present.

These are the substantial issues on which investor attention should focus, rather than whether specific resolutions were opposed or otherwise. In general terms this research has in the past suggested that we would expect to see overall trends improve over time, but that in the short term, the relative frequency of various governance themes may come and go in line with contemporary concerns and developments.

In the case of board considerations, this is explained by the fact that so many of the resolutions pertain to board structures (not least director elections, which are by far and away the most numerous resolution type). It should be noted that there may be multiple concerns highlighted in terms of board structure on director elections and that generally there are therefore much fewer actual resolutions to vote on than identified concerns.

The next step of the analysis is to study patterns of voting behaviour, both those of Oxfordshire's fund managers as well as shareholders in general (Section 5 "Aggregate Voting Behaviour"). We also examine which types of resolution have been the most contentious (Section 6 "Voting Behaviour by Resolution Category").

Overall, Oxfordshire's managers during the review period were marginally less active in expressing concerns through their votes at corporate meetings than the average shareholder. Whereas general dissent[1] stood at 3.49% on average, Oxfordshire's fund managers opposed management on 2.72% of resolutions. In terms of individual fund manager voting behaviour, UBS and Baillie Gifford voted with management slightly less than shareholders in general. L&G Investment Management and Wellington voted with management more than shareholders in general.

A summary of the major developments and debates (primarily in the UK) in corporate governance and voting follows in the Hot Governance Topics, featuring amendments to the UK Corporate Governance Code, impact of the new Directors' Remuneration Report Regulations in the UK one year on, changes to the UK Pre-Emption Group Guidelines, progress on the EU Shareholders Rights Directive Part II, the enactment of the EU Transparency Directive, a fund manager monitoring initiative and the enactment of the UK Modern Slavery Act.

[1] **What is General Shareholder Dissent?** Where Manifest uses the term 'Dissent', this is the result of having added up all votes not supporting the management recommendation, represented as a percentage of all votes cast ('Against' plus 'Abstain' votes where Management recommended a 'For' vote and 'For' plus 'Abstain' votes where management recommended 'Against'). Where there was no clear recommendation from company management, we have not counted any votes cast on those resolutions as dissent. We calculate the average dissent figure by aggregating all the voting results (expressed in terms of % of votes cast 'For') on all resolutions, then dividing the aggregate figure by the number of resolutions. In most cases, this gives an accurate statistical indication of the dissent that a typical resolution type attracts, relative to others.

3 Explanation of Voting Activity & Monitoring Approach

This section explains what shareholder voting is and what types of issues are frequently voted upon. It will also identify the number of meetings voted by Oxfordshire's fund managers in the monitoring period, and explains how Manifest approaches monitoring the fund manager voting at those events.

3.1 Voting Opportunities

Voting Resolutions

The majority of meetings at which shareholders are asked to vote during the year are Annual General Meetings, at which there is legally defined, mandatory business which must be put to the shareholders. Few resolutions are actually non-binding in nature. The main non-binding resolutions at an AGM are the receipt of the report and accounts and the approval of the remuneration report.

Share voting is a significant ownership right at the disposal of shareholders. Should an investor use its governance preferences as a means of purely selecting companies in which to invest, the choice would be between compromising the investible universe of companies (not a choice which sits comfortably alongside the fiduciary obligation to maximise returns on investment – some risk has to be taken on in order to obtain RoI), or compromising the values of the investor

Like investment decisions, the consideration of shareholder voting decisions often takes into account multiple questions, including company disclosures, company practices, shareholder preferences and wider engagement strategy undertaken by fund managers.

This is especially true on the report and accounts resolution. A vote against a particular resolution such as the report and accounts may be explained by any number of various potential factors.

Use of voting rights is therefore a means of mitigating those elements of risk which are not deemed too great to justify disinvestment but which, if addressed, could represent either a lower rate of risk on the investment (by encouraging better standards of corporate governance) or an increase in the capital value of the company (an indirect result of a company attaining a better reputation for corporate governance, thereby making it a more desirable investment).

It is therefore reasonable to withhold support from management without appearing inconsistent with the investment decision to hold the company's stock. This may mean that, despite the presence of some potentially significant issues, investors may agree to support management in the short term with their votes as part of an engagement process for addressing longer term concerns.

This report will analyse voting resolutions and look at the Fund's investment managers' approach to voting in more detail in a subsequent section of the report.

Meeting Types

Manifest's experience is that companies have approximately 1.1 to 1.2 meetings per year on average. The majority of meetings at which investors vote during the year are Annual General Meetings (AGMs), at which there is legally defined, mandatory business (Meeting Business) which must be put to the shareholders. These items will vary from market to market and are a function of local company law.

Mandatory business typically includes:

- Receiving of the annual report and accounts;
- Director (re)elections;
- Director remuneration;
- Approval of annual dividend; and
- Reappointment and remuneration of auditors.

Readers should note that what counts as mandatory business varies between jurisdictions. For example, the discharge of Board members from liabilities for their acts or omissions in the past financial year is a regular item on the agenda of AGMs of German companies but is not a feature of UK AGMs. Likewise, the UK is fairly unusual in having a routine resolution to seek shareholder permission for the right to hold non-AGMs at 14 days' notice, instead of the requisite 21 days which normally otherwise applies for shareholder meetings across the EU.

AGM business will often also contain resolutions to approve the issue of new share capital up to a certain maximum (for example in the UK this is usually one third of current Issued Share Capital, along with an accompanying request for the dis-application of pre-emption rights. Across different markets the capital authorities required vary somewhat in their application and number. American and Canadian incorporated companies are not normally required to seek shareholder approval for authorisations to issue shares or to dis-apply pre-emption rights on the issue of shares. Provided a company's authorised capital includes sufficient headroom, management may issue shares subject only to certain limitations set out in the stock exchange listing rules.

Although varying by market, resolutions of this authority contribute towards AGMs having a significantly larger number of resolutions on average than other types of meetings.

3.1.1 Meetings in the full monitoring sample by Fund Manager

During the period under review, the overwhelming majority of portfolio company meetings were AGMs, with only three other meeting types being an Extraordinary Meeting, a Court Meeting and General Meetings. Recently, UK and European companies in particular have begun to change the legal terminology for non-annual General Meetings. As a consequence, some meetings could be reported as an EGM or Extraordinary General Meeting, whilst other meetings identical in nature could be reported as simply General Meetings (GM). In future, GM will replace the term 'EGM'. A Special General Meeting ('SGM') is what some companies might use to refer to an EGM, where a Special Resolution is the substance of a meeting (i.e. a resolution which requires a special level of support or turnout).

Other types of meetings include Court Meetings which are technically called by a Court of Law (most commonly in the UK when there is a need to approve a Scheme of Arrangement), rather than by management, and Class Meetings where only shareholders of a specified class of share may vote.

During the period under review, of the 290 meetings in the monitoring sample Oxfordshire Fund Managers voted at, 85.89% were AGMs, with the majority of the rest constituting GMs 7.24% and EGMs 4.48%. The remaining were Special Meetings 1.03%, Court Meetings 1.03% and Class Meetings 0.34%.

This is broken down per manager as follows. The total number of meetings voted by managers (340) exceeds the unique total number voted at for the fund (290) because of instances where more than one fund manager voted at the same meeting, additionally a number of companies held more than one meeting during the review period:

Table 1: Meeting types by fund manager

FUND MANAGER	COMPANIES	AGM	GM	EGM	SGM	COURT	CLASS	GRAND TOTAL
Baillie Gifford	55	55	4	1	0	0	0	**60**
L&G Investment Management (Pooled Instrument)	99	97	18	1	0	2	0	**118**
UBS (Pooled Instrument)	67	65	2	4	1	0	1	**73**
Wellington	79	77	1	7	2	1	1	**89**
Total	**254***	**294**	**25**	**13**	**3**	**3**	**2**	**340**

* Represents the total number of unique companies, not the sum total of companies or capital types voted by each manager.

Although we would expect there to be a 1:1 ratio between the number of companies voted and the number of AGMs voted (on the basis that all companies should have an AGM during the year), the small differences are likely to be explained by portfolio turnover. For example, if a fund manager sells a position in a company in June whose AGM is normally in September, replacing it with stock in a company whose AGM was in March, the fund manager will have had positions in two companies but in neither case did they hold it at the point in the year when the AGM fell. Non-AGMs are still counted and therefore explain why the number of companies voted exceeds the number of AGMs voted. This is not as unlikely as it may seem – often when a company de-lists, a shareholder meeting is required, making it quite plausible that a company may have an EGM but no AGM during the year.

3.2 Monitoring Approach

Manifest deploys purpose-built Voting Template systems (Voting Template) to analyse and consider best practice governance expectations in the context of company meeting business (i.e. what can be voted at a shareholder meeting). Where there are local variations to best practice questions (for example, the length of time after which an independent director may no longer be deemed independent), Manifest applies the local market variation to the assessment, so that we only flag an issue as of concern if the company in question fails to meet their local standards. Where no issues of concern are identified in connection with a resolution, the Voting Template will naturally suggest supporting the proposal.

Manifest monitors companies using this Voting Template in order to:

- Consistently identify company-specific governance policy issues, and
- Monitor and benchmark the actual voting behaviour of investment managers compared to
  - the average shareholder (based on meeting outcomes) and
  - the best practice governance standards (based on regulatory and public policy standard).

The Voting Template is not a prescriptive list of mandatory voting requirements. It is understood that investment managers actual voting behaviour will differ from the Voting Template. This is due to variances in views on governance and voting issues, investment strategy and the role of voting within on-going engagement and stewardship strategy. As such it offers the Fund a "sense check" of the stewardship approach managers are taking.

4 Common Policy Issues at Investee Companies

This section develops the themes identified in the previous chapter by examining the range of governance policy issues and considerations which lie behind the resolutions on which shareholders are asked to vote. The analysis then details those concerns from Oxfordshire's policy which Manifest identified most frequently among the companies Oxfordshire's fund managers have voted meetings for. This can be considered as a measure for companies' compliance with Oxfordshire's governance policy.

4.1 Introduction

Corporate governance is important to investors because it defines the system of checks and balances between the executive management of the company and its owners. Without appropriate levels of independence, accountability, remuneration, experience and oversight, corporate governance would offer shareholders little protection from the risk that their investee company is badly managed.

Analysis of the Voting Template settings allows for an in-depth study of the specific governance issues which have been identified by Manifest's research and analysis process on behalf of Oxfordshire. We have selected the most common issues which have been triggered by the Voting Template, to illustrate the most common 'issues' with resolutions voted by the Oxfordshire fund managers according to Oxfordshire's Voting Template used by Manifest for monitoring fund manager voting.

The scope of Oxfordshire's voting policy is focussed upon a small number of important governance themes, to enable scrutiny of a manageable number of issues. These themes include Audit & Reporting; Board; Remuneration: and Sustainability. Each theme has a number of specific questions associated with it (e.g. on a Director Election resolution (Board), "Where the nominee is non-executive and not independent and the percentage of independent directors is insufficient"). It is these specific questions whose frequency this section of the report examines.

The high proportion of resolutions to do with the Board (52.9%) is singularly explained by the fact that director elections are frequently, indeed preferably, conducted on an individual basis (i.e. one resolution per director), and more often than not form a part of the common or mandatory business for an AGM every year. Outside of the United States, few resolutions are actually non-binding in nature. The main non-binding resolutions at an AGM are the receipt of the report and accounts and the approval of the remuneration report.

There were 1,024 resolution analyses where one or more concerns were identified by Manifest from Oxfordshire's Voting Template.

In future year's analysis of the relative positions of each of the most common concerns identified within the list between this year and future years will be undertaken.

Table 2: Most Common Policy Issues

TABLE POSITION	DESCRIPTION	RESOLUTIONS APPLIED TO
1	Nominee is a non-independent member of the Remuneration Committee and the percentage of the Remuneration Committee considered to be independent is less than 50-100% (depending on the local market provisions)	Non-executive Director Elections
2	A Nomination Committee does not exist (or its membership is not disclosed)	Non-executive Director Elections
3	Nominee is a non-independent member of the Audit Committee and the percentage of the Audit Committee considered to be independent is less than 50-100% (depending on the local market provisions)	Non-executive Director Elections
4	Nominee is a non-independent member of the Nomination Committee and the percentage of the Nomination Committee considered to be independent is less than 50-100% (depending on the local market provisions)	Non-executive Director Elections
5	The roles of Chairman and CEO are combined	Non-executive Director Elections
6	An authority for political donations and expenditures is being sought	Authorise Political Donations & Expenditure
7	The authority sought exceeds 5-15% of the issued share capital (depending on the local market provisions)	Authorise Share Issue without Pre-Emption Rights
8	There are no meetings held by the non-executives without the executives present	Non-executive Director Elections
9	The Company has not disclosed a gender diversity target	Non-executive Director Elections
10	There is no independent verification of the Company's ESG reporting	Report & Accounts
11	The individual's number of other current directorships at listed companies (Chairman role counts as 2) exceeds one in the case of an executive nominee and five in the case of a non-executive nominee	All Director Elections
12	Nominee is non-executive and not independent and the percentage of independent directors on the Board comprises less than 33-66% (depending on the local market provisions)	Non-executive Director Elections
13	The number of Board and committee meetings in the year the nominee attended is less than 75%	Non-executive Director Elections

Overall, Manifest flagged 1,439 policy issues across the 5,701 resolution analyses undertaken for this report. This includes instances where the same resolution was analysed multiple times due to fund managers voting on the same resolution. Some resolutions were subject to multiple issues. Because of this, the following section includes an indication of the resolution category that each concern may be associated with.

4.1.1 Notes on the operation of best practice governance analysis

Readers should note that the Manifest voting guidance system allows for an individual governance issue to be applied to multiple resolutions. This is because, for the most part, there is not a one to one match between a policy issue and a specific resolution. This means that the list below is heavily weighted towards those considerations which are associated with the most frequent resolution type – board resolutions, and specifically, director elections.

For example, concerns relating to board or committee independence may be taken into consideration for the approval of the report and accounts (Audit & Reporting), director elections and possibly remuneration related resolutions (where the remuneration committee is insufficiently independent, concern with their proposals may be highlighted). Manifest reflects board accountability in its research by placing the analysis of the relevant board committee in the context of analysis of the governance matters for which they are responsible.

4.2 Conclusions on common policy issues

Taken as a whole, this analysis shows just how many different considerations there are that go into assessing the governance of a typical company.

Although the volume (in absolute terms) of the most common governance concerns Manifest identifies is heavily affected by the high number of director election resolutions compared to other types of resolution, readers should not dismiss the significance of board-related considerations (director election).

The election of directors, and the governance structures which they constitute on the board, is the lifeblood of accountability between boards and owners. It is the (non-executive) individuals on the board whose job it is to protect and look out for the interests of shareholders, so it follows that they are held accountable regularly and that a wide number of considerations are taken into account. 10 of the top 13 concerns relate to director elections, of which the majority relate to independence issues and the effect that has on the functioning of the board and its committees. Of the top 13, the only exceptions to this are the questions of independent verification of Environmental, Social and Governance (ESG) reporting and authorities sought for political expenditure and share issues without pre-emption rights.

4.3 Audit & Reporting

Annual report resolutions are frequently those on which concerns about general board structures and practices may be concentrated, in addition to issues relating to the verification and reporting of information.

4.3.1 Audit committee independence

We assess the independence of the audit committee, in terms of whether there is a sufficient number and/or proportion of directors deemed independent (by reference to the local best practice standards).

It is a consideration for the approval of financial and non-financial reporting, because it relates to judging the independence of the audit process which underpins company reporting and therefore has been flagged on Report & Accounts resolutions.

4.3.2 No independent verification of ESG reporting

The growth in importance of ESG considerations in investment heightens the profile of ESG information provided by companies and hence increases the need for its veracity. As more investors use ESG information in their investment decisions, it follows that such information should be subject to levels of verification equivalent to those of more traditional disclosures such as financial updates and governance reports.

4.3.3 The number of meetings held by the non-executives without the executives present.

We identify where there has been no meeting of Non-executives without Executives present disclosed by the company.

It is important for the Non-executives to meet without the Executives present in order to be able to have a free and open discussion about matters which may be more difficult to discuss with the presence of those who are running the business day to day.

4.3.4 The roles of Chairman and Chief Executive Officer are combined

We identify where the roles of Chair and Chief Executive Officer (CEO) and are performed by the same person.

The over-concentration of power in one single office or person is a key potential risk factor in any organisation. Despite the fact that some markets (notably France and the US) have much more relaxed standards on this question than most others, investors increasingly expect companies to separate the roles of CEO and Chair. It is associated with the Audit & Reporting category because it is applied to consideration of the report and accounts,

4.4 Board

Many of the most common governance criteria that were triggered all pertain to board structures and independence, which are considerations in director elections. Readers will note that the most common type of resolution in the voting portfolio was director elections (they accounted for 52.9% of all resolutions), which largely explains the fact the below criteria are flagged most frequently.

4.4.1 Nomination Committee Independence

We identify where the Nomination Committee does not have a sufficient number of or proportion of independent directors by reference to the local standards within which the company operates.

Globally it is acknowledged that the Nomination Committee should consist of at least a majority of independent directors. Independence and objectivity of input are the best conditions for the nomination of suitably independent and diverse candidates for future board positions.

4.4.2 Individual is non-independent member of a committee which is not suitably independent

Where an individual is partly or solely the reason why a committee is not deemed sufficiently independent, the re-election of that individual to the board may be called into question.

The committee independence criterion may vary across markets and company size.

4.4.3 A nomination committee does not exist (or its membership is not disclosed).

Without a clear nomination committee and process, the provenance of director election proposals is unclear. This is therefore a consideration which has flagged on director elections.

4.4.4 Percentage of female directors on the board

Manifest tracks the issue of female representation on the board as a part of the wider debate on board diversity.

Whilst the issue of female directors on the board may not be a critical risk consideration on its own, the fact that director independence in general is so frequently flagged might point to a wider problem with adequate application of diversity considerations when making board appointments, of which female presence on the board is perhaps the most obvious measure. It is recognized that Boards perform best with the best people appointed to them, and for that reason; diversity of all kinds (including gender) should be encouraged.

To put this issue in to context it has been recognised by the Davies Review on women on boards that there are now more women on the boards of the top listed UK companies than ever before, with representation of women more than doubling since 2011 - now at 26.1% on FTSE100 boards and 19.6% on FTSE250 boards. The report also found that there has been a dramatic reduction in the number of all-male boards; there were 152 in 2011 whereas there are now none in the FTSE100 and only 15 in the FTSE250.

4.4.5 Nominee is non-executive, non-independent and the board is not sufficiently independent

We monitor whether boards' composition meets the independence criteria of the market where they operate. Where it doesn't, and the individuals who are contributing to this concern are up for (re)election, we highlight board composition as a concern in the context of their (re)election proposal.

4.5 Capital

4.5.1 The authority sought exceeds 5% of issued share capital

The most common capital-related concern highlighted is where a company board seeks permission for authority to issue new shares, or allocate share capital, sometimes for a specified purpose (for example, for the purpose of executive or employee incentive pay). Where the amount of share capital concerned exceeds a certain threshold, it may be of concern to shareholders (who may wish to have the right to choose to maintain ownership of a certain proportion of the company, so would want the ability to obtain their proportion of the new share issue in order to do so). The stipulated proportion may frequently be defined in local corporate governance codes under provisions designed to protect the rights of shareholders.

4.6 Sustainability

4.6.1 Political donations

Under European jurisdictions, companies are required to seek approval for so-called political donations. These resolutions are not specifically for party political donations as the EU include expenditure towards the realisation of political aims such as political lobbying, trade association memberships etc.

4.6.2 An authority for political donations and expenditures is being sought

Whilst it may seem arbitrary to set an absolute figure on such a resolution, this is actually in line with investor preferences in the sense that it would not seem appropriate for shareholders to approve a figure expressed relative to company size or turnover as that would imply that political donations are an acceptable routine aspect of corporate life. Secondly, given that laws relating to disclosures require absolute amounts to be disclosed, an absolute limit is also a more transparent means of applying a preference.

4.7 Corporate Actions

The Corporate Actions category covers a narrow and specific set of considerations. As a result, none of the governance concerns typically associated with this category featured in our analysis of the most common concerns identified by the policy, simply because the issues to which they relate don't come up on a typical corporate agenda very regularly.

4.8 Shareholder Rights

The shareholder rights category covers resolutions which relate specifically to proposals which affect the ability of shareholders to exercise some element of their rights (usually in a negative way by reducing ownership rights). It is therefore still a relatively rare resolution type to occur. They encompass not only rules about shareholder voting, but also things such as the ability of a shareholder (or shareholders) to requisition a meeting or a resolution at a meeting, the way in which a shareholder meeting is conducted and (perhaps most significantly) shareholder rights in the event of a (hostile) takeover situation.

5 Aggregate Voting Behaviour

Having discussed above the general themes of the most frequent contentious issues in each resolution category, the next step is to consider how Oxfordshire's fund managers voted. This section sets out and compares how Oxfordshire's fund managers voted, as compared to general shareholder voting patterns (as shown by the meeting results data collected by Manifest as a part of the monitoring service), in the context of different categories of resolution.

5.1 Fund Manager Voting Comparison

Table 3 below shows the total number of resolutions voted by each fund manager during the period under review. It shows the proportion of all resolutions which each fund manager voted with management, compared with the proportion of resolutions where the best practice Voting Template suggested supporting management. Lastly, it shows how shareholders were reported to have voted where meeting results were available from the companies in question. Manifest seeks to collect the meeting results data for all meetings analysed. In certain jurisdictions, provision of such information by companies is not guaranteed. However, of the 5,701 resolutions analysed in this report, Manifest obtained poll data for 5,117 resolutions, allowing for a meaningful analysis of the resolution data set.

Table 3: Overall Voting Patterns

FUND	RESOLUTIONS VOTED	OXFORDSHIRE MANAGERS SUPPORTED MANAGEMENT	GENERAL SHAREHOLDERS SUPPORTED MANAGEMENT	TEMPLATE FOR MANAGEMENT
Baillie Gifford	1,077	96.01%	97.56%	84.87%
L&G Investment Management	2,099	99.19%	97.10%	86.52%
UBS	1,135	94.27%	95.94%	72.49%
Wellington	1,390	97.83%	94.85%	72.98%
Total	**5,701**	**97.28%**	**96.51%**	**80.12%**

Calculations exclude seven resolutions where management provided no recommendation (one in the UBS portfolio and six in the Wellington portfolio) as it cannot be discerned whether a fund voted for or against management.

Table 3 shows that fund managers vote with management a high proportion of the time, and that the best practice Voting Template identifies potential governance issues on a far higher proportion of resolutions than the fund managers choose to oppose.

Using the "Template For Management" data as a proxy for compliance with corporate governance best practice expectations, the companies in the L&G and Baillie Gifford portfolios display a comparatively higher level of compliance with governance best practice than those of UBS and Wellington. This is also reflected in the general shareholder support levels – with Baillie Gifford and L&G portfolios with a higher average support than the UBS and Wellington portfolios.

This in part reflects the mandates, and therefore the composition of the portfolios, of the fund managers. L&G's mandate is for FTSE 100 companies and Baillie Gifford for UK equities whereas the UBS and Wellington mandates are for global equities and are therefore exposed to a much higher potential variance of general governance standards creating lower levels of convergence with the voting policy template.

We can compare each fund manager's overall voting pattern with how other shareholders voted on the same resolutions (using our own analysis of the voting results data (where made available by companies)). Table 3 shows that Oxfordshire's fund managers supported management slightly more, by 0.77%, than shareholders in general. However, there are some variances between the respective fund managers.

L&G have supported management more than most shareholders, supporting management practically all the time. Conversely, Baillie Gifford supported management slightly less than shareholders in general – this is notable given that both L&G and Baillie Gifford's portfolios are limited to the UK. The difference in voting patterns could be explained by the differences in mandates - L&G's portfolio is composed of FTSE 100 companies while Baillie Gifford's portfolio is composed of UK equities meaning the governance standards may be more varied in the Baillie Gifford portfolio.

UBS have supported management to a lesser degree than Baillie Gifford, L&G and Wellington. When compared against L&G and Wellington the differences are again partly explained by the fund manager mandates. L&G and Baillie Gifford's mandates have the effect of ensuring that the companies in which they are invested tend to have higher standards of governance to begin with when situated in a global context. Additionally, the degree to which it is possible to positively engage with portfolio companies in the UK market lends the funds to being in a position to continue to support management even where technical concerns may appear to persist.

The Wellington and UBS portfolios track global equities and therefore are subject to a much higher potential variance of general governance standards especially coming from a UK context and considering it is harder to engage global companies from a practical level, voting rights often become more important.. This is demonstrated by taking the "Template For Management" measure as a proxy, the degree which portfolio companies display potential issues of concern is broadly comparable between the two and greater than the L&G and Baillie Gifford's portfolios.

Therefore, it could be considered surprising that despite the lower level of compliance with the corporate governance standards of the Voting Template and the lowest level of general shareholder support, Wellington, while voting against management to a higher degree than L&G, have supported management to a higher degree than Baillie Gifford and to shareholders in general.

At an aggregate level it is difficult to make thematic observations about why Wellington are more likely to support management, other than to say that their use of negative voting appears to play a smaller part of the investment process with companies than for the other fund managers. There could be a number of reasons for this including, for example, engagement strategy or even resourcing, as it could be taken as a measure of shareholder advocacy per se.

Whilst simultaneously, at an aggregate level it is difficult to make thematic observations about why Baillie Gifford and UBS have supported management less than shareholders in general, other than to say that it could be an indicator that the use of voting rights is likely to play a more significant part of the engagement process with companies than for the other fund managers and the opportunities for engaging directly with companies are fewer. This could have to do as much with engagement strategy as it could be taken as a measure of shareholder advocacy per se.

6 Voting Behaviour by Resolution Category

Table 4 and Table 5 below show headline figures as to how shareholders voted on each resolution category in general. The sections which follow them then show more detail into the sub-themes of each resolution category, showing in turn how the considerations relevant to each category and sub-category fit together to translate governance policy into possible voting action.

Using the vote outcome data collected in respect of the significant majority of meetings at which Oxfordshire fund managers have voted, we have combined the meeting results with our classification of meeting business, so as to identify which were the most contentious resolutions and the reasons for them being contentious.

6.1.1 What is "Dissent"?

Where Manifest uses the term 'Dissent', this is the result of having added up all votes not supporting the management recommendation, represented as a percentage of all votes cast ('Against' plus 'Abstain' votes where Management recommended a 'For' vote and 'For' plus 'Abstain' votes where Management recommended 'Against').

Where there was no clear recommendation from company management, we have not counted any votes cast on those resolutions as dissent.

In respect of shareholder proposed resolutions, dissent is measured by taking into account votes cast differently to the management recommendation (which may most commonly have been "Against").

Table 4: General Dissent By Resolution Category

RESOLUTION CATEGORY	NUMBER OF RESOLUTIONS	RESULTS AVAILABLE	AVERAGE DISSENT
Board	3,015	2,755	2.35%
Capital	997	811	2.76%
Audit & Reporting	673	630	1.56%
Remuneration	540	478	8.58%
Shareholder Rights	273	246	9.94%
Sustainability	136	133	9.98%
Corporate Actions	58	40	3.40%
Other	9	5	13.86%
Grand Total	**5,701**	**5,117**	**3.49%**

* "Average Dissent" calculated from general shareholder voting results where available.

Table 4 above shows the most common categories of resolutions at meetings voted at by Oxfordshire's fund managers. When looking at the general average dissent levels (i.e. the meeting results data), it is clear that shareholders in general support management to a considerable extent, even on the most contentious issues.

Oxfordshire's fund managers in 2014-15 were, on average, slightly less active in expressing concerns through votes at shareholder meetings, voting against management on 155 occasions out of 5,701 resolutions, constituting an overall average opposition level of 2.72%. This represents an approval rating of greater than 97% overall. Some more patterns within this are demonstrated and explored more fully below.

It was the remuneration related resolutions proved to be the most consistently contentious resolution categories, of those routinely and predominantly proposed by management. The following section analyses the above categories in more detail, by exploring patterns of opposition to the resolution sub-categories in each.

6.1.2 Dissent on shareholder proposed resolutions

Table 5: Shareholder Proposed Resolutions

RESOLUTION CATEGORY	NUMBER OF RESOLUTIONS	PROPORTION OF ALL SUCH RESOLUTIONS	AVERAGE DISSENT
Sustainability	43	33.82%	23.32%
Shareholder Rights	27	9.89%	33.01%
Board	26	0.86%	20.57%
Remuneration	21	3.89%	23.85%
Other	5	55.56%	13.86%
Capital	3	0.31%	-
Grand Total	**125**	**2.19%**	**24.43%**

* "Average Dissent" calculated from resolutions in respect of which shareholder voting results were available.

In terms of Sustainability-related resolutions, the largest proportion (13 of the instances of shareholder proposed sustainability resolutions) were requesting disclosure of political donations, all in the US, where corporate political donations are a significant feature of the US system. Of the rest, nearly all were related to the improvement of sustainability reporting, or miscellaneous specific sustainability proposals, the majority of which were in the extractive industries sector.

The tied largest single proportion of the resolutions relating to aspects of Shareholder Rights pertained to requests to amend company Bylaws so that shareholders may act by written consent (whereby shareholders could do so in lieu of a meeting, the necessary threshold typically being equivalent to the percentage of voting power that would be necessary to approve the action at a meeting). Many company articles actively preclude this. These proposals proved relatively popular but management were not defeated in these cases.

Requests to amend company Bylaws so that shareholders may submit board nominations (proxy access) were also prominent – all of which were in the USA. Three of which were passed and in only one of these cases did management recommend a vote in favour - evidence of shareholder action producing a positive outcome and the improvement of shareholder rights at portfolio companies.

Regarding Board-related resolutions, Board Composition (11 of the instances of shareholder proposed resolutions) and Election Rules (10) both feature prominently. The most common themes among the Board Composition resolutions – as is the case with the proxy access proposals, all in the USA - were requests to adopt a policy of the Chairman being an independent director, which continues to be a significant area of debate in US corporate governance.

The largest proportion of the remuneration related shareholder proposals again came in the US. A range of topics were covered with notable focus on clawback provisions and the vesting of share awards in the event of a change in control.

Oxfordshire's managers voted with Management on 84.17% of all shareholder proposed resolutions, with most support shown for shareholder proposals on sustainability reporting and board issues.

6.2 Board

Board related resolutions constitute nearly half of all the resolutions voted during the year. This is almost completely down to the high number of director election resolutions on a typical AGM agenda, as can be seen from Table 6 below.

Table 6: Board Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL S/HOLDER VOTES WITH MGT
(Re-)Elect Directors	2,871	79.83%	98.47%	97.82%
Directors Discharge	70	98.57%	100.00%	98.32%
Board Committee	35	97.14%	100.00%	96.59%
Board Composition	11	0.00%	72.73%	74.26%
Other	11	72.73%	90.91%	95.12%
Election Rules	10	0.00%	80.00%	77.36%
Remove Directors	4	100.00%	100.00%	100.00%
Board Size & Structure	3	66.67%	100.00%	99.56%
Grand Total	**3,015**	**79.90%**	**98.34%**	**97.65%**

* "Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.

The two largest differences between the proportion of resolutions where the template identified concerns and the proportion of votes against management involve Director Elections and "Other" (where in both cases fund managers supported management to a greater extent than the template found no issues of concern). In no cases did fund managers oppose management to a higher degree than the template itself.

In the case of the "Other" resolutions one of the 11 resolutions were voted in opposition to management by Oxfordshire's fund managers. This was a shareholder resolution voted on at General Electric Company's AGM by Wellington – Wellington voted in favour while management recommended a vote against. The proposal was to adopt a policy that they nominate one Director candidate who is a non-executive retiree. UBS also voted at the same meeting but their vote was in-line with the management recommendation.

Table 7: Fund Manager Voting on Director Elections

FUND MANAGER	RESOLUTIONS	VOTED WITH MGT
L&G Investment Management	1,010	99.60%
Wellington	768	98.70%
UBS	575	95.65%
Baillie Gifford	518	99.03%
Grand Total	**2,871**	**98.47%**

Because of their number, Director Elections merit some comparative commentary of their own. Of these, only UBS opposed management on director elections more than shareholders in general (95.65% support, compared to 97.83% support across shareholders generally). Whilst L&G Investment Management account for roughly two thirds of all of the resolutions, they also boast the highest support rate - L&G voted inline with management on director elections in 99.60% of cases. Baillie Gifford (99.03%) and Wellington's (98.70%) support of management on director elections is also higher than shareholders in general but not by much.

Of those resolutions where the fund managers opposed management on Director Elections (44 resolutions – accounting for all but 6 Board related resolutions where management was opposed) the most frequent governance issues Manifest identified were:

Table 8: Board-related governance issues

ISSUE	INSTANCES
1 Audit Committee independence levels	11
2 Remuneration Committee independence level	6
3 No disclosure of Nomination Committee	5

Whilst Oxfordshire's policy does not drill down to specific independence criteria, it is clear that independence concerns lie behind the majority of the director elections where concerns were highlighted.

On many occasions, there were multiple concerns with each resolution, and it is likely that the quantum of governance concerns, rather than the substance of each individual concern per se, is what makes the fund managers more likely to register opposition to their re-election. For example, where an individual is not independent and they are the reason why the audit committee is not compliant with the corporate governance code.

The number of resolutions where management was opposed without the identification of governance concerns from Oxfordshire's policy (30 out of 50 instances where management was opposed) would suggest that fund managers can and occasionally do apply their own (investment) judgement on these issues.

6.3 Capital

Resolutions relating to the capital structure of a company frequently pertain to investment specific considerations. For that reason, governance best practice considerations are less frequently relevant, other than the extent to which proposals directly affect shareholders rights, where often the rules are well defined and relatively infrequently breached (such as the UK Pre-Emption Guidelines).

Perhaps unsurprisingly, dividend approvals are supported a very large percentage of the time by both fund managers and shareholders in general. One investment consideration on this issue is the balance between short and long-term investment return. Capital returned to shareholders in the short term through dividends cannot then be used by the company for potential revenue-enhancing investment in the future business.

Furthermore, especially in the case of "income" stocks, the reliability of the dividend is a factor in the stock valuation which could therefore fluctuate if the situation changed. Other means of returning capital to shareholders is through share buy-backs.

Table 9: Capital Resolutions Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
Issue of Shares & Pre-emption Rights	574	87.80%	93.21%	95.30%
Share Buybacks & Return of Capital	196	84.69%	99.49%	99.17%
Dividends	184	97.28%	100.00%	99.53%
Treasury Shares	11	81.82%	90.91%	99.09%
Capital Structure	10	20.00%	100.00%	98.73%
Equity Fundraising	8	0.00%	100.00%	98.13%
Authorised Share Capital	7	33.33%	100.00%	99.51%
Bonds & Debt	7	0.00%	100.00%	97.08%
Grand Total	**997**	**86.55%**	**95.88%**	**97.24%**

* "Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.

Over half of the resolutions in this category related to the issue of shares and pre-emption rights, which often form part of routine business at company AGMs, giving them the on-going permission to issue new shares up to a certain agreed level for the forthcoming year.

The two most frequent issues on capital related resolutions where there was a voting concern highlighted were as follows:

1 New share issue authority exceeds 5-50% of existing share capital (60)
2 Authority being sought is greater than 12-60 months (15)

6.4 Audit & Reporting

The results data we collected shows that resolutions related to audit and reporting were the least contentious resolution category of all. However, because it includes resolutions which pertain to questions which are routine AGM meeting business in many countries (including the UK), it nevertheless merits some analysis. The resolution relating to Report and Accounts includes the consideration of the sustainability reporting a company makes to its shareholders.

Table 10: Audit & Reporting Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
Auditor Election	272	90.44%	100.00%	97.95%
Report & Accounts	221	49.32%	97.74%	99.05%
Auditor Remuneration	154	100.00%	100.00%	98.64%
Appropriate Profits	19	94.74%	100.00%	97.64%
Other A&R related	4	100.00%	100.00%	98.82%
Auditor Independence	2	100.00%	100.00%	85.91%
Auditor Discharge	1	100.00%	100.00%	99.48%
Grand Total	**673**	**79.35%**	**99.26%**	**98.44%**

* "Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.

139 resolutions had at least one concern highlighted. Some of the most common concerns that Manifest identified are indicated in the table below. The very high degree to which Oxfordshire's fund managers have voted with management on resolutions of this type is a strong indicator that these are not governance concerns over which the fund managers wish to oppose management with their votes – with the Reports & Accounts the only sub-category where fund managers opposed management. It also led to insufficient variance between fund managers' voting records to merit further comment.

Table 11: Common Concerns Identified on Audit & Reporting Resolutions

ISSUE	INSTANCES
1 No meetings held by the non-executives without the executives present	53
2 There is no independent verification of the Company's ESG reporting	44
3 No resolution to approve the dividend	13
4 Number of years since external board performance evaluation exceeds three years	13
5 The audit firm provides advice on executive remuneration	10

6.5 Remuneration

As noted above, Remuneration related resolutions are amongst the most contentious, attracting the highest average level of dissent of all of the resolution types routinely proposed by management.

Table 12: Remuneration Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT*
Remuneration Report	256	96.88%	93.36%	90.38%
Long Term Incentives	104	56.73%	96.15%	92.07%
Non-executive Remuneration	54	98.15%	100.00%	98.63%
Remuneration Policy**	50	100.00%	92.00%	94.72%
Remuneration – Other	24	54.17%	87.50%	89.68%
Total Aggregate Remuneration**	22	100.00%	90.91%	88.69%
All Employee Share Plans**	8	100.00%	100.00%	99.03%
Item Individual Remuneration**	6	100.00%	100.00%	97.36%
Policy – Contracts	6	66.67%	83.33%	87.61%
Total Individual Remuneration**	5	100.00%	100.00%	84.44%
Short Term Incentives**	4	100.00%	100.00%	98.88%
Item Aggregate Remuneration**	1	100.00%	100.00%	98.24%
Grand Total	**540**	**87.59%**	**94.26%**	**91.42%**

* "Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.
** Items marked with a double asterisk are those which are not directly targeted by the policy template in place for Oxfordshire, hence why they appear to have received 100% template support.

The introduction of the vote on Remuneration Policy in the UK has certainly had an effect on this year's statistics. With a lot of investors adopting a "wait and see" approach with regard to policy proposals (preferring to see how the Regulations bed in over 3-5 years), all but the most controversial policy proposals received respectable levels of support. By contrast, where opposition was expressed, it was often at a very high level, suggesting a more targeted approach on the part of investors.

The majority of the potential concerns tracked by Oxfordshire's policy relate to issues arising from reporting of remuneration practice (i.e. remuneration report votes), rather on the remuneration policy in place. This explains the disparity in the level of template support for Remuneration Policy votes compared with Remuneration Reports.

Also, readers will note that "Remuneration – Other" (including termination payments and provisions) have attracted a much higher level of opposition from Oxfordshire's managers, Termination payments and provisions are one of the most controversial aspects of remuneration considerations, along with resolutions dealing with individual remuneration.

Broken down by fund manager, the voting on remuneration resolutions does show some patterns.

Table 13: Fund Manager Voting On Remuneration Resolutions

FUND MANAGER	RESOLUTIONS	VOTED WITH MGT
L&G Investment Management	173	94.80%
UBS	134	91.79%
Wellington	134	98.51%
Baillie Gifford	99	90.91%
Grand Total	**540**	**94.26%**

The only fund manager to oppose management on remuneration issues more than shareholders in general was Baillie Gifford. By contrast, all the other fund managers oppose management on remuneration issues less than shareholders in general - especially Wellington. This could be explained by a relative paucity of disclosure with which to justify voting against management, in markets where disclosure is relatively poor by comparison with the UK. Additionally, where other governance concerns may be deemed more urgent, it is possible that remuneration resolutions may not be the main focus of concern when it comes to voting.

Table 14: Common Concerns On Remuneration Resolutions

CONCERN	INSTANCES
1 The minimum ranking required for vesting is less than median	14
2 Aggregate variable pay opportunity	10
3 No reference to performance when options vest in the event of a change in control	8
4 Long-term incentive pay opportunity	8
5 Dilution from discretionary schemes over a ten year period	5

Table 14 shows the most common concerns from Oxfordshire's policy template associated with remuneration-related resolutions over the year. Many of these issues have been prevalent on a consistent basis over time.

Manifest's Executive Remuneration Assessment Grade is a high level rating system which generates a numeric score (between 1 and 250) and an alphabetical grade from A-F. It is a wide-ranging analysis which encompasses all of the other remuneration concerns in Oxfordshire's policy template, examining issues such as linkage of incentives to company strategy, quantum, structure, performance measures and comparator groups, contracts, dilution and pensions and benefits. It is a reliable bell weather for general shareholder dissent, and a helpful indicator of the contentiousness (or otherwise) of the remuneration arrangements overall.

The quantum of bonus and long term incentive payments is possibly the most widely debated contentious issue in the corporate governance of public listed companies. A large proportion of companies were found to have a high proportion of incentive pay relative to salary - a possible indication of over-encouraging risk-taking.

The absence of performance conditions for the exercise of awards or options is also noteworthy, especially where the maximum potential pay is high. This may suggest an element of payment of high remunerative incentive pay without setting down sufficient substantive performance targets in order to obtain it. This means that not only is the remuneration structure suggesting the over-encouragement of risk-taking, investors are left in the dark as to what risks may be being over-encouraged.

A separate, binding forward-looking policy vote was introduced for UK companies for 2014, which had a bearing on how investors voted. This came into force in respect of AGMs applying to financial years starting on or after the 1st October 2013, thereby affecting the 2014 AGM season. The main challenge for all concerned was having the sufficient resources to manage the workload of increased engagement between companies and investors. This is a common concern expressed by institutional investors. This may be a matter of some concern for their clients, who see a potential combination of encouragement of risk-taking without adequate indication of what the risks are on the part of the issuers, combined with a possibility that such issues go unidentified by investment managers without adequate resources to investigate further.

6.6 Shareholder Rights

The shareholder rights category covers resolutions which relate specifically to the ability of shareholders to exercise some element of their rights. They therefore encompass not only rules about shareholder voting, but also things such as the rules according to which a shareholder (or shareholders) may requisition a meeting, a resolution at a meeting, the way in which a shareholder meeting is conducted and shareholder rights in the event of a (hostile) takeover situation.

They are important because they essentially relate to the extent to which investors are able to mitigate themselves against the risk of third parties making decisions which affect their investment in the company.

Table 15: Shareholder Rights Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
General Meeting Procedures	143	95.07%	95.07%	89.97 %
Other Articles of Association	81	77.22%	97.47%	96.26%

Meeting Formalities	24	91.67%	100.00%	98.92%
Shareholder Rights	20	5.26%	73.68%	65.58%
Takeover Governance	3	0.00%	33.33%	65.97%
Anti-takeover Provision	2	100.00%	50.00%	84.86%
Grand Total	**273**	**82.16%**	**93.68%**	**90.06%**

* "Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.

Frequently, many of the issues in this category are relatively straight forward and many of the resolutions where there is complexity it is down to the proposal being made by shareholders, therefore inevitably likely to introduce some question that is comparatively out of the ordinary.

For example, a large number of the 'General Meeting Procedures' resolutions relate to the requirement in the UK for companies to request a routine permission to retain the right to call a non-AGM General Meeting at less than 21 days' notice. In the UK context, it is a simple consideration – to allow companies to retain the ability to do something they have had the right to do for many years, provided they do not take advantage of it. Oxfordshire's fund managers have voted "For" management to a much greater extent than shareholders in general simply because foreign shareholders are more frequently opposing 14 day notice period permissions, simply because their voting mechanisms are not efficient enough to be able to vote a meeting called a less than 21 days' notice.

Although there were only a small number of such resolutions (Takeover Governance and Anti-Takeover Provisions), it is clear that Oxfordshire's fund managers rarely approve anti-takeover provisions. Such provisions usually have the effect of limiting the rights of shareholders to determine whether a potential takeover offer is to be accepted (i.e. they have the effect of enabling company management to implement various measures to frustrate potential takeovers without consulting shareholders).

6.7 Corporate Actions

Whilst far less numerous, some statistical significance can be attributed to some of the Resolution Sub-Categories pertaining to Corporate Actions, which can be put to effect to explore why they number among the most contentious resolution sub-categories for Oxfordshire's fund managers.

Table 16: Corporate Actions Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
Significant Transactions	29	89.66%	93.10%	96.28%
Related Party Transactions	13	76.92%	100.00%	98.67%
Transactions - Other	10	60.00%	100.00%	94.93%
Other Corporate Action	4	100.00%	100.00%	97.02%
Change of Name	2	100.00%	100.00%	99.85%
Grand Total	58	82.76%	96.55%	96.60%

* "Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.

The majority of Corporate Actions considerations are often investment or company-specific, such as related party transactions, schemes of arrangement, disposals and acquisitions. Definitions of what might be 'good' or 'bad' decisions or perspectives in this context becomes decidedly subjective, as do comparisons of fund manager voting with management recommendations.

What can be observed is that Oxfordshire's fund managers are consistently much more likely to oppose approvals of significant transactions (including acquisitions, disposals, mergers and takeovers). This is because related party and especially significant transactions may well entail significant potential conflicts of interest.

6.8 Sustainability

With the exception of political activity, charitable engagement and sustainability reports, once again virtually all resolutions in this category were proposed by shareholders, generally asking companies to either improve their reporting of, or performance on, specified sustainability issues. Because of this, meaningful routine categorisation of these issues is very challenging, because the specific content of a proposal is defined by the proponent and could be about anything, from asking the company to close specific operations to requesting a one-off or regular report on employee conditions.

It is also not uncommon for most investors to vote with management on such issues unless the issue at hand is either one for which the investor (i.e.; fund manager) has a particular affinity or was involved with the tabling of the resolution itself.

Table 17: Sustainability Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
Political Activity	104	5.77%	96.15%	92.80%
Other ESG	12	0.00%	83.33%	74.82%
Environmental Practices	9	55.56%	100.00%	88.39%
Ethical Business Practices	5	0.00%	75.00%	78.85%
Sustainability Report	3	33.33%	100.00%	75.42%
Human Rights & Equality	2	0.00%	100.00%	90.13%
Animal Welfare	1	0.00%	0.00%	73.96%
Grand Total	136	8.82%	94.07%	90.02%

* "Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.

Under European jurisdictions, companies are required to seek approval for "political donations", which encompass more than donations to specific political parties, and include expenditure towards the realisation of political aims such as political lobbying. Oxfordshire's fund managers opposed only two of the resolutions seeking authorisation to make political donations – these were filed at Legal & General and Michael Page International. The fund managers also opposed management when the management recommendation was to vote against a shareholder proposal to request the Board to prepare a report to shareholders on lobbying at Alphabet and Wells Fargo & Co. The gap between Oxfordshire's template and fund manager voting behaviour is wider on this issue than any other.

7 Aggregate Analyses

Manifest has also assessed the aggregate voting patterns undertaken by the fund managers, the additional meetings to those considered in the detailed analysis pertain meetings in emerging or developing markets (including Far Eastern and African markets). Aggregate analysis does not drill down to identifying governance concerns on individual resolutions, but does look at the aggregate patterns of voting decisions taken by the fund managers. This is largely due to the fact the disclosure practices in these markets is traditionally not as high as we are used to in Europe and the US in particular, thereby hindering the statistical reliability of detailed analysis.

7.1 Baillie Gifford

Table 18: Baillie Gifford Aggregate Resolutions Voting By Market

COUNTRY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Channel Islands, IoM	15	100%
Luxembourg	34	N/A
United Kingdom	1167	95.97%
United States	3	100%
Grand Total	**1,219 (1,185)**	**96.03%**

Table 18 above shows the number of votable resolutions in each market voted by Baillie Gifford, as well as their average support of management on each. It shows a very similar level of support for management detailed in Section 5, 96.03% compared to 96.01%, which might not be a surprise given the large exposure to UK based companies Baillie Gifford were voting at. Due to the low count of resolutions outside of the United Kingdom meaningful analysis is not available for Baillie Gifford's voting outside of the UK.

Readers should note that for Baillie Gifford did not vote at the sole meeting in Luxembourg– all 34 resolutions in question related to amendments to articles and thus belonged to the Shareholder Rights category.

Table 19: Baillie Gifford Voting By Category

CATEGORY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Audit & Reporting	179	100%
Board	562	99.11%
Capital	251	88.05%
Corporate Actions	6	66.67%
Remuneration	106	90.57%
Shareholder Rights	86 (52)	100%
Sustainability	29	100%
Grand Total	**1,219 (1,185)**	**96.03%**

What is interesting is the breakdown of the average support of management by resolution category compared to that in Section 6. Baillie Gifford have supported management to a lesser degree on Capital and Corporate Actions, in the case of Capital resolutions by 7.83% and Corporate Actions by 29.88% - although readers should note that due to the low number of resolutions within the latter Corporate Actions category a smaller number of contrary votes will have a higher contribution to the dissent figure. Within the Capital category Baillie Gifford voted against resolutions pertaining to share issue authorities where the authority sought was deemed to not be in-line with Baillie's view on best practice.

Baillie also voted against more remuneration related resolutions than fund managers did as detailed in Section 6,. This is also demonstrated in Table 13 showing that Baillie take an active stance on voting on remuneration issues – this is within the context of the UK generally having better remuneration practices when situated in a global context.

Baillie Gifford supported all resolutions pertaining to the categories of Audit & Reporting, Shareholder Rights and Sustainability – within a UK context such resolutions are often considered routine – and supported Board resolutions to a slightly higher degree than that seen in Section 6.

7.2 UBS

Table 20: UBS Aggregate Resolutions Voting By Market

COUNTRY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Australia	19	100%
Canada	59	98.31%
China	91	100%
France	100	79.00%
Germany	26 (24)	100%
Greece	11 (8)	100%
Hong Kong	30	83.33%
Indonesia	6	66.67%
Ireland	41	100%
Italy	12	63.64%
Japan	170	97.06%
Jersey	20	100%
Korea (South)	11	90.91%
Liberia	12	91.67%
Netherlands	51 (40)	95.00%
Russia	35	100%
South Africa	63	95.24%
Spain	42 (41)	95.12%
Switzerland	26	96.15%
Taiwan	4	100%
United Kingdom	195	100%
United States	408	95.34%
Grand Total	**1432 (1,415)**	**95.20%**

Readers should note that there were 17 non-voting resolutions in the UBS portfolio, the number of voted resolutions (meaning the total resolutions minus non-voting resolutions) are indicated in brackets.

Additionally, there were 18 resolutions where management provided no recommendation, 16 were in the Russia n market and one each in the Chinese and Italian markets. For the purposes of calculating the proportion of resolutions in which UBS supported management both the non-voting resolutions and resolutions with no management recommendation have been excluded from the calculation, meaning in total 1,397 resolutions were included in the calculation.

UBS's overall support level stands at around 95.20%, which is slightly higher than that in Section 5 (94.27%). Not dissimilar to Baillie Gifford, caution should be used regarding the statistical significance of this data when making inferences at the market level due to the varied count of resolutions between markets.

As discussed earlier in the report the global nature of UBS's holding may impact on voting patterns between markets due to a variety of governance standards– this is demonstrated by considering UBS's level of support in the UK market standing at 100%. UBS have opposed resolutions within the French market on a frequent basis – the French market is the fourth most populated market in terms of the number of resolutions voted by UBS. Therefore, although one should be wary from making inferences the data does indicate that UBS has taken a progressively more active approach in markets where there is relatively lower levels of disclosure and governance standards.

Table 21: UBS Voting By Category

CATEGORY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Audit & Reporting	123	99.19%
Board	760	97.98%
Capital	244	89.34%
Corporate Actions	17	100%
Other	2	50.00%
Remuneration	166	92.17%
Shareholder Rights	72	86.11%
Sustainability	31	96.77%
Grand Total	**1,415**	**95.20%**

Table 21 above shows the number of votable resolutions in each category type voted by UBS, as well as their average support of management on each. Consistent with the analysis in Section 6, UBS opposes management more frequently on Remuneration, Capital and Shareholder Rights issues.

When considering the Capital and Shareholder Rights resolution categories UBS's level of support is explained largely because many of the resolutions in those two issues touch on the question of control (either dilution of ownership in the case of Capital and in the case of Shareholder Rights the voting rights associated with capital types or resolutions of a certain type and amendments to Articles). It is also worth mentioning that 60% of resolutions within the Shareholder Rights category which UBS voted contrary to management recommendation where shareholder sponsored resolutions.

7.3 Wellington

Table 22: Wellington Aggregate Resolutions Voting By Market

COUNTRY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Australia	5	100%
Belgium	13	100%
Bermuda	17	82.35%
Brazil	2	100%
Canada	15	93.33%
China	90	96.67%
France	44	100%
Germany	53 (0)	n/a
Ireland	23	100%
Italy	6	100%
Japan	117	94.87%
Korea (South)	15	100%
Malaysia	12	100%
Netherlands	39	100%
Norway	37 (0)	n/a
Spain	22	100%
Sweden	19	100%
Switzerland	48 (0)	n/a
Taiwan	10	90.00%
United Kingdom	252	96.43%
United States	633	99.84%
Grand Total	**1,472 (1,334)**	**98.19%**

The largest counts of resolutions in the Wellington portfolio were in the United States and United Kingdom markets followed by Japan and China. What is particularly notable is the lower average level of voting with management in these markets, excluding the United States, (Bermuda, Canada and Taiwan constituted a very small number of resolutions, so should be discounted as a statistical pattern) in comparison to Wellington's average of 97.83% support for management in the detailed analysis. By comparison with the data in the UBS section of the report, Wellington's dissent levels towards China, Japan and United Kingdom companies are higher while UBS's dissent at US companies was higher.

It could be considered unusual to see United Kingdom's comparatively high dissent, particularly compared to the United States market, however this may be an indication of voting playing an important part of shareholder engagement within this market for Wellington – it is also worth noting that all of Wellington's oppositional votes in the UK market were situated within the Shareholder Rights category and concerned a Board's request for an authority to set general meeting notice periods at 14 days.

Wellington did not vote at meetings within the German, Norway and Switzerland markets; in all such cases a rationale that voting at the meeting was not in the interests of shareholders was provided. Management provided no recommendation on five resolutions in the Swedish market – all five were shareholder sponsored resolutions.

Table 23: Wellington Aggregate Voting Patterns By Resolution Category

CATEGORY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Audit & Reporting	129 (116)	100%
Board	883 (808)	98.89%
Capital	160 (145)	98.61%
Corporate Actions	23 (15)	100%
Other	3	66.67%
Remuneration	157 (140)	98.57%
Shareholder Rights	84 (74)	85.92%
Sustainability	33	100%
Grand Total	**1472 (1,334)**	**98.19%**

Table 23 shows the overall patterns of support for management shown by Wellington broken down by resolution category across all of the resolutions in the aggregate analysis.

Noteworthy in the data set is the change in the level of support for management on Shareholder Rights resolutions to that in Section 6. Wellington's oppositional votes in this category almost entirely pertain to resolutions seeking approval of takeover defence plans (poison pills). Takeover defence mechanisms serve to artificially prevent hostile takeovers which may ultimately be in the interests of higher shareholder returns. Conversely, there is a high level of support for management on all other resolution categories (excluding Other).

7.4 Legal & General Investment Management

As Legal & General's mandate is limited to the FTSE 100 there was not any additional corporate meetings to analyse to those already considered in the detailed analysis.

8 Conclusions

This is the first annual report Manifest has produced for the Oxfordshire Pension Fund. By and large, corporate governance risk-related issues change over the long term, rather than due to short term pressures. This means that the issues raised in this report are likely to remain similar in dynamic in the short term; though over the longer term positive development should be observable. As is evidenced with the example of shareholder proposed resolutions in the US, specific themes can be and are raised with companies on a campaign/ strategic basis which, over time, contribute to positive progress (for example, proxy access and double voting rights).

We expect to see overall trends of gradual improvement in corporate governance standards continuing, but this is mitigated by the fact that some companies may 'lapse' and new companies may enter the market carrying with them the legacy of private ownership governance practices which also may fall short of the standards expected of publicly listed companies.

Additionally, developments in the governance risk profile across equity asset allocation caused by changes to investment mandates from year to year may also have an effect upon the overall picture. Consequently, although we expect trends to improve over the long term, positively identifying them year on year is much harder to do.

For this reason, readers should not expect to see a marked change in companies' governance standards from year to year. What is more important is to understand how the fund's managers respond and react to identified concerns, and fund manager vote monitoring plays a central role in understanding this question. However, recent trends both in identification of concerns and support for management proposals by fund managers suggests that gradual improvement is underway.

In terms of issues specific to this report, our analysis:

- Highlights the most common Board related policy issue was a shortfall in independent directors on boards and board committees;
- Shows a number of companies whose governance of sustainability as a corporate discipline could be potential cause for concern due to lack of independent verification. Companies that manage sustainability well tend to be better run;
- Illustrates that political donations is seldom a matter of concern for Oxfordshire's fund managers, and that opposition to management on sustainability issues is rare;
- Identifies that Shareholder Rights and Sustainability related resolutions are the resolution types Oxfordshire's fund managers oppose management on most often, followed by Remuneration and Capital related resolution; and
- Despite the identification of potential issues concerning auditors in terms of independence, provision of non-audit services and fees, Oxfordshire's fund managers rarely oppose management on these issues.

Taken as a whole, there is evidence to suggest that voting is not the only medium through which Oxfordshire's fund managers may express concern about important governance issues. The results of the analysis show that fund managers are voting with management marginally more than shareholders in general, however there are some variances between the respective fund managers.

Whereas L&G and Wellington have supported management more than most shareholders, Baillie Gifford and UBS on the other hand supported management to a lesser extent than most shareholders. To the extent that voting is not the only medium Oxfordshire's fund managers use to raise concerns with portfolio companies, this report enables Oxfordshire to further enquire of fund managers as to how these other issues are being identified, raised and resolved with portfolio companies, and whether resources are sufficient to adequately carry out this important work.

However, one should avoid falling into the trap of using voting records as a substitute for understanding whether a fund manager is an 'active' owner or not. Voting is but one (albeit important) tool in the ownership toolbox, which sits alongside regular monitoring of governance issues through research and engagement by the fund manager.

We anticipate that incentive performance measures, proxy access (particularly in the US) and the theme of "one-share, one-vote" (particularly in France and Italy) may prove to be prominent themes in commentary about 2015/16, which will be characterised by regulatory developments in the role and rights of shareholders. While in the UK market following the 2014 revisions to the UK Corporate Governance Code next season will see companies providing viability statements for the first time. It is hoped that these new risk disclosures will provide a greater insight to investors on the long-term sustainability of companies.

In the context of the new Remuneration Policy votes in the UK, we also anticipate companies may start to set out how they intend to engage with investors in the event of significant dissent on remuneration issues, given the direction of thinking at the FRC regarding issuer-investor engagement. In terms of remuneration issues we expect that the retrospective disclosure of bonus performance targets and companies' approach to recruitment policy will be prominent issues in the UK market.

There are some key regulatory developments which come into play during 2014/15 that may have a bearing on next year's report. These include votes on remuneration policy, gender diversity, and shareholder voting rights where there is a majority owner. Further details on these developments may be found in the appendix, which covers:

- Impact of the new directors remuneration report regulations in the UK;
- Revisions to the UK Corporate Governance Code
- The amended EU Transparency Directive
- Progress on the EU Shareholder Rights Directive (part II)
- Red Lines Voting Initiative: Association of Member Nominated Trustees (AMNT)
- Pre-Emption Group revised guidance
- The UK Modern Slavery Act
- UK's Investor Association Updates to Executive Pay Guidelines

Whilst there may be other governance themes where immediate positive progress is harder to determine, we are confident that continued monitoring should enable identification of further progress over the medium to long term. Additionally, with ever increasing pressure upon institutional investors and their asset managers for transparency about ownership processes, on-going monitoring of governance risk and voting activity remains a vital part of the activity of any responsible investment-minded investor.

Prepared By:
Manifest Information Services Ltd | 9 Freebournes Court |
Newland Street | Witham | Essex | CM8 2BL | Tel: 01376 5035

9 Hot Governance Topics

The following is largely a UK-focussed summary of governance developments. For a more detailed précis of governance developments globally, please refer to Manifest's report "Global Corporate Governance and Regulatory Developments 2015" which is available upon request.

9.1 Impact of the new Directors' Remuneration Report Regulations in the UK.

In July 2013, the UK government introduced revisions to the Companies Act 2006 relating to director's remuneration policy votes and reporting. In short, the previous arrangements for a single vote on a remuneration report which included review of pay in the financial year under review as well as proposals for future pay policy are being replaced by two votes, one advisory vote in respect of a pay report on the financial year under review, and a second binding vote on proposed pay policy.

Quoted companies with year ends on or after the 30th September 2013 are required to put their proposed remuneration policy to a simple majority binding vote at the AGM. Thereafter, companies can only provide remuneration or loss of office payments that are consistent with the approved policy unless they obtain shareholder approval at a general meeting to a revised policy or to the specific payments. Once approved by shareholders, a company can retain the policy for up to three years before being required to hold another binding policy vote, unless the separate vote on the remuneration report (implementation) is lost in the intervening period in which case a fresh policy vote is required the following year.

In addition to the future looking policy vote, the main changes to the reporting of pay include:

- Requirement to show an illustration of the level of awards that could pay out for various levels of performance;
- Requirement for reporting pay in a single, cumulative figure, including methodology for calculation to ensure consistency in approach; and
- Improved disclosure on the performance conditions used to assess variable pay of directors.

The aim of the regulations is to encourage better shareholder engagement with companies regarding remuneration, It is intended to do this by giving shareholders more powers to hold companies to account at AGM's for their pay practices and policies, in particular with the introduction of the binding policy vote and the reporting of a "single figure" for the purposes of evaluating total remuneration paid.

Ex-Post analysis carried out for the Department for Business, Innovation and Skills by Manifest identified that, by and large, companies had responded well both to the letter and, in most cases, the spirit, of the Regulations. Some areas for further attention were identified, including the possibility of losing an element of meaningfulness in disclosures through the use of boiler plate text. Attention was also drawn to the quality of disclosure of issuer engagement with investors, in particular in cases where a small subsection of shareholders was referred to, or even simply "shareholder representatives" as the basis for canvassing opinion. A number of companies silently posted "clarifications" of policy after publication of their meeting documentation but before the meeting itself, as a way of heading off a potential "Against" vote. These clarifications were not formally circulated to all shareholders and thus ran the risk of creating information imbalances between those who were party to the need for the clarification, and those to whom it was not announced. We also identified that it may be helpful for companies to consider positive confirmation of not having made termination payments or payments to past directors, rather than assuming a silence on the issue confirms no such payments have been made.

9.2 UK Revises Governance Code

The Financial Reporting Council (FRC) published its revised UK Corporate Governance Code which takes effect to UK listed companies for reporting years beginning on or after 1 October 2014. We summarise the main changes in the table below. As with most regulatory changes which seek to serve a broad constituency, the changes are a mix of positive and not so positive amendments.

A minimum threshold for **EGM notice periods** is welcome; many companies have sought to take advantage of a 14 calendar day minimum notice period despite the absence of any authority related to capital raising (the original premise for allowing an abbreviated period).

The changes on **going concern** follow the conclusions of the Sharman Review. The 2012 Code required boards to state if a company "is" a going concern. Investors' second line of defence then came from a company auditor opinion. Under the relevant accounting standards Auditors needed to make a decision about whether a board's going concern assumption was "appropriate". This was in fact the position leading up to the 2008 financial crisis - neither proved to be a defence in the context of the failure of financial institutions in 2008 and it is not surprising that changes have been made. The use of the term "appropriate" to define the boards responsibility in coming to a decision on applying accounting standards may lead to confusion given the pre-existing auditor responsibilities.

A connected issue to look out for next year is the Code's new requirement for a "viability statement". This statement is in addition to the going concern statement and will provide the structure for an improved and broader assessment of long-term solvency and liquidity which is expected to look forward significantly longer than 12 months. The Code does not specify the format or content of the statement, leaving this up to the Board, Directors will need to explain how they have assessed the prospects, over what period they have done so and why they consider that period to be appropriate. A variety of approaches have been taken by companies that have already made viability statements, both in terms of structure and content.

UK Governance Code – Changes at a Glance

ISSUE	2012 CODE	2014 REVISED CODE
Going Concern Principle C.1.3	Directors had to state if the company was a going concern.	Directors no longer need state if the company is a going concern. Companies should state whether they consider it appropriate to adopt going concern and identify any material uncertainties. The decision on whether the assumption of going concern accounts is *appropriate* was solely the auditors' responsibility.
Risk and Internal Control reporting Principles C.2 and C.2.1	Board was previously required to report on its review of effectiveness of risk management systems.	Reporting now specific to annual report (discretion allowed as to which section) No longer solely focused on process. Companies should robustly assess their principal risks and explain how they are being managed or mitigated. Companies should monitor risk management and internal control systems and, at least annually, carry out a review of and report on their effectiveness.
Remuneration policy Principle D1	Sufficient to attract retain and motivate directors and a significant proportion was required to be performance linked.	Attract, retain and motivate has gone. There is no steer now towards a preferred performance pay ratio. Greater emphasis is placed on ensuring that remuneration policies are designed with the long-term success of the company in mind, and that the lead responsibility for doing so rests with the remuneration committee.
Clawback and Malus Principle D1.1	Companies only required to "give consideration" to the use of clawback provisions.	Companies "should" include clawback and malus provisions in performance pay arrangements. Companies should put in place arrangements that will enable them to recover or withhold variable pay when appropriate to do so, and should consider appropriate vesting and holding periods for deferred remuneration.
Post dissent engagement Principle E 2.2	Company had to publish results but the Code did not explicitly require further action.	No definition of "significant" however boards can no longer fail to take action if there is a significant level of voting dissent. Companies should explain how they intend to engage with shareholders when a significant percentage of them have voted against any resolution.
Notice of Meeting Principle E.2.4	Code previously failed to state a threshold for producing EGM NoM.	Now companies required to provide an EGM notice 14 working days ahead of the meeting.

The loss of "**attract, retain and motivate**" as a pay policy will not be mourned. The routine practice of buying unvested awards from a prior employer on recruitment undermined any retentive effect promised by such statements.

Finally, the FRC's consultation feedback statements reveal some near misses which would have been potentially negative for shareholders. It appears that companies and audit firms lobbied for moving corporate governance disclosures online. The consequential loss of assurance that corporate governance disclosures are relevant to the latest published full year accounts has for the time being at least been avoided.

9.3 The EU Transparency Directive

The amended Transparency Directive entered into force on 26 November 2015 across the EU creating a common basis for disclosure and dissemination of regulated information to EU markets on a regular and on-going basis. A briefing has been issued by European Securities and Markets Authority (ESMA) to ensure proper implementation across all member states. Two member states adoption of the directive are discussed below.

In the UK the directive has been adopted through amendments to the Financial Services and Markets Act which introduced new Transparency Regulations and through changes to the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules. One of the key changes is that the FCA can apply to court for a voting rights suspension order against a "vote holder" of shares in a company which are admitted to trading on a regulated market where that vote holder has breached the significant shareholder notification regime. Respondents to the FCA's consultation suggested this new power should only apply in respect of the most serious breaches of the rules.

9.4 The EU Shareholders Rights Directive Part II

During 2014 the European Commission commenced the process of revising and updating the Shareholders Rights Directive, which came into force in 2007. The proposed Directive is approaching the final stage of negotiation – between the Parliament and the Council of Ministers.

Most significant in the context of this report is the fact that the Commission proposed measures designed to encourage better engagement with companies by institutional investors, because of a perception that the problem of short-term investment decisions is facilitating excessive risk-taking by companies. This implies disclosure of aspects of investment mandates which encourage:

- strategic alignment with the liabilities and duration of the investor;
- how the asset manager takes decisions based on the long term performance of a company;
- how the asset manager's performance is evaluated; and
- Information on portfolio turnover.

During the negotiations, the question of enhanced voting or dividend rights for long term shareholders has been proposed as a solution to the problem of short-termism. However, this brings more pressure to bear on the need for better ability to identify shareholders, in order to facilitate more efficient transmission of information, the exercise of shareholders rights, and now the allocation of loyalty votes or dividends. It is also likely that the Directive may require all listed companies incorporated in the EU to have a "Say on Pay Policy" vote.

Another area for proposed action is enhancing issuer disclosures and shareholder rights on related party transactions. It initially proposed requiring shareholder votes on certain types of related party transactions, in order to help protect shareholders from potentially abusive deals. However, companies across Europe have been successful in watering down many of the requirements. The Directive is also likely seeking to address perceived concerns with what they call "proxy advisors" (i.e. companies like Manifest who provide research or voting guidance to institutional investors), relating to the transparency of methodologies used for producing voting guidance for clients and potential conflicts of interest.

On 8 July the European Parliament voted on a number of revisions to the draft policy, including:

- "Large companies and large groups" have been carved out from the title and from the scope of the proposal;
- Emphasis on long-term shareholding has been repealed;
- Employees' "say on pay" is no longer in the draft;
- Member States are left free to decide whether shareholders' vote on the remuneration policy is advisory or binding;
- Companies will be required to report tax broken down by country;
- Major related party transactions should be approved by shareholders;
- Listed companies should be able to identify their shareholders and the identity of shareholders should be available to shareholders;
- Proxy advisors should adopt a code of conduct which they should follow on a comply-or-explain basis.

9.5 Red Lines Voting Initiative: Association of Member Nominated Trustees (AMNT)

A separate but relevant development related to the provisions about fund manager performance evaluation in the Shareholder's Rights Directive has been the launch of the "Red Lines Voting Initiative" by the Association of Member Nominated Trustees. The aim of this initiative is to better equip AMNT members in holding their fund managers to account for their voting on issues where companies fall short of the governance "Red Lines" of their policy. The initiative is virtually identical in concept to the vote monitoring Oxfordshire undertakes with this report.

9.6 Pre-Emption Group Revised Guidance

The Pre-Emption Group has now released updated guidance on the factors to take into account when considering whether to disapply pre-emption rights.

Manifest welcomes the March 2015 improved guidance particularly with regard to the explicit inclusion of "cash box placings". Manifest has tracked use of this dilutive capital raising mechanism since 2005. Our records reveal that a total of £2.7bn has been raised by 39 different companies using cash box placement over this period.

Quite how effective the revised guidance will be at stopping a company from using this method of share issuance is yet to be seen. The ABI (one of the Pre-Emption Groups members at the time) wrote to companies in February 2009 warning that the pre-emption principle was being eroded through the abuse of cash-box placings. Since that date this mechanism has been used more than 20 times by companies to which the ABI issued its warning. Key amendments to the 2008 Statement of Principles include:

- Clarification of the scope of the Statement, making it clear that it applies to both UK and non-UK incorporated companies whose shares are admitted to the premium segment of the Official List of the UK Listing Authority. Companies whose shares are admitted to the standard segment of the Official List, to trading on AIM, or to the High Growth Segment of the London Stock Exchange's Main Market are encouraged to adopt the Statement.
- Clarification that the Statement applies to all issues of equity securities that are undertaken to raise cash for the issuer or its subsidiaries, irrespective of the legal form of the transaction, including, for example, "cashbox" transactions.
- Flexibility to undertake non-pre-emptive issuance of equity securities in connection with acquisitions and specified capital investments, consistent with existing market practice – in such instances an additional 5% authority to the routine 5% dispplication request may be sought.
- Greater transparency on the discount at which equity securities are issued non-pre-emptively.

9.7 UK Modern Slavery Act

On 10 June 2014 the Modern Slavery Bill was introduced to Parliament and received royal assent on 26 March 2015 and under S.54 of the Act certain businesses will now be required to produce a statement setting out the steps they have taken to ensure there is no modern slavery in their own business and their supply chains. It is however possible for a business to comply with the provision by simply stating that no steps have been taken during the financial year, although this would have a potential impact on business reputation. Overall the new rules present a step forward in promoting transparency in relation to company actions related to modern slavery and ensure directors consider the issue of modern slavery risk by requiring the statement to be considered by the company's board and signed by a director.

Current guidance issued by the Home Office suggests a statement may include information about:

- The organisation's structure, its business and its supply chains;
- Its policies in relation to slavery and human trafficking;
- Its due diligence processes in relation to slavery and human trafficking in its business and supply chains;
- The parts of its business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage t hat risk;
- Its effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate; and
- The training and capacity building about slavery and human trafficking available to its staff.

The requirement will apply to all commercial organisations with a year end of 31 March 2016 or later in any sector, which supplies goods or services, and carries on a business or part of a business in the UK – therefore having a global impact - and is above a turnover threshold of £36m, to produce a slavery and human trafficking statement for each financial year of the organisation. However, a potential loophole has been identified in that the Act does not require companies to report on the supply chains of overseas subsidiaries - meaning that the Act will not prevent parent companies in the UK from profiting from any slave labour used in their supply chains abroad by non-UK subsidiaries.

Companies are expected to publish their statements as soon as reasonably practicable after the end of the financial year in which they are producing the statement, in practice this will be within six months of the year end. The Act requires each organisation to publish the statement on their website and include a link in a prominent place on its homepage, if an organisation does not have a website a copy of the statement is to be provided to anyone who requests one in writing.

9.8 UK's Investment Association's updates to Principles of Remuneration

In June 2014 the Association of British Insurers (ABI) Investment Department on merged with the Investment Management Association (IMA) to create the Investment Association (IA). The ABI's Remuneration Guidelines have been a long standing feature of the UK's corporate governance landscape and so, not unsurprisingly, the IA has now published its own guidance on the role of shareholders and directors in relation to remuneration. The IA's principles are essentially a repetition of the ABI principles on remuneration however the relationship between IVIS (The Association of British Insurers (ABIs) commercial service provider) and the IA is not referenced in the principles.

In November 2015 the IA published its annual update on its Principles of Remuneration. In light of the undergoing review by the recently established Executive Remuneration Working Group the principles remain largely unchanged. The sole change to the principles sets out an expectation that executive directors should not be able to sell LTIP share awards for cash until at least five years after the award was granted rather than an expectation of at least three years and a suggestion of five. The IA has however stated that a major revamp of the principles will be announced next year following the publication of the Working Group's recommendations for the "radical simplification of executive pay" in spring 2016.

Guidance for Remuneration Committees

In its covering letter to remuneration committee chairs, the IA outlined five focus areas which are of concern to members:

- **Salary increases** – all increases should be justified with clear and explicit rationale, particularly for any increases in excess of inflation or the increases provided to the general workforce.
- **Bonus disclosure** - Where companies do not disclose any targets or do not commit to full future disclosure, members have asked IVIS to Red Top those companies as they believe that there is insufficient information to make an informed voting decision. Where relative achievement is disclosed with no commitment to disclose the actual target ranges, an Amber Top will be given. This policy will take effect for companies with year-ends on or after 1 December 2015.
- **Service contracts** - new contracts should have equal notice periods for both the company and the director and for new contracts; companies should introduce clauses to allow the withholding of pay in lieu of notice where there is any ongoing regulatory or internal disciplinary or misconduct investigation.
- **Pensions –** executive pension arrangements should be in line with those for the rest of the company
- **Recruitment and leaving arrangements –** recruitment awards should not be re-awarded or re-issued in circumstances of a fall in company value and full justification of the treatment of leavers, particularly where a leaver is deemed to be a good leaver, should be provided to investors.

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Annex 1 Pension Fund Scheme of Delegation

Oxfordshire Pension Fund

Scheme of Delegation

Introduction

The Council's Constitution sets out the general Scheme of Delegation to the Strategic Directors and a small number of other Officers. These named posts are therefore authorised by the Council to exercise the specific powers and functions of the Council.

It is not possible for such a small number of people to take all the necessary decisions and authorise expenditure, and therefore further delegation of these powers is allowed. The Scheme of Delegation is the formal record of that authorisation.

In respect of the responsibilities of the Pension Fund Committee, the Scheme of Delegation is reviewed and amended throughout the year. Amendments are signed off by the Pension fund committee and the section 151 officer.

Adjudication of Disagreements

Under the Local Government Pension Scheme Regulations 2013, a member of the Pension Scheme has a right to raise a complaint in respect of their pension entitlement with their employer (or previous employer where they have left the employment to which the dispute relates).

The complaints procedure has 3 stages. Stage 1 will be determined by the relevant scheme employer or the Administering Authority depending on the nature of the complaint. Stage 2 is an independent review of the complaint by a person with delegated authority from the Administering Authority. Stage 3 is determined by the Pensions Ombudsman.

At their meeting in December 2012, the Pension Fund Committee delegated authority to the Pensions Services Manager to determine cases on behalf of the Administering Authority at Stage 1, and the Service Manager - Pensions, Insurance & Money Management to determine all cases at stage 2. In both cases, the Committee determined that the relevant offer can agree an award of compensation up to £5,000 subject to a report back to the next meeting of the Pension Fund Committee. Any award of compensation above £5,000 must be determined by the full Pension Fund Committee.

Death Benefits

The Local Government Pension Scheme Regulations 2013 state that if a scheme member dies before his 75th birthday, the administering authority at their absolute discretion may make payment, in respect of the death grant to or for the benefit of the member's nominee or personal representatives or any person appearing to the authority to have been his relative or dependant at any time.

Death grant decisions can be made by the Head of Paid Service in consultation with the Chairman of the Pension Fund Committee.

At their meeting in June 2012, the Pension Fund Committee delegated authority to the Team Leaders in the Pension Services Team to determine all non-contentious cases. (N.B. Delegation was made to this level to avoid potential conflict in the case of complaint which would be heard by the Pension Services Manager at Stage 1 – see complaints delegation above).

Power of Attorney – Custody Accounts

The Pension Fund Committee has delegated the decision to authorise POA's on behalf of the Pension Fund to Officers, after consultation with the Chairman of the Committee.

Fund Management and Custody Agreements

Two signatories are required from the following:
Service Manager – Pensions, Insurance and Money Management
Financial Manager – Pension Fund Investments
Authorisers listed in the approved Treasury Management Responsible Officers List.

Pension Fund Cash Management Strategy

The Oxfordshire Pension Fund maintains a balance of cash arising from the receipt of employer and employee contributions exceeding the amount of payments made on behalf of the Fund. The cash balances held by the administering authority are managed by the Council's Treasury Management team and the Pension Fund Investments team. The Pension Fund Committee has delegated authority to the Chief Finance Officer to make changes necessary to the Pension Fund Cash Management Strategy.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, state that the Administering Authority must hold in a separate bank account all monies held on behalf of the Pension Fund and formulate an investment policy to govern how the authority invests any Pension Fund cash.

Day to day management of the Oxfordshire Pension Fund cash balances is delegated to the Treasury Management team. The Treasury Management team responsible officers list is authorised by the Chief Finance Officer.

Officers authorised to enter into Money Market arrangements are listed as Dealers on the Treasury Management Responsible Officers List.

To avoid cashflow deficits or the excessive build-up of cash over the strategic asset allocation, the level of cash balances is reviewed as part of a quarterly asset allocation review by the Independent Financial Adviser and the Pension Fund Investments officers.

Strategic Asset Allocation

The Pension Fund strategic asset allocation is approved by the Pension Fund Committee and is periodically reviewed by the Independent Financial Adviser. Due to market volatility and the varying performance levels of fund managers, the actual asset allocation fluctuates on a daily basis.

The Independent Financial Adviser and officers review the actual asset allocation on a quarterly basis and make arrangements to transfer assets or cash to/from fund managers, to rebalance the fund.

Decisions to rebalance the fund within approved strategic asset allocation ranges are delegated to officers. Arrangements to rebalance the fund outside the strategic asset allocation ranges, are taken after consultation with the Chairman of the Pension Fund Committee, and reported to the next Committee.

Voting rights

Investment Managers are delegated authority to exercise voting rights in respect of the Pension Fund's holdings they manage.

Private Equity

In February 2011, the Pension Fund Committee resolved to transfer the responsibility for private equity fund management decisions to the lead officer for Pension Investments. The Fund's Independent Financial Adviser is responsible for advising officers on the management of the private equity portfolio. Officers consider the advice and decide whether or not to act on the recommendations. In practice, private equity decisions are delegated to the Service Manager, Pensions Insurance and Money Management, or in his absence the Financial Manager – Pension Fund Investments.

In-House Property Investments

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

Early Release of Benefits

At its meeting in June 2014, the Pension Fund Committee delegated decision making to the Chief Finance Officer to determine cases under the Early Release of Benefits Policy where the scheme member's previous employer no longer existed.

Admission of new Admitted Bodies

At its meeting in June 2014, the Committee delegated the authority to agree admission of new admitted bodies to the Oxfordshire County Council Pension Fund to the Service Manager – Pensions, Insurance and Money Management.

Payment of Benefits to an Authorised Person

At its meeting in September 2012, the Pension Fund Committee delegated to the Chief Financial Officer, following consultation with the Chairman, Deputy Chairman and Opposition Group Spokesperson, the authority to determine payments to an authorised person in instances where the scheme member is incapable of managing their own affairs.

Reports back to the Committee

In all cases where a decision has been delegated to Officers, decisions made will be reported back to the Committee at the next meeting for information only.

Scheme of Financial Delegation

Authority to Sign Purchase Orders, Invoices and Contracts for the Oxfordshire County Council Pension Fund

Sole signatories for Pension Fund Goods and Services

Up to £500,000 for Goods and Services,

Head of Paid Service
Chief Finance Officer

Up to £200,000 for Goods and Services

Service Manager – Pensions, Insurance and Money Management
Financial Manager – Pension Fund Investments
Pension Services Manager

Up to £25,000

Team Leader – Pensions Administration
Team Leader – Pensions Administration

Joint signatories for Pension Fund Goods and Services

With the Head of Paid Service for Goods and Services over £500,000:

- Chief Finance Officer
- Service Manager – Pensions, Insurance and Money Management

Income (Debt) Write Offs

Write off of outstanding debts to the Local Government Pension Scheme above £10,000 need the approval of the Pension Fund Committee.
The authorisation of debt write offs from £500 up to and including £10,000 is delegated to:

Debts below £500

- Pension Services Manager

Debts up to £7,500

- Service Manager – Pensions, Insurance and Money Management

Debts between £7,500 and £10,000

- Service Manager – Pensions, Insurance and Money Management, in conjunction with the Chief Finance Officer.

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TABLE 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND
OVERALL VALUATION OF FUND AS AT 31st DECEMBER 2015

Investment	COMBINED PORTFOLIO 1.10.15	Baillie Gifford UK Equities		Wellington Global Equities		Legal & General Global Equity Passive		Legal & General Fixed Interest		UBS Global Equities and Property		Other Investments		COMBINED PORTFOLIO 31.12.15		
	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	Target %
EQUITIES																
UK Equities	**493,711**	**333,322**	**97.1%**	**18,408**	**8.6%**	**146,295**	**49.4%**	**0**	**0.0%**	**18,406**	**5.1%**	**0**	**0.0%**	**516,431**	**28.7%**	**29.0%**
Overseas Equities																
North American Equities	111,920	0	0.0%	123,234	57.9%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	123,234	6.8%	
European & Middle Eastern Equities	33,940	0	0.0%	37,892	17.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	37,892	2.1%	
Japanese Equities	21,685	0	0.0%	24,965	11.7%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	24,965	1.4%	
Pacific Basin Equities	623	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Emerging Markets Equities	7,267	0	0.0%	5,661	2.7%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	5,661	0.3%	
UBS Global Pooled Fund	207,571	0	0.0%	0	0.0%	0	0.0%	0	0.0%	226,674	63.4%	0	0.0%	226,674	12.6%	
L&G World (ex UK) Equity Fund	138,265	0	0.0%	0	0.0%	150,091	50.6%	0	0.0%	0	0.0%	0	0.0%	150,091	8.3%	
Total Overseas Equities	**521,271**	**0**	**0.0%**	**191,752**	**90.1%**	**150,091**	**50.6%**	**0**	**0.0%**	**226,674**	**63.4%**	**0**	**0.0%**	**568,517**	**31.5%**	**30.0%**
BONDS																
UK Gilts	91,351	0	0.0%	0	0.0%	0	**0.0%**	93,971	32.8%	0	0.0%	0	0.0%	93,971	5.2%	3.0%
Corporate Bonds	49,656	0	0.0%	0	0.0%	0	**0.0%**	61,022	21.3%	0	0.0%	0	0.0%	61,022	3.4%	6.0%
Overseas Bonds	50,587	0	0.0%	0	0.0%	0	**0.0%**	43,185	15.0%	0	0.0%	0	0.0%	43,185	2.4%	2.0%
Index-Linked	90,950	0	0.0%	0	0.0%	0	**0.0%**	87,984	30.7%	0	0.0%	0	0.0%	87,984	4.9%	5.0%
Total Bonds	**282,544**	**0**	**0%**	**0**	**0.0%**	**0**	**0.0%**	**286,162**	**99.8%**	**0**	**0.0%**	**0**	**0.0%**	**286,162**	**15.9%**	**16.0%**
ALTERNATIVE INVESTMENTS																
Property	128,161	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	110,690	31.0%	26,498	8.7%	137,188	7.6%	8.0%
Private Equity	163,762	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	169,902	55.8%	169,902	9.4%	9.0%
Hedge Funds	-	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Multi Asset - DGF	78,771	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	78,969	26.0%	78,969	4.4%	5.0%
Infrastructure	-	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	0	0.0%	3.0%
Total Alternative Investments	**370,694**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**110,690**	**31.0%**	**275,369**	**90.5%**	**386,059**	**21.4%**	**25.0%**
CASH	**53,432**	**10,111**	**2.9%**	**2,834**	**1.3%**	**0**	**0.0%**	**602**	**0.2%**	**1,696**	**0.5%**	**28,914**	**9.5%**	**44,157**	**2.5%**	**0.0%**
TOTAL ASSETS	**1,721,652**	**343,433**	**100.0%**	**212,994**	**100.0%**	**296,386**	**100.0%**	**286,764**	**100.0%**	**357,466**	**100.0%**	**304,283**	**100.0%**	**1,801,326**	**100.0%**	**100.0%**

% of total Fund	19.07%	11.82%	16.45%	15.92%	19.85%	16.89%	100.00%

TABLE 2

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

Asset	Market Value 1.10.15	%	Net Purchases and Sales					Changes in Market Value					Market Value 31.12.15	%
			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	493,711	29	0	1,331		(954)	0	1,769	14,764	5,373	436	0	516,431	29
US Equities	111,920	7	0	0	0	2,868	0	0	0	0	8,446	0	123,234	7
European & Middle Eastern Equities	33,940	2	0	0	0	2,985	0	0	0	0	967	0	37,892	2
Japanese Equities	21,685	1	0	0	0	311	0	0	0	0	2,969	0	24,965	1
Pacific Basin Equities	623	0	0	0	0	(740)	0	0	0	0	117	0	0	0
Emerging Market Equities	7,267	0	0	0	0	(1,247)	0	0	0	0	(359)	0	5,661	0
Global Pooled Funds	345,836	20	0	0			0	19,104	0	11,826	0	0	376,765	22
Total Overseas Equities	521,271	30	0	0	0	4,177	0	19,104	0	11,826	12,140	0	568,517	32
BONDS														
UK Gilts	91,351	5	0	0	3,833		0	0	0	(1,213)	0	0	93,971	5
Corporate Bonds	49,656	3	0	0	0		0	0	0	11,366	0	0	61,022	3
Overseas Bonds	50,587	3	0	0	409		0	0	0	(7,811)	0	0	43,185	2
Index-Linked Bonds	90,950	5	0	0	182		0	0	0	(3,148)	0	0	87,984	5
ALTERNATIVE INVESTMENTS														
Property	128,161	7	1,128	0	0		5,095	2,448	0	0	0	356	137,188	8
Private Equity	163,762	10	0	0	0		(1,776)	0	0	0	0	7,916	169,902	10
Hedge Funds	0	0	0	0	0		0	0	0	0	0	0	0	0
Multi Asset - DGF	78,771	5	0	0	0		0	0	0	0	0	198	78,969	4
SUB TOTAL	1,668,220	97	1,128	1,331	4,424	3,223	3,319	23,321	14,764	16,393	12,576	8,470	1,757,169	98
CASH *	53,432	3	(400)	(111)	(7,038)	(1,992)	266	0	0	0	0	0	44,157	2
GRAND TOTAL	**1,721,652**	**100**	**728**	**1,220**	**(2,614)**	**1,231**	**3,585**	**23,321**	**14,764**	**16,393**	**12,576**	**8,470**	**1,801,326**	**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 3

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 31st DECEMBER 2015

COMBINED PORTFOLIO (BY ASSET CLASS)

ASSET	% Weighting of Fund as at 31st December 2015	QUARTER ENDED 31st December 2015 RETURN %	12 MONTHS ENDED 31st December 2015 RETURN %	THREE YEARS ENDED 31st December 2015 RETURN %	FIVE YEARS ENDED 31st December 2015 RETURN %	TEN YEARS ENDED 31st December 2015 RETURN %
GLOBAL EQUITIES	10.6%	8.3	1.6	10.0	6.7	4.1
BENCHMARK		7.9	3.3	11.3	7.4	6.4
VARIATION		**0.3**	**-1.6**	**-1.1**	**-0.6**	**-2.1**
UK EQUITIES	28.7%	4.6	2.8	8.4	7.7	6.4
BENCHMARK		4.0	1.0	7.3	6.0	5.6
VARIATION		**0.7**	**1.8**	**1.1**	**1.6**	**0.8**
OVERSEAS EQUITIES	20.9%	8.6	4.8	12.8	7.2	6.5
BENCHMARK		8.4	4.4	12.4	8.2	7.3
VARIATION		**0.1**	**0.3**	**0.3**	**-0.9**	**-0.8**
UK GOVERNMENT BONDS	5.2%	-1.6	0.7	3.6	5.5	5.4
BENCHMARK		-1.2	0.6	3.2	5.5	5.1
VARIATION		**-0.4**	**0.2**	**0.4**	**0.0**	**0.3**
UK CORPORATE BONDS	3.4%	-0.1	1.5	4.2	6.7	5.4
BENCHMARK		0.4	0.5	4.4	6.6	5.0
VARIATION		**-0.4**	**1.0**	**-0.2**	**0.1**	**0.4**
OVERSEAS BONDS*	2.4%	0.6	2.5	2.8	3.9	
BENCHMARK		1.8	3.2	0.9	1.3	
VARIATION		**-1.2**	**-0.6**	**1.9**	**2.6**	
UK INDEX LINKED GILTS	4.9%	-3.3	-1.0	6.5	8.7	7.5
BENCHMARK		-3.3	-1.2	6.4	8.4	7.1
VARIATION		**0.0**	**0.2**	**0.0**	**0.3**	**0.4**
TOTAL PRIVATE EQUITY	9.4%	5.2	13.9	15.8	12.4	8.0
BENCHMARK		4.1	9.2	13.5	10.3	6.2
VARIATION		**1.1**	**4.4**	**2.0**	**1.8**	**1.7**
HEDGE FUNDS**	0.0%	0.0	-1.7	0.5	0.7	1.6
PROPERTY ASSETS	7.6%	2.7	13.4	12.7	9.5	2.0
BENCHMARK		2.8	12.5	12.9	9.2	3.9
VARIATION		**-0.1**	**0.8**	**-0.2**	**0.2**	**-1.8**
DIVERSIFIED GROWTH FUND***	4.4%	0.3	-1.7			
BENCHMARK		0.9	3.4			
VARIATION		**-0.6**	-5.0			
TOTAL CASH	2.5%	0.3	2.1	1.2	1.5	1.9
TOTAL FUND	100%	**4.4**	**3.9**	**9.2**	**7.5**	**5.6**
BENCHMARK		**4.3**	**3.7**	**9.4**	**7.5**	**6.3**
VARIATION		**0.1**	**0.1**	**-0.1**	**0.0**	**-0.7**

*** This includes L&G Currency Hedging for Overseas bonds**
**** Hedge Funds disinvested from March 2014 - no recent performance figures**
*****Diversified Growth Fund investment made mid December 2014**

TABLE 4

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 31st DECEMBER 2015

COMBINED PORTFOLIO (BY FUND MANAGER)

FUND MANAGER	% Weighting of Fund as at 31st December 2015	QUARTER ENDED 31st December 2015 RETURN %	12 MONTHS ENDED 31st December 2015 RETURN %	THREE YEARS ENDED 31st December 2015 RETURN %	FIVE YEARS ENDED 31st December 2015 RETURN %	TEN YEARS ENDED 31st December 2015 RETURN %
BAILLIE GIFFORD UK EQUITIES	19.1%	4.9	4.8	9.5	8.9	7.5
BENCHMARK		4.0	1.0	7.3	6.0	5.6
VARITAION		**0.9**	**3.8**	**2.1**	**2.7**	**1.8**
WELLINGTON GLOBAL EQUITIES	11.8%	6.9	1.0	10.4		
BENCHMARK		7.9	3.3	11.3		
VARITAION		**-1.0**	**-2.2**	**-0.8**		
L&G UK EQUITIES - PASSIVE	8.1%	3.7	-1.3	5.7	4.9	
BENCHMARK		3.7	-1.3	5.7	4.9	
VARITAION		**0.0**	**0.0**	**0.0**	**0.0**	
L&G GLOBAL EX UK EQUITIES - PASSIVE	8.3%	8.6	4.8	13.0		
BENCHMARK		8.6	4.8	13.0		
VARITAION		**0.0**	**0.0**	**0.0**		
L&G FIXED INCOME	15.9%	-1.2	0.8	4.6	6.7	
BENCHMARK		-1.1	0.2	4.7	6.7	
VARITAION		**-0.1**	**0.6**	**-0.1**	**0.0**	
IN-HOUSE PROPERTY	1.5%	1.6	7.4	6.0	10.5	
BENCHMARK		2.8	12.5	12.9	9.2	
VARITAION		**-1.2**	**-4.5**	**-6.1**	**1.2**	
PRIVATE EQUITY	9.4%	5.2	13.9	15.8	12.4	8.0
BENCHMARK		4.1	9.2	13.5	10.3	4.6
VARITAION		**1.1**	**4.4**	**2.0**	**1.8**	**3.3**
UBS GLOBAL EQUITIES	13.6%	9.3	2.5	10.3	5.9	
BENCHMARK		7.9	3.3	11.0	7.0	
VARITAION		**1.3**	**-0.7**	**-0.6**	**-1.0**	
UBS PROPERTY	6.3%	2.9	14.0	13.3	9.3	4.0
BENCHMARK		2.8	12.5	12.9	9.2	3.9
VARITAION		**0.1**	**1.3**	**0.3**	**0.1**	**0.1**
UBS HEDGE FUNDS	0.0%	0.0	-1.7	0.1	0.4	1.7
BENCHMARK		0.9	3.6	3.5	3.7	5.2
VARITAION		**-0.9**	**-5.1**	**-3.3**	**-3.1**	**-3.3**
INSIGHT DIVERSIFIED GROWTH FUND	4.4%	0.3	-1.7			
BENCHMARK		0.9	3.4			
VARITAION		**-0.6**	**-5.0**			
IN-HOUSE CASH	1.6%	0.1	0.4	0.5	0.9	2.1
BENCHMARK		0.1	0.3	0.4	0.4	1.8
VARITAION		**0.1**	**0.1**	**0.1**	**0.5**	**0.3**
TOTAL FUND	**100.0%**	**4.4**	**3.9**	**9.2**	**7.5**	**5.6**
BENCHMARK		**4.3**	**3.7**	**9.4**	**7.5**	**6.3**
VARITAION		**0.1**	**0.1**	**-0.1**	**0.0**	**-0.7**

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

TABLE 5

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TOP 20 HOLDINGS AT 31/12/2015

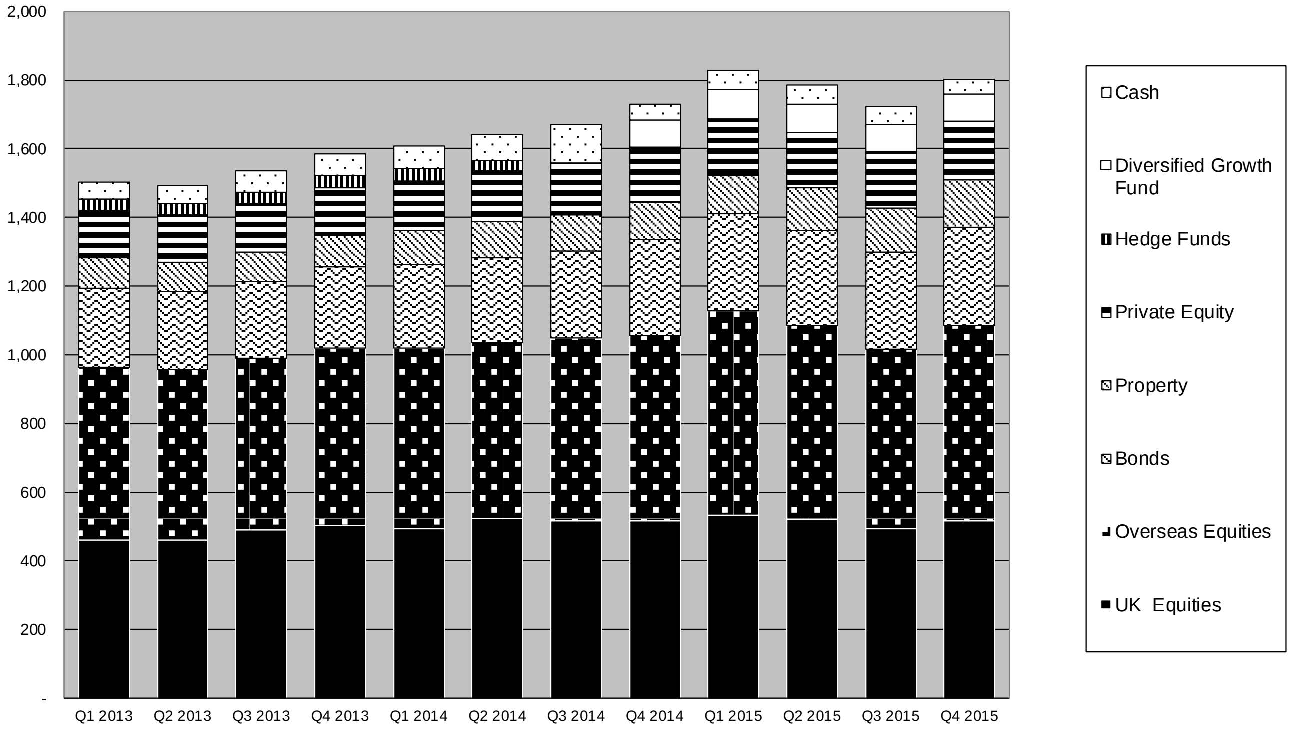
	ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
	DIRECT HOLDINGS		
1	ELECTRA PRIVATE EQUITY PLC	41,060,516	2.28
2	HG CAPITAL TRUST PLC	21,564,100	1.20
3	BRITISH AMERICAN TOBACCO PLC	18,239,874	1.01
4	ASHTEAD GROUP PLC	14,328,773	0.80
5	PRUDENTIAL PLC	13,866,879	0.77
6	US TREASURY N/B 1.75% 30/09/19	13,572,346	0.75
7	ST JAMESS PLACE PLC	13,181,183	0.73
8	BG GROUP PLC	12,451,740	0.69
9	BUNZL PLC	12,224,960	0.68
10	LEGAL & GENERAL GROUP PLC	11,767,132	0.65
11	F&C PRIVATE EQUITY TRUST-B	10,056,800	0.56
12	SABMILLER PLC	9,844,121	0.55
13	STANDARD LIFE EURO PR EQ ORD	9,356,685	0.52
14	HSBC HOLDINGS PLC	8,583,490	0.48
15	UK TREASURY 3.75% 07/09/19	8,423,626	0.47
16	ROYAL DUTCH SHELL PLC-B SHS	8,359,712	0.46
17	CARNIVAL	7,983,290	0.44
18	REED ELSEVIER PLC	7,965,041	0.44
19	UNILEVER PLC	7,809,190	0.43
20	HARGREAVES LANSDOWN	7,147,476	0.40
	TOP 20 HOLDINGS MARKET VALUE *	**257,786,934**	14.31
	* Excludes investments held within Pooled Funds		
	POOLED FUNDS AT 31/12/2015		
1	UBS LIFE GLOBAL EQUITY ALL COUNTRY FUND A	245,079,663	13.61
2	L&G WORLD (EX UK) EQUITY INDEX	150,091,195	8.33
3	L&G HP UK FTSE 100 EQUITY INDEX	146,294,564	8.12
4	LEGAL AND GENERAL TD CORE PLUS	108,466,443	6.02
5	INSIGHT BROAD OPPORTUNITIES FUND	78,969,432	4.38
	TOTAL POOLED FUNDS MARKET VALUE	**728,901,297**	40.46
	TOTAL FUND MARKET VALUE	**1,801,326,432**	

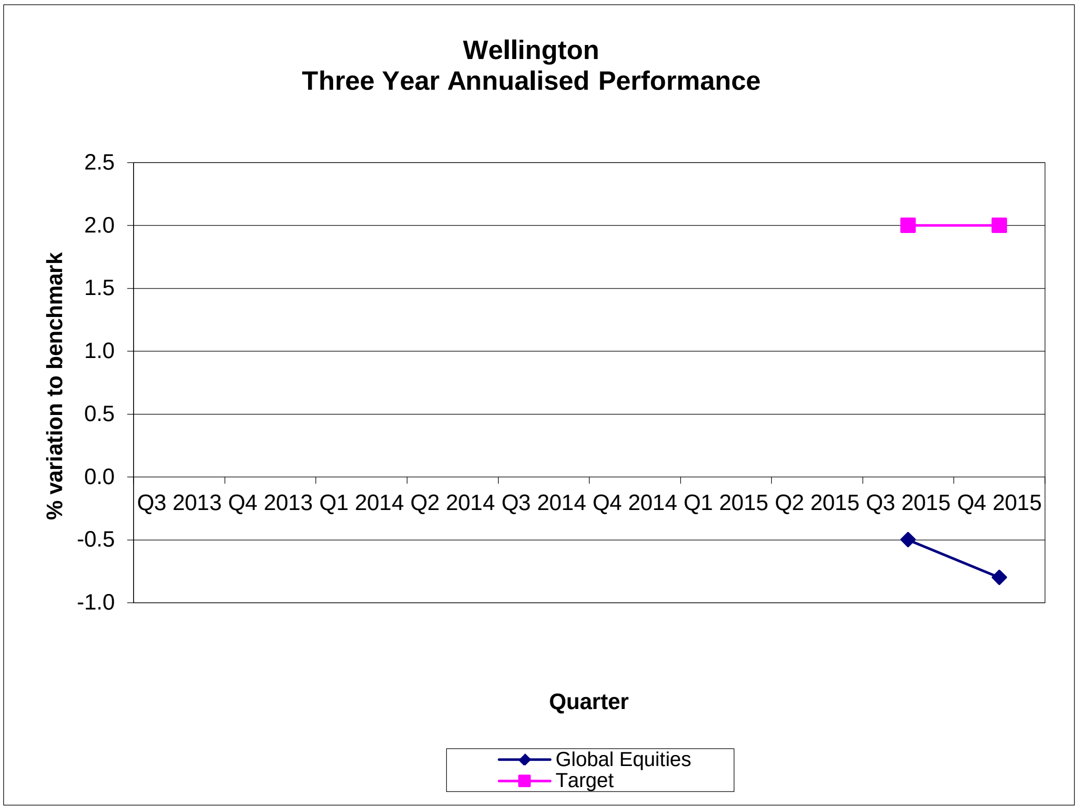
GRAPH 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

MARKET VALUE OF TOTAL FUND

TOTAL FUND MARKET VALUE BY ASSET CLASS





Wellington Three Year Annualised Performance

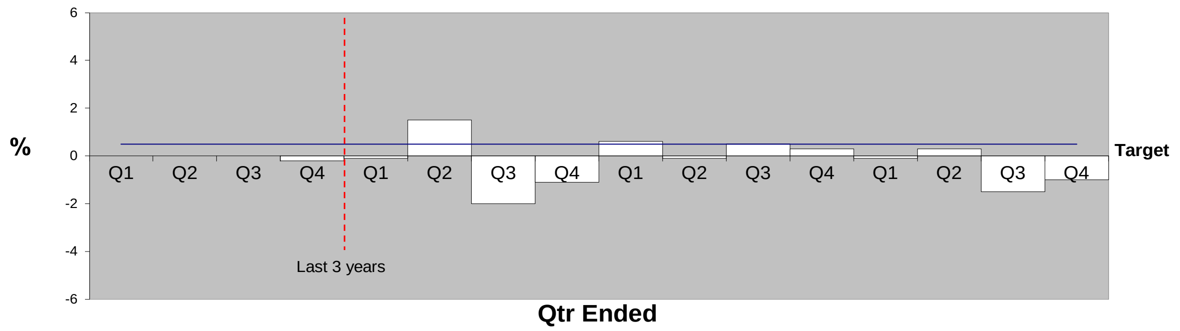
	Global Equities	Target
Q3 2013		
Q4 2013		
Q1 2014		
Q2 2014		
Q3 2014		
Q4 2014		
Q1 2015		
Q2 2015		
Q3 2015	-0.5	2.0
Q4 2015	-0.8	2.0

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 3

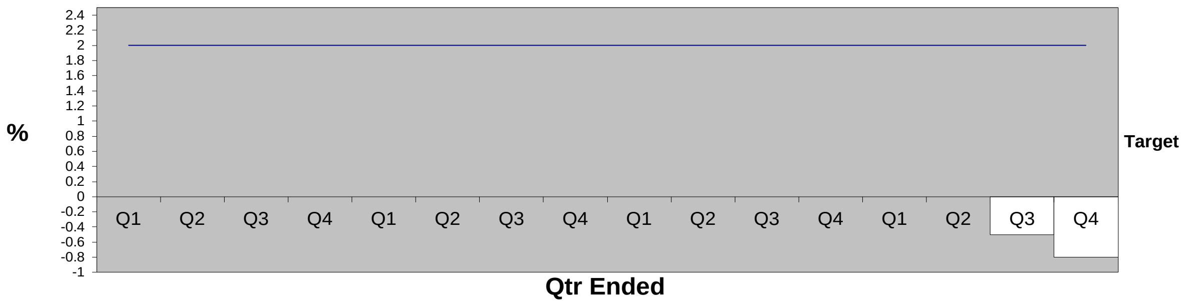
2012	2013	2014	2015

Quarterly Performance



	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4
Performance				2.1	14.0	1.4	-0.8	3.8	1.0	2.3	3.5	4.7	7.4	-5.0	-7.4	6.9
Benchmark				2.3	14.1	-0.1	1.2	4.9	0.4	2.4	3.0	4.4	7.5	-5.3	-6.0	7.9
Relative Return	**0.0**	**0.0**	**0.0**	**-0.2**	**-0.1**	**1.5**	**-2.0**	**-1.1**	**0.6**	**-0.1**	**0.5**	**0.3**	**-0.1**	**0.3**	**-1.4**	**-1.0**

3 Year Performance



	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4
Performance															8.7	10.4
Benchmark															9.2	11.3
Relative Return	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.5**	**-0.9**

Target Returns

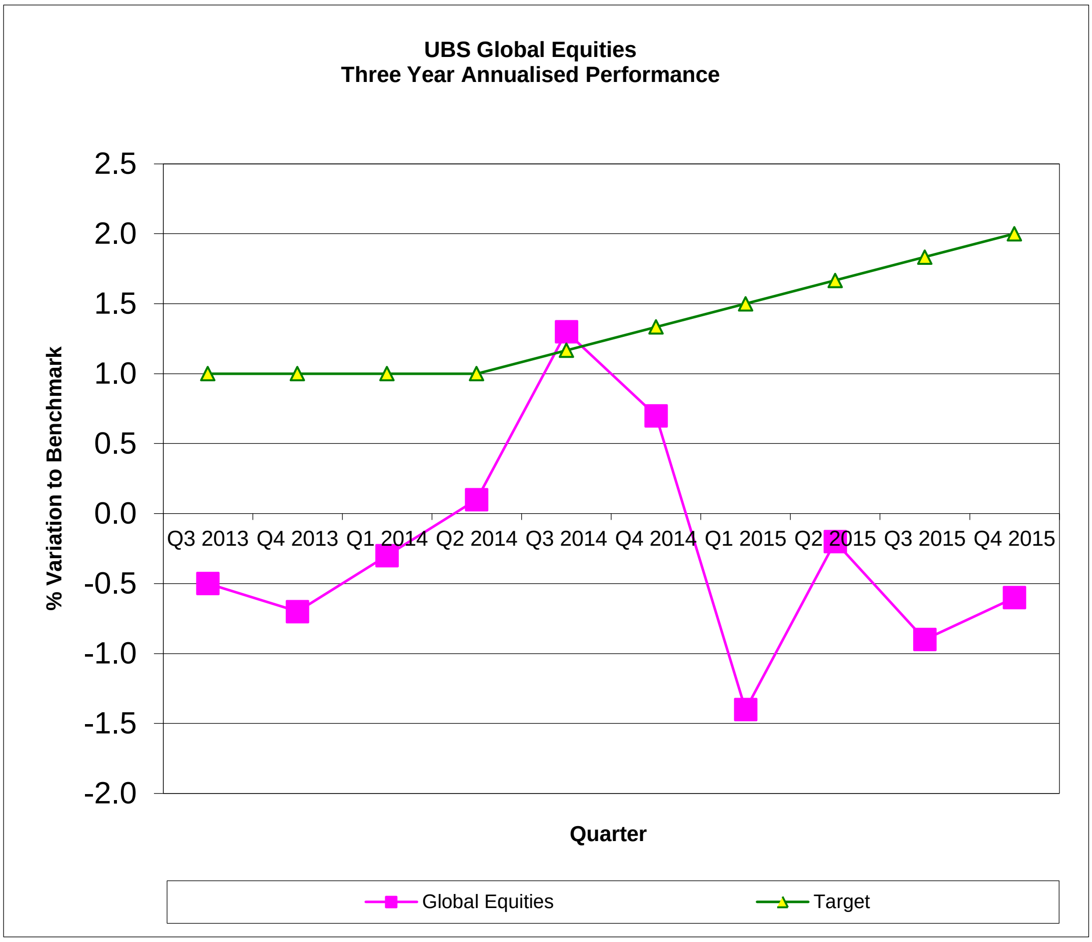
Rolling annual target of 2% above benchmark

Top 10 holdings at 31/12/2015

	Holding	Value £	% of portfolio
1	MERCK & CO. INC.	5,881,083	2.76
2	MAXIM INTEGRATED PRODUCTS	5,110,754	2.40
3	CISCO SYSTEMS INC	4,407,182	2.07
4	MICROSOFT CORP	4,321,443	2.03
5	HOME DEPOT	4,145,117	1.95
6	BRISTOL-MYERS SQUIBB CO	4,125,813	1.94
7	PNC FINANCIAL SERVICES GROUP	4,060,003	1.91
8	INTEL CORP	3,994,680	1.87
9	FUJI HEAVY INDST JPY50	3,948,735	1.85
10	MITSUBISHI UFJ FINANCIAL GROUP	3,811,488	1.79
	Top 10 Holdings Market Value	43,806,298	20.57
	Total Wellington Market Value	212,994,000	

Wellington

Top 10 holdings excludes investments held within pooled funds.



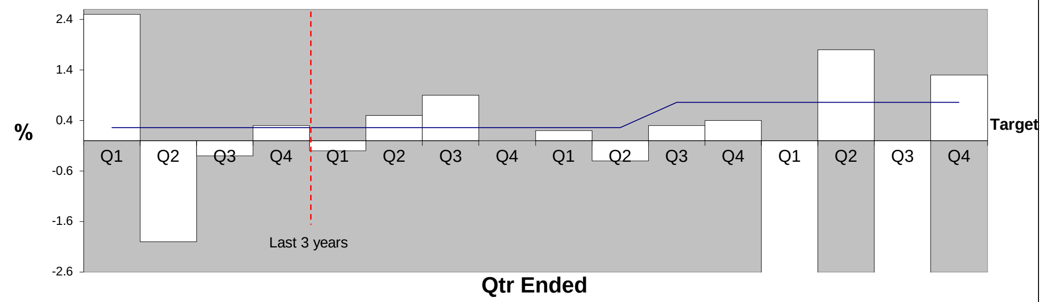
UBS Three Year Annualised Performance

	Global Equities	Target
Q3 2013	-0.5	1.0
Q4 2013	-0.7	1.0
Q1 2014	-0.3	1.0
Q2 2014	0.1	1.0
Q3 2014	1.3	1.2
Q4 2014	0.7	1.3
Q1 2015	-1.4	1.5
Q2 2015	-0.2	1.7
Q3 2015	-0.9	1.8
Q4 2015	-0.6	2.0

PERFORMANCE RELATIVE TO BENCHMARK **GRAPH 5**

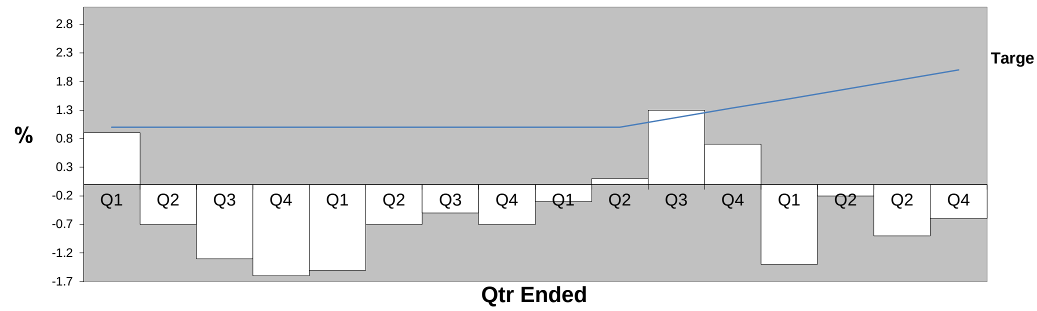
2012 2013 2014 2015

Quarterly Performance



Performance	11.9	-6.7	3.8	4.6	13.1	0.0	3.2	3.8	0.5	1.9	2.2	3.1	6.2	-3.5	-8.5	9.3
	9.4	-4.7	4.1	4.3	13.3	-0.5	2.3	3.8	0.3	2.3	1.9	2.7	9.6	-5.3	-6.0	7.9
Relative Return	**2.5**	**-2.0**	**-0.3**	**0.3**	**-0.2**	**0.5**	**0.9**	**0.0**	**0.2**	**-0.4**	**0.3**	**0.4**	**-3.4**	**1.8**	**-2.5**	**1.3**

3 Year Performance

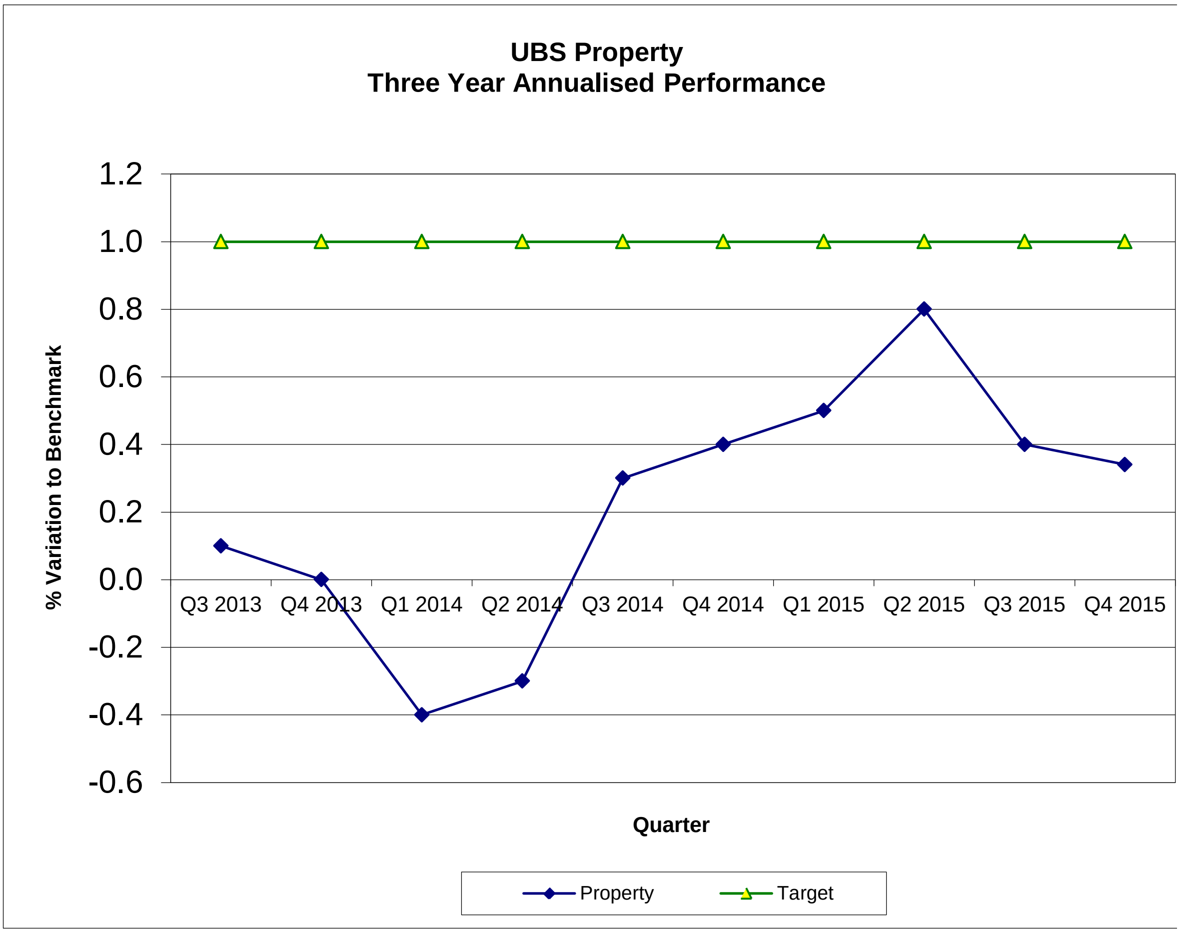


Performance	16.5	10.2	3.9	4.3	5.6	10.5	8.3	6.4	6.2	7.2	15.5	14.0	12.0	13.3	8.6	10.3
Benchmark	15.6	10.9	5.2	5.9	7.1	11.2	8.8	7.1	6.5	7.1	14.2	13.3	13.4	13.5	9.7	11.0
Relative Return	**0.9**	**-0.7**	**-1.3**	**-1.6**	**-1.5**	**-0.7**	**-0.5**	**-0.7**	**-0.3**	**0.1**	**1.3**	**0.7**	**-1.4**	**-0.2**	**-1.1**	**-0.6**

Target Returns

Rolling annual target of 3.00% above benchmark

UBS - Overseas Equities



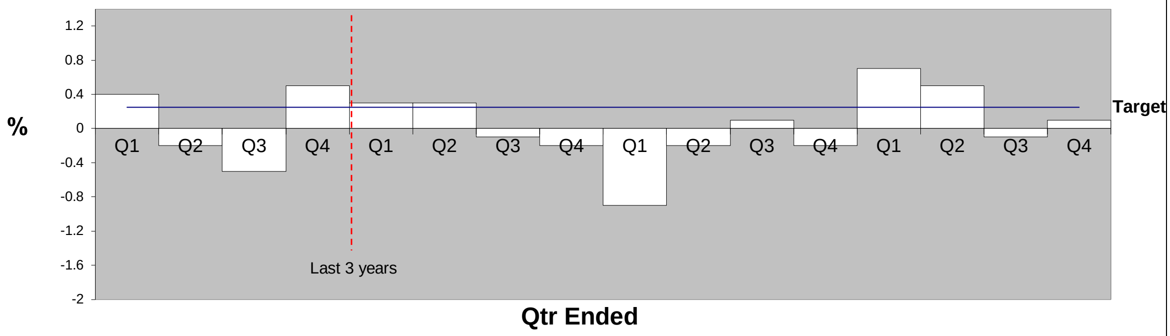
	Property	Target
Q3 2013	0.1	1.0
Q4 2013	0.0	1.0
Q1 2014	-0.4	1.0
Q2 2014	-0.3	1.0
Q3 2014	0.3	1.0
Q4 2014	0.4	1.0
Q1 2015	0.5	1.0
Q2 2015	0.8	1.0
Q3 2015	0.4	1.0
Q4 2015	0.3	1.0

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 7

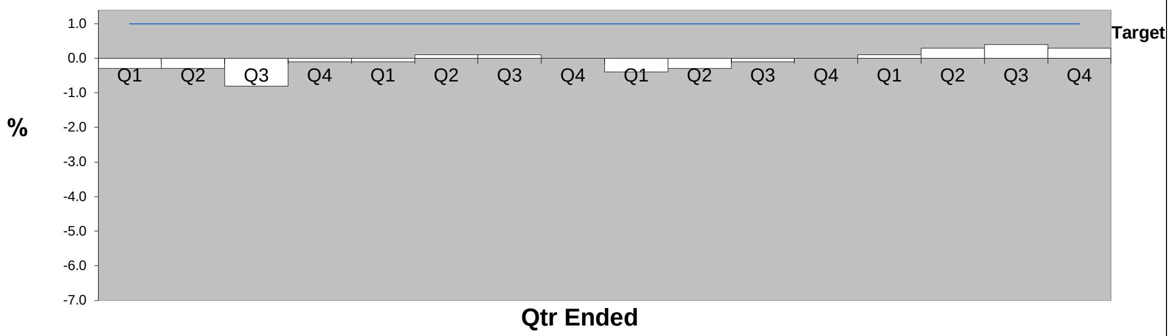
2012				2013				2014				2015			

Quarterly Performance



Performance	1.2	0.1	-0.1	0.1	1.1	1.7	2.3	4.1	2.4	4.1	4.1	4.4	3.5	3.8	2.9	2.9
	0.8	0.3	0.4	-0.4	0.8	1.4	2.4	4.3	3.3	4.3	4.0	4.6	2.8	3.3	3.0	2.8
Relative Return	**0.4**	**-0.2**	**-0.5**	**0.5**	**0.3**	**0.3**	**-0.1**	**-0.2**	**-0.9**	**-0.2**	**0.1**	**-0.2**	**0.7**	**0.5**	**-0.1**	**0.1**

3 Year Performance



Performance	8.5	9.8	8.7	6.5	5.1	4.7	4.9	5.6	5.7	6.7	7.7	8.9	9.7	11.0	12.1	13.3
Benchmark	8.8	10.1	9.5	6.6	5.2	4.6	4.8	5.6	6.1	7.0	7.8	8.9	9.6	10.7	11.7	12.9
Relative Return	**-0.3**	**-0.3**	**-0.8**	**-0.1**	**-0.1**	**0.1**	**0.1**	**0.0**	**-0.4**	**-0.3**	**-0.1**	**0.0**	**0.1**	**0.3**	**0.4**	**0.3**

Target Returns

Rolling annual target of 1.0% above benchmark

Top 10 holdings at 31/12/2015

	Holding	Value £	% of portfolio
1	BLACKROCK UK PROPERTY FUND-I	15,145,082	13.47
2	ROCKSPRING HANOVER PROPERTY UNIT TRUST	9,242,220	8.23
3	UBS CEN LON VAF UNITS GBP	8,623,699	7.67
4	STANDARD LIFE POOLED PPTY FD	8,258,447	7.35
5	SCHRODER UK PROPERTY-INC	8,185,457	7.28
	Top 10 Holdings Market Value	49,454,905	44.00
	Total UBS Property Market Value	112,386,000	

UBS - Property

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

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AllenbridgeEpic
investment advisers

QUARTERLY REVIEW PREPARED FOR

Oxfordshire Council Pension Fund

Q4 2015

8 February 2016

Peter Davies
AllenbridgeEpic Investment Advisers Limited (AllenbridgeEpic)

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

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OXFORDSHIRE PENSION FUND COMMITTEE – 11 MARCH 2016

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

Economy

1. There have been downward revisions in the forecasts for US and UK GDP growth during the past three months, but it is the long-heralded slowdown in the Chinese economy that has dominated commodities, stock markets and currencies. It has been well known that China wanted to rebalance its economy away from capital investment in infrastructure and towards private consumption, and yet the reality of this policy appears to have taken investors by surprise.

(In the table below, bracketed figures show the forecasts three months ago)

Consensus real growth (%)						**Consumer prices latest (%)**
	2012	**2013**	**2014**	**2015E**	**2016E**	
UK	-0.1	+1.7	+2.8	+2.2 (+2.5)	+2.1	+0.2 (CPI)
USA	+2.2	+1.9	+2.4	+2.4 (+2.4)	+2.3	+0.7
Eurozone	-0.5	-0.4	+0.8	+1.5 (+1.5)	+1.6	+0.4
Japan	+1.9	+1.7	+0.3	+0.6 (+0.7)	+1.1	+0.2
China	+7.8	+7.7	+7.4	+6.9 (+6.9)	+6.4	+1.6

[Source of estimates: The Economist, February 6th, 2016]

2. On December 16th, the Federal Reserve finally raised its interest rate by 0.25% (to a range of 0.25 – 0.5%) but indicated that it expected to make only 'gradual' future increases. This mild language was initially well received by equity markets. The European Central Bank had earlier tightened the penalty interest rate on central bank deposits from -0.2% to -0.3%, and announced that quantitative easing of €600bn per month would be extended from September 2016 to March 2017.

3. The massacre of 130 people in Paris on November 13th by followers of Islamic State caused universal outrage and precipitated the decision by the British parliament to permit UK aircraft to extend their operations to Syria. International tension had already increased when a Russian passenger plane had been shot down shortly after taking off from Egypt in October, to be followed three weeks later by the downing of a Russian fighter jet which had allegedly entered Turkish airspace.

4. In the French regional elections in December, the Front National polled strongly in the first round, but then failed to win any of the 13 regions in the final vote, after a pact between the Socialist and Republican parties. In Spain the ruling People's Party failed to secure an overall majority in parliament after a strong showing by the anti-austerity Podemos and the liberal Ciudadanos parties. The make-up of the new Spanish government is still under discussion.

5. The most striking features of the UK Spending Review in November were the Chancellor's abandonment of plans to cut £4.4bn from tax credits for working people, and the maintenance of the police budget. Extra levies were announced on apprenticeships, on stamp duty for second homes and buy-to-let purchases, as well as a 2% rise in Council Tax if used for additional spending on social care. The Public Sector Borrowing Requirement was forecast to be 3.9% of GDP in 2015-16, but to reach a *surplus* of 0.5% in 2019-20. The Chancellor's forecasts were helped by a £27bn revision in revenue and spending projections over the next five years by the Office for Budget Responsibility.

6. The South African President, Mr Zuma, caused consternation in markets in mid-December by suddenly firing his Finance Minister, Mr Nene, and replacing him with a financially inexperienced MP. Days later the president revoked this appointment and named Pravin Gordhan, who had served previously as Finance Minister. The rand has continued to weaken, nevertheless.

Markets

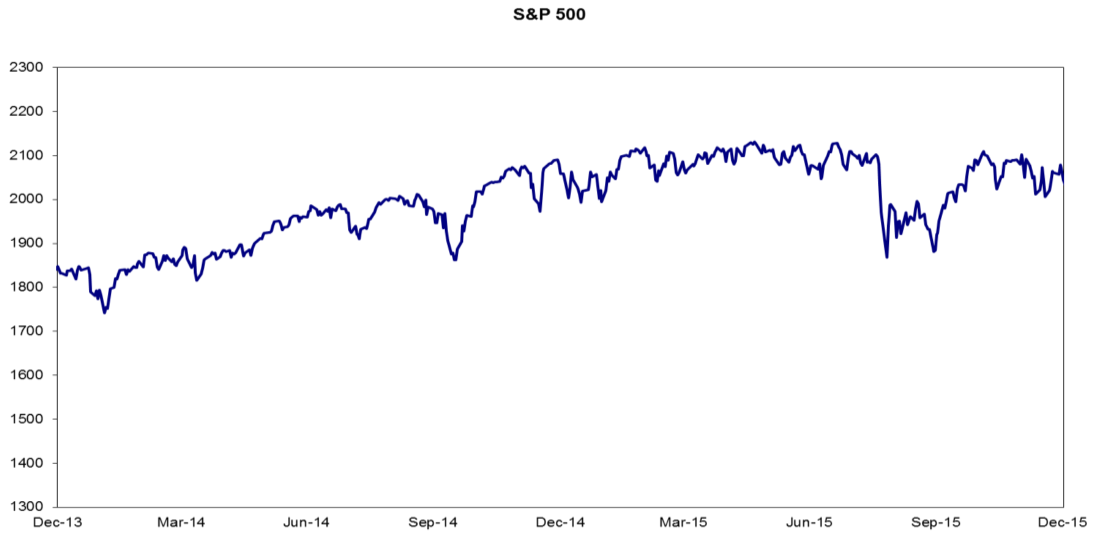
Equities

7. While the All-World Index recouped its third-quarter losses, despite a nervous patch in early December, this was almost entirely attributable to the strength of US equities and the dollar (see graph below). UK, European, Asia-Pacific and Emerging Markets all ended December lower than their end-June levels. For the year 2015, Emerging Markets lagged well behind the Developed Markets, affected variously by lower oil and commodity prices, the slowing of Chinese imports, and currency weakness following the slight depreciation of the Chinese yuan since August.

	Capital return (in £, %) to 31.12.15		
Weight %	Region	**3 months**	**12 months**
100.0	FTSE All-World Index	**+7.6**	**+1.5**
54.8	FTSE All-World North America	+8.4	+3.1
8.8	FTSE All-World Japan	+12.3	+15.4
11.2	FTSE All-World Asia Pacific ex Japan	+7.8	-6.4

16.0	FTSE All-World Europe (ex-UK)	+5.6	+2.4
6.9	FTSE All-World UK	+3.0	-4.4
8.1	FTSE All-World Emerging Markets	+2.8	-12.9

[Source: FTSE All-World Review, December 2015]



8. Although all global industrial sectors recorded gains in the quarter, Basic Materials and Oil & Gas remained the laggards as commodity prices continued to fall. Healthcare was buoyed up by actual and prospective merger activity among the major pharmaceutical companies.

Capital return (in £, %) to 31.12.15		
Industry Group	**3 months**	**12 months**
Health Care	+9.9	+11.6
Consumer Services	+7.5	+10.2
Consumer Goods	+9.0	+8.8
Technology	+11.2	+7.1
FTSE All-World	**+7.6**	**+1.5**
Industrials	+8.7	+0.6
Telecommunications	+5.5	-0.2
Financials	+6.4	-1.6

Utilities	+3.1	-6.1
Basic Materials	+5.0	-14.6
Oil & Gas	+1.9	-19.0

[Source: FTSE All-World Review, December 2015]

9. The heavy representation of resource stocks in the FTSE 100 Index ensured that it once more lagged the medium- and small-cap sectors.

(Capital only %, to 31.12.15)	**3 months**	**12 months**
FTSE 100	**+ 3.0**	**- 4.9**
FTSE 250	**+ 4.5**	**+8.4**
FTSE Small Cap	**+ 3.4**	**+6.2**
FTSE All-Share	**+ 3.2**	**-2.5**

[Source: Financial Times]

Bonds

10. The prices of government bonds fell, with the result that yields in the major developed markets ended the year slightly above their end-2014 levels. The spreads on corporate bonds relative to government bonds remained much wider than at the start of 2014, driven mainly by the weakness in bonds issued by resource companies.

10-year government bond yields (%)					
	Dec 12	**Dec 13**	**Dec 2014**	**Sept 2015**	**Dec 2015**
US	1.76	3.03	2.17	2.06	2.27
UK	1.85	3.04	1.76	1.77	1.96
Germany	1.32	1.94	0.54	0.59	0.63
Japan	0.79	0.74	0.33	0.35	0.27

[Source: Financial Times]

Currencies

11. The US dollar gained ground steadily during the quarter as it became more likely that the Federal Reserve would raise interest rates - an expectation confirmed by the announcement on December 16th.

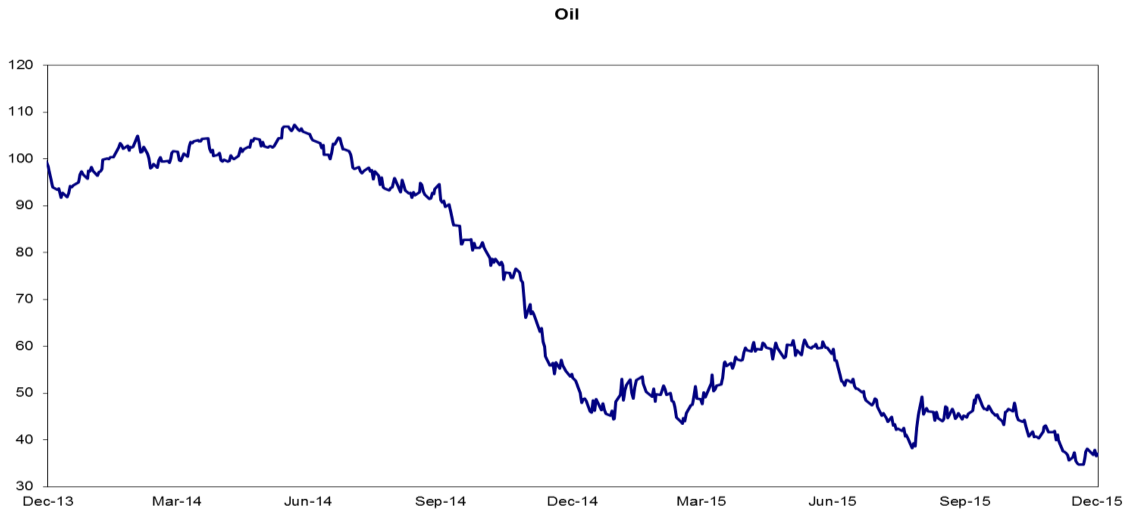
				£ move (%)	
	31.12.14	**30.9.15**	**31.12.15**	**3m**	**12m**

$ per £	1.559	1.515	1.474	-2.7	-5.5
€ per £	1.289	1.357	1.357	unch	+5.3
Y per £	186.9	181.4	177.3	-2.3	-5.1

[Source: Financial Times]

Commodities

12. The price of **oil**, as measured by Brent Crude, fell by over one-fifth from, $48.5 to $37.5, during the quarter as reduced demand was compounded by the failure of the OPEC oil producers to agree on any supply reductions. The slide in the oil price became even steeper in the New Year, and Brent Crude touched $28 in mid-January.



13. The **copper** price also fell, touching a 6-year low in late-November on reduced demand from China, which consumes over 40% of the world's copper output. **Gold** remained stable at around $1100/oz.

Property

14. UK Property continue to give a steady positive return, and although the All-Property Index gain of 13.8% for the year failed to match the 19.3% gain recorded in 2013, the 3-year total return for UK Property stands at an impressive 50%.

	3-month	**12-month**
All Property	**+3.1%**	**+13.8%**
Retail	**+2.3%**	**+ 8.9%**
Office	**+3.6%**	**+18.2%**
Industrial	**+3.8%**	**+17.3%**

[IPD Monthly Index of total returns, December 2015]

Outlook

15. 2016 has opened with a severe bout of nerves in world equity markets. The tone was set in the first week of January, when trading on the Shanghai market was suspended on two days because shares had fallen far enough to trigger the newly-introduced (and hastily abandoned) 'circuit-breakers'. As in August, this raised doubts about the competence of the Chinese authorities, and a small downward shift in the official rate for the yuan/dollar evoked further memories of last summer's problems.

16. Geo-political tension has escalated with the breaking off of diplomatic relations between Saudi Arabia and Iran after the Saudis executed a Shia cleric, and the reported testing of a hydrogen bomb by North Korea on January 6th did little to settle nerves. Sanctions on Iran were lifted after it satisfied that IAEA about the scaling down of its nuclear programme; this raised the prospect of yet more oil being offered on world markets, further depressing the oil price.

17. In the first five weeks of 2016 UK Equities have lost 7%, while the major overseas markets are showing losses (in sterling terms) of 5-8%, with the biggest falls being seen in the Financial sectors. The worries about a global economic slowdown have caused a flight to dollars and 'safe-haven' government bonds. The yen weakened after the Bank of Japan cut the interest payable on excess bank reserves from +0.1% to –0.1% on January 30th. Yields on 10-year US and UK government bonds have fallen by 0.40%, and German and Japanese yields by 0.25%, from their end-2015 levels.

18. The recent jitters in equity markets are similar in cause and scale to the events of the third quarter of 2015, being ignited by worries about slowing growth in China. Estimates of growth in UK and US for 2016 have also been lowered slightly. Even after these reductions, however, global growth in 2016 is not expected to differ much from 2015, and remains well in positive territory. Against this background, I believe that fears of recession are unjustified; I expect equity markets to recover from their current depressed levels, and government bond yields to move back above their end-2015 levels.

Peter Davies
Senior Adviser – AllenbridgeEpic Investment Advisers

February 8th, 2016

[All graphs supplied by Legal & General Investment Management]

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