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OXFORDSHIRE COUNTY COUNCIL

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 10 June 2016 at 10.30 am

County Hall, New Road, Oxford

P G Clark

Peter G. Clark
County Director

June 2016

Contact Officer: ***Julie Dean***
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Membership

Chairman -
Deputy Chairman -

Councillors

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

Co-optees

City Councillor James Fry
District Councillor Bill Service

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 2 September 2016***
- ***Alison Hamilton from Barnett Waddingham will deliver a training session on the 2016 Valuation for members of the Committee and the Local Training Board. This session will run from 9:30am until 10:30am in the meeting room itself.***

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. Election of Chairman 2016/17

To elect a Chairman for the municipal year 2016/17.

2. Election of Deputy Chairman 2016/17

To elect a Deputy Chairman for the municipal year 2016/17.

3. Apologies for Absence and Temporary Appointments

4. Declarations of Interest - see guidance note

5. Minutes

To approve the minutes of the meeting held on 11 March 2016 (**PF5**) and to receive information arising from them.

6. Minutes of meetings of the Local Pension Board

The Local Pension Board has now met on two occasions, on 18 November 2015 and 15 April 2016, respectively. The Minutes of these meetings are attached, for information **(PF6**).

7. Petitions and Public Address

8. Collaboration Update

10:40

The report **(PF8)** updates the Committee on the work of Project Brunel to develop a proposal to Government on future Pensions Investments Collaboration. A full briefing for Members of the Committee and the Local Pension Board is planned for Monday 13 June 2016.

The Committee is RECOMMENDED to note the latest position on developing the July submission, the detailed developments to date which will be shared at the Seminar on 13 June 2016, and the areas which require additional work before the final submission is submitted to this Committee at its special meeting on 1 July 2016.

9. Risk Register

10:55

This report **(PF9)** updates the Committee on the Fund's Risk Register, updating the position on risks reported to the last meeting and adding in new risks identified in the intervening period.

The Committee is RECOMMENDED to note the current risk register, and confirm their wish for quarterly updates.

10. Vacation of Unipart House

11:10

As noted in the risk register, there is a key risk to the performance of the Fund as a result of the relocation of all Council staff from Unipart House, where Pension Services have been based for the past 10 years. The Team lost over 50% of their staff when initially moving to Unipart House. This report **(PF10)** therefore will cover the options open to the Committee if it wishes to relocate Pension Services independently of the main re-location project.

The Committee is RECOMMENDED to consider this report and to determine which option they wish to adopt

11. Administration Report

11:20

The report **(PF11)** is to update members on any current administrative issues and sets out the latest position in respect of the employers within the Oxfordshire Fund. It includes an update on the end of year employer returns and any implications for the 2016 Valuation. The report includes a proposal for new admission agreements in respect of the successful contractors under the recent 5 Council procurement exercise undertaken by South Oxfordshire and the Vale of White Horse District Councils (amongst others). The report also includes any other 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) to note changes in staffing and agree increase to the staffing budget for the current financial year;

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

(c) agree write off of £3.58;

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

(e) agree admission of the Groundworks and Capita in respect of contracts listed, and note potential admission of another provider;

(f) note progress made in respect of closure valuation; and

(g) note the position regarding second generation outsourcing.

12. Review of Pension Fund Policies

11:40

The report **(PF12)** provides an opportunity for the Committee to undertake a formal review of its major policy documents, held in line with the LGPS Regulations. The Committee has previously agreed to review all such documents on an annual basis, as a minimum, at its June meeting.

The Annexes to the report are listed as follows:

- Annex 1 – The Funding Strategy Statement
- Annex 2 – The Statement of Investment Principles
- Annex 3 – Governance Policy and Governance Compliance Statement
- Annex 4 – Communication Policy and Annex
- Annex 5 – Early Release of Benefits Policy
- Annex 6 – Scheme of Delegation
- Annex 7 – Administration Strategy and two consultation responses
- Annex 8 – Procedure for Reporting Breaches of Law to the Pension Regulator

The Committee is RECOMMENDED to approve the revised policy documents as set out in Annexes 1-8 to this report, noting the main changes in the documents as discussed, and in particular the feedback in respect of the recent consultation on changes to the Administration Strategy.

13. Overview of Past and Current Investment Position

12:00

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 and present an overview of the Fund's position as at 31 March 2016 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 31 March 2016
Table 2	shows net investments/disinvestments during the quarter
Table 3 and 4	provide investment performance for the consolidated Pension Fund for the quarter ended 31 March 2016
Table 5	provides details on the Pension Fund's top holdings

In addition to the above tables, the performance of the Fund Managers over the past 36 months has been produced graphically as follows:

Graph 1 Market value of the Fund over the last three years

The Committee will also be informed of the impact of the recent decision by State Street to withdraw from the provision of performance management services for all clients where it does not act in a custodial role.

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 17, 18 and 19 on the agenda.

EXCLUSION OF PRESS AND PUBLIC

14. EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 15, 16, 17, 18, 19 and 20 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 items 17 and 19, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

15. Exempt Minutes

12:10

To approve the exempt part of the Minutes of the meeting held on 11 March 2016 **(PF15)** 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.

16. Overview and Outlook for Investment Markets

12:15

The report **(PF16)** sets out an overview of the current and future investment scene and market developments across various regions and sectors, and provides a context for 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.

17. Insight

12:25

(1) The Independent Financial Adviser will report orally on the performance and strategy of Insight drawing on the tables at Agenda Items 13 and 16.

(2) The representatives (Sherilee Mace and Steve Waddington) 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 March 2016;

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

In support of the above is their report for the period to 31 March 2016.

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.

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

13:05

The Independent Financial Adviser reports **(PF18)** on the officer meetings with UBS, Legal & General and Baillie Gifford, as well as updates 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.

19. Summary by the Independent Financial Adviser

13:10

The Independent Financial Adviser will, if necessary, summarise any issues arising from the previous discussions.

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.

20. Annual Review of the AVC Scheme

13:15

The report **(PF20)** covers the performance of the Fund's AVC provider (the Prudential) covering both the performance of the investment funds offered, and the administration of the scheme.

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 confirm the continued use of Prudential as the Council's AVC provider.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

21. Corporate Governance and Socially Responsible Investment

13:20

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

22. Annual Pension Forum

13:25

It was agreed at the last meeting that the annual Pension Fund Forum will take place on **Wednesday 18 January 2017 at 10 am**. Sally Fox will report further on arrangements for the event.

LUNCH

Pre-Meeting Briefing
There will be a pre-meeting briefing in the Members Board Room at County Hall on **Wednesday 8 June 2016 at 2:00pm** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 11 March 2016 commencing at 10.00 am and finishing at 1.25 pm

Present:

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

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.

5/16 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Cllr David Wilmshurst attended for Cllr Patrick Greene. An apology was received from District Cllr James Fry.

6/16 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

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

7/16 MINUTES
(Agenda No. 3)

The Minutes of the meetings held on 4 December 2015 and 29 January 2016 were approved and signed as a correct record.

With regard to Minute 4/16, 29 January 2016, 'Future Collaboration - Proposal to Government' – Sean Collins confirmed that Oxfordshire's outline principles of a proposal for Project Brunel had been signed on behalf of this Committee and sent. All other Pension Fund Committees comprising Project Brunel had also agreed the same document. Discussion on the details was now underway.

8/16 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 4)

There were no requests to submit a petition or to make a public address.

9/16 COLLABORATION UPDATE
(Agenda No. 5)

At the special meeting on 29 January 2016, the Committee agreed a submission to the Government on their intentions towards future pension investment collaboration. This 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 update report **PF5** for this meeting, there had been no formal response to the submission.

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

Cllr Lilly was proposed as this Committee's nominee to represent the Committee on the Shadow Joint Committee Oversight Board, and Cllr Hards to attend in his absence if such a situation occurred. The Chairman explained that it was his wish that this Committee be seen to be non-political in its main focus which was to act in the best interests of the pension fund.

RESOLVED:

(a) to note the current position;

(b) (unanimously)that Cllr Stewart Lilly be this Committee's nominee, with Cllr Nick Hards attending in his absence, to represent the Committee on the Shadow Joint Committee Oversight Board;

(c) to receive regular briefings by email unless there are significant issues that arise which will require an informal briefing meeting for Committee members. In the meantime to request members of the Committee to reserve 1 July 2016 in their diaries as the date for the agreement of the final submission.

10/16 BUSINESS PLAN 2016/17

(Agenda No. 6)

The Committee considered a report (PF6) which covered the business plan for the forthcoming financial year and which also included the proposed budget for the year, the cash management strategy and the risk register. The Committee was also asked to develop its own training plan.

The following documents were before the Committee:

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

Sally Fox was requested by the Committee to organise a training session on the Fire & Rescue Pension Scheme.

Cllr Hards raised a concern that the likelihood scores for risks 1 and 2 were inconsistent with that given for risk 8, and as all were dependent on accurate data from the scheme employers, all should be given the same likelihood score. It was agreed therefore to amend the likelihood score for risks 1 and 2 to level 3.

In respect of the Cash Management Strategy, Cllr Hards asked Officers to look at the options around reverse Repos as a means of providing greater security.

RESOLVED: to

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

(b) on a motion by Cllr Richard Langridge and seconded by Cllr Surinder Dhesi to (amendment in bold italics) note the risks that are currently not on target level, as amended above, and keep these under ***constant*** review during 2016/17: ***and to request the officers to submit a report to every meeting on risks;***

(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.

11/16 EMPLOYER MANAGEMENT

(Agenda No. 7)

The Committee considered a report (PF7) which set out the latest position in respect of the employers within the Oxfordshire Fund. It included 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 included 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.

RESOLVED:

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

(b) to note the number of annual benefit statements issued;

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

(d) to repeat the risk assessment work undertaken by Barnett Waddingham, but not to introduce further measures at this time in the assessment of employer covenants;

(e) agree a write off of £241.79;

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

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

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

12/16 PENSION LIABILITIES AND CASH FLOW MONITORING

(Agenda No. 8)

The Committee reviewed the future pension liabilities of the Fund and the forecast cash flow position, as set out in report PF8. The report also considered the sensitivity of the position to the actions of the major scheme employers. The report also discussed future investment implications.

RESOLVED: 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 the 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.

13/16 CORPORATE GOVERNANCE - VOTING

(Agenda No. 9)

The Committee had before them a report (PF9) that set out information on the voting records of the Fund Managers, which they had exercised on behalf of the Fund.

RESOLVED: to note the Fund's voting activities.

14/16 PENSION FUND SCHEME OF DELEGATION

(Agenda No. 10)

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

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

RESOLVED: to approve the Scheme of Delegation for the Pension Fund, as set out in Annex PF10.

15/16 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 31 December 2015.

Mr Davies pointed out that the overall value of the Fund at 31 December 2015, had increased by £80m of which £75m had been via an appreciation of assets (£65m equities, £8m private equities and £2m other). He reported however that since then the Fund was down by £15m.

RESOLVED: 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.

16/16 EXEMPT ITEMS

(Agenda No. 12)

The Committee **RESOLVED** that the public be excluded for the duration of items 13,14,15,16,17,18, 19 and 20 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.

17/16 EXEMPT MINUTES

(Agenda No. 13)

The exempt part of the Minutes of the meeting held on 4 December 2015 were approved and signed as a correct record.

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.

18/16 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 14)

The Committee considered a report of the Independent Financial Adviser (PF14) 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, to receive the oral report, to consider any further action arising from them and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

19/16 UBS

(Agenda No. 15)

The Independent Financial Adviser reported orally on the performance and strategy of UBS drawing on the tables at Agenda Items 11 and 14.

The representatives, Nick Irish and Digby Armstrong 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.

20/16 WELLINGTON

(Agenda No. 16)

The Independent Financial Adviser reported orally on the performance and strategy of Wellington drawing on the tables at Agenda Items 11 and 14.

The representatives, Ian Link and Nicola Staunton 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.

21/16 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 17)

The Independent Financial Adviser reported on the officer meetings with Insight, Legal & General and Baillie Gifford in conjunction with information contained in the tables (PF17).

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.

22/16 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 18)

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

23/16 ANNUAL REVIEW OF THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 19)

The Committee considered a report (PF19) which reviewed the work undertaken by the Independent Financial Adviser over the last 12 months

RESOLVED: to note the report and to thank Mr Davies for his frankness and for the professionalism he always employs in his role as Independent Financial Adviser.

24/16 EXEMPT ITEM OF URGENT BUSINESS - POSSIBLE COMPENSATION PAYMENT

(Agenda No. 22)

Under the provisions set out in Section 100B(4) of the Local Government Act 1972 (as amended), the Chairman of the meeting was of the opinion that this exempt item could be taken following Agenda Item 19 as a matter of urgent business because of the reputational risk to the Fund of this not being dealt with in a timely manner.

.... 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.

READMISSION OF THE PRESS AND PUBLIC

25/16 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 20)

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

The Chairman reported a continued receipt of emails relating to fracking/fossil fuel issues and the need to be aware as matters run down the Project Brunel line.

26/16 ANNUAL PENSION FORUM

(Agenda No. 21)

It was **AGREED** to hold the next Annual Pension Forum on Wednesday 18 January 2017.

.... in the Chair

Date of signing

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LOCAL PENSION BOARD

MINUTES of the meeting held on Wednesday, 18 November 2015 commencing at 10.30 am and finishing at 12.55 pm

Present:

Independent Chairman (proposed) (non voting)	Graham Burrow
Voting Members:	
	Alistair Bastin District Councillor Roger Cox Stephen Davis Duncan Hall David Locke FCA
Officers:	
Whole of meeting	Sean Collins (Corporate Finance); Julie Dean (Corporate Services)

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

1/15 TERMS OF REFERENCE FOR THE LOCAL PENSION BOARD

(Agenda No. 5)

The Board **AGREED** to formally adopt the Terms of Reference for the Board, subject to paragraph 68 being amended to read as follows (amendment in bold italics):

'This Constitution shall be reviewed on each material change to those parts of the Regulations covering local pension boards and at least every ***2 years.'***

2/15 APPOINTMENT OF INDEPENDENT CHAIR

(Agenda No. 1)

The Board were advised that according to national guidance on the creation and operation of the Pension Boards, an independent chair would have no pre-existing employment, financial or other material interest in either the Administering Authority or in any scheme employer in a fund administered by the Administering Authority and would not be a scheme member in a fund administered by the Administering Authority.

It was understood that Graham Burrow, Head of Pensions of the Gloucestershire Local Government Pension Scheme (LGPS) Pension Fund had none of these links with the Oxfordshire Fund. It was therefore proposed that the Board confirm the appointment of Graham Burrow as independent Chair of the Oxfordshire Local Pension Board.

Upon being satisfied that the proposal was that this reciprocal arrangement would be at no extra cost to the Authority, it was **AGREED**:

(a) to confirm that Graham Burrow be appointed the independent Chair of the Pension Board; and
(b) that paragraph 53 of the of the Board's Constitution which relates to the special responsibility allowance payable to the independent Chairman of the Board, be waived for the duration of Mr Burrow's appointment.

3/15 APOLOGIES FOR ABSENCE
(Agenda No. 2)

An apology was received from Councillor Bob Johnston.

4/15 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE OPPOSITE
(Agenda No. 3)

There were no declarations of interest.

5/15 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 4)

There had been no requests to address the Board or to submit a petition.

6/15 COMMUNICATION OF PENSION BOARD BUSINESS WITH EMPLOYERS AND SCHEME MEMBERS
(Agenda No. 6)

Following a discussion it was **AGREED** to take the following steps with regards to communication of Pension Board business with employers and scheme members that would complement the arrangements which were already in place:

- to request the officers to set up a Local Pension Board Website;
- to include a standard item at the end of each agenda that considers which issues/items Board members feel should be reported back to scheme members;
- to set up an email address for the Board.

7/15 WORK PROGRAMME

(Agenda No. 7)

The Board was invited to begin to develop a work programme for the forthcoming year. To assist with consideration on this matter, Sean Collins gave the Board a presentation on a number of key fund documents, these being:

- The Annual Report & Accounts 2014/15
- The Fund Risk Register
- A recent Pension Fund Committee report on employer issues
- The draft Key Performance Indicator framework which had been developed by the Scheme Advisory Board

All documents were attached at LPB7.

The aim of this session was also to provide the Board members with training in respect of the major features of the Oxfordshire Pension Fund. It also aimed to identify areas which the Board may wish to follow up at a future meeting.

The Board noted that the Pension Fund Committee would be discussing their future work programme at their meeting on 4 December 2015. This would include a discussion on the support and advice they would wish to receive from the Board.

The major work issues that the Pension Fund Committee was, or would be, facing in the next year, as highlighted by Sean Collins, were as follows:

- Education of employers in Pension Fund matters – to look at the communication process to ensure that it is fit for purpose.

- Fund Valuation - The next fund Valuation process for 31 March 2016 to 1 April 2017 – the contribution rate is set every 3 years by the Fund's Actuary,

  NB: since this meeting it has been decided, at the request of the Pension Fund Committee, to ask Barnett Waddington, the Committee's Actuary to deliver a training session to both the Committee and the Board on the valuation process. The date for this has been set for 10 June 2016 (during the scheduled meeting of the Committee) – though the time is to be confirmed.

- Member training – during discussion in relation to the Governance Compliance Statement, the Board **AGREED** to request a report on the Committee's approach to member training for the Committee and now the Board, how needs were understood and how training was planned. The Board also discussed the allowance of substitutes, for possible future consideration.

- The approach to risk management - with regard to breaches on the part of the Committee of its statutory responsibility to send Annual Benefit Statements to all members of the Fund by a particular deadline, the Board **AGREED** to look at the problem in more depth and to advise the Committee accordingly. The Board was informed that the Committee was due to agree a set of Key

Performance Indicators which would serve to indicate where there are issues to focus on.

Mr Collins also **AGREED** to report to the Board on whether the Annual Position Statements were also sent to dependents of Pensioners and to those that have deferred their pension. He informed the Board that there was a proposal to install a member self –service as part of the IT system so that people could view their latest position statement. He added also that best practice in pension regulated guidance had not been produced as yet.

The Board also **AGREED** to request the officers to:

(a) produce an indication of trends for people coming out of the Pension Scheme, together with demographics; and
(b) produce the key statistics over a longer period of time of the Fund's funding level.

Mr Collins then briefly reviewed what was to be considered at the Pension Fund Committee at its meeting on 4 December 2015. He reminded the Board that the Committee may wish to request the Board to look into an issue and give provide advice on it.

Mr Collins advised the Board that a report was to be submitted to the Committee on 4 December on the Government's requirement for the pooling of Fund's to create a small number of Funds, each with a capacity of £25b (termed 'Collaboration'), in a bid to reduce fees and costs, and to create better governance and larger mandates with more bargaining power. The Government's consultation was awaited and outline arrangements were required by February 2016.

NB: Since this meeting the Committee decided at its meeting on 4 December to hold a special meeting on 29 January 2016 at which Board members will be invited, to ensure that both are fully briefed on collaboration and views sought on proposals for Oxfordshire.

8/15 BOARD TRAINING PROGRAMME
(Agenda No. 8)

The Board was invited to discuss the approach they wished to follow in meeting their training needs, to include external courses, joint training sessions with the Pension Fund Committee and specific sessions delivered on the day of the Board meetings.

During the discussion members of the Board asked for the following;

- Meetings to be held approximately halfway between meetings of the Pension Fund Committee to allow any advice to go forward to the Committee.
- Training on a subject/issue could be integrated into the item being discussed.
- Possibility of a joint training day with the Committee on three to four subjects.

....

9/15 DATES FOR FUTURE MEETINGS

(Agenda No. 9)

Please note that since this meeting the following dates have been circulated and agreed:

- 15 April 2016
- 15 July2016
- 21 October 2016
- 13 January 2017

.... in the Chair

Date of signing

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LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 15 April 2016 commencing at 10.30 am and finishing at 12.50 pm

Present:

Graham Burrow – in the Chair

Voting Members: Stephen Davis
Councillor Bob Johnston
David Locke FCA

Officers:

Whole of meeting: Sean Collins (Corporate Finance); Julie Dean (Corporate Services)

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

10/16 WELCOME BY CHAIRMAN

(Agenda No. 1)

The Chairman, Graham Burrows, extended a welcome to the members of the Board present.

11/16 APOLOGIES FOR ABSENCE

(Agenda No. 2)

An apology was received from District Cllr Roger Cox.

12/16 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE OPPOSITE

(Agenda No. 3)

There were no Declarations of Interest submitted.

13/16 MINUTES

(Agenda No. 4)

The Minutes of the last meeting were approved and signed as a correct record.

14/16 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 5)

There were no requests to make a public address or to submit a petition.

15/16 COLLABORATION UPDATE
(Agenda No. 6)

Prior to receiving the update, Board members noted that the Pension Fund Committee had noted the current position (as detailed in the attached report to the Board); agreed a nominee (Cllr Stewart Lilly) and a named substitute (Cllr Nick Hards) to represent the Committee on the Shadow Joint Committee Oversight Board. The Committee had also asked to receive regular briefings by email, unless there were significant issue that arose which would require an informal briefing meeting for Committee members. ***The Committee had also agreed to reserve 1 July 2016 in their diaries as the date for the agreement of the final submission. Board members were invited to attend this meeting and to give their views.***

Sean Collins reported that the submission had been agreed on 29 January and had been signed off by all 10 Pension Funds comprising Project Brunel. Favourable feedback had also been received from Marcus Jones MP at the end of March. He explained that the Government had envisaged that all collaborated Pension Funds would join an ACS (Authorised Contractual Scheme) and wanted to satisfy themselves that the chosen alternative Scheme was the best way of working. He stressed that Project Brunel were keen for their chosen structure to be a properly regulated body. Arrangements had therefore been made for members/officers comprising Project Brunel to present their chosen structure to a panel of experts in May.

As part of the Board’s discussion on disinvestment in non-socially responsible investment, Sean Collins pointed out that the Government had advised that under the Regulations, Pension Funds must take into account the best interests of the scheme members when decisions were taken. He added that the Oxfordshire Pension Fund Committee had always wanted their fund managers to engage with companies in regard to issues of this kind and they would only take a decision to disinvest if it was believed that the companies were not acting in the best interests of the scheme members. David Locke reported that he believed that in some organisations, staff were required to sign their name against a statement that they understood the consequences of diversification.

Sean Collins reported that one of the first tasks of Project Brunel would be to agree a set of high level investment principles. An early draft which had been drawn up had not contained a divestment line in it. The pool had agreed that they would carry out a risk analysis and if the factors indicated that it would be unwise to invest, the investment would not happen. It had been agreed that a simple governance model be set up so as to avoid complications in what would be an abundance of governance arrangements.

Mr Collins reported that the Oversight Board had met once to date and had elected an interim independent chair, John Finch, who had recently retired from a role as consultant in the same field. A new Chairman would be elected after July.

Sean Collins was asked by the Board to explain the structure of the officers' Operations Group. The Chair and the two Vice-Chairs of the Group had the role of front-lining to the Government. He explained that there were 6 work streams reporting to the Operations Group, the Operations Group would then report on to the Oversight Board. Each work stream was made up of 2/3 shared leads of offers from the Operations Committee. The functions of the work streams were as follows:

- work stream 1 – 3 officers looking at high level structure and liaising with Government, and the other pools;
- work stream 2 – group looking at detailed structure and resourcing requirements;
- work stream 3 – group looking at investment principles and the sub-fund structure, including principles regarding the sharing of costs;
- work stream 4 – group looking at cost/saving patterns and transitions issues;
- work stream 5 – group looking at infrastructure;
- work stream 6 – group focusing on reporting and performance management and how it is ensured that individual funds are kept aware of current issues.

Sean Collins stated that the ultimate aim of Project Brunel was to ensure that the sub-fund structures met the investment requirements of the individual Committees, as determined by their liability profiles.

Sean Collins advised the Board that there would be a special meeting of the Pension Fund Committee on 1 July 2016 to which Members of the Board would be invited to participate in the discussion around the table. Briefings would be given to Committee and Board members as and when the information was available.

Members of the Board asked if the Government would, in the future, be stipulating that investment be made in large national building projects such as Crossrail. Sean Collins responded that this was the subject of a debate with the Government, but the specifics relating to the sub funds would be set up to meet the needs of the Oxfordshire Pension Fund Committee to take into account risk, capital growth and what liquidity and protection it would require.

In conclusion, Sean Collins informed the Board that from 1 April 2016, his job role was changing to encompass pensions only, as a result of all the work entailed in managing the change.

16/16 BUSINESS PLAN 2016/17

(Agenda No. 7)

Sean Collins reminded the Board that the actuary would be coming along to Pension Fund Committee on 10 June at 9.30am to give a presentation on their approach to the Valuation. Board members were invited to come along. This would be an opportunity for the Committee and the Board to understand the key issues and assumptions and for the Board to consider any issues it would like to follow up on.

Mr Collins explained the actions recently taken to improve the Committee's risk register. He added that the Committee had asked for regular updates on a quarterly basis.

In response to a suggestion that the risks be looked at independently by the pensions lawyer in order to avoid a large liability shift, Mr Collins reported that this had been addressed by the Government when it had undertaken an assessment at the time when the 85 year rule had been abolished in 2008.

During discussion the Board made the following suggestions to the Pension Fund Committee:

- ***To consider how much training and guidance is given to new employers coming into the Scheme and how we engage with them; and whether new training materials could be developed in particular areas, for example, for academies as they enter the system;***

- ***To include 'skills and knowledge amongst officers' in risk 12 but to take this element out and to make it a separate risk – in order to mitigate the risk of losing a large number of staff as a result of the move from Unipart House and the incoming Agile Working Policy;***

- ***To consider the possibility of Gloucestershire and Oxfordshire undertaking a peer review of each other's policies and procedures***

- ***That risk management be placed at the forefront of both the Committee and the Board's agendas and that a 'traffic light' system be introduced in reports and updated every quarter.***

In response to a question from the Board about whether there was sufficient resources to take forward the Committee's actions, particularly then there were more scheme members joining, Sean Collins responded that he believed there were, and that the Committee had recently agreed a request to increase the overall level of resources. ***The Board decided to request the Pension Fund Committee to enter this risk on the register and that the Committee request the officers to compile an action plan.***

17/16 PENSION LIABILITIES AND CASH FLOW MONITORING

(Agenda No. 8)

The Board had before them the latest position on pension liabilities and on cash flow monitoring. The report which was considered and agreed by the Pension Fund Committee was before the Board at LPB8.

Sean Collins reported that the Committee had decided that work needed to be undertaken with each of the main employers with the aim of developing a better understanding of their medium and long term plans in relation to staff resources and to understand the likely pattern of employer contributions. Furthermore, the Committee would be consulting on a proposed new charging regime which would be reported to the next meeting.

The Board noted the above.

18/16 EMPLOYER MANAGEMENT
(Agenda No. 9)

The Board reviewed the latest position in respect of the performance of the Scheme Employers. Members of the Board were invited to offer any comments on the proposed changes to the Administration Strategy and the range of charges. The full report which was considered by the Committee on 11 March 2016 was before them at LPB9. Board members were advised that all the recommendations had been agreed. In respect of recommendation (d) of the report the Committee had decided to repeat the risk assessment work undertaken by Barnett Waddingham, but not to introduce further measures at this time.

Sean Collins made reference to an issue that the current model did not allow for employers having the same budgetary timeline. Also that there was a lack of sufficient data being provided by employers, which could result in the actuary making assumptions and could even lead to significant differences in actuarial results. The Board noted that Sally Fox, Pensions Manager, was meeting with employers to encourage them to move this issue up their priority list.

Members of the Board were asked if they wished to have more involvement in this issue. They responded that they were content with the current action being taken, but suggested that ***an academy event be held in order to raise important issues.***

19/16 FEEDBACK ON TRAINING
(Agenda No. 10)

The Board reviewed the latest Training Plan and noted feedback on the training exercise undertaken by members of the Committee prior to their meeting on 10 March 2016. This had been undertaken with the aim of providing an improved plan for members which was targeted at their needs. It was found that there were some areas which required more training.

20/16 ISSUES/ITEMS TO BE REPORTED BACK TO SCHEME MEMBERS
(Agenda No. 11)

At the last meeting of the Board it was requested that a standard item be included at the end of each agenda to consider what issues/items the Board wishes to report back to Scheme Members.

The Board asked for a method by which Scheme members could communicate their concerns. Sean Collins suggested that Philip Wilde's details as Beneficiaries Observer be placed on the Board's website.

....

A member of the Board suggested that members attending the seminar on Local Pension Boards report to the next meeting.

Sean Collins advised that members of the Board should advise Greg Ley if they wished to attend training.

Sean Collins agreed to produce an ‘organogram’ of who the employers were and an organisational chart of the Governance model for the LGPS in Oxfordshire.

A member of the Board asked if the July meeting could be held within school term time. Julie Dean agreed to field the suggestion to all.

.... in the Chair

Date of signing

Division(s): N/A

PENSION FUND COMMITTEE – 10 JUNE 2016

COLLABORATION UPDATE

Report by Chief Financial Officer

Introduction

1. Since the March meeting of this Committee, considerable work on developing the Brunel Pension Partnership has been completed, though at the time of writing this report, a significant amount still remains to be achieved to enable a full submission to be sent to the Government by their 15 July 2016 deadline.

2. This report provides an outline of the latest position. Due to the speed and scale of developments, more details will be provided at the Committee itself. We have also arranged a Joint Seminar to which members of both this Committee and the Oxfordshire Pension Board will be invited, alongside members of the Gloucestershire and Buckinghamshire Committees and Boards. This Seminar will take place at 10:00 on 13 June 2016.

Current Position on Work-Streams and Response Template

3. Project Brunel in conjunction with the other seven potential pools has worked with the Local Government Association and the Government to develop a single response template for the July submissions. This template reflects the 4 key criteria set out by the Government, against which the submissions will be assessed, namely:
   - Size and structure of the pool
   - Governance Arrangements and Decision Making
   - Cost Reductions and Value for Money and
   - Infrastructure Capacity and Capability

4. Within the Brunel Pension Partnership, we have set up six work-streams to develop the responses. These work-streams cover:
   - High Level Structure and Governance
   - Operating Structure, Resources etc
   - Investment Approaches, Objectives and Wider Policies
   - Investment Modelling and Asset Transition
   - Infrastructure
   - Reporting

5. Responses developed through the work-streams are shared initially with the Shadow Operations Group which consists of the leading Pensions Officers for each of the 10 Funds. The Shadow Operations Group is currently meeting on a fortnightly basis in Bristol, with weekly catch up calls. Responses are then

shared with the Shadow Oversight Board which consists of a Member representative from each of the 10 Funds and which is independently chaired by John Finch, a recently retired consultant from the JLT Group, where he specialised in advising on LGPS matters. The Board has currently met on three occasions, with Cllr Lilly representing the Oxfordshire Fund at the first and third meetings, and Cllr Hards at the second meeting.

6. Briefing sessions have also been arranged for the Chief Financial Officers and a representative is invited to each meeting of the Shadow Operations Group and Oversight Board. Regular briefings are also held with officers from Her Majesty's Treasury and from the Department of Communities and Local Government, and a representative of DCLG attended the most recent Oversight Board.

7. Throughout the process, the Brunel Pensions Partnership is being advised by Osborne Clarke on legal matters and by Price Waterhouse Coopers on wider LGPS issues. Ad Hoc advice has also been sought from investment managers, and custodians particularly in respect of the work of work-streams 1, 3 and 4.

8. In respect of the high level structure, the latest model is based around a Brunel Manager, which will be a company established by the 10 Funds (all who will become shareholders in the new entity). The Brunel Manager will seek the appropriate regulatory approvals from the Financial Conduct Authority dependent on the final models developed for each asset class.

9. The requirement for a regulated company at the heart of the new business model has developed since the initial thinking on the delivery model. The clear advice from Government was that they were unlikely to accept any proposal which did not centre around a company regulated by Financial Conduct Authority.

10. A recent Court ruling found in favour of the Financial Conduct Authority where a company had not sought appropriate regulatory approval. The Court found the company were operating regulated activities even though they had sought to structure them to avoid the need for regulatory approval. The Court fined both the company and individual Directors. Our clear legal advice is that given the nature of the activities to be undertaken by the Brunel Manager, we do need to obtain the appropriate regulatory approvals. This in turn requires the establishment of a legal entity to be regulated and to employ approved staff.

11. It remains our current thinking that the Authorised Contractual Scheme favoured by the London CIV and the Local Pension Platform established by the Lancashire and London Pension Fund Authorities is not the most cost effective model to meet the investment requirements of the Brunel Pension Partnership. For some asset classes it will be our intention to invest in pooled funds operated by fund managers. In such cases, the Brunel Manager would need to be regulated as an Investment Manager, to enable it to select the underlying fund managers and monitor their performance.

12. For other asset classes, we may invest through an ACS, limited partnerships of life funds. Where the Brunel Manager operates a Fund on behalf of the 10 Funds, it will need to be regulated as an Alternative Investment Fund Manager (AIFM).

13. Work continues in this area, including understanding the tax implications of each of the structures, before final decisions are made on the proposed structures. This work is being undertaken in consultation with the other pools, many of which wish to pursue similar lines, although the level of internal management within each pool leads to variations on the theme.

14. The work of the Brunel Manager will be overseen by the Oversight Board which is intended to continue on from its current shadow form. The Board will be responsible for holding the Brunel Manager to account in ensuring it develops solutions to meet the investment requirements of the individual pension committees, as well as playing a key role in ensuring appropriate communications back to the local committees. At the present time, it is envisaged that the Oversight Board will be supported in its role by a Operations Board, which will include key officer representatives from the individual funds.

15. The question of what happens in the event of poor performance by the Brunel Manager has been raised, especially in the context that the shareholders of the company will be the 10 founding funds. It is envisaged that consistent with our current approach to poorly performing fund managers, all efforts would initially be made to understand and address the causes of poor performance, recognising that most investment performance is cyclical, and there are significant costs in replacing managers, whether at pool or portfolio level. It is more likely that individual key officers within the Brunel Manager would need to be replaced than any wholescale changes to the Partnership arrangements themselves.

16. The development of the costs and staffing requirements of the new Brunel Manager are still very much at an early stage. Independent advice will need to be sought given the potential conflicts of interests for some members of the Shadow Operations Group, who will see their future with the Brunel Manager.

17. The structure will be part be determined by the final decisions on our investment portfolios, and therefore the governance structure of the Brunel Pension Partnership, and the corresponding requirements of the Financial Conduct Authority.

18. In terms of the work on investment modelling, the Shadow Oversight Board has now agreed a set of investment principles to be shared with each Committee, alongside a draft cost sharing model, and an initial set of investment portfolios. We will share the full detail of this at the Seminar on 13 June 2016.

19. The investment portfolios have been developed to try and ensure there is an appropriate option to meet all the investment requirements of individual funds

to enable them to meet their pension liabilities as they fall due. Local committees will still be able to allocate resources based on capital growth or income targets across different asset classes, with different levels of overall risk. They will not though be responsible for decisions about investment styles (e.g. growth or value managers) or indeed individual manager selection, tasks which will fall to the Brunel Manager.

20. The next key stage of work for work-streams 3 and 4 is the development of a transition plan and a cost/saving model. External advisers are currently undertaking work on our behalf, and the interpretation of their findings will be critical in determining the potential likely levels of net savings from the project as a whole.

21. The work on developing a response on infrastructure has largely been led by the Cross Pool Collaboration Group (CPCG), on which all of the 8 potential pools are represented. The area of infrastructure investment remains of key interest to the Government, although Marcus Jones MP, the Minister responsible with DCLG for the Local Government Pension Scheme was keen to point out in his recent speech to the Pensions & Lifetime Savings Association's Local Authority Conference, that the Government does not intend to instruct funds to invest in infrastructure, and recognises that any investment will not be limited to UK infrastructure alone.

22. The work of the CPCG on infrastructure is focused on ensuring that there is the capacity and capability to undertake an increased level of infrastructure investment if that is what the local Pension Fund Committees wish to undertake. At the present time, it is not envisaged that a single national platform will be the answer to all infrastructure investment needs, although it may well be a key part of an overall package of measures.

23. The development of responses within work-stream 6 on reporting is very much dependent on a number of the decisions elsewhere, so like work-stream 2 there is little concrete proposals at this stage.

24. There is an over-arching work-stream seven which is picking up all the project issues associated with a project of this scale. The Brunel Pension Partnership has appointed a full time Project Manager to co-ordinate the work across the work-streams, and she is also key in producing a regular status report, and risk register for the project. There are no critical concerns at the time of writing the report. This work-stream has also been responsible for developing the wider communications programme, branding for the Partnership and a Project website. These will also all be shared at the Seminar on 13 June 2016.

RECOMMENDATION

25. **The Committee is RECOMMENDED to note the latest position on developing the July submission, the detailed developments to date which will be shared at the Seminar on 13 June 2016; and the areas which require additional work before the final submission is submitted to this Committee at its special meeting on 1 July 2016.**

Lorna Baxter
Chief Finance Officer

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

May 2016

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Division(s):N/A

PENSION FUND COMMITTEE – 10 JUNE 2016

RISK REGISTER

Introduction

1. At their meeting on 11 March 2016, the Committee received a copy of the latest risk register for the Fund, and agreed that it should form a standard item for each quarterly meeting. This report therefore sets out any progress on the mitigation actions agreed for those risks not yet at target, and identifies new risks which have arisen since the initial register was produced.

2. The register has also been updated to identify where risks impact on the Fire Service Pension Scheme as well as the Local Government Pension Scheme.

Progress since March Committee

3. The March risk register was the first produced in the new format, which introduced the concept of a target level of risk and the need to identify mitigation action plans to address those risks that were currently not at their target score. Many of the action plans were focused on long term improvements, and no significant movement has been completed in the last quarter.

4. We have though been recently issued with the Internal Audit report on the administration of the Fund and this has confirmed that the majority of controls are in place and robust. One further action on separation of duties regarding pension's payroll has been agreed.

5. Under risk 7, we have held an initial meeting with the Actuary to develop our work on protecting the fund from the risk of employer default. We have also progressed our work at reviewing the processes to escalate late employer returns.

6. The only risk where the risk score has moved since the March score is risk 10 in respect of insufficient resources to deliver our responsibilities under the Regulations. The likelihood of the risk has been amended from unlikely to possible in light of the potential impact of the vacation of Unipart House, and the consequential move for the Pension Services Team. A full report on this risk is included under the next agenda item.

7. A new risk has also been added to the risk register as risk 17. This risk covers a significant change in the liability profile or cash flow as a consequence of structural change. The risk was added in light of the Unitary Authority debate, though the greatest risk associated with the cross county border proposal

developed by the District Councils no longer standing in light of the withdrawal of the option. Risks remain though where structural changes lead to transfers out of significant staff numbers, whether to an LGPS Fund outside of Oxfordshire, or a non-LGPS fund, including Health. The key mitigation actions involve greater involvement with the employers in respect of any structural discussions.

RECOMMENDATION

8. **The Committee is RECOMMENDED to note the current risk register, and confirm their wish for quarterly updates.**

Lorna Baxter
Chief Finance Officer

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

May 2016

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				
							Impact	Likelihood	Score			Impact	Likelihood	Score	Date of Review	Direction of Travel
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	Financial	Poor Control	Long Term -	Finan	Review of	3	1	3	Administration		3	1	3		→

	through fraud or misappropriation.		Processes within Fund Managers and/or Custodian	Pension deficit not closed	cial Manage	Annual Internal Controls Report from each Fund Manager. Clear separation of duties.				audit report identified this & only action agreed is to implement separation of duties on pension payroll by September 2016						
7	Employer Default - LGPS	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. Meeting held with actuaries	March 2017	2	2	4	Sept 16	→
8	Inaccurate or out of date pension liability data – LGPS and FSPS	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. Actions in progress	March 2017	3	1	3	Sept 16	→
9	Inaccurate or out of date pension liability data – LGPS and FSPS	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	March 2017	3	1	3	Sept 16	→

										escalation issues to ensure data issues are resolved at earliest point, including new charges, and improved training/guidance. In progress						
10	Insufficient resources to deliver responsibilities- – LGPS and FSPS	Administrative	Budget Reductions	Breach of Regulation	Servi ce Mana ger	Annual Budget Review as part of Business Plan.	4	2	4	Currently recruiting new staff BUT this could be impacted by move from Unipart House – see separate report		4	1	4		↓
11	Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Governance	Poor Training Programme	Breach of Regulation	Servi ce Mana ger	Training Review	4	2	8	Develop Needs Based Training Programme	June 2016	4	1	4	Sept 16	→
12	Insufficient Skills and Knowledge amongst – LGPS and FSPS Officers	Administrative	Poor Training Programme and/or high staff turnover	Breach of Regulation and Errors in Payments	Servi ce Mana ger	Training Plan. Control checklists.	3	2	6	Training programme in place for new & current staff.	March 2017	3	1	3	Sept 16	→
13	Key System Failure – LGPS and FSPS	Administrative	Technical failure	Inability to process pension payments	Pensi on Servi ces Mana ger	Disaster Recovery Programme	3	1	3			3	1	3		→
14	Breach of Data Security – LGPS and FSPS	Administrative	Poor Controls	Breach of Regulation	Pensi on Servi ces Mana ger	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	Direct Intervention by Secretary of State	Servi ce Mana ger	Full engagement in Project Brunel	5	1	5			5	1	5		→

			authorities.													
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	Servi ce Mana ger	Full engagement in Project Brunel	4	1	4			4	1	4		→
17	Significant change in liability profile or cash flow as a consequence of Structural Changes	Financial	Significant Transfers Out from the Oxfordshire Fund, leading to loss of current contributions income.	In sufficient cash to pay pensions requiring a change to investment strategy and an increase in employer contributions	Servi ce Mana ger	Engagement with Unitary Authority project to ensure impacts fully understood	4	2	8	Work with Fund Actuary to Understand Potential Implications to feed into project and investigate potential changes to investment strategy that can be implemented within required timescales	Dec 2016	4	1	4	Sept 16	→

Division(s): N/A

PENSION FUND COMMITTEE – 10 June 2016

Vacation of Unipart House

Report by the Chief Finance Officer

Introduction

1. This report is to update members on the implications of the proposed vacation of Unipart House and to seek the Committee's view on an agreed way forward.

Unipart House Lease Expiry

2. The vacation of Unipart House is part of the Council's Asset Utilisation Programme (AUP) and the savings that will arise have been part of the agreed Medium Term Financial Plan since 2014/15.

3. Unipart House is currently occupied by approximately 275 Council staff including Pensions Services over three floors. There are three separate leases and options to break the leases are in December 2016 and May 2017. The plan is to terminate the three leases by the given lease breaks dates and allow sufficient time to enable negotiation of dilapidations and to avoid short term reconfiguration of ICT infrastructure. The aim is then to relocate staff within the existing office estate where surplus desks are available by December 2016.

4. In preparation for this, all teams currently located in Unipart House have been asked to complete a questionnaire indicating a preference for relocation to a building inside the ring road (Speedwell House); Abingdon (Abbey House) or Banbury (Samuelson House).

5. It is expected that any move to Speedwell House would only be on a temporary basis for a period of up to 2 years pending a decision being made on its future.

6. A straw poll of staff set out in the table below indicates preferences for a future location: -

	Speedwell House	Abbey House	Samuelson House
Yes	16	6	1
Possible	9	9	10
No	1	11	15

7. Those staff who responded as "possible", indicated they would need further consideration of their journey time and parking costs and the impact on their current care arrangements, before they could make a final decision.

8. The Corporate Landlord Team has been tasked with looking for a solution in other Council property that better meets the needs of the Pensions Services Team. However, this may mean a location further afield in Eynsham or Kidlington for example.

Service Requirements

9. Until fairly recently, Pension Services were a full time office based team although there is now a higher proportion of staff working part time hours and working from home or from different offices. These arrangements do work but are causing some deviation from the standard processes which are currently being reviewed to identify what changes can be implemented.

10. However there is a need to ensure that work is undertaken in line with all statutory process and system requirements – maintaining consistency across the whole team. This will be particularly significant with the introduction of any new regulations and the resulting staff training.

11. Newer staff members work under a buddy system so have an experienced administrator to hand to resolve any queries.

12. There is general concern about how, in an increasingly complex environment, the team will maintain training, skills and standards of work and service levels so that there is no detriment to either scheme members or scheme employers. To achieve this overall the team feel that at least 50% of their time would need to be spent in the office; preferably all together so that they can all benefit whilst co-ordinating work and resolving any issues.

13. Other considerations for maintaining a single office base are:

- Incoming post / scanning of paperwork to the workflow system
- Incoming telephone calls – required as a 'hunt group' to enable multiple call answering
- Storage - sufficient storage for paper records held – it would be a significant task to digitalise the current paper records which staff refer to on a daily basis
- Confidentiality – ability to have paperwork and telephone conversations that relate to individual pension matters / organisation issues
- Availability of Meeting Rooms – for team meetings, bi-monthly supervision meetings, meetings with employers and scheme members and ad-hoc training sessions

Risks

14. The key of risk arising from the relocation from Unipart House is the loss of skilled and experienced staff. A loss of 50% of the current staffing resources, consistent with past experience, when the Pension Services team relocated

from County Hall to Unipart House in 2007 would seriously impact on the level of service delivery.

15. The majority of staff have been recruited since the team has been based at Unipart House. Location and parking facilities have been a consideration for staff taking up posts. There are concerns over potential increased travel time and the cost of travelling, depending on the location chosen, and in particular whether it would remain feasible to maintain existing care arrangements and working hours at a new location. The risk of high staff turnover is therefore real.

16. The loss of skills and experience should also be seen in the current context where the staff is under considerable pressure. These pressures relate to

- the significant data issues following the changes to the Scheme in 2014, and more recently the County Council's transfer of its payroll service to the Integrated Business Centre at Hampshire County Council,
- the national changes to guaranteed minimum pension payments,
- the 2016 Valuation,
- the increasing numbers of scheme employers

17. There are also likely to be further pressures in the near term in supporting the major change agendas facing employers including potential Unitary Authority proposals, joint procurement exercises along the lines of the current exercise being undertaken by South Oxfordshire and the Vale of White Horse District Councils, and the pooling agenda for the LGPS itself.

18. The consequential impact on service delivery would have both financial and reputational impact. Unlike in 2007, Pension Services is now subject to the Scrutiny of the Pensions Regulator who is in a position to impose fines in respect of regulatory failures. As Oxfordshire is already under a warning following the late production of our Annual Benefit Statements in 2015, intervention from the Pensions Regulator is a real risk. The Pensions Ombudsman can also award compensation payments to be made by the Administering Authority where he upholds complaints from individual scheme members.

Options

19. The first option is for Pension Services to move in line with the Council's AUP programme on the basis that this may be as an interim solution whilst other premises are identified. This option would need to accept the risks as outlined above.

20. The second option therefore is to work outside the Council's AUP programme, and to seek rented space, at a location such as a business park near to current offices, which could accommodate the team and resolve most if not all of the issues identified. Such an option would have higher set up costs for the Pension Fund in setting the premises up e.g. linking to the Council's ICT networks, and potentially lead to higher overall property costs.

RECOMMENDATION

21. **The Committee is RECOMMENDED to consider this report and to determine which option they wish to adopt**

Lorna Baxter
Chief Finance Officer

Background papers: Nil
Contact Officer: Sally Fox, Pension Services Manager
Tel: (01865) 323854

May 2016

Division(s): N/A

PENSION FUND COMMITTEE – 10 JUNE 2016

ADMINISTRATION REPORT

Report by the Chief Finance Officer

Introduction

1. This report is to update Members of current issues within the Pension Services team from both management and operational perspectives. It also sets out the latest position in respect of the employers within the Oxfordshire Fund. 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.

Staffing

2. Recruitment is on-going with the current situation as:

   - Administration Assistant – recruited, awaiting references
   - Administrator – two posts currently being advertised
   - Communications Manager job share – to be advertised shortly
   - Employer Liaison Officer – to be advertised shortly

3. The current Communications Manager has reduced working time to three days per week. Therefore in order to maintain workload and succession plan a job share is being sought for the remaining two days.

4. The new Employer Liaison post has now been job evaluated and will be advertised at the same time.

5. Additionally the Team Leader posts have also been job evaluated and re-graded. Some provision had been made in the budget reported at the March meeting but these changes will increase staffing costs by approximately £25,000 although this will be offset by current vacancies.

Performance Data / Data Quality

6. As at date of writing report the monthly data reports for April (due on 19th May) have been received from all bar 43 scheme employers. As yet the OCC data is not in this format but a test file has just been received so progress is being made.

7. Members will be aware that outstanding monthly data for the period July 2015 – March 2016 has now been received. The team are currently catching up with 9 months of data for CARE pay, and have to review 1,900 leaver forms received to date to ensure data received was correct.

8. A knock on effect has been the increase in employers using different payroll providers which has resulted in delays in getting the data further adding to the backlog of work.

9. End of year returns have now been received from all except 9 scheme employers, where chases have been sent. This is a much better return rate than in previous years and the Data Team has amended the process so as to raise any queries more quickly. Obviously with only 11 weeks until the data submission to the fund actuary there is a huge amount of work to be done.

10. Delays in receiving the data during the last financial year along with the need to stockpile work because of outstanding regulation / system updates means that there is a much higher number of unprocessed leaver records which the actuaries will need to take in to account.

Payment of Contributions

11. Overall this is working well with the Investment Team proactively chasing any outstanding payments or paperwork.

Assessment of Employer Covenant

12. In line with this committee's previous decision officers are meeting with the fund actuaries to discuss how this should be progressed.

Write Offs

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

14. 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.

15. In the current period, the Pension Services Manager has approved the write off of £3.58 chargeable to the pension fund in respect of eleven cases where the member has died.

16. In the period September 2015 to June 2016 a total of £403.63 has been written off, in respect of 27 cases where the member has died.

Update on Previous Applications for Admission

17. Admission agreements need to be finalised in respect of:

- The outsourcing from William Fletcher School to Carillion on 01 April 2016.
- Optalis Ltd, second generation contract following on from Leonard Cheshire Disability, which was effective from 15 February.
- 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

18. Oxfordshire County Council's outdoor learning centres (Kilvrough; Woodlands and Yenworthy) are being outsourced as part of the Council's move away from being a direct service provider.

19. The successful bidder – Groundworks South – will be taking on the contract to run these centres from 1 September 2016. There is approximately 30 staff who will TUPE transfer to Groundworks, although that number will be confirmed nearer to the transfer date. This admission request is being made on a pass through basis.

20. South Oxfordshire District Council (SODC) and Vale White Horse District Council (VWHDC) have, along with three other District Councils based in Hampshire and Somerset, let joint contracts for provision of services to Capita and Vinci.

21. At a recent meeting with the three pension funds and their actuaries options of how the admission agreement could be structured for this contract covering five districts and three administering authorities with the preference to make this as streamlined as possible. It was agreed that this would be progressed on the basis of having one admission agreement and since the lead districts are SODC and VWHDC that admission would be in the Oxfordshire Fund.

22. The details of the admission agreement; the bulk transfers to the Oxfordshire Pension Fund and the contractual arrangements between the districts are currently being discussed. However, in terms of the admission agreement this would be on a pass through basis with the risk being underwritten by the district councils.

23. There will be staged TUPE transfers to the new contractors with the first being in August 2016 when SODC and VWHDC transfer their staff.

Closure Valuations

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

Second Generation Outsourcings

25. Pension Services have been advised that two Oxfordshire County Council contracts have ceased and been re-let to new service providers.

26. The original contracts were let on a pass through basis; however the current contracts have been let without any pass through arrangements. At the time of writing it is not clear whether the new contractors fully understand what this actually means in terms of cost and risk to their companies.

27. In both cases the previous service providers have outstanding data queries which are being chased but until this information is received no actuarial assessments of the contribution and bond rates can be undertaken.

RECOMMENDATIONS

28. The Committee is RECOMMENDED to:

(a) to note changes in staffing and agree increase to the staffing budget for the current financial year;

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

(c) agree write off of £3.58;

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

(e) agree admission of the Groundworks and Capita in respect of contracts listed, and note potential admission of another provider;

(f) note progress made in respect of closure valuation; and

(g) note the position regarding second generation outsourcing.

Lorna Baxter
Chief Finance Officer

Background papers: Nil
Contact Officer: Sally Fox, Pensions Manager, Tel: (01865) 323854

May 2016

Division(s): N/A

PENSION FUND COMMITTEE – 10 JUNE 2016

REVIEW OF PENSION FUND POLICIES

Report by the Chief Financial Officer

Introduction

1. Under the Local Government Pension Scheme Regulations, the Pension Fund Committee, acting as the Administering Authority of the Oxfordshire Pension Scheme, is required to produce and maintain a number of key policy documents. These policies are subject to an annual review, which is scheduled for the June meeting of the Committee cycle. This report presents the latest version of these policies for them to be formally endorsed by the Committee.

2. Whilst not a formally required policy under the LGPS Regulations, this report also presents a formal Scheme of Delegation to be endorsed by the Committee. This Scheme of Delegation brings together those areas previously agreed by this Committee where decisions have been delegated to officers of the Council.

Policies for Endorsement

3. The key policies to be reviewed and endorsed are set out as Annexes to this report. The key issues with each policy, including any changes to the Policy is set out below.

<u>Annex 1 – The Funding Strategy Statement.</u>

4. The Funding Strategy Statement sets out the Fund's approach to managing the solvency of the Fund, and is the framework which guides the work of the Fund Actuary in completing the Triennial Valuation of the Pension Fund.

5. The initial Funding Strategy Statement was prepared in 2005 with considerable support from the Fund's then Actuary. The Committee carried out a consultation exercise as part of a fundamental review of the Statement in 2009/10 and agreed a number of changes to the Statement to increase flexibility around recovery periods, stepping arrangements and the treatment of admitted bodies. In March 2013 the Committee determined changes in respect of the pooling arrangement for academy schools.

6. There have been no significant changes to the Funding Strategy Statement as part of this current review.

Annex 2 – The Statement of Investment Principles

7. The Statement of Investment Principles sets out the Committee's approach to the investment of the Fund's resources.

8. Under the proposed changes to the LGPS Regulations the requirement to prepare a Statement of Investment Principles will be replaced by the requirement to produce an Investment Strategy Statement. It is expected that the prescription under the current Regulations will be replaced by a more prudential framework, whereby the Committee will not be constrained by any particular restrictions on asset allocations, but will need to provide the rationale for all decisions within the Investment Strategy Statement.

9. No requirement for any significant changes to the Statement of Investment Principles has been identified, and the Committee are recommended to review their approach once the new Regulations are published, and we have the results of the 2106 Valuation.

Annex 3 - Governance Policy and Governance Compliance Statement

10. The Governance Policy sets out the arrangements for the management of the Pension Fund, and the Governance Compliance Statement sets out the extent that this policy complies with best practice.

11. No changes have been recommended to either the Governance Policy or the Governance Compliance Statement. The Compliance Statement therefore continues to identify the areas where we remain only partially complaint with best practice, a position the Committee has been happy to accept in the past.

Annex 4 – Communication Policy

12. The Communication Policy sets out the Fund's key communication messages and channels.

13. There have been no significant changes to the Communications Policy this year. Officers though are currently working on the implementation of a self-service module of the Pensions Administration system which will allow us to switch our communications policy to one based around self-service principles.

14. It should be noted that whilst the Policy remains unchanged, the main employer within the Fund has not been able to support the distribution of member newsletters this year, nor provide accurate member details to enable the Fund to take on responsibility for the distribution of these newsletters. As such the provisions of the communications policy are not currently being met.

Annex 5 – Early Release of Benefits Policy

15. The Early Release of Pension Benefits Policy covers the Administering Authorities approach to dealing with cases for early release of pension

benefits where the last employer of the scheme member is no longer in existence. This Policy was initially approved by the Pension Fund Committee at its meeting in December 2012. There are no significant changes as part of this annual review.

Annex 6 - Scheme of Delegation

16. The Scheme of Delegation was introduced in June 2012 to bring together all areas where the Pension Fund Committee has previously delegated decisions to Officers of the Council.

17. The Scheme was last updated at the March 2016 meeting. No further changes have been proposed in this latest version.

Annex 7 – Administration Strategy

18. The Fund is required to produce an Administration Strategy to set out the various responsibilities of the Administering Authorities, and the Scheme employers, and to establish a charging policy to allow the Administering Authority to recover costs of additional work where scheme employers fail to meet their responsibilities in an accurate and timely manner.

19. The Committee agreed to consult on a revised Administration Strategy (as presented at Annex 7(a)) at its March meeting. The main changes reflected new, higher charges banded by the size of the employer. Only three employers sent comments back to the Consultation, and these are included in full at Annex 7(b).

20. The comments focussed on the scaler of the new charges for large employers, and a perceived lack of relationship between the charges and the additional works resulting from late returns. There was also comment about the lack of any flexibility in applying the charges, and questions why charges did not apply to the Administering Authority when it failed to meet its duties to employers.

21. There were also comments in respect of the restriction of the provision of member estimates to 1 per year. On this point it should be noted that Members will also receive an annual benefit statement which indicates their benefits accrued up to the end of the previous financial year, and those payable at retirement. A further estimate can be provided where a member wishes to retire at a point during the year, but we do need to avoid the position where a member is asking for a series of estimates to be prepared to cover all possible eventualities going forward. Officers will use their discretion where circumstances dictate that a second estimate is required.

22. In terms of the scale of the new charges, the key point is that without accurate data from the employers, Pension Services are unable to process requests in respect of individual members, whether these are retirement estimates, bringing a pension into payment, death grants etc. Where Pension Services

receive a request in such cases, additional manual work needs to be completed to create an up to date record for the member.

23. The daily cost of a senior administrator who will be responsible for manually chasing missing information, undertaking manual calculations and having these checked is around £200-£250 per day including on-costs. The amount of additional work involved will depend on the nature of the query and the amount of data missing. A day's additional work means that the £1,000 charge represents a query from less than 1% of the employer's scheme members. At certain times a year, or in certain circumstances, the number of queries from members is likely to be greater than 1%.

24. In setting the charges included in the Administration Strategy, there was an attempt to average out the additional costs to avoid the additional bureaucracy of maintaining detailed timesheets etc to track the exact additional cost associated with the late receipt of data. Broad bands of less than 50 scheme members, 50 to 500 scheme members and greater than 500 scheme members were also set to avoid the charging scheme becoming overly difficult to administer. It needs to be accepted that as such there will be some winners and losers in the charging regime, unless all employers meet their statutory responsibilities and make their returns in line with the Regulations.

25. The point about the perceived lack of flexibility in the scheme is accepted, and Officers would always look to work with employers to address any issue before imposing a charge. The ability to charge from day 1 does need to be retained though for those employers who refuse to engage with Pension Services. Members are asked to consider whether they wish to leave the waiver of charges to the discretion of officers, or if they wish to amend the Administration Strategy to set out circumstances where charges may be waived.

26. The difficulty of applying charges to the Administering Authority is one of identifying whether the delay is a direct consequence of the actions or in-actions of the Administering Authority, or is an indirect consequence of the actions or in-actions of the scheme employer, scheme member or other third parties (e.g. a previous employer). There are penalties covered by the Regulations to cover late payments of pensions etc, and it is open for the Pensions Ombudsman and Pensions Regulator to impose penalties in cases they investigate. It is also the case that if Pension Services were to increase staffing levels to mitigate the risk of future errors/delays, the cost of these additional resources would need to be passed on to the scheme employers.

<u>Annex 8 – Procedure for Reporting Breaches of Law to the Pension Regulator</u>

27. We were required to develop a Procedure for the Reporting of Breaches of Law to the Pension Regulator during 2015/16. This procedure was agreed by the Committee at its meeting in September 2015. No further changes have been proposed at this time.

RECOMMENDATION

28. **The Committee is RECOMMENDED to approve the revised policy documents as set out in Annexes 1-8 to this report, noting the main changes in the documents as discussed above, and in particular the feedback in respect of the recent consultation on changes to the Administration Strategy.**

LORNA BAXTER
Chief Financial Officer

Background papers: Nil
Contact Officer: Sean Collins, Service Manager, Pensions, (01865) 897224

May 2016

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Oxfordshire Pension Fund

Funding Strategy Statement

Introduction

1. The Oxfordshire Pension Fund is administered by Oxfordshire County Council under the relevant Local Government Pension Scheme Regulations. Under regulation 58 of the Local Government Pension Scheme Regulations 2013, the Administering Authority must publish and keep under a review a Funding Strategy Statement. The Regulations further stipulate that this statement must be prepared with due reference to the relevant CIPFA guidance as published in 2004 (as revised in 2012).

2. This current version of the Funding Strategy Statement for the Oxfordshire Pension Fund was approved by the Pension Fund Committee at its meeting on 10 June 2016. This statement replaces all previous versions of the Funding Strategy Statement, and is based on the initial version agreed in 2005, plus the changes agreed at the Pension Fund Committee meetings on 19 March 2010 and 8 March 2013 following a full consultation exercise with the scheme employers.

3. The Funding Strategy Statement will be subject to further review to allow for the impact of changes to the Local Government Pension Scheme itself, as well as the changing nature of membership of the Fund and the growing maturity of the Fund. Any change will only be made after full consultation with all scheme employers.

Purpose of the Funding Strategy Statement

4. The three main purposes of this Funding Strategy Statement are to:

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

Aims and Purpose of the Pension Fund

5. The aims of the Pension Fund are to:
   - Enable employer contribution rates to be kept as near stable as possible, at a reasonable cost to the scheme employers and taxpayers, whilst ensuring the overall solvency of the Fund. The Administering Authority recognises a number of conflicting aspects within this aim, and is responsible for managing the balance between such conflicts. Balance needs to be struck between investing in higher risk assets which over the long term reduce the cost to scheme employers and the tax-payer, against investing in low risk assets which will reduce short term fluctuations in contribution levels required. Similarly a balance

needs to be struck between maintaining stable contribution rates and raising rates to ensure solvency.

- Ensure there are sufficient resources available to meet all pension liabilities as they fall due. This includes ensuring sufficient liquid resources to meet regular pension payments, transfer payments out of the Fund, lump sum payments on retirement etc. as well as meeting any drawdown calls on the Fund's investments. It is the Administering Authority's policy that all payments are met in the first instance from incoming employer and employee contributions to avoid the expense of dis-investing assets. At the present time the annual contributions to the Fund significantly exceed the payments out, so facilitating this aim. The Fund also retains a working balance of cash to ensure sufficient resources are available to manage the irregular nature of the payments out of the Fund.
- Manage the individual employer liabilities effectively. This is undertaken by receiving regular advice from the actuary, and ensuring employers are separately billed in respect of ad hoc liabilities outside those taken into account as part of the tri-annual valuation e.g. hidden costs associated with early retirements.
- Maximise the income from investments within reasonable risk parameters. As noted above, the achievement of this aim needs to be balanced against the need to maintain as near stable employer contribution rates. To minimise risk, all investments are made within the restrictions imposed by the Management and Investment of Funds Regulations, alongside a number of Fund specific restrictions to ensure a diversification of investment classes, and individual assets. The Fund cannot restrict investments solely on social or ethical grounds. The Fund's principal concern is to invest in the best financial interests of its employing bodies and beneficiaries. Investment Managers should monitor and assess the social, environmental and ethical considerations which may impact on the reputation of a particular company, as well as the company's sensitivities to its various stakeholders. Investment Managers should engage with companies on these issues where appropriate. Such a policy should ensure the sustainability of a company's earnings, and hence its merits as an investment.

6. The purpose of the Fund is to:
   - Pay out monies in respect of pension benefits, transfer values and the costs of scheme administration and investments; and
   - Receive monies in respect of contributions, transfer values and investment income.

Responsibilities of Key Parties

7. The effective management of the Pension Fund relies on all interested parties fully exercising their duties and responsibilities. The key parties involved are the Administering Authority, the individual employers within the Fund, and the Fund's Actuary.

8. The key responsibilities of the Administering Authority are to:

- Collect of all contributions due to the Fund. This includes making sure all employers within the Fund are aware of the requirement under the Pensions Act that all contributions are paid over by the 19th of each month following the month the member was paid, and escalating matters of non-compliance to the Pension Fund Committee. The Administering Authority is also responsible for the collection of final contributions once an employer ceases membership of the Fund.
- Invest all surplus monies within the Fund in accordance with the relevant Regulations, and the Fund's Statement of Investment Principles.
- Ensure there is sufficient cash available to meet all liabilities as they fall due.
- Maintain adequate records for each individual scheme member.
- Pay all benefits and transfer payments in accordance with the Regulations.
- Manage the Valuation process in consultation with the Fund's Actuary, providing all membership and financial information as requested by the Actuary, and managing all necessary communication between the Actuary and the individual Scheme Employers.
- Prepare and maintain all policy documents as required under the Regulations including the Funding Strategy Statement, the Statement of Investment Principles, the Communication Policy, and Governance Compliance Statement, consulting scheme employers and other stakeholders as required.
- Monitor all aspects of the performance of the Fund, and in particular the funding level of the Fund.

9. The key responsibilities of individual employers are to:
   - Correctly deduct contributions from employee pay.
   - Pay all contributions due to the Fund, including both employee and employer contributions, and additional contributions in respect of the hidden costs of early retirements, promptly by their due date.
   - Exercise their discretion in line with the Regulatory Framework, including maintaining policies for early retirement, ill-health retirement, awarding of additional benefits etc.
   - Provide adequate membership records to the Administering Authority as required.
   - Notify the Administering Authority of all changes in membership details.
   - Notify the Administering Authority of all issues which may impact on future funding, or future membership of the scheme at the earliest possible date.

10. The key responsibilities of the Fund Actuary are to:
    - Prepare triennial valuations including setting employer contribution rates, after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement.

- Prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.

Solvency and Target Funding Levels

11. The Fund must determine the level at which the Fund will be deemed solvent, and should then aim for a target funding level whereby the assets of the Fund, and anticipated future income streams (by way of investment income and contributions) meet this solvency level in respect of the anticipated liabilities of the Fund.

12. The Funding Strategy Statement must set out how solvency and target funding issues will be addressed across different classes of scheme employer, and the timescales against which any deficit recovery plan must be delivered.

13. Solvency Level – The Pension Fund Committee has determined that the solvency level should be set such that the value of current assets, and anticipated income streams is equal to 100% of the anticipated value of future liabilities. Any lower figure cannot be sustained in the longer term, and therefore would introduce an unacceptable level of risk into the management of the Fund and the delivery of the Funds aims.

14. Funding Level – The funding level is the percentage the current assets and future income streams form of the anticipated liabilities at any given time. The Actuary will calculate the current funding level based on a series of financial assumptions to be agreed with the Administering Authority. In particular the Actuary will seek to smooth short term variations in asset values rather than taking the strict market value at the point of valuation.

15. In discounting the value of the liabilities back to the point of the valuation, the Actuary will in general allow for an assumed premium investment return from equity and other higher risk assets held in the Fund. Where the future participation within the Fund is not assured, or at the point a cessation valuation is required, the Administering Authority retains the right to instruct the Actuary to complete a valuation on a low risk basis, such that the future liabilities are discounted by reference to current gilt yields, with no allowance for the premium investment return from higher risk assets. Where an employer is pooled, or where another scheme employer is prepared to underwrite the financial risks, valuations can still be undertaken on an on-going/higher risk basis, even where there is a question about the long term participation of an employer within the Fund.

16. The funding level of individual employers will in general be based on a shared investment experience (i.e. it is assumed that the total assets allocated to each employer have an identical proportion of each asset class), but the individual membership experience of each employer's individual scheme members (i.e. liabilities will reflect the individual retirement decisions of scheme employers/members, patterns of ill-health retirements etc, so that no one employer is required to subsidise the decisions of another – although see pooling arrangements below).

17. Deficit Recovery Plans – Where the triennial valuation identifies the funding level of any given employer has fallen below the target funding level a deficit recovery plan must be agreed. The Committee has agreed that in normal circumstances any deficit recovery plan must aim to restore the funding level to the 100% target within a maximum of 25 years. This was set as the standard Recovery Period in the 2007 Valuation.

18. The Administering Authority retains the right to require a shorter recovery period where it has concerns about the financial standing of the employer, or where it has concerns regarding the level of an employer's participation in the Fund going forward (e.g. significant decline in membership numbers, admission is linked to a short term service contract etc). Individual employers have the right to negotiate a lower recovery period than the standard period if they so wish.

19. In cases of exceptional financial hardship, and where the fall in funding level is seen to have been heavily influenced by short term factors which will not remain in the longer term, the Administering Authority does have the discretion to agree a longer recovery period than the standard 25 years, to maintain a more stable employer contribution rate, and maintain the solvency of the scheme employer. It should be noted that this discretion will not be exercised where the Administering Authority believes the nature of the pressure on the funding level is long term in nature, and the extension of the recovery period is simply going to shift the increase in contribution rates to a later period.

20. The Actuary, in consultation with the Administering Authority may choose to vary the recovery period downwards for any individual employer in order to maintain as near stable contribution rate as possible.

21. The Administering Authority also has the discretion to agree stepping arrangements with individual employers, to enable them to manage an increase in their contribution rate over a number of years. The standard stepping period will be a period of 3 years, but in exceptional circumstances the Administering Authority has the discretion to increase this to 6 years. This again should be seen as a mechanism for maintaining as near stable contribution rates as possible, rather than a means for delaying an inevitable increase in contribution rates, so ensuring the long term solvency of the Fund.

22. The Administering Authority has the discretion to instruct the Actuary to set a contribution rate that recovers the deficit to the target funding level by way of a cash figure, rather than the traditional percentage of pensionable pay. This protects the Fund from the risk of under-recovery where the pensionable pay of the employer falls during the recovery period. Since the 2010 Valuation, the Administering Authority agreed that the deficit payments for all smaller employers must be made by way of a cash amount, whilst allowing the larger employers to determine between a cash amount and a percentage of pensionable pay.

23. Pooling – Whilst in general the funding level of each individual employer will be based on its own membership experience, it is recognised that this can create high volatility in an employer's contribution rate, and therefore their financial standing and/or their continued participation in the Fund.

24. Some of the most vulnerable employers within the Fund are the small transferee admission bodies, who have been admitted to the Fund following the successful bid for an outsourcing contract from one of the scheduled scheme employers. Not only are such employers exposed to the risks associated with their size, but because of the fixed term nature of their participation in the Fund (in line with the length of their service contract) they are less able to benefit from the discretions available in managing any subsequent deficit recovery plan.

25. The Administering Authority therefore has the discretion, following consultation with the sponsoring scheme employer, to allow such transferee admission bodies to be pooled with their sponsoring employer. As transferee admission agreements require the sponsoring employer to under-write any future pension costs associated with the transferee admission body, such pooling arrangements involve no greater risk whilst maintaining more stable contribution rates in regards to the delivery of the outsourced service. At the end of any such admission agreement, any cessation valuation can be under-taken on the standard high risk basis, or the assets and liabilities can be retained within the pool and the deficit carried forward and allocated as part of the re-tendering of the service.

26. The Fund has also pooled together the smaller scheduled/designated employers, and separately the remaining smaller admitted bodies. Each employer within the pool shares the same membership experience, so for example the costs of a single expensive ill-health retirement are shared across all employers in the pool rather than falling to the employer who employed the scheme member at the point of their retirement.

27. Following a consultation exercise at the beginning of 2013, the Administering Authority determined that all Academy Schools with 50 or less LGPS members should be required to pool as a standalone group. A small Academy School can seek the approval of the Administering Authority to permanently opt out of the pool where the Administering Authority is satisfied there is a suitable financial case, with all future pension liabilities underwritten by the Academy Trust. Any Academy School with over 50 LGPS members has the right to opt to join the pool on a permanent basis.

28. The Administering Authority will also consider applications from individual academy schools under a single Umbrella Trust to operate a single pool for all academies within the Umbrella Trust. (The Administering Authority will treat a Multi-Academy Trust as a single employer and therefore with its own individual employer contribution which applies to all schools within the Trust – subject to total members exceeding 50).

29. If an employer ceases to be a member of the Fund (whether through choice, the ending of a service contract, or the departure of their last active member), the Administering Authority will instruct the Actuary to carry out a cessation valuation, unless the deficit is held as part of a pooling arrangement for a transferee admission body. As noted above, the cessation valuation will be undertaken on a low risk basis, unless another scheme employer has under-written the financial risk, or the employer is a member of a pool. The Administering Authority will explore payment plan proposals to meet the cessation cost over an agreed period of time, to reduce the risk of non-payment and ensure the Fund maximises the receipt of money due.

30. Where a scheme employer fails to meet the cessation valuation, the cost will fall to the sponsoring employer in the case of a transferee admission body, the other members of the pool for a pooled body, and the Fund as a whole in all other cases. Similarly, where liabilities accrue in respect of scheme members where their former employer is no longer a scheme employer (orphan liabilities), these liabilities will fall to be met by a sponsoring employer, specific pool or Fund as a whole in line with unmet cessation costs.

Links to Investment Policy as set out in the Statement of Investment Principles

31. This Funding Strategy Statement has been prepared in light of the Fund's Statement of Investment Principles (SIP). This document sets out the strategic allocation of the Fund's investments, the restrictions on investment, and the benchmarks against which Fund Management performance will be measured. A target outperformance of 1.0% above these benchmarks has been set for the Fund as a whole.

32. As noted above, the Actuary takes note of the actual investment allocation and the split between high and low risk assets in determining the discount factor to be applied to scheme liabilities. This allocation is in turn determined by the Statement of Investment Principles. As the Fund becomes more mature (i.e. the ratio of pensioners/deferred members to active members increases), the investment approach as set out in the Statement of Investment Principles will move to reduce the overall level of risk. This in turn may worsen the funding level, and require an increase in contribution rates to ensure solvency of the Fund as a whole.

33. The Fund has previously consulted on changing the Funding Strategy Statement to allow multiple investment approaches to reflect the different levels of maturity of individual scheme employers. The consultation identified no real appetite for such a change, nor a current need, and as such, the Fund maintains a single investment strategy for the whole Fund.

Identification of Risks and Counter-Measures

34. The Administering Authority recognises a number of risk areas in the establishment of its funding strategy. These risks fall broadly under the headings of financial, demographic, regulatory and governance.

35. The key financial risks are around the variations to the main financial assumptions used by the actuary in completing their valuation. This includes the financial markets not achieving the expected rate of return, and/or individual Fund Managers failing to meet their performance targets. The main approach to counter this risk is to ensure diversification of the investment portfolio, and the employment of specialist Fund Managers. The Pension Fund Committee with advice from their officers, and their Independent Financial Advisor monitor performance on a quarterly basis.

36. In completing their valuation, the Actuary does provide a sensitivity analysis around the key financial assumptions, including future inflation forecasts. The Actuary also produces a quarterly monitoring report to consider movements in the Funding Level since the last valuation.

37. The demographic risks largely relate to changing retirement patterns and longevity. The Actuary reviews past patterns at each Valuation and adjusts their future forecasts accordingly. Where possible, employers are charged with the cost of retirement decisions made outside the valuation assumptions and in particular, are required to meet the hidden costs of early retirements.

38. The regulatory risks are in respect of changes to the LGPS Regulations themselves, as well as the impact of changes in taxation and national insurance rules, and national pension issues (e.g. the current auto-enrolment changes). The Administering Authority monitors all consultation documents which impact on the Fund, and responds directly to the Government where appropriate. The Administering Authority will seek advice from the Actuary on the potential impact of regulatory changes.

39. The main governance risks arise through unexpected structural changes in the Fund membership through large scale out-sourcings, redundancy programmes or closure of admission agreements. The main measures to counter such risks are regular communications between the Administering Authority and scheme employers, as well as monitoring of the monthly contribution returns to indicate changing trends in membership.

40. The main governance risks can be mitigated to an extent, by the ability to set shorter recovery periods where there are doubts about an employer’s future participation in the Fund, as well as the requirement to pay all deficit contributions by way of a cash figure rather than as a percentage of the pensionable pay bill.

Monitoring and Review

41. The Administering Authority has undertaken to review this Funding Strategy Statement at least once every three years, in advance of the formal valuation of the Fund.

42. The Administering Authority will also monitor key events and consider an interim review of the Funding Strategy Statement where deemed necessary. Such key events include:

- a significant change in market conditions,
- a significant change in Fund membership,
- a significant change in Scheme benefits, and
- a significant change to the circumstances of one or more scheme employers.

June 2016

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1 Introduction

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

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

2 Overall Responsibility

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

The review and monitoring of investment performance and fund administration is delegated to the County Council's Pension Fund Committee. The Chief Finance Officer has delegated powers for investing the Oxfordshire Pension Fund in accordance with the policies determined by the Pension Fund Committee. The Committee is comprised of nine County Councillors plus two District Council representatives. A beneficiaries' representative attends Committee meetings as a non-voting member.

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

3 Investment Objectives and Strategy

Investment Objectives

The investment objectives are:

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

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

Risk

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

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

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

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

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

Strategic asset allocation

In March 2014, the Pension Fund Committee reviewed the benchmark for the strategic allocation of assets, following the results of the 2013 Valuation. The revised benchmark is set out in the table below:

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

4 Management of the Assets

Following a fundamental review of the management of the Funds assets in 2003, the Committee decided to switch from investment managers with a balanced mandate to a specialist management structure. As part of this review the Committee, advised by the

Independent Financial Adviser, took over responsibility for strategic asset allocation. Once every three years, following the actuarial valuation, there is a fundamental review of how the assets are managed. The last such review was undertaken in March 2014.

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

Asset Class	**Investment Manager**	**Benchmark**	**Annual Target**
UK Equities	Baillie Gifford Legal & General	FTSE Actuaries All-Share FTSE 100	+1.25% Passive
Global Equities	UBS Global Asset Management Wellington	MSCI All Countries World Index (ACWI) MSCI All Countries World Index (ACWI	+3.0% +2.0%
Overseas Equities	Legal & General	FTSE All World	Passive
Bonds & Index Linked - UK Gilts - Index Linked - Corporate bonds - Overseas bonds	Legal & General	FTSE A All Gilts Stocks FTSE A Over 5 year IBoxx Sterling Non-Gilts JPMorgan Global Govt (ex UK) traded bond	+ 0.6%
Private Equity - Quoted Inv. Trusts - Limited Partnerships	Chief Finance Officer Adams Street Partners Group	FTSE smaller companies (including investment trusts)	+ 1.0%
Property	UBS Global Asset Management	IPD UK All Balanced Funds Index weighted average	+1.0%
Diversified Growth Funds	Insight Investment	3 month Libid	+3.0% to +5.0%
Cash	Internal	3 month Libor	-

\# Target performance is based on rolling 3-year periods

Legal & General have been given control ranges for each of the four sub categories of bonds & index linked. These ranges have been drawn up to ensure the Fund's investments remain well diversified.

Restrictions on Investment

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

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

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

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

The Council has determined to increase its limits as follows:

- to increase the limit on the proportion of the Fund that may be invested in any single insurance contract
- the limit on this investment has been increased to 35%
- this increase has been agreed to ensure that Legal and General retain the flexibility to manage their fixed income mandate within the limits previously set. Currently, Legal and General manage the allocations for passive UK and overseas equities, and the allocation for corporate bonds through a single insurance contract. Whilst the benchmark figure for the combined allocation to these funds is 22.8%, the flexibility provided to Legal and General to switch between corporate bonds and other elements of the fixed income mandate means the total allocation could rise above 25%. As the three component parts of the Legal and General contract are diversified, and operated within strict limits, it is not felt that this increase in overall limit exposes the Fund to undue risk.
- It is proposed that the increase should be retained for the three year period up to the implementation of any asset allocation review following the 2016 Valuation. The increase will be reviewed as part of the 2017 Fundamental Asset Allocation Review and expires no later than 30 June 2017.

- To increase the limit on the total of the Fund to be allocated to partnerships to 30%.
- This increase reflects the decision of the Committee to allocate £20m for ad hoc property investments. £10m has been allocated to a property partnership, bringing the total allocated to partnerships to 4.3%. To ensure the Fund retains the flexibility required to make investments in private equity and property partnerships as opportunities arise, the limit needs to be raised in line with the higher limit set by the Regulations.
- As the actual allocations will remain within the bands set by the fundamental asset review, the Fund will remain fully diversified.
- The increase should be reviewed as part of the 2017 Fundamental Asset allocation Review and as such will be in place until June 2017.
- The decision to increase both limits has been made in line with the requirements of the Regulations.

Realisation of Investments

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

Monitoring and review

The individual manager's performance, current activity and transactions are monitored on a quarterly by Independent Financial Adviser and the Officers of the fund, and all issues of concern reported directly to the Committee. Quarterly reports from all Managers are made available to the Committee, who can raise any issues they wish to follow up. All Managers formally report to the Committee once a year, spread over the four quarterly meetings, with the Committee retaining the right to request more frequent attendance if they have matters of concern. The investment management performance of the Fund as a whole is reviewed annually by the Committee, supported by a presentation by State Street Global Services.

5 Social, Environmental & Ethically Responsible Investment

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

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

6 Exercise of Rights attached to Investments

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

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

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

7 Custody & Stock Lending

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

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

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

8 Compliance

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

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

9 Review of this Statement

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

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Oxfordshire Pension Fund

Governance Policy Statement

Introduction

1. This is the Governance Policy Statement of the Oxfordshire Local Government Pension Scheme (LGPS) Pension Fund, as required under Section 55 of the Local Government Pension Scheme Regulations 2013.

2. As required by the Regulations, the Statement covers:

    - Whether the Administering Authority delegates its functions in relation to maintaining a pension fund to a committee, sub-committee or officer of the Authority;
    - The frequency of any committee/sub-committee meetings;
    - The terms of reference, structure and operational procedures in relation to the use of the delegated powers; and
    - Whether the Committee includes representatives of scheme employers, and scheme members, and if so, whether they have voting rights.

Governance of the Oxfordshire Pension Fund

3. Under the Government requirements for a Cabinet structure in local government, the management of the pension fund is seen as a non-executive function i.e. the Cabinet or equivalent body should not carry it out.

4. Oxfordshire County Council, acting as Administering Authority for the Fund, has determined to delegate all functions relating to the maintenance of a pension fund to the Pension Fund Committee.

Oxfordshire Pension Fund Committee – Terms of Reference

5. Under the terms of the County Council's constitution, the terms of reference for the Pension Fund Committee are:

   - The functions relating to local government pensions etc specified in Paragraph 1 in Schedule H of Schedule 1 to the Functions Regulations, together with functions under Section 21 of the Oxfordshire Act 1985 (division of county superannuation fund).
   - The functions under the Fireman's Pension Scheme specified in Paragraph 2 in Section H of Schedule 1 to the Functions Regulations.

6. A more detailed interpretation of these terms of reference includes the following:

   a) respond as appropriate to the Government on all proposed changes to the Local Government Pension Scheme
   b) regularly review and approve the asset allocation for the pension fund's investment
   c) approve and maintain the fund's Statement of Investment Principles
   d) approve and maintain the fund's Funding Strategy Statement
   e) approve and maintain the fund's Governance Policy Statement
   f) approve and maintain the fund's Communications Policy Statement
   g) appoint fund managers to manage the fund's investments, and to agree and review the terms of appointment for each fund manager
   h) review the performance of the fund, and its fund managers
   i) appoint an actuary, independent financial advisor(s), and custodians for the fund
   j) approve an annual report and statement of accounts for the fund
   k) approve an annual budget and business plan for the investment and administration of the fund
   l) consider, and if appropriate, approve applications of employers to become admitted bodies to the fund
   m) consider all other relevant matters to the investment and administration of the fund.

Membership of the Committee

7. The Committee's members shall be appointed by full Council and shall comprise

- 9 County Councillors
- 2 Representatives of the City and District Councils of Oxfordshire.

These 11 members of the Committee shall have full voting rights. The County Councillors will be appointed such that the majority party on the Council has a majority of seats on the Committee before taking into account the political party of the City/District representatives.

8. The beneficiaries of the Fund will also have the right to be represented by an observer to the Committee. As employees of the County Council are prohibited from having voting rights on Council Committees, and as active employees of the County Council are the single largest group of stakeholders within the Fund, providing voting rights to the Observer could prejudice the appointment against the largest stakeholder group. Therefore the Observer will not have any voting rights, but has the right to speak on any issue, subject to the approval of the Chairman of the Committee. The Beneficiaries Observer will be appointed through the appropriate trade union(s).

Operational Procedures

9. The Committee will operate under the terms of conduct set out for all Committees of the County Council. The Committee will meet quarterly, with formal agendas published in advance according to the requirements on all County Council Committees. The Committee will meet in public, unless required to go into exempt session in accordance with Part 1 of Schedule 12A of the Local Government Act 1972.

10. At each meeting, the Committee will receive reports on the investment performance of the Fund. Fund Managers will be invited to attend to present information on the performance of their own portfolio, and to answer all appropriate questions from the Committee. The Committee shall determine the frequency by which each fund manager will be required to attend its meetings.

11. Each meeting of the Committee will be attended by the appointed independent financial advisor(s) who will provide advice on all investment matters. This advice will include drawing to the committee's attention, all appropriate matters associated with the performance of the individual fund managers.

12. Any member of the public has the right to seek to address the Committee by making a formal request in advance of the meeting.

13. The Committee will consult formally with all employers on issues where it has a statutory duty to do so, before it undertakes the responsibilities set out above. This includes the formal consultation with all employers before agreeing the Statement of Investment Principles, and the Funding Strategy Statement, and any significant subsequent changes.

Local Pension Board

14. Under the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, the Committee have established a Local Pension Board. The role of the Board is to assist the Pension Committee (in its role as Scheme Manager), to secure compliance with the Regulations and all associated legislation, and to ensure the efficient an defective governance and administration of the scheme.

15. The Board has been established with 3 employer representatives, 3 scheme member representatives and a non-voting independent chairman.

16. The Board will meet on a quarterly basis, or more frequently as required. The full constitution of the Board is available on the Pension Fund's website.

Informal Governance Arrangements

17. As well as the formal governance arrangements as set out above, the Pension Fund Committee will hold an Annual Forum to which all scheme employers are invited. This Forum will cover a review of investment performance, as well as any other items relevant at that time.

18. The Committee will also hold ad hoc communication and consultation meetings to which all employers will be invited, and issue ad hoc communication and consultation documents to all employers, where it is deemed appropriate to obtain the views of all employers, before undertaking the responsibilities as set out above.

June 2016

Oxfordshire Pension Fund

Governance Compliance Statement

Principle A – Structure

a.	The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant
b.	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Not Applicable
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not Applicable
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not Applicable

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above: Oxfordshire County Council acting as Administering Authority has determined to delegate all functions relating to the management of the Pension Fund to the Pension Fund Committee.

Principle B – Representation

a.	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include: • Employing authorities (including non-scheme employers e.g. admitted bodies) • Scheme members (including deferred and pensioner scheme members) • Where appropriate, Independent professional observers, and • Expert advisors (on an ad hoc basis)	Partly compliant
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Compliant

Please use this space to explain reasons for non-compliance

The Pension Fund Committee contains representatives of the County Council (9 Members) and the 5 City and District Councils (2 Members). The Committee is also attended by a Beneficiaries Observer, appointed by the Unions to represent all scheme members (including deferred and pensioners). The Committee though does not include any representation from other key stakeholders, including Brookes University, the colleges, the Housing Associations, the small scheduled bodies and small admitted bodies, and the Academy schools. It has been determined that given the decision to manage all functions through a single Committee, increasing representation to cover these other key stakeholder groups would make the Committee unworkable. These stakeholders are afforded the opportunity to contribute to significant decisions through consultation exercises, and the annual Forum for all employers.

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Principle C – Selection and Role of Lay Members

a.	That committee or panel members are made fully aware of the status role and function they are required to perform on either a main or secondary committee.	Partly Compliant
b.	That at the start of any meeting, Committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Compliant

Please use this space to explain reasons for non-compliance A briefing is provided to all new members of the Committee members clearly setting out their role and responsibilities on the Pension Fund Committee. However this briefing is not given where substitute members attend the Committee.

Please use this space if you wish to add anything to explain or expand on the ratings given above:

Principle D – Voting

a.	The policy on individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above: Voting rights have been extended to the two District Council representatives on the Pension Fund Committee. As current employees of the County Council cannot have voting rights on a Council Committee, and as this group forms the largest single stakeholder group within the Fund, it has been determined that the Beneficiaries Observer does not have voting rights, to avoid any perverse incentive to appointing a current employee of the County Council to the position. This decision is clearly stated in the Fund's Governance Policy.

Principle E – Training/Facility Time/Expenses

a.	That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision making process.	Compliant
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant
c.	That the Administering Authority considers the adoption of annual training plans for Committee members and maintains a log of all such training undertaken.	Partly Compliant

Please use this space to explain reasons for non-compliance

The Committee considers each year the allocation to be provided as part of the annual budget to be spent on Committee member training, but it does not adopt a specific training programme.

Please use this space if you wish to add anything to explain or expand on the ratings given above:

The Committee approve a training budget each year as a specific part of the business planning purpose. Training sessions are arranged to take place before all Committee meetings. External training courses are brought to the attention of Committee members. Training is provided free of charge, with all legitimate expenses reimbursed.

Principle F – Meetings (frequency/quorum)

a.	That an administering authority's main committee or committee meet at least quarterly	Compliant
b.	That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Non Applicable
c.	That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Compliant

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above: In addition to the quarterly meetings of the main Pension Fund Committee, the Fund arranges an annual Pension Fund Forum, attended by Committee Members, to which all employers are invited.

Principle G – Access

a.	That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Compliant

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above: All information on which decisions at the main Committee are based is equally available to all Members. Under the Council's Constitution, the Chairman, Deputy Chairman and Opposition Spokesperson are invited to a briefing meeting in advance of each Committee meeting, and as such receive a briefing not available to other members, including representatives of the third political party.

Principle H – Scope

a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above: The Pension Fund Committee is responsible for all aspects of managing the pension fund, and receives reports on both investment and scheme administration issues. The terms of reference include the wide power to consider all relevant investment and administration issues.

Principle I – Publicity

a.	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	Compliant

Please use this space to explain reasons for non-compliance

Please use this space if you wish to add anything to explain or expand on the ratings given above:

OXFORDSHIRE PENSION FUND

COMMUNICATION POLICY STATEMENT

Introduction

1. This is the Communication Policy Statement of the Oxfordshire Local Government Pension Scheme Pension Fund, established within the 1995 Regulations and now prepared under Regulation 61 of the Local Government Pension Scheme Regulations 2013.

Purpose

2. This policy sets out the Oxfordshire Pension Fund's strategy for its communications with members, members' representatives and employing authorities.

3. The strategy also covers the promotion of the scheme to prospective members.

4. The policy applies, in the context of LGPS administration, to members as defined in Schedule 1 of the principal regulations and, in turn, by section 124(1) of the Pensions Act 1995 to include:

- Active members
- Deferred members, and
- Pensioner members

5. Employing authorities, as defined within the regulations : -

- Statutory Scheduled Bodies such as the County and District Councils, Colleges of Further Education and Oxford Brookes University; Academies
- Designating Bodies being the Town and Parish Councils
- Admission Bodies, where the Pension Fund Committee have granted scheme admission

Aim

6. To ensure that all individual employers and scheme members, as defined above, have access to scheme information, their benefits, and proposed and actual changes.

7. To enable the Scheme Manager / Administering Authority to discharge efficiently their respective responsibilities in accordance with the Local Government Pension Scheme Regulations 2013 (as amended); The Occupational and Personal Pension Schemes (Disclosure of Information Regulations 2013 (as amended) and The Pension Regulator Guidance.

Communication Policy

8. The development and introduction of the 2013 scheme was supported nationally by websites and guidance for both employers and scheme members. All Oxfordshire County Council Pension Fund communications do, and will continue to, make reference to these central resources.

9. Local communication will focus on specific administration for employers and members of the Oxfordshire County Council Pension Fund. The key local communications, publication media and frequency are detailed in the annex to this policy.

10. This emphasis does not materially alter this policy but will affect he content of local communications. The continuing encouragement to use the national websites will avoid duplication of development.

Review of This Policy

11. The Regulations require the policy statement is prepared, written and published, and for these purposes publish means being accessible on the publically available pensions website.

Communication Issue	Target audience	Method	Frequency
Communication Policy	• Employers • Members – active, deferred and pensioner • Prospective scheme members • Employee representatives	www.oxfordshire.gov.uk/pensions	Annual review, or where there is a material change
Pensions Increase Notification	• Pensioner members	www.oxfordshire.gov.uk/pensions By post	Annually – in February
Annual Benefit statements	• Active • Deferred members	By post to individuals, either to home addresses via employers	Annually - by August
Employers Forum	• Employers in the Oxfordshire Pension Fund	• Meeting	Annually - December
Newsletter – Reporting Pensions .	• Active Scheme members • With one newsletter including summary of accounts for pensioners	• Paper distribution with assistance from employers. www.oxfordshire.gov.uk/pensions	Quarterly
Beneficiaries Report from the Pension Fund Committee beneficiary's advisor.	• Active members • Employee representatives	• E mail distribution to Employers for notice boards and intra nets • By post www.oxfordshire.gov.uk/pensions	Quarterly
Pensions User Group	• Employer Human Resource and Payroll contacts	• Meeting • Email distribution of agenda and action notes.	Quarterly

Communication Issue	Target audience	Method	Frequency
LGPS Summary information guide Membership forms	• Prospective scheme members • Employers for new starters, job application packs	• Paper copies • Download from County web site • Email	All year.
Provide presentations and talks on LGPS matters Facilaite pensions seminars for Prudential 'Basic LGPS scheme and AVC talks'	• Active members • Employers	• Staff meetings • Part of pre retirement courses • Induction meetings for new joiners • Active members group meetings	Ad hoc as required Timings as agreed with the Prudential and individual employer area
Development of electronic information systems, external County Council web site and intranet pages.	All targeted audiences should be able to access information, especially from the external site.		Regular reviews to keep up to date

Oxfordshire Pension Fund
www.oxfordshire.gov.uk/pensions

Oxfordshire County Council Pension Fund

Early Release of Benefits Policy Statement

Introduction

1. This Early Release of Benefits Policy Statement of the Oxfordshire County Council Local Government Pension Scheme Pension Fund is published under Regulation 38(2) of the Local Government Pension Scheme Regulations 2013. SI 2013 No. 2356 (as last amended by SI 2014 No. 44)

2. The Local Government Pension Scheme Regulations 2013 refers only to members with a deferred benefit due under the LGPS Regulations 2013. However, to ensure consistency the Oxfordshire County Council Pension Fund will also apply this policy to deferred and pensioner members to whom the 1995, 1997 and 2007 Regulations apply.

Purpose

3. This policy sets out the Oxfordshire County Council Pension Fund's strategy to deal with request for the early release of member benefits in cases where the former employer no longer exists, and there is no successor body, within the Oxfordshire County Council Pension Fund.

4. The policy applies, in the context of LGPS administration, to members as defined in Schedule 1 of the principal regulations to include:

- Deferred members
- Pensioner members with deferred benefits
- Credit members

5. Employing authorities, as defined within the regulations: -

- Statutory Scheduled Bodies such as the County and District Councils, Colleges of Further Education and Oxford Brookes University; Academies
- Designating Bodies being the Town and Parish Councils
- Admission Bodies, where the Pension Fund Committee have granted scheme admission

Aim

6. To ensure that any scheme member, leaving after 01 April 2014, whose former employer is no longer an active scheme employer, has access to a procedure to request early payment of their benefits on grounds of ill-health; release of deferred benefit, or waiving of the 85 year rule reduction.

7. To ensure that all scheme members, who left before 01 April 2014, whose former employer is no longer an active scheme employer, have access to a procedure to request early payment of their benefits, in the following circumstances: -

a. Where a scheme member applies for early payment of benefits on, or after age 55 but prior to age 60, which requires the consent of their former employer for payment to be made.

b. Where a scheme member applies for early payment of benefits on the grounds of ill-health.

8. Note: Where a scheme member has deferred benefits under the 1995, 1997 or 2007 regulations, the provision of those regulations will apply to any application

Decision Making

9. In making any decision the Oxfordshire County Council Pension Fund will take account of:

Employing authorities' policy statements relating to the exercise of discretion, where available.

The cost of making any such decision (if these costs are not justifiable Oxfordshire County Council Pension Fund can refuse the request for early release of benefits)

How the costs will be met, doubtless by all current fund employers.

Waiving, on compassionate grounds, of any actuarial reduction to be applied on the payment of deferred benefits before Normal Retirement Age under the LGPS Regulations 1997, or

The early release of (unreduced) deferred benefits on compassionate grounds under the LGPS Regulations 1995.

Review of this Policy

10. This policy will be reviewed if there is a material change as a result of changes to the Regulations.

Oxfordshire Pension Fund

www.oxfordshire.gov.uk/pensions

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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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 that 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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Annex 7(b) – Responses to the Consultation on changes to the Administration Strategy

Response 1

Dear Sally

Please may I feedback the following comments and observations in relation to the Administration Strategy:

Preface

- I fully acknowledge that Employers must meet the obligations of the Pension Regulations and the scheme Administrator.
- I acknowledge that as an Employer we (Activate Learning) have not met our obligations as well as we could have in the past.

Service Level Agreement

- Estimates (member) – limited to one request per annum
    - This seems very restrictive, does this mean that for estimates in excess of one a charge will be levied? If so, how much. Can this be stated?

Schedule of Charges:

- Failure to provide contribution return by 19^{th} month following deduction / Failure to provide MARS return by 19^{th} month
    - As an employer with 500 scheme members a £1,000 fine for each late payment of contributions or submission of MARS, seems **excessive and heavy handed**, I cannot imagine that this is reflective of any additional administrative burden you incur as a result of the late payment or late MARS submission, if it is can you demonstrate?
- Failure to provide End of Year return by 30 April
    - As an employer with 500 scheme members a £1,000 fine per day the submission is late **seems excessive and heavy handed**

I would suggest in both of the scenarios above, communication should be the key not financial penalty in the first instance, there appears to be no flexibility or consideration given to exceptional circumstances that may occur and result in late submission/payment. Do you have a level of tolerance?

- Failure to provide information requested within 10 working days / Re-do of work due to incorrect information supplied by scheme employer
    - £50 per case again seems harsh when we have not had such a penalty before.

- When you say scheme members, is this people or positions as we have members with multiple positions and therefore multiple memberships, could this be made clearer in the strategy?

The 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.
    - How will this 'charge' be determined? Will it be a % of the employer's contribution, or a fee? Can we challenge the amount, where will it be stated how much it is. This Agreement allows you to arbitrarily charge us any amount, please can this be defined? Can we appeal?
- 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.
    - Do we have a right of appeal against any increase in scheme charges as a result of costs of administration?
    - Is the charge per employer, or across all employers collectively?
    - You say 'may' charge – can we have set examples of when a fee may not be charged, what is an acceptable excuse? How will you ensure consistency across the employers?
- 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.
    - Can you demonstrate that the charges cover the cost of meeting the Core Scheme Functions?
    - Can you define '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.
    - You state that additional charges may be charged for site visits and member presentations, is this not part of your role as the administrator to provide these as part of the Core Scheme Functions, is not part of your role communication with the Employer and current and future members?

Overview

- **My concern over a change of emphasis to financial penalty of employers is that we (employers) may have to consider our ability to continue offering the scheme to staff, particularly given the likely increase in employer's contributions this year and the 3.4% increase in national insurance, as such the employees may be the recipients of the resultant possible negative consequences, unintended or otherwise.**

<u>Response 2</u>

Sally,

Thanks for sending through your proposals on administration – I understand the schemes concerns about timeliness and quality of information given the increasing regulatory burden in this area.

On the whole the Council has no objections to the general thrust of the scheme with the exception of the following comments:-

- It seems unreasonable to limit estimates to one per year although we accept you would not want to be doing too many of these – perhaps common sense should be applied rather than a blanket one only
- Failures on the part of constituent bodies seem to be followed by penalty charges that bear no relation to cost whilst failure by the administering authority to meet its SLA targets has no apparent sanction – this does not seem equitable

I would be more comfortable if it was a question of compensating for loss incurred as per the interest charges than an overly heavy penalty regime.

Response 3

See letter attached

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Business Improvement
Direct Line: 01865 252233
E-mail: hbishop@oxford.gov.uk

PENSIONS RECEIVED
29 APR 2016

St Aldates Chambers
109 St Aldates
Oxford OX1 1DS

Central Number: 01865 249811

www.oxford.gov.uk

OXFORD CITY COUNCIL

27th April 2016

Mrs S Fox
Pensions Services Manager
Pension Services
Oxfordshire County Council
Unipart House
Garsington Road
Oxford
OX4 2GQ

Dear Mrs Fox

Flexible Retirement Policy

We refer to your letter of 8th April 2016 regarding several pension matters which are addressed below.

Consultation on Administration Strategy

The proposal is to significantly increase charges for late returns. For an employer of our size this represents a significant increase from £100 to £1000 for late MARS returns and from £50 per day to £1000 per day of being late for the year end return. The incremental charge based on size of membership significantly impacts on larger organisations in the fund who are relatively few. The County is one of the only employers larger than us, and although they are substantially larger they are subject to the same charges as us, this does not seem equitable.

Normally a penalty imposed for non- compliance with a timetable as in the case on liquidated damages on construction projects would need to bear some resemblance to the cost incurred by the aggrieved party. We are failing to see what cost you would bear which would equate to £1000 per day for late returns and therefore the penalty would seem disproportionate to the 'crime'.

There is an expectation of 100% compliance, which is not a target that you seek to achieve within your Service Level Agreement commitment to employers. There is no recognition of previous performance and even where employers regularly provide the information on time, you are imposing a very severe penalty for what may be a genuine one off incident eg a system failure. It seems unreasonable that no allowances are being made for any errors.

We fully accept that late submission of information can have a significant impact on your service and always do our utmost to comply with timeframes. Equally not receiving information from yourselves can have an impact on our business, yet we do not have an option to seek compensation for this. We think it only reasonable that if employers should

INVESTORS IN PEOPLE | Gold

be charged for failure to deliver the information you require, then likewise employers should be able to seek compensation from yourselves when you do not meet your service levels.

We are also concerned about the cost and administrative effectiveness of this proposal as we suspect that many of the employers who do not comply are the smaller ones and the cost to the fund of charging probably outweighs any income. We would propose that you work individually with those employers where you are experiencing problems on a one to one basis, rather than trying to implement a 'one size fits all' approach and waste time and money administering charges.

Discretionary Policy Statements

You are requesting we complete a template which is some 70 pages long to confirm our discretionary policies. We have comprehensive statements which we regularly review and provide to you. We have not been made aware of any gaps in our statements and therefore do not see the necessity to replicate this in a second document. If this is not the case and there are areas that we need to review please can you advise us? Again this appears to be another example of taking a 'one size fits all' approach, rather than working with those employers where there are problems.

Egress

We note that you are using Egress for sensitive information and we will ensure we adopt the same approach where we are not doing so already.

Contacts

An updated contacts list is enclosed.

In conclusion we would not be supportive of our authority signing this agreement at this stage and whilst we note that this is not necessary since the agreement 'will apply to all Employers whether they have signed up or not" we would nonetheless welcome an opportunity for an open discussion on the subject as we suspect other District Councils within Oxfordshire may share the same concerns.

We look forward to hearing from you

Yours sincerely

Helen Bishop
Head of Business Improvement

Nigel Kennedy
Head of Financial Services

cc Lorna Baxter

Oxfordshire Pension Fund
www.oxfordshire.gov.uk/pensions

A Procedure for Reporting Breaches of the Law to the Pensions Regulator

Oxfordshire Pension Fund

Version 1 - September 2015 – reviewed June 2016

Oxfordshire Pension Fund
www.oxfordshire.gov.uk/pensions

Introduction

1 In April 2015 the Pensions Regulator (the Regulator) published its Code of Practice no 14 (the Code) *Governance and administration of public service pension schemes*. This is not a statement of law of itself, but nonetheless it carries great weight. In some respects it is like the Highway Code, in that some of its contents refer to statutory items, whilst others are advisory. The Courts may however also rely on the latter. In the same way, if determining whether any pensions related legal requirements have been met, a court or tribunal must take into account the Code.

2 There are many and various laws relating to the Local Government Pension Scheme, with many and various people having a statutory duty to report material breaches of the law to the Regulator. To assist, the Code states that a procedure should be established to ensure that those with a responsibility to make reports are able to meet their legal obligations. This document is that procedure, which relates to all of the Fund's areas of operation.

3 Much of the text herein is drawn from the Code itself. Where it has been, the Regulator's copyright applies.

4 If you have any questions about this procedure and:

- You are a member of the Pension Fund Committee, Local Pension Board or you are an external adviser, please contact the Head of Pensions

- You are an actuary, auditor or other external agent; please contact the Head of Pensions

- You represent an employer; please contact the Pensions Services Manager;

- You are an officer of the Fund, and you work in Administration, please contact Pension Services Manager or Head of Pensions

Legal requirements

5 Certain people are required to report breaches of the law to the Regulator where they have reasonable cause to believe that:

- A legal duty which is relevant to the administration of the scheme has not been, or is not being, complied with;

- The failure to comply is likely to be of material significance to the Regulator in the exercise of any of its functions.

6 People who are subject to the reporting requirement ('reporters') for public service pension schemes are:

- Scheme managers (meaning, in the case of the OPF the Pension Fund Committee)

- Members of the pension board - any person who is otherwise involved in the administration of the Fund (all of the Fund's officers);

- Employers, and any participating employer who becomes aware of a breach should consider their statutory duty to report, regardless of whether the breach relates to, or affects, members who are its employees or those of other employers;

- Professional advisers including auditors, actuaries, legal advisers and fund managers; and

- Any person who is otherwise involved in advising the managers of the scheme in relation to the scheme (and thus the Fund's External advisers).

Reasonable cause

7 Having 'reasonable cause' to believe that a breach has occurred means more than merely having a suspicion that cannot be substantiated.

8 Reporters should ensure that where a breach is suspected, they carry out checks to establish whether or not a breach has in fact occurred. For example, a member of a funded pension scheme may allege that there has been a misappropriation of scheme assets where they have seen in the annual accounts that the scheme's assets have fallen. However, the real reason for the apparent loss in value of scheme assets may be due to the behaviour of the stock market over the period. This would mean that there is not reasonable cause to believe that a breach has occurred.

9 Where the reporter does not know the facts or events around the suspected breach, it will usually be appropriate to consult the Head of Pensions or Pension Services Manager, regarding what has happened. It would not be appropriate to check in cases of theft, suspected fraud or other serious offences where discussions might alert those implicated or impede the actions of the police or a regulatory authority. Under these circumstances the reporter should alert the Regulator without delay.

10 If the reporter is unclear about the relevant legal provision, they should clarify their understanding of the law to the extent necessary to form a view.

11 In establishing whether there is reasonable cause to believe that a breach has occurred, it is not necessary for a reporter to gather all the evidence which the Regulator may require before taking legal action. A delay in reporting may exacerbate or increase the risk of the breach.

Material significance

12 In deciding whether a breach is likely to be of material significance to the Regulator, it would be advisable for the reporter to consider the:

- Cause of the breach;

- Effect of the breach;

- Reaction to the breach; and

- The wider implications of the breach.

13 When deciding whether to report, those responsible should consider these points together. Reporters should take into account expert or professional advice, where appropriate, when deciding whether the breach is likely to be of material significance to the Regulator.

14 The breach is likely to be of material significance to the Regulator where it was caused by:

- Dishonesty;

- Poor governance or administration;

- Slow or inappropriate decision making practices;

- Incomplete or inaccurate advice; or

- Acting (or failing to act) in deliberate contravention of the law.

15 When deciding whether a breach is of material significance, those responsible should consider other reported and unreported breaches of which they are aware. However, historical information should be considered with care, particularly if changes have been made to address previously identified problems.

16 A breach will not normally be materially significant if it has arisen from an isolated incident, for example resulting from teething problems with a new system or procedure, or from an unusual or unpredictable combination of circumstances. But in such a situation, it is also important to consider other aspects of the breach such as the effect it has had and to be aware that persistent isolated breaches could be indicative of wider scheme issues.

Effect of the breach

17 Reporters need to consider the effects of any breach, but with the Regulator's role in relation to public service pension schemes and its statutory objectives in mind, the following matters in particular should be considered likely to be of material significance to the Regulator:

- Local Board members not having the appropriate degree of knowledge and understanding, which may result in the Board not fulfilling its role, the Fund not being properly governed and administered and/or the Pension Fund Committee breaching other legal requirements;

- Local Board members having a conflict of interest, which may result in them, being prejudiced in the way that they carry out their role, ineffective governance and administration of the scheme and/or the Pension Fund Management Panel breaching legal requirements;

- Adequate internal controls not being established and operated, which may lead to the Fund not being run in accordance with the Scheme's Regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the Fund at the right time;

- Accurate information about benefits and Scheme administration not being provided to Scheme members and others, which may result in members not being able to effectively plan or make decisions about their retirement;

- Appropriate records not being maintained, which may result in member benefits being calculated incorrectly and/or not being paid to the right person at the right time;

- Anyone involved with the administration or management of the Fund misappropriating any of its assets, or being likely to do so, which may result in assets not being safeguarded; and

- Any other breach which may result in the Fund being poorly governed managed or administered.

18 Reporters need to take care to consider the effects of the breach, including any other breaches occurring as a result of the initial breach and the effects of those resulting breaches.

Reaction to the breach

19 Where prompt and effective action is taken to investigate and correct the breach and its causes and, where appropriate, notify any affected members, the Regulator will not normally consider this to be materially significant.

20 A breach is likely to be of concern and material significance to the Regulator where a breach has been identified and those involved:

- Do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;

- Are not pursuing corrective action to a proper conclusion;

- Fail to notify affected scheme members where it would have been appropriate to do so.

Wider implications of the breach

21 Reporters should consider the wider implications of a breach when they assess which breaches are likely to be materially significant to the Regulator. For example, a breach is likely to be of material significance where the fact that the breach has occurred makes it appear more likely that other breaches will emerge in the future. This may be due to the scheme manager or pension board members having a lack of appropriate knowledge and understanding to fulfil their responsibilities or where other pension schemes may be affected. For instance, public service pension schemes administered by the same organisation may be detrimentally affected where a system failure has caused the breach to occur.

Examples of breaches

Example 1

22 An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is contacted by officers from the administering authority, it immediately pays the moneys that are overdue, and it improves its procedures so that in future contributions are paid over on time. In this instance there has been a breach but members have not been adversely affected and the employer has put its

house in order regarding future payments. The breach is therefore not material to the Regulator and need not be reported.

Example 2

23 An employer is late in paying over employee and employer contributions, and so late that it is in breach of the statutory period for making such payments. It is also late in paying AVCs to the Prudential. It is contacted by officers from the administering authority, and it eventually pays the moneys that are overdue, including AVCs to the Prudential. This has happened before, with there being no evidence that the employer is putting its house in order. In this instance there has been a breach that ***is*** relevant to the Regulator, in part because of the employer's repeated failures, and also because those members paying AVCs will typically be adversely affected by the delay in the investing of their AVCs.

Example 3

24 An employer is late in submitting its statutory year-end return of pay and contributions in respect of each of its active members and as such it is in breach. Despite repeated reminders it still does not supply its year-end return. Because the administering authority does not have the year-end data it is unable to supply, by 31 August, annual benefit statements to the employer's members. In this instance there has been a breach which ***is*** relevant to the Regulator, in part because of the employer's failures, in part because of the enforced breach by the administering authority, and also because members are being denied their annual benefits statements.

Example 4

25 A member of the Pension Fund Committee, who is also on the Property Working Group, owns a property. A report is made to the Property Working Group about a possible investment by the Fund, in the same area in which the member's property is situated. The member supports the investment but does not declare an interest and is later found to have materially benefitted when the Fund's investment proceeds. In this case a material breach ***has*** arisen, not because of the conflict of interest, but rather because the conflict was not reported.

Example 5

26 A pension overpayment is discovered and thus the administering authority has failed to pay the right amounts to the right person at the right time. A breach ***has*** therefore occurred. The overpayment is however for a modest amount and the pensioner could not have known that (s) he was being overpaid. The overpayment is therefore waived. In this case there is no need to report the breach as it is not material.

Submitting a report to the Regulator

27 Before you submit a report you should obtain clarification of the law around the suspected breach. If:

- You are a member of the Pension Fund Management Panel, Advisory Panel, Local Board or you are an external adviser, please contact the Head of Pensions

- You are an actuary, auditor or other external agent; please contact the Head of Pensions

- You represent an employer; please contact the Pensions Services Manager;

- You are an officer of the Fund and you work in Administration, please contact your Pension Services Manager or Head of Pensions.

28 The person you contact will consider in the round whether the Regulator would regard the breach as being material. (S) he will also clarifying any facts, if required. If the case is a difficult one (s) he will seek advice, as required.

29 Some matters could be urgent, if for example a fraud is imminent, whilst others will be less so. Non-urgent but material breaches should be reported to the Regulator within 30 working days of them being confirmed, and in the same time breaches that are not material should be recorded (see later).

30 Some breaches could be so serious that they must always be reported, for example a theft of funds by anyone involved with the administration or management of the Fund. It is difficult to be definitive about what constitutes a breach that must always be reported, but one test is: might it reasonably lead to a criminal prosecution or a serious loss in public confidence?

31 Any report that is made (which must be in writing and made as soon as reasonable practicable) should be dated and include as a minimum:

- Full name of the Fund;

- Description of the breach or breaches;

- Any relevant dates;

- Name of the employer or scheme manager (where known);

- Name, position and contact details of the reporter; and

- Role of the reporter in relation to the Fund.

32 Additional information that would help the Regulator includes:

- The reason the breach is thought to be of material significance to the Regulator;

- The address of the Fund;

- The pension scheme's registry number (if available); and

- Whether the concern has been reported before.

33 Reporters should mark urgent reports as such and draw attention to matters they consider particularly serious. They can precede a written report with a telephone call, if appropriate.

34 Reporters should ensure they receive an acknowledgement for any report they send to the Regulator. Only when they receive an acknowledgement can the reporter be confident that the Regulator has received their report.

35 The Regulator will acknowledge all reports within five working days of receipt, however it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose.

36 The reporter should provide further information or reports of further breaches if this may help the Regulator to exercise its functions. The Regulator may make contact to request further information.

37 Breaches should be reported as soon as reasonably practicable, which will depend on the circumstances. In particular, the time taken should reflect the seriousness of the suspected breach.

38 In cases of immediate risk to the Fund, for instance, where there is any indication of dishonesty, the Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert the Regulator to the breach.

Recording breaches that have not been reported to the Regulator

39 Breaches that are found not to be material to the Regulator must still be recorded. This is so that if similar breaches continue, then they become material. Recording all breaches also highlights where improvements are required, to try and prevent similar breaches.

40 Breaches that are not being reported should be recorded here: (being a link to an in-house spreadsheet designed to capture all the relevant data).

Whistleblowing protection and confidentiality

41 The Pensions Act 2004 makes clear that the statutory duty to report overrides any other duties a reporter may have such as confidentiality and that any such duty is not breached by making a report. The Regulator understands the potential impact of a report on relationships, for example, between an employee and their employer.

42 The statutory duty to report does not, however, override 'legal privilege. This means that oral and written communications between a professional legal adviser and their client, or a person representing that client, while obtaining legal advice, do not have to be disclosed. Where appropriate a legal adviser will be able to provide further information on this.

43 The Regulator will do its best to protect a reporter's identity (if desired) and will not disclose the information except where lawfully required to do so. It will take all reasonable steps to maintain confidentiality, but it cannot give any categorical assurances as the circumstances may mean that disclosure of the reporter's identity becomes unavoidable in law. This includes circumstances where the regulator is ordered by a court to disclose it.

44 The Employment Rights Act 1996 (ERA) provides protection for employees making a whistleblowing disclosure to the regulator. Consequently, where individuals employed by firms or another organisation having a statutory duty to report disagree with a decision not to report to the regulator, they may have protection under the ERA if they make an individual report in good faith. The Regulator expects such individual reports to be rare and confined to the most serious cases.

Oxfordshire County Council whistleblowing procedure

45 The Council has its own whistleblowing procedure. The person contacted about the potential breach, eg, the Solicitor to the Fund, will take this into account when assessing the case.

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TABLE 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND
OVERALL VALUATION OF FUND AS AT 31st MARCH 2016

Investment	COMBINED PORTFOLIO 01.01.16	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 31.03.16		
	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	**516,431**	**325,430**	**96.2%**	**21,773**	**10.1%**	**146,384**	**48.6%**	**0**	**0.0%**	**16,895**	**4.7%**	**0**	**0.0%**	**510,482**	**28.0%**	**29.0%**
Overseas Equities																
North American Equities	123,234	0	0.0%	129,983	60.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	129,983	7.1%	
European & Middle Eastern Equities	37,892	0	0.0%	35,548	16.4%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	35,548	1.9%	
Japanese Equities	24,965	0	0.0%	17,777	8.2%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	17,777	1.0%	
Pacific Basin Equities	-	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Emerging Markets Equities	5,661	0	0.0%	4,661	2.2%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	4,661	0.3%	
UBS Global Pooled Fund	226,674	0	0.0%	0	0.0%	0	0.0%	0	0.0%	224,113	62.9%	0	0.0%	224,113	12.3%	
L&G World (ex UK) Equity Fund	150,091	0	0.0%	0	0.0%	154,912	51.4%	0	0.0%	0	0.0%	0	0.0%	154,912	8.5%	
Total Overseas Equities	**568,517**	**0**	**0.0%**	**187,969**	**86.8%**	**154,912**	**51.4%**	**0**	**0.0%**	**224,113**	**62.9%**	**0**	**0.0%**	**566,994**	**31.1%**	**30.0%**
BONDS																
UK Gilts	93,971	0	0.0%	0	0.0%	0	**0.0%**	90,427	30.0%	0	0.0%	0	0.0%	90,427	5.0%	3.0%
Corporate Bonds	61,022	0	0.0%	0	0.0%	0	**0.0%**	69,370	23.0%	0	0.0%	0	0.0%	69,370	3.8%	6.0%
Overseas Bonds	43,185	0	0.0%	0	0.0%	0	**0.0%**	45,704	15.2%	0	0.0%	0	0.0%	45,704	2.5%	2.0%
Index-Linked	87,984	0	0.0%	0	0.0%	0	**0.0%**	92,662	30.8%	0	0.0%	0	0.0%	92,662	5.1%	5.0%
Total Bonds	**286,162**	**0**	**0%**	**0**	**0.0%**	**0**	**0.0%**	**298,163**	**99.0%**	**0**	**0.0%**	**0**	**0.0%**	**298,163**	**16.4%**	**16.0%**
ALTERNATIVE INVESTMENTS																
Property	137,188	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	113,720	31.9%	27,958	9.0%	141,678	7.8%	8.0%
Private Equity	169,902	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	170,268	54.9%	170,268	9.3%	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	78,969	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	79,010	25.5%	79,010	4.3%	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	**386,059**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**113,720**	**31.9%**	**277,236**	**89.4%**	**390,956**	**21.4%**	**25.0%**
CASH	**44,157**	**12,860**	**3.8%**	**6,818**	**3.1%**	**0**	**0.0%**	**2,901**	**1.0%**	**1,712**	**0.5%**	**32,811**	**10.6%**	**57,102**	**3.1%**	**0.0%**
TOTAL ASSETS	**1,801,326**	**338,290**	**100.0%**	**216,560**	**100.0%**	**301,296**	**100.0%**	**301,064**	**100.0%**	**356,440**	**100.0%**	**310,047**	**100.0%**	**1,823,697**	**100.0%**	**100.0%**
% of total Fund		18.55%		11.87%		16.52%		16.51%		19.55%		17.00%		100.00%		

TABLE 2

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

Asset	Market Value 01.01.16	%	Net Purchases and Sales					Changes in Market Value					Market Value 31.03.16	%
			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	516,431	29	0	328		2,710	0	(1,511)	(8,220)	89	655	0	510,482	28
US Equities	123,234	7	0	0	0	2,287	0	0	0	0	4,462	0	129,983	7
European & Middle Eastern Equities	37,892	2	0	0	0	(1,000)	0	0	0	0	(1,344)	0	35,548	2
Japanese Equities	24,965	2	0	0	0	(4,837)	0	0	0	0	(2,351)	0	17,777	1
Pacific Basin Equities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Emerging Market Equities	5,661	0	0	0	0	(1,310)	0	0	0	0	310	0	4,661	0
Global Pooled Funds	376,765	21	0	0			0	(2,561)	0	4,821	0	0	379,025	21
Total Overseas Equities	568,517	32	0	0	0	(4,860)	0	(2,561)	0	4,821	1,077	0	566,994	31
BONDS														
UK Gilts	93,971	5	0	0	(1,911)		0	0	0	(1,633)	0	0	90,427	5
Corporate Bonds	61,022	4	0	0	0		0	0	0	8,348	0	0	69,370	4
Overseas Bonds	43,185	2	0	0	(1,041)		0	0	0	3,560	0	0	45,704	3
Index-Linked Bonds	87,984	5	0	0	(949)		0	0	0	5,627	0	0	92,662	5
ALTERNATIVE INVESTMENTS														
Property	137,188	8	10	0	0		(90)	3,020	0	0	0	1,550	141,678	8
Private Equity	169,902	9	0	0	0		(937)	0	0	0	0	1,303	170,268	9
Hedge Funds	0	0	0	0	0		0	0	0	0	0	0	0	0
Multi Asset - DGF	78,969	4	0	0	0		0	0	0	0	0	41	79,010	4
SUB TOTAL	1,757,169	98	10	328	(3,901)	(2,150)	(1,027)	(1,052)	(8,220)	20,812	1,732	2,894	1,766,595	97
CASH *	44,157	2	16	2,749	2,299	3,984	3,897	0	0	0	0	0	57,102	3
GRAND TOTAL	**1,801,326**	**100**	**26**	**3,077**	**(1,602)**	**1,834**	**2,870**	**(1,052)**	**(8,220)**	**20,812**	**1,732**	**2,894**	**1,823,697**	**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 MARCH 2016

COMBINED PORTFOLIO (BY ASSET CLASS)

ASSET	% Weighting of Fund as at 31st March 2016	QUARTER ENDED 31st March 2016 RETURN %	12 MONTHS ENDED 31st March 2016 RETURN %	THREE YEARS ENDED 31st March 2016 RETURN %	FIVE YEARS ENDED 31st March 2016 RETURN %	TEN YEARS ENDED 31st March 2016 RETURN %
GLOBAL EQUITIES	10.3%	-0.3	-5.1	5.2	6.3	3.2
BENCHMARK		2.8	-1.2	7.5	7.5	6.0
VARIATION		**-3.0**	**-3.9**	**-2.1**	**-1.2**	**-2.7**
UK EQUITIES	28.0%	-1.1	-4.0	4.0	7.0	5.3
BENCHMARK		-0.4	-3.9	3.7	5.7	4.7
VARIATION		**-0.7**	**-0.1**	**0.3**	**1.2**	**0.6**
OVERSEAS EQUITIES	20.8%	3.2	0.4	9.1	7.6	6.2
BENCHMARK		3.2	-0.2	8.6	8.4	7.0
VARIATION		**0.1**	**0.6**	**0.5**	**-0.7**	**-0.8**
UK GOVERNMENT BONDS	5.0%	5.9	3.6	5.3	6.8	6.1
BENCHMARK		4.9	3.2	4.6	6.6	5.7
VARIATION		**0.9**	**0.4**	**0.6**	**0.1**	**0.3**
UK CORPORATE BONDS	3.8%	3.9	2.4	5.0	7.3	5.8
BENCHMARK		3.2	0.4	4.9	7.0	5.4
VARIATION		**0.7**	**2.0**	**0.2**	**0.2**	**0.5**
OVERSEAS BONDS*	2.5%	2.4	-4.4	1.4	2.9	
BENCHMARK		9.8	9.8	2.6	3.5	
VARIATION		**-6.8**	**-12.9**	**-1.2**	**-0.7**	
UK INDEX LINKED GILTS	5.1%	6.6	2.0	5.7	10.1	8.3
BENCHMARK		6.5	1.8	5.6	9.8	7.8
VARIATION		**0.1**	**0.2**	**0.1**	**0.3**	**0.4**
TOTAL PRIVATE EQUITY	9.3%	1.4	9.8	11.3	11.4	7.3
BENCHMARK		-1.4	1.6	8.8	10.0	5.1
VARIATION		**2.9**	**8.0**	**2.2**	**1.3**	**2.1**
PROPERTY ASSETS	7.8%	2.4	13.1	13.2	9.3	1.7
BENCHMARK		1.1	10.6	13.0	9.0	3.5
VARIATION		**1.3**	**2.3**	**0.2**	**0.3**	**-1.8**
DIVERSIFIED GROWTH FUND***	4.3%	0.1	-6.2			
BENCHMARK		0.9	3.5			
VARIATION		**-0.8**	-9.3			
TOTAL CASH	3.1%	1.8	3.2	1.7	1.5	1.9
TOTAL FUND	100%	**1.0**	**-0.4**	**6.2**	**7.3**	**5.0**
BENCHMARK		**1.7**	**0.3**	**6.6**	**7.6**	**5.9**
VARIATION		**-0.6**	**-0.7**	**-0.4**	**-0.3**	**-0.8**

*** 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 MARCH 2016

COMBINED PORTFOLIO (BY FUND MANAGER)

FUND MANAGER	% Weighting of Fund as at 31st March 2016	QUARTER ENDED 31st March 2016 RETURN %	12 MONTHS ENDED 31st March 2016 RETURN %	THREE YEARS ENDED 31st March 2016 RETURN %	FIVE YEARS ENDED 31st March 2016 RETURN %	TEN YEARS ENDED 31st March 2016 RETURN %
BAILLIE GIFFORD UK EQUITIES	18.6%	-1.5	-3.2	4.7	7.9	6.3
BENCHMARK		-0.4	-3.9	3.7	5.7	4.7
VARITAION		**-1.1**	**0.8**	**1.0**	**2.1**	**1.5**
WELLINGTON GLOBAL EQUITIES	11.9%	1.7	-4.4	6.3		
BENCHMARK		2.8	-1.2	7.5		
VARITAION		**-1.1**	**-3.2**	**-1.1**		
L&G UK EQUITIES - PASSIVE	8.0%	0.1	-5.3	2.4	4.7	
BENCHMARK		0.1	-5.3	2.4	4.7	
VARITAION		**0.0**	**-0.1**	**0.0**	**0.0**	
L&G GLOBAL EX UK EQUITIES - PASSIVE	8.5%	3.2	0.4	9.0		
BENCHMARK		3.2	0.4	9.0		
VARITAION		**0.0**	**0.0**	**0.0**		
L&G FIXED INCOME	16.5%	4.8	2.6	5.1	7.4	6.6
BENCHMARK		4.6	1.8	5.0	7.6	6.3
VARITAION		**0.2**	**0.8**	**0.1**	**-0.2**	**0.3**
IN-HOUSE PROPERTY	1.5%	5.9	17.4	7.7	9.0	
BENCHMARK		1.1	10.6	13.0	9.0	
VARITAION		**4.8**	**6.2**	**-4.7**	**0.0**	
PRIVATE EQUITY	9.4%	1.4	9.8	11.3	11.4	7.3
BENCHMARK		-1.4	1.6	8.8	10.0	3.5
VARITAION		**2.9**	**8.0**	**2.2**	**1.3**	**3.7**
UBS GLOBAL EQUITIES	13.2%	-1.7	-5.1	5.2	5.3	
BENCHMARK		2.8	-1.2	7.4	7.1	
VARITAION		**-4.3**	**-4.0**	**-2.0**	**-1.7**	
UBS PROPERTY	6.3%	1.6	12.0	13.4	9.2	3.7
BENCHMARK		1.1	10.6	13.0	9.0	3.5
VARITAION		**0.5**	**1.2**	**0.4**	**0.2**	**0.1**
INSIGHT DIVERSIFIED GROWTH FUND	4.3%	0.1	-6.2			
BENCHMARK		0.9	3.5			
VARITAION		**-0.8**	**-9.3**			
IN-HOUSE CASH	1.8%	0.1	0.4	0.4	0.7	1.8
BENCHMARK		0.1	0.3	0.3	0.4	1.7
VARITAION		**0.0**	**0.1**	**0.1**	**0.3**	**0.1**
TOTAL FUND	**100.0%**	**1.0**	**-0.4**	**6.2**	**7.3**	**5.0**
BENCHMARK		**1.7**	**0.3**	**6.6**	**7.6**	**5.9**
VARITAION		**-0.6**	**-0.7**	**-0.4**	**-0.3**	**-0.8**

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

TABLE 5

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TOP 20 HOLDINGS AT 31/03/2016

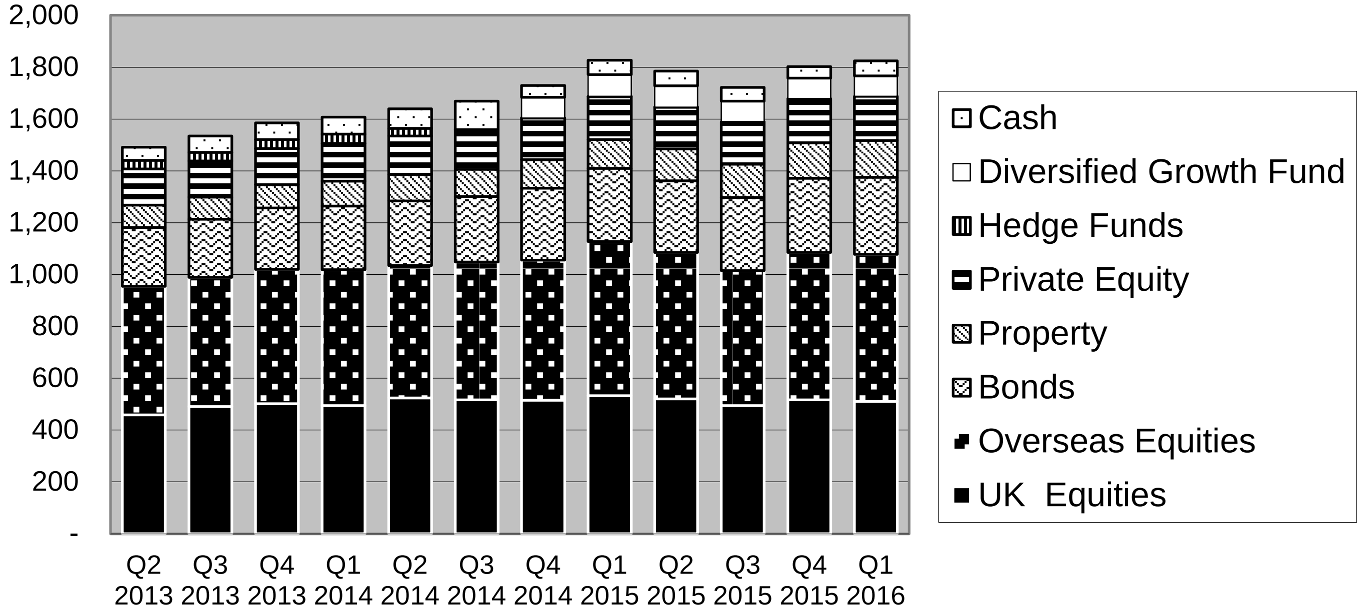
	ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
	DIRECT HOLDINGS		
1	ELECTRA PRIVATE EQUITY PLC	37,869,228	2.08
2	HG CAPITAL TRUST PLC	22,453,740	1.23
3	BRITISH AMERICAN TOBACCO PLC	19,782,839	1.08
4	ROYAL DUTCH SHELL B SHS EUR0.07	18,782,076	1.03
5	BUNZL PLC	13,119,944	0.72
6	ST JAMESS PLACE PLC	12,010,830	0.66
7	PRUDENTIAL PLC	11,783,677	0.65
8	ASHTEAD GROUP PLC	11,063,503	0.61
9	LEGAL & GENERAL GROUP PLC	10,334,688	0.57
10	SABMILLER PLC	10,295,264	0.56
11	F&C PRIVATE EQUITY TRUST-B	10,150,400	0.56
12	STANDARD LIFE EURO PR EQ ORD	9,503,715	0.52
13	REED ELSEVIER PLC	8,610,496	0.47
14	UNILEVER PLC	8,412,257	0.46
15	CARNIVAL	7,747,880	0.42
16	PORTUGAL (REP OF) 4.8% 15/06/20 EUR	7,522,150	0.41
17	UK TREASURY 3.75% 07/09/19 GBP	7,461,888	0.41
18	UNITED BUSINESS MEDIA	7,321,334	0.40
19	RIGHTMOVE PLC	7,219,886	0.40
20	HSBC HOLDINGS PLC	6,945,871	0.38
	TOP 20 HOLDINGS MARKET VALUE *	**248,391,666**	13.62
	* Excludes investments held within Pooled Funds		
	POOLED FUNDS AT 31/03/2016		
1	UBS LIFE GLOBAL EQUITY ALL COUNTRY FUND A	241,008,012	13.22
2	L&G WORLD (EX UK) EQUITY INDEX	154,912,098	8.49
3	L&G HP UK FTSE 100 EQUITY INDEX	146,384,189	8.03
4	LEGAL AND GENERAL TD CORE PLUS	113,220,322	6.21
5	INSIGHT BROAD OPPORTUNITIES FUND	79,010,189	4.33
	TOTAL POOLED FUNDS MARKET VALUE	**734,534,810**	40.28
	TOTAL FUND MARKET VALUE	**1,823,697,189**	

GRAPH 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

MARKET VALUE OF TOTAL FUND

TOTAL FUND MARKET VALUE BY ASSET CLASS



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

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

Agenda Item 15

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Allenbridge

QUARTERLY REVIEW PREPARED FOR

Oxfordshire Council Pension Fund

Q1 2016

6th May 2016

Peter Davies

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OXFORDSHIRE PENSION FUND COMMITTEE – 10 JUNE 2016

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

Economy

1. For the full year 2015, GDP growth slowed in the UK and China relative to 2014, but improved in the Eurozone and Japan. The United States, meanwhile, maintained a 2.4% growth rate. It is noticeable, however, that forecasts for 2016 have been revised down in the past three months – for all regions except China – and growth is expected to be slower than in 2015 everywhere. It is this prospect which has depressed commodity prices and contributed to the sharp falls in equity markets in the opening weeks of 2016.

(In the table below, bracketed figures show the forecasts in my previous report)

Consensus real growth (%)						**Consumer prices latest (%)**
	2013	**2014**	**2015**	**2016E**	**2017E**	
UK	+1.7	+2.8	+2.3	+2.0 (+2.1)	*+2.1*	+0.5(CPI)
USA	+1.9	+2.4	+2.4	+2.0 (+2.3)	*+2.2*	+1.0
Eurozone	-0.4	+0.8	+1.5	+1.4 (+1.6)	*+1.6*	-0.1
Japan	+1.7	+0.3	+0.6	+0.6 (+1.1)	*+0.6*	+0.3
China	+7.7	+7.4	+6.9	+6.5 (+6.4)	*+6.2*	+2.3

[Source of estimates: The Economist, April 9th, 2016]

2. In the UK Budget on March 16th, George Osborne reduced his forecasts for GDP growth from 2.4% to 2.0% for 2016, and from 2.5% to 2.2% for 2017. The budget deficit will fall to 3.8% of GDP in the 2015/16 tax year, and is forecast to reduce thereafter by around 1% annually, before moving into surplus – on some ambitious spending assumptions – in the 2019/20 year. The Chancellor's target of cutting public sector debt as a proportion of GDP each year will be missed in 2015/16, when the ratio rises from 83.3% to 83.7%.

3. The proposed introduction of a 'sugar tax' on certain soft drinks was eclipsed from the headlines two days later when Iain Duncan Smith resigned as Work and Pensions Secretary after disagreements with the Chancellor over cuts to disability benefits.

4. In attempts to stimulate their flagging economy, the Bank of Japan introduced a negative interest rate of 0.1% on excess bank reserves at the end of January, and in March the European Central Bank cut its main interest rate to zero. Meanwhile the Federal Reserve, having raised rates by 0.25% in December, has made no further increase, and is expected to make only two rises in 2016 instead of the four previously indicated.

5. The announcement in February that the UK Referendum on EU membership would take place on June 23rd heralded the start of a debate which cuts across political party lines. With Government ministers being permitted to campaign against the official Government policy of remaining in the EU, attention has also been focused on the splits within the Conservative party and the possibility of a change of leadership after the Referendum.

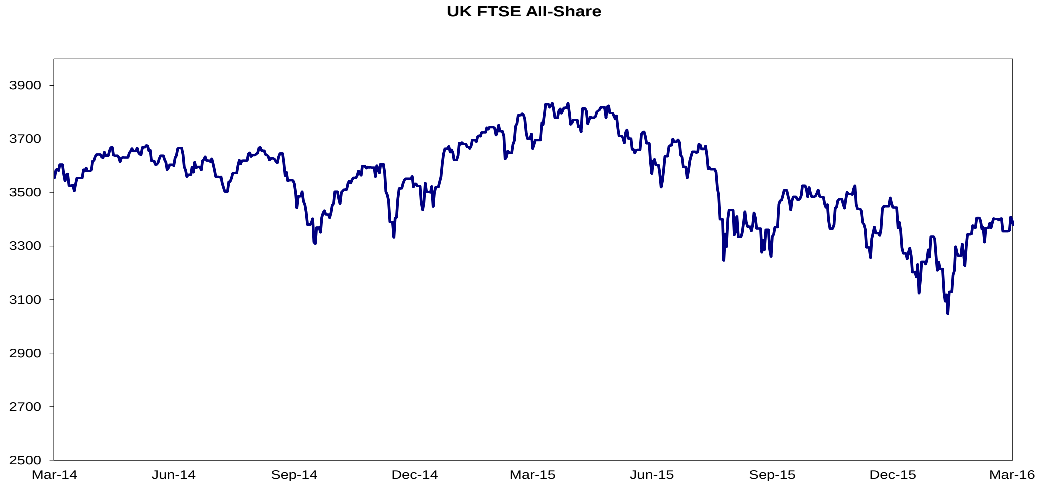
Markets

Equities

6. After falling by 10% or more in the first six weeks of the quarter, on fears of global economic slowdown and geo-political worries, equity markets then recovered sharply and - with the exception of Japan – recouped all the lost ground. The weakness of sterling enhanced the performance of overseas markets in sterling terms, as shown in the table below. In February the UK market touched its lowest level for 3 ½ years.

	Capital return (in £, %) to 31.3.16		
Weight %	Region	**3 months**	**12 months**
100.0	FTSE All-World Index	**+2.3**	**-3.0**
55.2	FTSE All-World North America	+3.6	+1.4
8.2	FTSE All-World Japan	-5.2	-5.3
11.5	FTSE All-World Asia Pacific ex Japan	+4.1	-10.6
15.9	FTSE All-World Europe (ex-UK)	+0.3	-6.7
6.7	FTSE All-World UK	-0.9	-8.4
8.7	FTSE All-World Emerging Markets	+8.4	-11.5

[Source: FTSE All-World Review, March 2016]



7. In contrast to the recent pattern, resource stocks were among the strongest sectors during the quarter. After the gloom of the early weeks, the improved sentiment caused a complete reversal, aided by short-covering by investors, and Basic Materials and Oil & Gas each rose by 7.7% in sterling terms. The weakness of the Financials sector was largely due to falls in Banks and Life Insurance on fears about bad debts and the effects of negative interest rates on profits.

Capital return (in £, %) to 31.3.16		
Industry Group	**3 months**	**12 months**
Technology	+4.6	+5.1
Utilities	+11.1	+4.9
Consumer Goods	+3.8	+3.7
Consumer Services	+3.4	+3.6
Telecommunications	+9.1	+2.3
Industrials	+5.1	-1.9
FTSE All-World	**+2.3**	**-3.0**
Health Care	-4.5	-5.4
Financials	-3.1	-9.4
Basic Materials	+7.7	-13.3
Oil & Gas	+7.7	-13.7

[Source: FTSE All-World Review, March 2016]

8. In the UK, the large-cap FTSE 100 out-performed the mid- and small-cap sectors, for the first time in over a year.

(Capital only %, to 31.3.16)	3 months	12 months
FTSE 100	**-1.1**	**-8.8**
FTSE 250	**-2.9**	**-1.0**
FTSE Small Cap	**-2.0**	**-1.2**
FTSE All-Share	**-1.4**	**-7.3**

[Source: Financial Times]

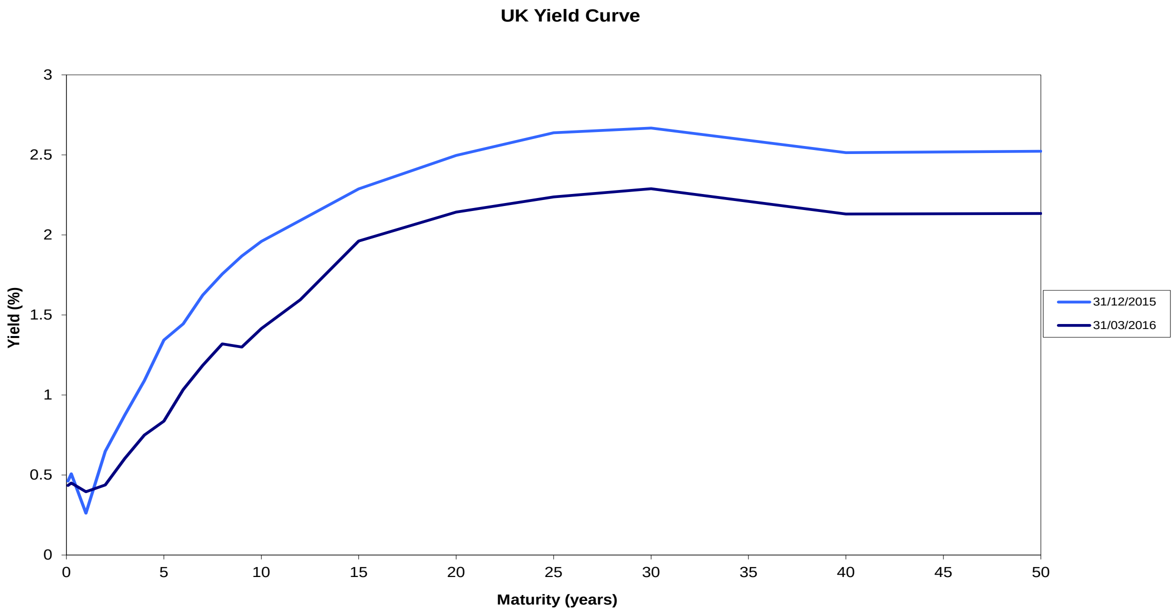
Bonds

9. Against a background of slowing growth and muted inflation, government bonds strengthened noticeably in the quarter. In Japan, 10-year yields turned negative, while German bond yields moved close to zero. Corporate bond spreads widened until mid-February, but then narrowed in overseas markets; UK spreads remained wider because of nervousness about the EU Referendum.

10-year government bond yields (%)					
	Dec 13	**Dec 2014**	**Sept 2015**	**Dec 2015**	**Mar 2016**
US	3.03	2.17	2.06	2.27	1.81
UK	3.04	1.76	1.77	1.96	1.54
Germany	1.94	0.54	0.59	0.63	0.15
Japan	0.74	0.33	0.35	0.27	-0.05

[Source: Financial Times]

UK bond yields fell significantly at all durations longer than 3 months.



Currencies

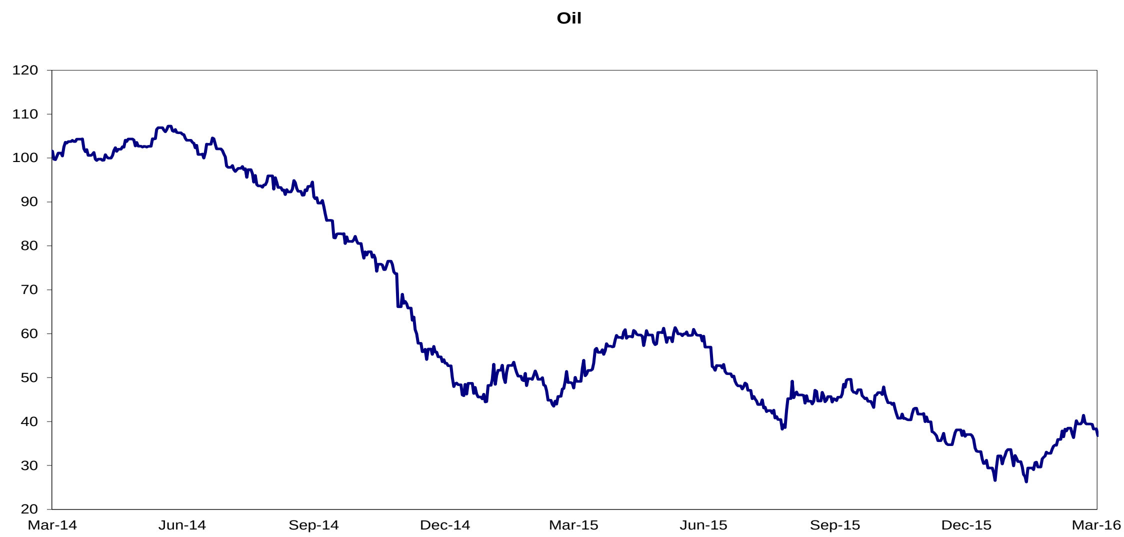
10. Sterling weakened after the announcement of the EU Referendum, falling at one stage below $1.40, but the big surprise was the strength of the euro and the yen despite central banks in both regions introducing negative interest rates.

				£ move (%)	
	31.3.15	**31.12.15**	**31.3.16**	**3m**	**12m**
$ per £	1.485	1.474	1.437	-2.5	-3.2
€ per £	1.382	1.357	1.261	-7.1	-8.8
Y per £	178.0	177.3	161.5	-9.3	-8.9

[Source: Financial Times]

Commodities

11. Oil continued its steep decline, with Brent crude falling as low as $28 per barrel in February, before it recovered to move above $40 at the end of the quarter. Copper firmed slightly, while gold gained no less than 16%.



Property

12. **UK Property** returns in the quarter were reliant on rental income, as capital growth has tapered off after three strong years. The forthcoming EU Referendum appears to have discouraged foreign buyers from investing in Central London property until the outcome of the vote is known, and investors appear to be net sellers of pooled property funds.

	3-month	**12-month**
All Property	**+1.1%**	**+11.7%**
Retail	**+0.6%**	**+ 7.5%**
Office	**+1.3%**	**+15.2%**
Industrial	**+1.5%**	**+15.0%**

[IPD Monthly Index of total returns, March 2016]

Outlook

13. Equity markets have been moving in response to movements in the price of oil – falling sharply as oil declined to below $30 in February, but recovering strongly as oil rose above $40 in March. The recent OPEC meeting failed to reach agreement on limiting oil production, which may prevent the oil price from exceeding $50 in the near term.

14. Geo-political worries continue to cast a shadow: the Syrian conflict, where the ceasefire appears to be breaking down, the migrant crisis in Europe, and the threat of terrorism as exemplified by the attacks in Brussels on March 22nd. With the EU Referendum taking place in the UK on June 23rd, and the US Presidential Election due in November, there are numerous uncertainties for investors to wrestle with.

15. Against this background, and with global growth slowing, the possibility of significant gains in equities during the remainder of 2016 looks slim, whereas government bonds are likely to be in demand as safe havens in uncertain times.

Peter Davies
Senior Adviser – AllenbridgeEpic Investment Advisers

May 6th, 2016

[All graphs supplied by Legal & General Investment Management]

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

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