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OXFORDSHIRE COUNTY COUNCIL

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 15 September 2017 at 10.00 am

Rooms 2 & 3, County Hall, New Road, Oxford

P G Clark

Peter G. Clark
Chief Executive

September 2017

Committee Officer: ***Julie Dean***
Tel: 07393 001089; E-Mail: julie.dean@oxfordshire.gov.uk

Membership

Chairman – Councillor Kevin Bulmer
Deputy Chairman - Councillor Ian Corkin

Councillors

Nicholas Field-Johnson
Carmen Griffiths
John Howson
Mark Lygo
Charles Mathew
John Sanders
Alan Thompson

Co-optees

City Councillor James Fry
District Councillor Bill Service

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 1 December 2017***

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 **07776 997946** or glenn.watson@oxfordshire.gov.uk for a hard copy of the document.

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

AGENDA

1. Apologies for Absence and Temporary Appointments

2. Declarations of Interest - see guidance note

3. **Minutes** (Pages 1 - 8)

To approve the minutes of the meeting held on 23 June 2017(**PF3**) and to receive information arising from them.

4. Petitions and Public Address

5. **Minutes of the Local Pension Board** (Pages 9 - 16)

The unconfirmed Minutes of the Local Pension Board which met on 21 July 2017 are attached for information only at **PF5.**

6. **Report of the Local Pension Board** (Pages 17 - 20)

10:10

This report (**PF6**) is the first report of the Local Pension Board to the Pension Fund Committee in response to the request from the new Chairman of the Committee to have a dedicated item on each Committee Agenda where the Committee can properly discuss the work of the Board and any issues identified.

The Committee is RECOMMENDED to:

(a) ***note and support the work programme of the Pension Board and advise of any additional areas of focus that they would wish the Board to prioritise;***
(b) ***note the comments of the Board in respect of the collection of scheme data and support the future investment in i-connect and greater standardisation of data collection practices;***
(c) ***consider the risk scores for risks 4, 8 and 10 as requested by the Pension Board; and***
(d) ***endorse the proposal that future meetings of both this Committee and the Pension Board should receive an update report on the progress on delivering the annual business plan.***

7. Review of the Annual Business Plan - 2017/18 (Pages 21 - 26)

10:20

The report **(PF7)** provides an update on progress against the key service priorities agreed within the Annual Business Plan at the March Committee for the 2017/18 financial year. This includes an update on the latest position on the Brunel Pension Partnership.

The Committee is RECOMMENDED to:

(a) note the progress against the key service priorities identified in the 2017/18 Business Plan, and
(b) agree the date of the next Brunel Engagement Session as 17 November 2017 at County Hall, Oxford.

8. Risk Register (Pages 27 - 36)

10:40

The report **(PF8)** presents the latest position 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 **(PF8).**

The Committee is RECOMMENDED to:

(a) note the current risk register;
(b) consider the risk scores for risks 4, 8 and 10 as requested by the Pension Board; and
(c) note the proposed full day's training programme to be held for all members of the Pension Committee and Pension Board.

9. Scheme Advisory Board - Consultations (Pages 37 - 66)

10:50

The Scheme Advisory Board (SAB) which was set up under the Public Service Pensions Act 2013 to advise the Secretary of State and to act as a co-ordinator for best practice for the individual LGPS pension funds, has recently issued a number of key papers. Two of these are consultation papers with a closing date of 29 September 2017. The third is a template to enable LGPS Funds to seek to opt up to professional status under the new Markets in Financial Instruments Directive (MiFID II).

This report (**PF9)** invites the Committee to consider the implications of the three papers, and to agree responses to the two consultation documents and a way forward in response to MiFID II.

The Committee is RECOMMENDED to:

(a)agree the consultation response on academies objectives as set down in Annex 1;
(b) determine whether they wish to support the establishment of the Cross Pool Information Forum, and agree the consultation response at Annex 2 as amended where appropriate;
(c)note the consequences of electing not to opt up to professional client status with all relevant institutions including Brunel Pension Partnership Ltd;
(d) agree that the Pension Fund should seek to opt-up to elective professional client status with all relevant institutions and should commence this process as soon as possible;
(e)acknowledge and agree, in applying to be treated as a professional client, to forgo the protections afforded to retail clients; and
(f) delegate responsibility for completing and submitting all the applications, and whether this is on a full or single service basis, to the Service Manager (Pensions).

10. Administration Report (Pages 67 - 72)

11:00

This report **(PF10)** updates the Committee on the latest position in relation to administration issues outside of the Business Plan, including the latest position on new admissions to the Fund, employer cessations and any debt write offs.

The Committee is RECOMMENDED to note the report.

11. Oxfordshire Pension Fund - Report and Accounts 2016-2017 (Pages 73 - 178)

11:10

The Annual Report and Accounts for 2016/17 (**PF11**) is presented to the Committee for comment and amendment before the document is finalised.

The Committee is RECOMMENDED to review the document and to make any comments or amendments before it is finalised.

12. Budget Outturn 2016/17 (Pages 179 - 182)

11:20

The report (**PF12**) analyses the actual spend by the Oxfordshire County Council Pension Fund during 2016/17 against the budget; and highlights the reasons for any material variance.

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

13. Pensions Administration - Service Performance (Pages 183 - 188)

11:30

The report (**PF13**) sets out the key performance data in respect of the Pension Services Team, commenting on variations in actual performance compared to the target levels set out in the Service Level Agreements.

The Committee is RECOMMENDED to note the report.

14. Overview of Past and Current Investment Position (Pages 189 - 198)

11:40

Tables 1 to 4 are compiled from the custodian's records. The custodian is the Pension Fund's prime record keeper. He accrues for dividends and recoverable overseas tax within his valuation figures and may also use different exchange rates and pricing sources compared with the fund managers. The custodian also treats dividend scrip issues as purchases which the fund managers may not do. This may mean that there are minor differences between the tabled figures and those supplied by the managers.

The Independent Financial Adviser will review the investment activity during the past quarter and present an overview of the Fund's position as at 30 June 2017 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 30 June 2017
Table 2	shows net investments/disinvestments during the quarter
Table 3	provides investment performance for the consolidated Pension Fund for the quarter ended 30 June 2017
Table 4	provides details on the Pension Fund's top holdings

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

Graph 1	Market value of the Fund over the last three years
Graphs 2 – 5	Performance of the Fund Managers attending Committee, for the quarter ended 30 June 2017

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 16, 17, 18, 19 and 20 on the agenda.

15. EXEMPT ITEMS

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

16. Overview and Outlook for Investment Markets (Pages 199 - 206)

11:45

This report of the Independent Financial Adviser (**PF16)** report sets out an overview of the current and future investment scene and market developments across various regions and sectors; and provides the context for 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. Baillie Gifford

11:55

(1) The Independent Financial Adviser will report orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda Items 14 and 16.

(2) The representatives (Anthony Dickson and Ian McCombie) of the Fund Manager will:

(a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 30 June 2017;

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

In support of the above is their report for the period to 30 June 2017.

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. Legal & General

12:35

(1) The Independent Financial Adviser will report orally on the performance and strategy of Legal & General drawing on the tables at Agenda Items 14 and 16.

(2) The representatives (Chris Lyons and Tom Carr) of the Fund Manager will:

(a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 30 June 2017;

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

In support of the above is their report for the period to 30 June 2017.

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.

19. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting (Pages 207 - 212)

13:15

Attached at **PF19** is a report by the Independent Financial Adviser on the officer meetings with UBS Asset Management and Wellington.

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.

20. Summary by the Independent Financial Adviser

13:20

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

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

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

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

21. Corporate Governance and Socially Responsible Investment

13:25

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

LUNCH

Pre-Meeting Briefing
There will be a pre-meeting briefing at County Hall on **Wednesday 13 September 2017** at **11:00am** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 23 June 2017 commencing at 11.45 am and finishing at 3.35 pm

Present:

Voting Members:	Councillor Kevin Bulmer – in the Chair Councillor Ian Corkin (Deputy Chairman) Councillor John Howson Councillor Mark Lygo Councillor Charles Mathew Councillor John Sanders Councillor Alan Thompson District Councillor Bill Service Councillor Mike Fox-Davies (In place of Councillor Nicholas Field-Johnson) Councillor Nick Carter (In place of Councillor Carmen Griffiths)
District Council Representatives:	Cllr Jean Fooks (in place of Cllr James Fry) and Cllr Bill Service
By Invitation:	Philip Wilde (Beneficiaries Observer) Peter Davies (Independent Financial Adviser)
Officers:	
Whole of meeting	J Dean (Resources); Director of Finance, 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 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.

28/17 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 1)

Apologies for absence were received from:

- Cllr Carmen Griffiths – Cllr Nick Carter substituting
- Cllr Nick Field – Johnson – Cllr Mike Fox-Davies substituting
- District Councillor James Fry – District Cllr Jean Fooks substituting

29/17 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE
(Agenda No. 2)

Councillors Bulmer, Carter, Fooks, Howson, Lygo, Sanders and Thompson each declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government Act 1989.

30/17 MINUTES
(Agenda No. 3)

The Minutes of the last meeting held on 10 March 2017 (PF3) were approved and signed as a correct record.

There were no matters arising.

31/17 MINUTES OF THE LOCAL PENSION BOARD
(Agenda No. 4)

The Committee noted the Minutes of the Local Pension Board which met on 7 April 2017 (PF4 – Addenda).

It was decided that, in the future, the Board should be able to request a separate item on this Agenda for a particular issue that it has looked into and wishes to bring to the attention of the Committee.

32/17 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 5)

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

33/17 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION
(Agenda No. 6)

The Independent Financial Adviser reviewed the investment activity during the past quarter and presented an overview of the Fund's position as at 31 March 2017.

Mr Davies reported that the overall value of the Fund over the past financial year to 31 March 2017 had increased by nearly £500m due to equity, overseas equity, bonds and private equity gains. The last quarter had seen an £84m gain, £60m in equity, £5m in private equity, £7m in bonds and the remainder in property.

The Committee **RESOLVED** to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they related to agenda items 9, 10, and 11 on the Agenda.

34/17 EXEMPT ITEMS
(Agenda No. 7)

The Committee RESOLVED that the public be excluded for the duration of items 8, 9, 10, 11, 12 and 13 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 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 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.

35/17 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 8)

The report (PF8) set out 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. It also set out the context for consideration of the reports from the Fund Managers. The Independent Financial Adviser also reported orally and this information was exempt information.

The public was 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 was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed 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 on them and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.***

36/17 INSIGHT

(Agenda No. 9)

The Independent Financial Adviser reported orally on the performance and strategy of Insight drawing on the tables at Agenda Items 6 and 8.

The representatives, Sherilee Mace and Matt McKelvey 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 was 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 was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed 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 **RESOLVED** to note the main issues arising from the presentation

37/17 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 10)

The Independent Financial Adviser reported on the officers meetings with Baillie Gifford and Legal & General, as well as updated the Committee on any issues relating to the Private Equity portfolio.

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

38/17 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 11)

No summary was required.

39/17 BRUNEL PENSION PARTNERSHIP - UPDATE

(Agenda No. 12)

The Committee considered a report (PF12) which gave an update on the work of Project Brunel to develop the Brunel Pension Partnership and sought the approval of the Committee to the execution of the legal documents to establish the Brunel Pension Partnership (BPP) Limited Company; and to appoint an individual to act as Oxfordshire's shareholder representative to the Company and to sit on the Oversight Board for the Company.

The report itself did not contain exempt information and was available to the public. However, the Annex contained within the report did contain exempt information.

The public should was therefore excluded during discussion of the Annex 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 was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Some members of the Committee expressed their concerns that it would not have access to a primary source of information when decisions were made by Brunel.

The Committee **RESOLVED** to:

(a) agree to delegate to the Director of Finance and the Director of Law & Governance, in consultation with the Committee Chairman and Opposition Spokesperson, the decision to execute the legal documents for the establishment of the Brunel Pension Partnership Limited (but to note the concerns expressed by some members of the Committee that it would not have access to a primary source of information when decisions were made by Brunel);
(b) agree that the Chairman, Cllr Kevin Bulmer, should represent the Committee on the Oversight Board
(c) agree that the Council's Section 151 officer, Lorna Baxter should act as the Shareholder's representative to attend the Shareholders' annual meeting and to cast Oxfordshire's vote in accordance with the Committee's decision; and to request Mr Collins to press for the Annual General Meeting date to be decided as soon as possible;
(d) agree a virement to the annual budget to allow for the latest proposal for the initial funding of the company as set out in paragraph 28 above; and
(e) note the progress set out in the other updates above.

40/17 ADMINISTRATION REPORT

(Agenda No. 13)

The report before the Committee (PF13) updated the Committee on the latest position in relation to administration issues, including:

- progress against the Data Improvement Plan and the processing of the end of year returns from employers;
- the latest position on new admissions to the Fund;
- Employer cessations; and
- Any debt write-offs.

The report itself did not contain exempt information and was available to the public. However, the report contained two further Annexes which were exempt in that they included exempt information.

The public was therefore excluded during discussion of Annexes 2 and 3 because their 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 was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The Committee **RESOLVED** the following (additions and amendments shown in bold italics):

(a) to note the current team performance ***and to congratulate the Team for all their hard work to date;***
(b) to note the position regarding end of year processes and the issue of annual benefit statements;
(c) to note the write off of £7.96;
(d) to note the current positions with applications for admission to the Fund and other employer changes;
(e) ***not to*** approve the release of deferred benefits in the case detailed in exempt Annex 3; and
(f) to note Annex 2 to the report.

41/17 RISK REGISTER

(Agenda No. 14)

The Committee considered the latest report (PF14) which set out progress made (if any) on the mitigation actions agreed for those risks not yet at target. The report also identified any changes to the risks which had arisen since the register was last reviewed.

The Chairman reported that he had requested the actions set down in (b) and (c) below.

The Committee **RESOLVED:** To: (amendments in bold italics)

(a) note the current risk register;
(b) request the Officers to produce a timeline in the future for the information of the Committee; and
(c) request the Officers to consider applying a 'deep dive' into one of the cases each quarter and to report the outcomes to Committee.

42/17 REVIEW OF PENSION FUND POLICIES

(Agenda No. 15)

The Committee considered a report (PF15) which provided an opportunity for the Committee to undertake a formal annual review of its major policy documents held, in line with the LGPS (Local Government Pension Scheme) Regulations.

RESOLVED: (additions in bold italics)

....

(a) to approve all the revised policy documents as set out in Annexes 1-9 to the report, whilst noting the main changes in the documents and the future changes required in the Governance Policy on the establishment of the Brunel Pension Partnership and the transition of Funds; and

(b) (moved by Cllr Nick Carter, duly seconded and carried nem con)that in the case of the Investment Strategy (Annex 2) to request the Officers to come back to a future meeting with a report on the extent to which human rights are considered in the Strategy.

43/17 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 16)

The Committee **RESOLVED** to request the Officers to arrange some training for members of the Committee in the Autumn.

.... in the Chair

Date of signing

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LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 21 July 2017 commencing at 10.30 am and finishing at 12.10 pm

Present:

Voting Members:

Alistair Bastin
Stephen Davis
Councillor Bob Johnston
David Locke FCA
Sarah Pritchard

By Invitation: Mark Spilsbury, Head of Pensions, Gloucestershire LGPS Pension Fund

Officers:

Whole of meeting: Sean Collins, Service Manager (Pensions); Sally Fox, Pensions Manager; Julie Dean (Resources)

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.

24/17 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.

The previous Chair of the Board, Graham Burrow, had now retired from the service and members of the Board were advised that his former colleague, Mark Spilsbury, who was now employed at Gloucestershire County Council as Head of Pensions of the Gloucestershire LGPS Pension Fund, was willing to take up the appointment as independent Chair of this Board. As with the previous arrangement, Mark had no links with the Oxfordshire Fund and it would be a reciprocal arrangement with Gloucestershire County Council, at no extra cost to this Authority.

It was therefore proposed, and seconded, that the Board appoint Mark Spilsbury as independent Chair of the Oxfordshire Local Pension Board.

It was **AGREED**:

(a) to appoint Mark Spilsbury as 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 Spilsbury's appointment.

25/17 WELCOME BY CHAIR
(Agenda No. 2)

The Chair welcomed all to the meeting.

26/17 APOLOGIES FOR ABSENCE
(Agenda No. 3)

There were no apologies for absence.

Sean Collins gave an update on action being taken to fill the vacancy for a new Employer Member to replace District Cllr Roger Cox.

27/17 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE OPPOSITE
(Agenda No. 4)

There were no declarations of interest.

28/17 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 5)

There were no requests to submit s petition or to make an address.

29/17 MINUTES
(Agenda No. 6)

The Minutes of the Meeting held on 7 April 2017 were approved and signed as a correct record.

Matters Arising

Sean Collins reaffirmed that he was working with the actuary on future cash flow, and the implications, going forward 20 to 30 years. A report would be taken to the next meeting of this Board.

With regard to Minute 21/17 – Risk Register – relating to the possible risk to the Committee of a loss of knowledge and experience since the recent County Council election, Sean Collins explained that a comprehensive training session had been given in the morning and immediately before the first meeting. He added that he was also working up a schedule for a full day's training before Christmas this year, to which Board members would also be invited. He added also that there were a number of people sitting on the Committee with a reasonable pool of knowledge.

30/17 ANNUAL REPORT OF THE WORK OF THE BOARD - 2016 - 17

(Agenda No. 7)

Members of the Board commented on a draft report of the work of the Board for 2016-17, prior to its submission to the Pension Fund Committee at its next meeting.

The Board received assurances that although the report was meant to take a retrospective look at the work of the Board during the last year, the Committee was already thinking about its work plan for the year ahead which was to:

- continue to engage with developments regarding the Brunel Pension Partnership; and
- continue to keep employer issues and data accuracy as a focus.

The Board looked forward to engaging with the Committee during the next year and welcomed a suggestion from the Chairman of the Committee that a separate, regular item be reserved for the Board on the Committee's future Agendas to enable more engagement to take place.

31/17 EMPLOYER MANAGEMENT

(Agenda No. 8)

The Board welcomed Sally Fox, Pensions Manager, who gave an update on where she envisaged the Team would be by the end of August in relation to the despatch of Annual Benefit Statements. She reported that currently returns had been received from 159 employers and 25 were still outstanding. Of these 145 had been cleared and had balanced, and 126 had subsequently been loaded on the system. 68 employers had ready to run statements. The pensions Regulator had been updated that week.

She reported that work had been undertaken to identify errors much earlier in the process than last year. The principle issues outlined were as follows:

- Employers were giving unclear information where it concerned people with multiple jobs. This required undertaking a 'matching up' process which was difficult and labour intensive. However, progress was being made;
- Outsourcing was also a problem when parts of a company were situated in different areas, in that data could sometimes not be matched, the problem being that multiple jobs had not been correctly identified and data was thus crossing over jobs;
- The payroll for the Academies was taking a long time to resolve;
- There was more concern around those larger employers who had not yet made a return.

Sean Collins reported that the Regulator was moving towards, and would be imposing this year, an approach which was more fines based. This could mean that the Fund could be liable if the Pensions Team had not shown that it had followed up properly with employers.

The Board asked what proportion of statements would be sent by 31 August and how could the Board assist. Sally Fox responded that all depended upon employers answering the Team's queries and on them giving the correct information. She added that she was confident that the Team would beat the 50% figure issued last year by 31 August although it would prove a challenge to be much higher than 75%. The Team had been working with UNISON on this issue and employers had been reminded that training was available to assist them. Mark Spilsbury added that Gloucestershire was in a similar position and had scaled up their resources to concentrate on the Annual Benefit Statements over the last 2 years, with the result that most were going out within the deadline. However, this had been at a cost to other Performance Indicators. His Committee had accepted that the Pensions Team were making progress.

A member of the Board made reference to the use made by other Pension Funds to the 'I Connect' system, which appeared to reduce the workload in respect of the validation process. Sally Fox responded that whilst she accepted that the validation process was automated, this did not change the fundamental problem which was that data had to be correct and vetted, and if it was incorrect it would be returned. The key focus had to be therefore in ensuring that the submission from employers, whether manual or electronic, was completed in a timely and accurate way.

A member of the Board questioned whether it was possible for data to be simplified to give only one payment reference for employees with more than one job. Sally Fox clarified that under the Regulations, each job had to be treated as a separate employment for pension purposes, with the scheme member entitled to opt out of the pension scheme in respect of one or more jobs, and potentially to receive payment of pension at different times if employment in the separate jobs did not end simultaneously. For that reason, data for each job did need to be clearly identified so that the separate records could be maintained.

A member reported that the Pension Regulator was trying to set up a data template which would be vaguely consistent across all funds. Sally Fox pointed out that each authority in England and Wales had its own discretionary policies which inevitably produced different data requirements. Sean Collins added also that problems with data and its standardisation was a national problem and that a sub-committee of the Scheme Advisory Board had begun to hold discussions around this.

The Board re-affirmed its previous decision to call in particular employers in order to learn and understand the problems encountered from their perspective, together with their successes; and what could be changed by the Committee, or by recommendation to the Government.

In response to a query about whether there were sufficient resources within the Pensions Team to undertake this, Sean Collins explained that there was a need to ensure that staff were recruited and trained, and then retained, to enable the Team to solve and manage issues going forward. The recent new office base in the Oxford Business Park had improved staff retention and had given the Team a stable base.

The Committee had also agreed to procure additional resources under the LGPS Procurement Frameworks to address some of the issues associated with the current backlog of work/queries.

The Board **AGREED** that the letter to employees explaining why their annual benefit statement was late, as agreed at the previous meeting, be copied to the Trade Unions; and to include within the letter some advice that, if appropriate, to go to their Trade Union representative if they were concerned. Sean Collins undertook to alert employers prior to the letter being despatched.

32/17 RISK REGISTER

(Agenda No. 9)

At its meeting on 11 March 2016, the Pension Fund Committee had agreed that the risk register should form a standard item for each quarterly meeting. A copy of the report would also go to each meeting of the Board for review and its comments would then be included within the report made to the next meeting of the Committee.

The Board then considered the report, together with the Risk Register (LPB9), which went before the Pension Fund Committee at its meeting on 23 June 2017. At this meeting it had been decided to amend the ‘direction of travel’ column in the risk register to provide a narrative statement in order to set out a clearer picture in terms of the mitigation plan. Also at this meeting the Deputy Chairman of the Pension Fund Committee suggested that a ‘deep dive’ be conducted into a small number of the risks. Since then, Sean Collins had discussed this with his officers and it was suggested that a quarterly report on the Business Plan be submitted to each meeting of the Committee, which will, in turn, address issues contained within the whole of the risk register. This would then meet the request made by the Chairman of the Committee for realistic action plans to match the resources available.

Members of the Board queried the current risk scores given to risks 4, 8 and 10. In respect of the score for risk 4, the Board expressed their concern about the likelihood score given to the risk of Fund Managers under-performing their targets and therefore the pension fund deficit not being reduced as planned. Their concern resulted from the current performance reports which indicated a number of managers were behind targets over both the short and longer terms, and therefore felt that the likelihood score should be increased to either 3 (likely) or 4 (very likely) from the current score of 2 (possible).

In respect of the risk 8 score the Board again felt that the likelihood score of inaccurate or out of date pension liability data as a result of late or incomplete employer returns was understated. This view was based on the number of late or incomplete returns that had been reported at the previous item, and the fact that a further regulatory breach needed to be reported to the Regulator, which may lead to fines.

The third risk score queried by the Board was that of Risk 10 for the risk of insufficient resources to deliver the Fund’s regulatory responsibilities. This score reflected the current pressures on the Team resulting from the issues of data quality and the backlog of queries. He paid tribute to the good work of the Team in their endeavours.

The Board **AGREED** that all the above queries be included within the Board's report to the Committee.

33/17 BRUNEL PENSION PARTNERSHIP

(Agenda No. 10)

The Board were informed of the latest position in respect of the development of the Brunel Pension Partnership. Sean Collins circulated a copy of the press release informing the media of the establishment of the new company, which took place on 18 July 2017. The Shadow Oversight Board had also ratified the appointments of all four executive positions and 4 non-executive positions. The company Board had then met on 18 July to sign documents for the contracts. He added that there was a considerable workload to be completed by the Client Group prior to the transfer of assets to Brunel on 1 April 2018.

The Board asked whether the question of whether there should be an exemption from the payment of stamp duty had been resolved with the Treasury. Sean Collins responded that this was one of the first tasks for the new Chief Investment Officer to address.

The Board thanked Sean Collins for his report.

34/17 ITEMS TO REPORT

(Agenda No. 11)

The question of insurance arrangements for meetings of the Board was raised by a Board member. Sean Collins stated that the consensus at Brunel meetings was that as Board were not decision-making meetings, the issue of liability was not likely to arise. Therefore insurance cover was not warranted. The Board expressed some concern that they could still be held liable if it failed to point out any regulatory breach by the Committee, but again it was felt that in such instances, any claim for damages would first be made against the Pension Fund Committee for the actual breach.

The Board decided the following issues should form the basis of the first Board report to go forward to the next meeting of the Pension Fund Committee:

- A general update on administration issues
- Support for progress of the Business Plan
- To query and request the re-examination of risk scores 4,8 and 10
- Employer Management - assistance to be given by the Board and the Trade Unions to the Pensions Team in relation to the engagement with employers.

35/17 DATES OF FUTURE MEETINGS

(Agenda No. 12)

Members of the Board were asked to note the following future dates for both the Pension Fund Committee and the Board:

<u>Local Pension Board (all on a Friday at 10.30am)</u>

20 October 2017
19 January 2018
20 April 2018
13 July 2018
26 October 2018
18 January 2019

<u>Pension Fund Committee (all Friday meetings, variable start time depending on training given prior to meetings)</u>

15 September 2017
1 December 2017
9 March 2018
8 June 2018
14 September 2018
7 December 2018
8 March 2019

.... in the Chair

Date of signing ....

(a) **FIELD**
(b) **FIELD_TITLE**

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Division(s): N/A

PENSION FUND COMMITTEE – 15 SEPTEMBER 2017

REPORT OF THE PENSION BOARD

Report by the Independent Chairman of the Pension Board

Introduction

1. At the first meeting of the new Pension Fund Committee on 23 June 2017, it was agreed at the suggestion of the Chairman, that each future meeting of the Committee should receive a written report from the Pension Board, setting out the key elements of their work and any matters which the Board wished to draw to the Committee's attention. This is the first such report of the Board under these new arrangements.

Pension Board's Work Programme

2. As required under the Regulations, the Board must issue a report on its work programme and submit this to the Pension Fund Committee within 6 months of the end of each financial year. The report for the work programme of the Board for 2016/17 is included at pages 5-7 in the Annual Report and Accounts elsewhere on the agenda.

3. The Board also discussed its work programme for the forthcoming year and determined its focus should remain on scheme data and the management of employer returns. As a key part of this work, the Board discussed inviting in scheme employers to discuss with the Board the particular difficulties faced in meeting their responsibilities in respect of completing the requested data returns to the Pension Fund, as well as what works well from their perspective. The Board would seek to use the information gained to support the dissemination of best practice, as well as look at what changes could be made within the current processes to improve their overall efficiency.

4. The Board was also keen to maintain its overview of the progress on the development of the Brunel Pension Partnership, as well as review the progress of the Committee on the delivery of their annual business plan and the actions to mitigate the key risks highlighted in the Committee's risk register.

5. The Board would also welcome any comments from the Pension Fund Committee in respect of its future work programme and whether there were any additional areas that the Committee would wish the Board to focus its attention on.

Matters the Board wished to bring to the Committee's Attention

6. Given the main focus of the Pension Board on scheme data and employer returns, the Board was keen to bring to the Committee's attention the on-going nature of the current issues, and the effort spent on trying to resolve these. The Board itself was keen to support the process with the Trade Union representatives happy to be involved in seeking to maximise the engagement of the employers in the process.

7. The Board wanted attention to be drawn to the improved position this year, as well as supporting the need for further investment in the systems to further improve the position in future years. The Board recognised that investment in i-Connect alone would not resolve the current data issues, but would allow greater automation of the process so reducing human error, and allow earlier checking of incomplete or invalid data thereby alerting employers for the need to make changes before the following month's data became due.

8. The Board also wished to support a direction of future travel that led to greater standardisation in the reporting requirements of the various LGPS Funds across the Country to assist those scheme employers and payroll providers with scheme members employed in multiple funds, and would encourage the Committee to take this forward with the Scheme Advisory Board.

9. The Board were keen to support the proposal for a quarterly review of progress against the annual business plan as a means of ensuring actions to mitigate the key risks within the risk register did not slip. The Board would welcome the opportunity to discuss the quarterly review at its meetings.

10. The Board in examining the current risk register identified three risks which they asked the Committee to re-examine. These were risks 4, 8 and 10. In respect of risk 4, the Board queried the current score of 2 (possible) given to the risk of Fund Managers underperforming their targets and therefore the pension fund deficit not being reduced as planned. Given the current levels of under-performance amongst the fund managers on both a short and longer term view, the Board felt that the likelihood score should be increased to either 3 (likely) or 4(very likely).

11. In respect of risk 8, the Board queried the likelihood score of inaccurate or out of date pension liability data as a result of late or incomplete employer returns. In light of the information provided to the Board on the current position on the end of year returns, the Board felt that the likelihood score should be revised upwards.

12. On risk 10, the Board again felt that the likelihood score of the risk that there were insufficient resources to deliver the Fund's regulatory responsibilities should be increased.

13. Finally the Board were keen to recognise that they were working with a very new Committee and wished to express their willingness to support the Committee going forward.

RECOMMENDATION

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

(a) **note and support the work programme of the Pension Board and advise of any additional areas of focus that they would wish the Board to prioritise;**
(b) **note the comments of the Board in respect of the collection of scheme data and support the future investment in i-connect and greater standardisation of data collection practices;**
(c) **consider the risk scores for risks 4, 8 and 10 as requested by the Pension Board; and**
(d) **endorse the proposal that future meetings of both this Committee and the Pension Board should receive an update report on the progress on delivering the annual business plan.**

Mark Spilsbury
Independent Chairman of the Pension Board

Contact Officer: Sean Collins, Tel: 07554 103465

September 2017

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OXFORDSHIRE COUNTY COUNCIL
CHIEF EXECUTIVE'S OFFICE
www.oxfordshire.gov.uk

Division(s): N/A

PENSION FUND COMMITTEE – 15 SEPTEMBER 2017

REVIEW OF THE ANNUAL BUSINESS PLAN 2017/18

Report by Director of Finance

Introduction

1. This report sets out a review of the progress against the key service priorities included in the annual business plan for the Pension Fund for 2017/18. As many of these priorities directly link to the mitigation plans for the key risks within the Fund's Risk Register, the report provides more detail on the status of these risks.

Development of the Brunel Pension Partnership

2. The first of the five service priorities agreed as part of the annual business plan was to contribute to the successful establishment of the Brunel Pension Partnership such that the first transfer of assets can take place in April 2018.

3. The key actions envisage were to be a party to the development of the legal documents, the FCA application, the recruitment of key directors/staff, the recruitment of key third parties including the Administrator/Custodian and the development of all key company policies. Separately the Committee need to review their constitution and scheme of delegation.

4. Following approval of the key legal documents at the June meeting of this Committee, all 10 founding Administering Authorities sealed the documents to enable the Brunel Pension Partnership Limited to be established on 18 July 2017. The Shadow Oversight Board which met on the morning of 18 July 2017 also ratified the appointments of the Executive Team, so that the company had a full Board of 8 at the time of its formation. The company is now in the process of recruiting to the remaining positions, with Officers from Oxfordshire amongst representatives of the Client Group who have joined interview panels.

5. At the time of writing the report, the procurement of the Administrator/Custodian is at the stage of finalising contracts with the preferred supplier. BPP Ltd is leading on the work on the Administrator contract, with the client funds supported by Osborne Clarke leading the work to conclude the standard custodian contract each of the 10 administering authorities will need to enter. Oxfordshire are also represented on the Custody Sub-Group established to oversee the transition to the new custodian, with Oxfordshire due to transition before the end of this financial year.

6. In respect of the change to the Committee's own governance arrangements, these were noted in the review of policies report to the June meeting, and will be confirmed at the March 2018 meeting in advance of the formal establishment of the new arrangements with BPP Ltd.

7. We are currently planning another engagement day where Committee and Board members from Oxfordshire, Buckinghamshire and Gloucestershire will be invited to meet together to receive presentations from Fund Officers as well as key staff from BPP Ltd on the latest developments within the Brunel Pension Partnership and the new operating model. A provisional date of 17 November in Oxford has currently been set for this session.

8. At the present time, this service objective should be achieved in line with the initial business plan.

Cash Flow Modelling

9. The second service priority was to develop a more sophisticated cash flow model, and an appropriate future investment strategy to ensure all pension liabilities can be met as they fall due. There were three key aspects to this element of the work plan:

- working with the Fund Actuary to develop a modelling tool to allow future liability patterns to be better understood, and the impact of structural changes proposed by large employers identified
- working with the major scheme employers to understand any changes in likely scheme membership as a consequence of their strategic plans
- developing a clear understanding of the investment returns of the various asset classes to provide a better match to the liability profile

10. The Fund Actuary provided an updated cashflow model in mid-August 2017 following the completion of the 2016 valuation exercise. Officers are reviewing the contents of the model and assumptions used and will present a report at the December Committee meeting setting out the outputs from the model and any implications.

11. In respect of the work with major scheme employers, this is currently focussed on the work of the District Councils, with significant out-sourcings currently being planned by Oxford City Council and West Oxfordshire District Council. We are not yet in a position to complete the modelling work on the impact of these changes.

12. The work on developing the new portfolios to be offered by the Brunel Pension Partnership is a key aspect of delivering the third element of this priority. This work which begins in detail later this month now BPP Ltd have appointed the first of the key staff to their investment team, will review the initial portfolio proposals and ensure all have clearly identified investment objectives, which between them cover the needs of our investment strategy and liability profile.

13. In the short term, Officers monitor the cash flow position on a monthly basis, and this shows we are still in a healthy position with c£750,000 more resources collected each month in respect of member's benefits than paid out. This, plus the cash reserves held, provides short term protection against the risk that the Fund will have to sell assets at short notice to meet pension liabilities. The work with the Fund Actuary though needs to progress to enable this work to be more proactive in understanding future cash flow models, and develop a longer term investment strategy which enables the implementation of any required changes in a controlled and planned way.

Managing Pension Fund Data

14. The third service priority within the 2017/18 business plan was to develop more sophisticated management arrangements to ensure all Pension Fund data is received and stored in accordance with the requirements of the Pension Fund Regulator.

15. The business plan identified four key elements to this work:

    (a) Further training to fully understand the requirements of the Pension Regulator
    (b) A review of current data collection processes looking to automate these wherever possible, and standardise them in line with best practices across other Funds.
    (c) Development of more meaningful management reports on data quality
    (d) Work with scheme employers to ensure responsibilities are fully understood, and to address any key concerns within the current arrangements.

16. We are currently looking to agree a training session with the Pension Regulator as part of a full days' training session for Committee and Board members.

17. We have had initial meetings with Aquila Heywood (the system supplier to the majority of LGPS Funds) regarding the automation of data collection and a greater standardisation of current processes. We will now look to kick off a formal project to look at the implementation of iConnect as the time pressures associated with the requirement to issue the Annual Benefit Statements by the end of August have reduced.

18. At present incoming data is reviewed manually with returns being sent back or queried by exchange of emails. This is cumbersome to manage as well as making the collating of data for management reporting more difficult than necessary. As part of the implementation of iConnect the fund will be working with the software suppliers to ensure that there is robust reporting around the monthly data collection processes.

19. Following the passing of the end of August deadline for the issuing of the Annual Benefit Statements we are now looking to run a number of review meetings to look at what went well and what needs further improvement. The Pension Board has expressed a wish to be involved in this process and to invite scheme employers to future Board meetings to discuss both best practice and areas for improvement.

Monitoring Fund Manager Performance against Committee Policies

20. The fourth service priority was to develop a more robust approach to monitoring the performance of Fund Managers, in respect of their delivery against the Funds responsible investment and stewardship policies. This priority was added to the business plan in light of a number of concerns expressed by scheme members about the lack of transparency of the current arrangements, and in particular the need to measure the success of fund Manager engagements with the companies they have invested in on our behalf.

21. The first part of delivering this priority was the publication of our first Investment Strategy Statement which sets out the Committee's approach to managing the environmental, social and governance (ESG) risks associated with the Fund's investments. The Statement made it clear that this Committee expects its Fund Managers to integrate the consideration of all ESG risks including climate change into their investment decisions.

22. We are now working with our current Fund Managers and with our partners in the Brunel Pension Partnership, including the Environment Agency who are an accepted leader in the ESG field, to develop reporting tools that can evidence that Managers are successfully implementing our policies. The issue was included as a key element in the due diligence meetings with the potential Administrators/Custodians, and work has already started with the preferred supplier to develop their reporting tools. Oxfordshire have a member on the Stewardship sub-group that was been set-up for Brunel where ESG issues are being discussed and potential actions discussed.

23. During 2016/17 Officers have met with a number of the Fund's investment managers and have discussed their ESG engagement and voting activity. This has included ways in which managers can better articulate the activities they are undertaking and how the success of these activities are measured and reported. Officers have also been exploring with third parties ways to monitor and report on ESG related activity at the Fund level.

Scheme Member Communications

24. The final priority identified in the 2017/18 Business Plan was improving scheme member communications through the full implementation of members self-service. This would enable scheme members to log into their own pension account to amend personal data, and view key information in respect of their own pension.

25. The roll out of member self-service to pensioner members was successful undertaken during April 2017. A total of 3643 pensioners were happy to move to the new on-line service representing just under 23% of pensioner membership. Since this date beneficiaries have made just over 800 data amendments. Following a review of this first stage of the project, we are now planning the next stages to bring both active and deferred members onto the new arrangements.

RECOMMENDATION

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

(a) note the progress against the key service priorities identified in the 2017/18 Business Plan, and
(b) agree the date of the next Brunel Engagement Session as 17 November 2017 at County Hall, Oxford.

Lorna Baxter
Director of Finance

Contact Officer:
Sean Collins; Tel: 07554 103465

August 2017

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Division(s): N/A

PENSION FUND COMMITTEE – 15 SEPTEMBER 2017

RISK REGISTER

Report by the Director of Finance

Introduction

1. At their meeting on 11 March 2016, the Committee agreed that the risk register should form a standard item for each quarterly meeting. A copy of the report also goes to each meeting of the Pension Board for their review. The comments from the Pension Board are included in their report to this meeting and the Committee are invited to consider the current risk ratings in respect of the risks queried by the Board.

2. The risk register presented to the March 2016 Committee meeting 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. This report sets out any progress on the mitigation actions agreed for those risks not yet at target, and identifies any changes to the risks which have arisen since the register was last reviewed. Since the June meeting, the column previous headed direction of travel has been amended to provide a narrative statement which hopefully sets out a clearer position in terms of the mitigation plan.

3. A number of the mitigation plans are directly linked to the key service priorities identified in the Annual Business Plan, and this report should therefore be considered in conjunction with the report which reviews progress against the business plan elsewhere on this agenda.

Comments from the Pension Board

4. As noted in the report from the Pension Board, the members of the Pension Board queried the current risk scores given to risks 4, 8 and 10. In respect of risk 4, the Board were concerned about the likelihood score given to the risk of Fund Managers under-performing their targets and therefore the pension fund deficit not being reduced as planned. Their concern resulted from the current performance reports which indicate a number of managers are behind targets over both the short and longer terms, and therefore felt that the likelihood score should be increased to either 3 (likely) or 4 (very likely) from the current score of 2 (possible).

5. In considering any change in likelihood score, the Committee also need to consider the impact score, which is currently shown as 3 moderate, which indicates a financial risk of £1m to £10m, or a risk of an adverse story in the

local media. The combination of both scores gives an overall risk score of 6, which is seen as the target score for this risk.

6. The latest performance report at the time the Board considered the risk register did indeed show that as a whole the Fund Managers had under-performed against their benchmarks in the most recent quarter, and over the last 10 years. Over 5 years, the managers had collectively met the benchmark and they had exceeded benchmark over the last three years, but by less than the target out-performance. However over the most recent year, the Fund Managers had collectively out-performed their target. This indicates a key issue in determining a risk score in terms of the timescale any performance should be viewed.

7. Timescale is also important in determining the impact score as any financial loss only materialises at the point any investment is realised. A large element of the current under-performance figures in the overall portfolio can be attributed to the value style global equity managers who have suffered through a period where value has consistently been out-performed by growth managers. However, if value comes back into favour as expected before the investments need to be sold, any paper under-performance can be recovered such that there is no overall loss against target.

8. Based on the view that whilst the Fund remains cash positive any current under-performance can be recovered and the fact that there has been no adverse media interest to date, it is difficult to support a case that the likelihood score needs to increase from 2, unless the impact score is reduced accordingly.

9. If the Committee do agree to amend the likelihood score, they also need to consider the target risk score and the appropriate mitigating actions. It would not seem appropriate to target a high likelihood that the Fund Managers will consistently under-perform. That leaves two potential mitigations, being either to switch from active to passive management, or to change fund managers.

10. Both these mitigating actions involve a new element of risk. Switching to passive management will reduce the potential investment return for the Fund so increasing the risk that a higher proportion of the pension liabilities will need to be funded by employer contributions. Changing Fund Managers (accepting that these will change as part of the transition to Brunel) will incur additional transition costs without any guarantee of improved performance going forward (the Brunel business case did not include assumptions on improved performance, but did assume lower fee levels achieved through economies of scale would allow payback of transition costs).

11. The second risk queried by the Board was risk 8 where the Board again felt that the likelihood score of inaccurate or out of date pension liability data as a result of late or incomplete employer returns was understated. This view was again based on current knowledge on the number of late or incomplete returns.

12. As covered elsewhere on the agenda, it has been possible to issue a higher level of Annual Benefit Statements by the deadline this year than in the past two years. This in part is a result of improved returns from scheme employers as well as improved resources and processes within the pension services team for working with scheme employers to correct data. At the time of writing this report though there was still concern about the data from two of the larger employers and whether we would be in a position to load the data and issue the statements by the end of August. The risk therefore remains that we will need to report a further regulatory breach to the Regulator which may lead to fines or adverse media coverage. As such it is proposed to increase the likelihood score to 3 whilst maintaining the impact score at 4.

13. The third risk score questioned by the Board was that for the risk of insufficient resources to deliver the Fund's regulatory responsibilities. This risk was scored at 4 – major impact, and 3 - likely. This score reflected that current pressures on the team resulting from the issues of data quality and a backlog of queries. The impact score reflected the risk of action to be taken by the Pension Regulator in the event of another reported statutory breach.

14. As covered elsewhere on the agenda, the figures for issued annual benefit statements show an improvement, and contracts are currently being finalised to bring in external resources to address the backlog of work. It is therefore arguable that the likelihood score should be adjusted to 2 now to reflect the improved ABS position, with a further reduction to 1 as the work to clear the backlog progresses.

Risks Covered by the Annual Business Plan

15. Of the 17 risks identified within the risk register, 8 are showing at target in the Register (subject to the Committee's consideration of risk 4 above). Of the remaining 9 risks, the mitigation plan for 6 is covered by the work in delivering the 2017/18 business plan.

16. Risks 1, 2 and 17 are all impacted by the cash flow model which we are currently seeking to develop with the Fund Actuary. This work has slipped against the initial deadlines set out in the risk register largely as a requirement to prioritise the work associated with developing the Brunel Pension Partnership. These are all long term risks, and there is some mitigation in place in the short term. The results of the 2016 Valuation alongside the on-going cash flow monitoring have indicated that recent investment returns have exceeded those assumed in the valuation, thereby leading to a reduction in the funding shortfall. Cash flow continues to be positive, with a monthly average of just under £0.75m more by way of contributions than is paid out in benefits, reducing the risk of emergency sales of assets.

17. Risk 7 is related to the overall work on cash flow modelling and improving our understanding of the future position on scheme employers in that it relates to the risk of financial failure by scheme employers. We are currently awaiting receipt of an updated report from the Fund Actuary on the level of deficits attributed to each scheme employer, and the strength of their financial

covenant. We would hope to bring a full report on this item to the December meeting of this Committee.

18. Risks 3, 8 and 9 relate to the work associated with data quality and are all in progress. Whilst improved monitoring arrangements have been introduced to ensure we are getting timely and accurate data from employers, the impact on resources as a consequence of the work on annual benefit statements and the backlog of queries mean there is a lack of resource to complete all the escalation work necessary to follow up with employers. We also need to develop improved management reports to highlight any issues with the data held by the Fund before we can reduce the likelihood of these risks.

Other Risks

19. The other two risks currently not reported at target are risk 10 – staff resources which is covered above, and risk 11 – skills and knowledge of the Pension Fund committee itself. On this latter risk, officers are currently putting together a full day's training programme for members of both the Committee and Board to increase the levels of skills and knowledge held across the two bodies.

RECOMMENDATION

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

(a) note the current risk register;
(b) consider the risk scores for risks 4, 8 and 10 as requested by the Pension Board; and
(c) note the proposed full day's training programme to be held for all members of the Pension Committee and Pension Board.

Lorna Baxter
Director of Finance

Contact Officer: Sean Collins, Service Manager (Pensions);Tel: 07554 103465

June 2017

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	Comment
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.	September 2017	4	1	4	September 2017	Mitigation Plan delayed beyond initial target
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.	September 2017	4	1	4	September 2017	Mitigation Plan delayed beyond initial target
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.	September 2017	3	1	3	September 2017	Improved Reports not yet available
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		At Target
5	Actual results varies 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		At Target
6	Loss of Funds	Financial	Poor Control	Long Term -	Finan	Review of	3	1	3			3	1	3		At Target

	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.										
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 all employers where there is no statutory covenant. Meeting held with actuaries	September 2017	2	2	4	September 2017	Awaiting Delivery of Covenant Report from Actuary
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	June 2017	Improved monitoring in place, but further improvements required in escalation process. Further failure to issue ABS likely to result in further action from the Pension Regulator.
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	June 2017	Improved monitoring in place, but further improvements required in escalation process.

										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	Service Manager	Annual Budget Review as part of Business Plan.	4	2	8	Need to address backlog of work which is impacting on ability of staff to meet statutory deadlines. External resources to be employed.	September 2017	4	1	4	September 2017	Contract for provision of external resource to be finalised.
11	Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Governance	Poor Training Programme	Breach of Regulation	Service Manager	Training Review	4	2	8	Develop Needs Based Training Programme.	June 2017	4	1	4	September 2017	Training Day to be agreed.
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	Service Manager	Training Plan. Control checklists.	3	1	3			3	1	3		At Target
13	Key System Failure – LGPS and FSPS	Administrative	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme	4	1	4			4	1	4		At Target
14	Breach of Data Security – LGPS and FSPS	Administrative	Poor Controls	Breach of Regulation	Pension Services Manager	Security Controls, passwords etc.	3	1	3			3	1	3		At Target
15	Failure to Meet Government Requirements on Pooling	Governance	Inability to agree proposals with other	Direct Intervention by Secretary of State	Service Manager	Full engagement in Project Brunel	5	1	5			5	1	5		At Target

			administering 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	Service Manager	Full engagement in Project Brunel	4	1	4			4	1	4		At Target
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	Service Manager	Engagement with One Oxfordshire project and with other key projects 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		4	1	4	September 2017	Employer's engaged. Awaiting cash flow model from Actuary to fully understand implications.

Division(s): N/A

PENSION FUND COMMITTEE – 15 SEPTMEBER 2017

SCHEME ADVISORY BOARD CONSULTATIONS

Report by the Director of Finance

Introduction

1. The Scheme Advisory Board (SAB) which was set up under the Public Service Pensions Act 2013 to advise the Secretary of State and to act as a co-ordinator for best practice for the individual LGPS pension funds, has recently issued a number of key papers. Two of these are consultation papers with a closing date of 29 September 2017. The third is a template to enable LGPS Funds to seek to opt up to professional status under the new Markets in Financial Instruments Directive (MiFID II).

2. This report invites the Committee to consider the implications of the three papers, and to agree responses to the two consultation documents and a way forward in response to MiFID II.

Consultation on Academies Objectives

3. In the summer of 2016, the Scheme Advisory Board commissioned a report on the implications for the LGPS of the Department for Education's programme of converting schools to academy status. The work was awarded to PwC who produced a report in early 2017 following consultation with key stakeholders. The report attempted to set out the views and issues raised by the key stakeholders, without setting out any recommendations on the way forward (in line with the instructions from the SAB).

4. The report was considered by the SAB at its meeting in March 2017. At the end of the month, the Chairman of the Board met with Ministers from both the Department for Communities and Local Government and the Department for Education to further discuss the results. The meeting with Ministers agreed that some improvements were required to the current arrangements and that in the first instance it should be considered to what extent these could be delivered by additional guidance notes to LGPS Pension Funds, or by changes within the LGPS Regulations. It was noted that if such measures could not be agreed, Ministers would also consider more radical action outside of the LGPS regulations through the development of primary legislation.

5. The issues identified within the PwC report (which is published on the Scheme Advisory Board's website), were grouped into issues associated with Policy & Governance, Administration and Operations and Contributions and Finance. Many of these issues stem from a lack of guidance to schools contemplating the switch to academy status, the complexity of the LGPS and the lack of

understanding within academies and their payroll providers, the different approaches taken by the LGPS Funds cross England and Wales (a particular concern for those Multi-Academy Trusts with schools in more than one fund), the level of out-sourcing from the academies themselves, concerns about the financial covenant of academies, and the lack of representation of the academy sector within current LGPS governance arrangements.

6. The SAB has currently commissioned additional data from the fund actuaries to provide further information on the issues, and help develop next steps. As part of this exercise, the SAB has launched a consultation exercise to seek stakeholder support for a set of ley level objectives against which future proposals can be evaluated.

7. The draft objectives set out by the SAB within the consultation document are as follows:

(a) Protect the benefits of scheme members through continued access to the LGPS;
(b) Ring fence local tax-payers and other scheme employers from the liabilities of the academy trust sector;
(c) Improve the efficiency and effectiveness of administrative practices;
(d) Increase the accuracy and reliability of data;
(e) Change should not significantly alter cash flows at the fund level; and
(f) Change should not significantly alter assets at the pool level.

8. From an administering authority perspective, the draft objectives appear sound and should be supported. The first, fifth and sixth objective all aim to protect the sustainability of individual pension funds, which would be threatened by large scale withdrawal of scheme members of scheme employers, and for Oxfordshire would switch the Fund from cash positive to cash negative. This in turn would require an immediate review of our investment strategy, with potentially a reduction in the level of investment risk and therefore and increase in employer contributions for the non-academy scheme employers.

9. The draft response included at Annex 1 therefore responds to support the draft objectives for the academies project.

Cross Pool Information Forum

10. The second consultation document issued by the SAB covers the proposal to establish a Cross Pool Information Forum (CPIF). The proposal was agreed in principle at the Board meeting in June 2017, to establish an elected member forum to share and disseminate information of the pooling of assets.

11. The proposal for CPIF has been discussed at the Cross Pool Collaboration Group (CPCG), and the Client Group and Oversight Board for Brunel. The CPCG which is an officer group with representations from all 8 pools had a number of concerns regarding the establishment of the Forum. In large part, these concerns were in respect of timing, with the common view that such a

group would have had much greater value if established at the beginning of the pooling process, rather than now as the detailed arrangements for the individual pools are being finalised. CPCG also expressed some concerns about the support arrangements for such a Forum and in particular whether officer time from the pools would need to be diverted from the key work in setting up the new arrangements.

12. The Client Group at Brunel shared the concerns of CPCG and added further concerns including the risk that the new CPIF would cut across the work of the SAB itself and dilute the voice of the LGPS in dealing with the Government. There was no clear added value that was seen to justify the time spent by elected members in attending the Forum and disseminating information back to the fellow members of the pool. The Client Group felt that the objectives set for the CPIF could be better met by holding specific conferences/seminars where members of Pension Committees and Boards could attend and receive presentations from key individuals within each pool and discuss key issues.

13. The Shadow Oversight Board appreciated the concerns of the CPCG and the Client Group. There was though also a view expressed that not all elected members had felt fully engaged in the process, and we should perhaps at least attend the initial meeting of the Forum to assess its value. There was also a view that elected members needed to work closer together across pools to address issues such as seeking Government approval to waive tax charges during the transition of assets to pools.

14. There was no discussion at the Shadow Oversight Board as to how Brunel would choose any representatives to attend the CPIF, nor how these representatives would feed back to the other members of the Oversight Board, and the elected members of the underlying funds themselves. Nor was it discussed how any expenses associated with attending the CPIF would be funded.

15. The consultation document is predicated on the fact that the CPIF has been agreed in principle. The Consultation questions therefore focus on the remit (should it be wider than receiving, sharing and disseminating information), Forum membership – proposed as a maximum of three representatives from each pool with the chair to be selected from within the chosen membership, frequency of meetings – proposed as quarterly, process – the assumption is that there would be no voting policy as the Forum is information only and not decision making, and would be supported by the secretariat of the SAB.

16. The response contained at annex 2 has been drafted on the basis that this Committee wishes to support the establishment of the CPIF and accepts the proposed working model. However, Part 2 of the consultation covers the organisation of an open session along the lines favoured by the Client Group. If it is the view of this Committee that this open session is sufficient to meet the information requirements of elected members, the consultation response can be amended accordingly.

Markets in Financial Instruments Directive (MiFID II)

17. The Markets in Financial Instruments Directive is a piece of EU legislation that regulates firms who provide services to clients linked to financial instruments. Compliance with the directive is overseen by the Financial Conduct Authority who in July 2017 issued their final policy statement covering the implementation of the directive.

18. A key element under MiFID II is the re-classification of all local authorities as retail investors, rather than professional investors as at present. This change will be effective from 3 January 2018. Whilst retail clients receive a number of additional protections in their dealing with financial companies, it is also the case that a number of the fund managers and other service providers who currently provide services to the Pension Fund are prohibited from dealing with retail clients. Even where companies are entitled to deal with retail clients, the additional cost and administration involved in providing the necessary protections could mean that many would refuse to continue to provide existing services. If the Pension Fund remains as a retail investor it is likely to significantly restrict the range of investment options available to the Fund which would impact on the ability of the Fund to deliver its agreed asset allocation. .

19. MiFID II does allow investors defined as retail clients to opt up to professional client status if they meet set criteria. Following the intervention of the Scheme Advisory Board, the Local Government Association, the Department for Communities and Local Government, the Investment Association and the LGPS funds themselves, the FCA agreed criteria to better suit the unique circumstances of local authorities and administering authorities in particular. The tests recognise any authority administering an LGPS as able to meet the quantitative test. The qualitative test is applied to the competency of the authority as a whole including its advisors rather than an individual within the Fund.

20. Institutions covered by the MiFID II regulations will be required, on receipt of an application from a client to be treated as a professional investor, to make an assessment of whether the quantitative and qualitative criteria have been met. The SAB, LGA, Investment Association and others have now produced a standard template to enable funds to apply to be opted up to professional status by the relevant institutions. A copy of this template and the accompanying information template are attached as Annexes 3 and 4 to this report. The letter template includes a full list of the protections lost by opting up to professional client status. Before we start to invest through Brunel Pension Partnership Ltd we will also need to complete the opt up process with the company.

21. Applications can be made in respect of either all of the services offered by the institution (even if not already being accessed) or a particular service only.

22. The opt up process must be completed with each financial institution before the 3 January 2018, or there is a risk to the continuity of the current

arrangements. To that end the committee are recommended to delegate responsibility to the Service Manager (Pensions) for the completion of each of the respective opt up requests.

RECOMMENDATION

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

- **(a) agree the consultation response on academies objectives as set down in Annex 1;**
- **(b) determine whether they wish to support the establishment of the Cross Pool Information Forum, and agree the consultation response at Annex 2 as amended where appropriate;**
- **(c) note the consequences of electing not to opt up to professional client status with all relevant institutions including Brunel Pension Partnership Ltd;**
- **(d) agree that the Pension Fund should seek to opt-up to elective professional client status with all relevant institutions and should commence this process as soon as possible;**
- **(e) acknowledge and agree, in applying to be treated as a professional client, to forgo the protections afforded to retail clients; and**
- **(f) delegate responsibility for completing and submitting all the applications, and whether this is on a full or single service basis, to the Service Manager (Pensions).**

Lorna Baxter
Director of Finance

Contact Officer: Sean Collins, Service Manager (pensions); Tel: 07554 103465

June 2017

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The Consultation Process and How to Respond

Scope of the consultation

Topic of this consultation:	Local Government Pension Scheme (LGPS) – Academies Objectives
Scope of this consultation:	This consultation seeks responses from interested parties on draft objectives for the development of options for academies.
Geographical scope:	England

Basic Information

To:	This consultation is aimed at LGPS Pension Fund managers and Pension Committees.
Body responsible for the consultation:	LGPS Advisory Board
Duration:	17th July 2017 to 29th September 2017 (10 weeks)

Background

Getting to this stage:	The Scheme Advisory Board (SAB), in support of its work plan for 2016/17, intends to investigate the issues and develop options to address those issues with regard to the policy objective to convert all schools to academies and what this would mean for LGPS pension funds and their host authorities. In progressing this work the Board will ensure that officials at DfE and DCLG are fully aware of its scope and potential outcomes as the cooperation of these Departments will be instrumental in achieving any positive outcomes.

Help with queries

Questions about this consultation should be sent to the email addresses given below.

Who this consultation is aimed at?

The following consultation is aimed at **all LGPS Pension Managers and Pension Committees** in particular relating to academy employers in the scheme. The consultation is available publicly via the Scheme Advisory Board's website www.lgpsboard.org.

The Board has issued the consultation to the following contacts directly:

- LGPS Pension Administration Managers
- LGPS Chairs of Pension Committees
- LGPS Fund Investment Contacts

How to respond

1. You should respond to this consultation by **29th September 2017**.

2. You can respond by email to Liam.Robson@local.gov.uk and Robert.Holloway@local.gov.uk. Email responses are preferred.

When responding, please ensure you have the words “LGPS Academies objectives” in the email subject line.

Alternately you can write to:
LGPS Academies Objectives Consultation
Scheme Advisory Board Secretariat
Local Government Association
Layden House, 76-86 Turnmill Street,
London, EC1 M 5LG

3. When responding, please state whether you are responding as an individual or representing the views of an administration authority.

Consultation

Introduction

1.1 This document commences a period of consultation on draft objectives covering the development of options for academies being progressed by the Scheme Advisory Board.

1.2 **The closing date for responses is 29th September 2017**.

Background and context

1.3 At its meeting of 26th June 2017, the Scheme Advisory Board proposed the draft objectives below and agreed that a consultation should be opened to interested parties, in anticipation of considering the submissions at its next meeting in autumn 2017.

1.4 The proposed draft objectives are:

- Protect the benefits of scheme members through continued access to the LGPS
- Ring fence local tax payers and other scheme employers from the liabilities of the academy trust sector
- Improve the efficiency and effectiveness of administrative practices
- Increase the accuracy and reliability of data

In achieving the above any options for changes should not:

- Significantly alter cash flows at the fund level
- Significantly alter assets at the pool level

1.5 The Board agreed that the above draft objectives should be shared with DCLG and DfE and a consultation with all stakeholders should be opened and run until mid-September at the earliest.

Consultation Question

1.6 Do you agree that the above should represent the Board's objectives for the academies project?
Yes

1.7 If no, please explain what you would change or add and why.

Click here to enter text.

Respondent details

1.8 Please complete the table below with administrating authority and contact details:

Administering Authority:	Oxfordshire
Contact name:	Sean Collins
Email address:	sean.collins@oxfordshire.gov.uk

The Consultation Process and How to Respond

Scope of the consultation

Topic of this consultation:	Local Government Pension Scheme (LGPS) Cross Pool Information Forum
Scope of this consultation:	This consultation seeks responses from Chairs of LGPS pension committees on the remit, membership and frequency of the proposed forum.
Geographical scope:	England & Wales

Basic Information

To:	This consultation is aimed at Chairs of LGPS pension committees.
Body responsible for the consultation:	LGPS Advisory Board
Duration:	17th July 2017 to 29th September 2017 (10 weeks)

Background

Getting to this stage:	At the meeting of the Scheme Advisory Board on the 26th June, it was agreed in principle that an elected member led Cross Pool Information Forum should be established to share and disseminate information on the pooling of LGPS assets. It was also agreed that the Chairs of LGPS pension committees should be consulted on the remit, membership and frequency of the proposed forum.

Help with queries

Questions about this consultation should be sent to the email addresses given below.

Who this consultation is aimed at?

The following consultation is aimed at **LGPS Chairs of Pension Committees**. The consultation is available via the Scheme Advisory Board's website www.lgpsboard.org.

The Board has issued the consultation to the following contacts directly:

- LGPS Chairs of Pension Committees
- LGPS Fund Investment Contacts

How to respond

You should respond to this consultation by **29th September 2017**.

You can respond by email to Liam.Robson@local.gov.uk and Robert.Holloway@local.gov.uk. Email responses are preferred.

When responding, please ensure you have the words “LGPS Cross Pool Information Forum” in the email subject line.

Alternately you can write to:
Bob Holloway, Pension Secretary
LGPS Cross Pool Information Forum Consultation
Scheme Advisory Board Secretariat
Local Government Association
Layden House, 76-86 Turnmill Street,
London, EC1 M 5LG

When responding, please state whether you are responding as an individual or representing the views of the Pension Committee.

Consultation

Introduction

1.1 At the meeting of the Scheme Advisory Board on the 26th June, it was agreed in principle that an elected member led Cross Pool Information Forum should be established to share and disseminate information on the pooling of LGPS assets. It was also agreed that the Chairs of LGPS pension committees should be consulted on the remit, membership and frequency of the proposed forum.

1.2 The same consultation should also seek views on whether a one off open session on progress towards pooling should be organised with an invitation going to all chairs of pension committees and local pension boards.

1.3 **The closing date for responses is 29th September 2017**.

Part 1 - Cross Pool Information Forum (CPF)

1.4 It is **not** proposed that the CPF be a decision making body nor would its content be technical in nature. It is proposed that its remit would be to receive, share and disseminate information across the pools as well as providing a platform to exchange best practice and items of cross pool interest.

1.5 Do you agree that the remit of the CPF should be limited to receiving, sharing and disseminating information as described above?
Yes **[Please select your response]**

1.6 **If you answer "no", please describe below what you think the remit of the CPF should be.**

Click here to enter text.

1.7 It is proposed that membership of the CPF would be open to a maximum of three nominations from the member administering authorities of each pool. The nominations may all be elected members or include a mixture of elected members and others.

1.8 In line with the SAB's previously published statement on pool representation the determination of nominees should include the consideration of the provision of direct representation for scheme members.

1.9 Do you agree that membership should be as set out above?
Yes

If you answer "no", please describe below how you think membership should be structured.

Click here to enter text.

1.10 It is proposed that the CPF should meet at least quarterly.

1.11 Do you agree that meetings should be held at least quarterly?

Yes

If you answer "no", please explain below how often you think the CPF should meet.

Click here to enter text.

1.12 It is proposed that the Chair of the CPF should be selected from amongst the forum's membership. Do you agree?
Yes

If you answer "no", please explain below how you think the Chair should be selected.

Click here to enter text.

1.13 Given the proposed remit of the CPF as a non-decision making body, it is not proposed to include in its remit any arrangements with respect to voting.

1.14 Do you agree that voting arrangements should not be included in the remit?
Yes

If you answer "no", please explain below why you think voting arrangements should be included.

Click here to enter text.

1.15 It is further proposed that the Scheme Advisory Board's Secretariat should support the administration of the CPF in terms of arranging meetings, venues, etc.

1.16 Do you agree that the Secretariat should support the CPF in this way?
Yes

If you answer "no", please explain below how you think administration of the CPF should be supported.

Click here to enter text.

Part 2 - Open Session

1.17 In order to better enable the open and wide dissemination of information, it is proposed that a session for all chairs of pension committees and local pension boards on the progress towards pooling should be organised.

1.18 Do you agree that an open session of this type would be helpful?
Yes

Please use the space below if you wish to expand on your response.

We believe this is the best way to disseminate information across all Pension Funds rather than the restricted membership of the proposed Forum. If numbers allow, we would suggest invitations are extended to allow wider presentation from each Fund.

1.19 If no, please explain that you would change or add and why.

Click here to enter text.

Part 3 – Respondent details

1.20 Please complete the table below with administrating authority and contact details.

Administering Authority:	Oxfordshire
Contact name:	Sean Collins
Email address:	sean.collins@oxfordshire.gov.uk

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Letter requesting categorisation as an elective professional client

[ON [AUTHORITY] HEADED PAPER]

[Manager name]

[Manager address]

[Date]

Dear [●]

Request to be treated as a professional investor

I am writing to you ahead of the implementation in the UK of the Markets in Financial Instruments Directive (2014/65/EU) (MiFID II). I have been authorised by NAME OF AUTHORITY (the "Local Authority") to inform you that, in its capacity as an administering authority of a local government pension scheme, it wishes to be treated as a professional client for the purpose of:

(a) any and all investment service(s) which it receives from you (the "Services"); and/or

(b) the promotion to us of, and investment in, any and all fund(s) managed or advised by you (the "Fund Promotions/Investments").

We understand you are required to categorise all of your clients as either professional clients or retail clients and that you currently categorise the Local Authority as a Professional Client ("Professional Client"). However as of 3 January 2018, under new rules deriving from MiFID II, you will be obliged to re-categorise the Local Authority as a Retail Client ("Retail Client") as regards receiving Services from you and/or as regards existing fund investments and any future Fund Promotions/Investments, unless you are satisfied you can otherwise treat the Local Authority as an elective Professional Client and opt-up the Local Authority to this particular client status.

I confirm and acknowledge that the Local Authority is aware that, being categorised as a Professional Client, it will not benefit from the protections and investor compensation rights set out in more detail in Schedule 1. In doing so, I confirm that the Local Authority has reviewed and considered the loss of these protections and rights very carefully and has, if it felt so appropriate, taken advice from legal, financial or other advisors.

I wish to inform you that the Local Authority wishes to be categorised as a Professional Client for the purposes of the Services and/or Fund Promotions/Investments, as applicable in its capacity as an administrating authority of the Local Government Pension Scheme.

Prior to re-categorising the Local Authority, as a Professional Client, I understand that you will be required to assess the Local Authority on certain quantitative and qualitative grounds. In order to facilitate this assessment, please find attached a completed questionnaire for your review and consideration.

Subject to you being reasonably assured that, as of 3 January 2018, the Local Authority satisfies the necessary quantitative and qualitative grounds and may be categorised as an elective Professional Client, the Local Authority confirms the following:

(a) its request to be categorised as a Professional Client, in its capacity as an administrating authority of the Local Government Pension Scheme, in relation to the Services and/or Fund Promotions/Investments.

(b) all information provided to you by us (for the purposes of facilitating your assessment of the Local Authority's request to be categorised as a Professional Client) is true, accurate and complete.

(c) the Local Authority understands the contents of Schedule 1 which contains summaries of the protections and investor compensation rights, if any, that the Local Authority will lose once it is categorised as a Professional Client. Please note that I can confirm that the Local Authority is fully aware of the consequences of losing such protections and still wishes to apply to be categorised as Professional Client in respect of the Services and/or Fund Promotions/Investments.

(d) the Local Authority has had sufficient time to consider the implications of categorisation as a Professional Client and has separately taken any legal, financial or other advice that it deems appropriate.

(e) the Local Authority will inform you of any change that could affect its categorisation as a Professional Client. I also confirm that the Local Authority understands its responsibility to ask you for a higher level of protection if it is unable to properly assess or manage the risks involved with the investments comprised within the portfolio management mandates which you have been appointed to manage.

(f) I acknowledge the Local Authority understands that you shall be permitted, in your sole discretion and without providing any reason, to re-categorise the client as a Retail client or cease to provide the Services or otherwise carry out any fund promotion to us or allow future investment in funds by us.

If you have any questions regarding this application please contact **[name]** on **[number]** or alternatively e-mail us at **[email address]**.

Yours sincerely,

……………………………………………….

[insert name and position] [Authority]

Schedule 1

Warnings - loss of protections for the Local Authority if categorised as a Professional Client

Professional Clients are entitled to fewer protections under the UK and EU regulatory regimes than is otherwise the case for Retail Clients. This Schedule contains, for information purposes only, a summary of the protections lost when requesting and agreeing to be treated as a Professional Client.

Part 1 – Loss of protections as a Professional Client when receiving Services

1. **Communicating with clients, including financial promotions**

   As a Professional Client the simplicity and frequency in which firms communicate with you may be different to the way in which we would communicate with a Retail Client. Firms will ensure however that their communication remains fair, clear and not misleading.

2. **Information about the firm, its services and remuneration**

   The type of information that a firm provides to Retail Clients about itself, its services and products and how it is remunerated differs to what it provides to Professional Clients. In particular,

   (A) It is obliged to provide information on these areas to all clients but the granularity, medium and timing of such provision may be less specific for clients that are not Retail Clients;

   (B) the information which it provides in relation to costs and charges for its services and/or products may not be as comprehensive for Professional Clients as it would be for Retail Clients, for example, it is required when offering packaged products and services to provide additional information to Retail Clients on the risks and components making up that package; and

   (C) when handling orders on behalf of Retail Clients, it has an obligation to inform them about any material difficulties in carrying out the orders; this obligation may not apply in respect of Professional Clients.

3. **Suitability**

   In the course of providing advice or in the course of providing portfolio management services, when assessing suitability for Professional Clients, a firm is entitled to assume that, in relation to the products, transactions and services for which Professional Clients have been so classified, that they have the necessary level of experience and knowledge to understand the risks involved in the management of their investments. Firms cannot make such an assumption in the case of Retail Clients and must assess this information separately. Firms would be required to provide Retail Clients with a suitability report, where they provide investment advice.

4. **Appropriateness**

   For transactions where a firm does not provide investment advice or portfolio management services (such as an execution-only trade), a firm may be required to assess whether the transaction is appropriate for the client in question. In respect of a Retail Client, there is a specified test for ascertaining whether the client has the requisite investment knowledge and experience to understand the risks associated with the relevant transaction. However, in respect of a Professional Client, a firm is entitled to assume that they have the necessary level of experience, knowledge and expertise to understand the risks involved in a transaction in products and services for which they are classified as a Professional Client.

5. **Dealing**

A range of factors may be considered for Professional Clients in order to achieve best execution (price is an important factor but the relative importance of other different factors, such as speed, costs and fees may vary). In contrast, when undertaking transactions for Retail Clients, the total consideration, representing the price of the financial instrument and the costs relating to execution, must be the overriding factor in determining best execution.

6. **Reporting information to clients**

For transactions where a firm does not provide portfolio management services (such as an execution-only transactions), the timeframe for providing confirmation that an order has been carried out is more rigorous for Retail Clients' orders than Professional Clients' orders.

7. **Client reporting**

Firms that manage a retail portfolio that includes positions in leveraged financial instruments or contingent liability transactions shall inform the Retail Client, where the initial value of each instrument depreciates by 10% and thereafter at multiples of 10%. These reports do not have to be produced for Professional Clients.

8. **Financial Ombudsman Service**

The services of the Financial Ombudsman Service may not be available to you as a Professional Client.

9. **Investor compensation**

Eligibility for compensation from the Financial Services Compensation Scheme is not contingent on your categorisation but on how your organisation is constituted. Your rights (if any) to make a claim under the Financial Services Compensation Scheme in the UK will not be affected by being categorised as a Professional Client.

10. **Exclusion of liability**

A firms' ability to exclude or restrict any duty of liability owed to clients is narrower under the FCA rules in the case of Retail Clients than in respect of Professional Clients.

11. **Trading obligation**

In respect of shares admitted to trading on a regulated market or traded on a trading venue, a firm may, in relation to the investments of Retail Clients, only arrange for such trades to be carried out on a regulated market, a multilateral trading facility, a systematic internaliser or a third-country trading venue. This is a restriction which may not apply in respect of trading carried out for Professional Clients.

12. **Transfer of financial collateral arrangements**

As a Professional Client, a firm may conclude title transfer financial collateral arrangements for the purpose of securing or covering your present or future, actual or contingent or prospective obligations, which would not be possible for Retail Clients.

13. **Client money**

The requirements under the client money rules in the FCA Handbook (CASS) are more prescriptive and provide more protection in respect of Retail Clients than in respect of Professional Clients.

Part 2 – Loss of protections for the Local Authority as a potential investor if categorised as a Professional Client for the purposes of Fund Promotions

1. **Fund promotion**

   It is generally not permitted for firms to market alternative investment funds (AIFs) to investors who are Retail Clients (although there are certain limited exceptions to this rule). As a Professional Client, firms will (subject to complying with applicable marketing rules) be generally permitted to market shares or units in AIFs to you, without being subject to this restriction.

2. **Non-mainstream pooled investments**

   For the purposes of the UK regulatory regime, AIFs typically fall within the definition of an "unregulated collective investment scheme". The UK regulator considers unregulated collective investment schemes to be a high-risk investment, which are not generally suitable investments for Retail Clients. As such, firms are not permitted to promote investments in unregulated collective investment schemes to Retail Clients (although there are certain limited exceptions to this rule). As a Professional Client, firms will be generally permitted to promote an investment in unregulated collective investment schemes to you, without being subject to this restriction (and without making any assessment of whether the investment would be suitable or appropriate for you).

3. **Communicating with clients, including financial promotions**

   Detailed rules govern generally the form and content of financial promotions which are issued to investors who are Retail Clients. However, these detailed form and content rules apply less rigorously where a promotion is issued only to investors who are Professional Clients. As a Professional Client, firms will be generally permitted to issue promotions to you which do not satisfy the detailed form and content rules for Retail Clients. Firms must ensure however that communications remains fair, clear and not misleading.

4. **Financial Ombudsman**

   The services of the Financial Ombudsman Service may not be available to you as a Professional Client

5. **Investor compensation**

   Eligibility for compensation from the Financial Services Compensation Scheme is not contingent on your categorisation but on how your organisation is constituted. Your rights (if any) to make a claim under the Financial Services Compensation Scheme in the UK will not be affected by being categorised as a Professional Client.

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Elective Professional Client - Status Assessment

NAME OF LOCAL AUTHORITY:____

CAPACITY: **As administering authority of the local government pension scheme**

NAME OF OFFICIAL COMPLETING QUESTIONNAIRE:____________________________

DATE:___________________

QUANTITATIVE TEST

Answer questions (a) - (d) below. Please ensure that the detail forming the basis of the determination is recorded.

Please answer question (a) with a "Yes" / "No" answer	
(a) Does the size of the local authority's financial instruments portfolio (including both cash deposits and financial instruments) for the purposes of its administration of a local government pension scheme **exceed GBP 10,000,000**? Portfolio size_______ as at date: ………………………………………………….	☐ Yes ☐ No
(b) Is the local authority an 'administering authority' of the Local Government Pension Scheme within the meaning of the version of Schedule 3 of The Local Government Pension Scheme Regulations 2013 or, (in relation to Scotland) within the meaning of the version of Schedule 3 of The Local Government Pension Scheme (Scotland) Regulations 2014 in force at 1 January 2018, and is acting in that capacity?	☐ Yes ☐ No
If the answer is "Yes" to question (b) above, it is not necessary to carry out the assessment in question (c) or question (d) and the answer "N/A" can be given in both cases	
(c) Has the local authority carried out transactions (in significant size) on the relevant market, at an average frequency of at least **10 per quarter** for the **previous four quarters** (i.e. at least 40 investments on the relevant market in the last year)? Transaction total: …………………………………………………………………..	☐ Yes ☐ No ☐ N/A
(d) Does the person authorised to carry out transactions on behalf of the local authority work or has that person worked in the financial sector for at least one year in a professional position, which requires knowledge of the provision of services envisaged? Details of role: …………………………………………………………………	☐ Yes ☐ No ☐ N/A

QUALITATIVE TEST

The "qualitative test" requires a firm to undertake an assessment of the **expertise, experience and knowledge** of the local authority, in order for the firm to be reasonably assured, in light of the nature of the transactions or services envisaged, that the local authority is capable of **making its own investment decisions** and **understanding the risks involved**[1].

In order for a firm to undertake the assessment required for the purposes of the qualitative test, certain information must be received from local authorities. Local authorities should provide answers to the questions set out below in as comprehensive a fashion as possible. The responses received from the local authority client should be considered and assessed internally by the firm.

TO BE COMPLETED BY THE LOCAL AUTHORITY CLIENT

Section 1: Decision making body for pension investing within your authority

Please complete the following section in relation to the decision making body within the authority.

1.	Please indicate which <u>one</u> of the models below is used for investment decisions in the administering authority.

a	All decisions delegated to committee or sub-committee. (*Please tick whether you have enclosed or provided a link to the minute giving the officer completing this document the necessary authorisation to do so*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
b	Decisions delegated to committee or sub- committee with partial delegation to an officer or officers. (*Please tick whether you have enclosed or provided a link to the minute giving the officer completing this application the necessary authorisation to do so*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
c	All decisions delegated to an officer or officers.	YES NO	☐ ☐
d	Other	YES NO	☐ ☐

2.	Please enclose or provide a link to the relevant scheme of delegations, which confirm details of the model elected above.	Enclosed Link	☐ ☐

3.	If you have selected model "d - other" above, please use the box below to describe the composition of the decision making model giving details of the parties and their functions. Details should include information on how the decision making body is constructed, constituted and periodically reviewed.

[1] COBS 3.5.3R (1)

Section 2: Expertise, experience and knowledge

Please answer the following questions in relation to the members of the committee or sub-committee (*not officers, investment advisors or consultants*) which makes investment decisions of behalf of the authority.

If you answered (c) to Section 1 Question 1, please move to Section 3.

1	Are members provided with a written brief on joining the committee? (*Please tick whether you have enclosed or provided a link to a copy of an example of the briefing*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
2	Are members provided with training on investment matters? (*Please tick whether you have enclosed or provided a link to examples of the training offered to members in the last 12 months*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
	Please indicate the total number of hours of training offered and delivered to the committee over the last 12 months.	hours offered hours delivered	
3	Is the attendance of members at training monitored and recorded?	YES NO	☐ ☐
4	Please state the average number of hours of training committee members have attended over the last 12 months.	hours	
5	Please state the average number of hours at investment conferences that committee members have attended over the last 12 months.	hours	
6	Are members required to complete a self-assessment with regard to their knowledge of investments? (*Please tick whether you have enclosed or provided a link to details of the self-assessment tool used*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
7	Please state the number of years served on the committee (or other such investment committees) on average for each member	years	
8	Please provide any other information which may assist with the assessment of the knowledge, experience and expertise of the committee or sub-committee - (such as the average number of years of independent investment experience by members).		

Section 3: Investment history and strategy

1	Please complete the following questions in relation to the authority's history and current strategy with regard to investments which are acquired through an investment manager's investment mandate or invested in directly (e.g. funds).

Asset class or investment vehicle	Number of years held	Currently Held
Fixed interest securities	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Index-linked securities	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Listed equities	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Pooled investment vehicles (PIVs) – authorised funds (e.g. UCITS, NURS, PAIFs)	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Pooled investment vehicles (PIVs) – unauthorised (e.g. investment trusts, close-ended real estate funds, hedge funds)	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Property PIVs	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Private equity funds	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Property	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Exchange traded derivatives (ETDs)	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Over-the-counter derivatives (OTCs)	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Commodities	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Cash deposits	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Commercial paper	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Floating rate notes	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Money market funds	0 ☐ 1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
Other asset classes or investment vehicles where the authority has experience (Please give details below)		
	1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
	1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
	1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐
	1-3 ☐ 4-5 ☐ 5+ ☐	YES ☐ NO ☐

2	Please tick whether you have enclosed or provided a link to the most recent version of the authority's Investment Strategy Statement.	Enclosed Link	☐ ☐
3	Has the authority taken the appropriate advice, as required by regulation, in preparing its Investment Strategy Statement?	YES NO	☐ ☐

Section 4: Understanding risks

Please answer the following questions in relation to the members of the committee or sub-committee or officers (*not investment advisors or consultants*) making investment decisions of behalf of the authority.

1	Does the authority have a risk framework and/or risk management policy in place in relation to investments? (*Please tick whether you have enclosed or provided a link to a details of the framework/policy*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
2	Was external advice taken with regard to the preparation, monitoring and review of the framework/policy?	YES NO	☐ ☐
	If yes, please provide the name of the advisor:		
3	Is the risk framework/policy reviewed on a regular basis?	YES NO	☐ ☐
	If YES please state the frequency of the review.		
	(*Please tick whether you have enclosed or provided a link to details of the last review*)	Enclosed Link	☐ ☐
4	Are those directly involved in decision making provided with training on risk management, including focused training on understanding the risks involved with investments? (*Please tick whether you have enclosed or provided a link to examples of the training offered in the last 12 months*)	YES NO Enclosed Link	☐ ☐ ☐ ☐
5	Are those directly involved in decision making required to complete a self-assessment with regard to their understanding of risk management? (*Please tick whether you have enclosed or provided a link to details of the self-assessment tool used*)	YES NO Enclosed Link	☐ ☐ ☐ ☐

Section 5: Support for investment decisions taken by committee/sub-committee of the authority

Please answer the following questions in relation to those officers, advisors or consultants who directly contribute to assisting the committee/sub-committee of the authority take investment decisions or those officers who have delegated decision making powers.

In Section 1 Question 1, if you answered:

- Model a - please complete Question 1 below
- Model b - please complete Questions 1 and 2 below
- Model c - please complete Question 2 below
- Model d - please complete the below questions as appropriate

1.	For each officer providing support to the committee or sub-committee please provide the following information.

Job title	Relevant qualifications	Years experience in role[2]

2.	For each officer with delegated investment powers please provide the following information (these may be the same officers as above).

Job title	Limit on asset classes or investment vehicles	Limit on delegation (£m)

3	Does the authority have a written succession plan in place to manage key person risk in relation to the above officers? (*Please tick whether you have enclosed or provided a link to details of the succession plan*)	YES NO Enclosed Link	☐ ☐ ☐ ☐

4.	For each individual investment advisor used by the authority please provide the following information *only to be completed where these individual investment advisors are engaged on an independent basis and not acting on behalf of an entity listed in point 5 below)*.

Name	Relevant qualifications	Years experience in role[3]

[2] Or similar role which would provide knowledge of the provision of the services envisaged, which may have been carried out at a different organisation.
[3] Or similar role which would provide knowledge of the provision of the services envisaged.

5.	For each investment advisory firm used by the authority please provide the following information.

Name of firm	Details of FCA authorisation	Years employed by authority

6.	For each individual investment consultant used by the authority please provide the following information (*only to be completed where these consultants are engaged on an independent basis and not acting on behalf of an entity listed in point 7 below)*.

Name	Relevant qualifications	Years experience in role[4]

7.	For each investment consultancy firm used by the authority please provide the following information.

Name of firm	Details of FCA authorisation	Years employed by authority

8.	Please confirm whether the officer, investment advisor firm/individual, investment consultancy firm/individual, is aware of the reliance being placed on it for the purposes of the client categorisation of Local Authorities.	YES ☐ NO ☐

[4] Or similar role which would provide knowledge of the provision of the services envisaged.

Section 6 General questions

1.	In the last three years has the authority been censured for a material breach of Local Government investment regulations in force from time to time or any other related legislation governing investment?	YES NO	☐ ☐
	(*If yes please tick whether you have enclosed or provided a link to a details of the breach*)	Enclosed Link	☐ ☐

2.	Please use the box below to provide any further information which may be useful in the support of your application.

Division(s): N/A

PENSION FUND COMMITTEE – 15 SEPTEMBER 2017

ADMINISTRATION REPORT

Report by the Director of Finance

Introduction

1. This report is to update members of current administration 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.

Performance Data / Data Quality

2. At the previous meeting member asked for reports to give a clearer indication of the workloads and progress in meeting targets. Having reviewed the reporting from Altair I have found that there are inconsistencies between the reports showing overall workloads and the reports looking at how that workload is processed in line with the service level agreement. This has been raised as an issue with our software supplier Heywood but will take some time for corrections to feed through to the output reports.

3. It is intended that as more robust reporting / data extraction is available from Altair that a more comprehensive set of tables will be provided to this committee.

The current workload stands at:

	April	May	June	July
Workload B/F	7950	8249	8278	8739
Workload Received This Month	1271	1040	1306	1306
Workload Completed	972	1011	845	881
Workload C/F	8249	8278	8739	9164
Net Increase / Decrease in Workload	299	29	461	425

4. The increases over the past two months are almost wholly attributable to the number of leavers, including retirements from the scheme.

5. Given that not only is this the holiday period but some team members have been helping with the processing of end of year the management of the workload has prioritised any task which relates to the payment of a benefit.

6. For End of Year returns the data, as at 15 August 2017, shows:

*Updated figures will be brought to the Committee Meeting

Number of employers – returns:-	
Received	159
Outstanding	25
No active members	6
Completed	53
Number of ABS Statements – 40.30%	7967

7. Members will be aware that the team focus has been on the processing of employer's annual returns and the issuing of annual benefit statements, which is being closely monitored by The Pension Regulator.

8. Both sets of data above are reflective of two main issues: -

- The first is that despite earlier and more frequent communication about end of year processes, the need for accurate and timely data returns and employer responsibilities, there is a frustration that the same issues are being raised with the same employers. That many employers do not take responsibility for their data submissions even to the extent of not making the most basic checks ahead of submission has a huge impact on the Pensions Team.

- The second issue is that the staffing levels / team structure agreed by the previous committee in December 2016 has not yet been fully implemented due to difficulties in recruiting, compounded by long term sickness; performance issues; maternity leave and further resignation.

Project Work

9. The table below shows both current and planned project work for the team:

Implement Administration to Pay	For instructions and records to be passed from Benefit to Payroll team without need for paper	on hold
Implement Member Self Service for Active and Deferred Members	To allow members online access to their pension records and update certain data	on hold
Implement Tell Us Once	Allows Pension Services to have access to information reported to Registrars	Overdue
GMP Reconciliation	Reconcile fund records	In progress

	with those of HMRC to determine where liability rests – work to be outsourced to a third party for action	
Backlog of Work	Number of cases not processed - work to be outsourced to a third party for completion	In progress
Implementation of i-Connect	This additional module would allow scheme employers to upload data directly from their payroll system to Altair	Meeting scheduled for October to discuss how & when to implement
Implementation of Employer Relationship Management System	To have employer details recorded on system for better control & reporting	Investigating available systems and options
Implementation of GDPR	New data protection regulations to be implemented	In progress
Re- tendering of Actuarial Contract	Actuarial contract ends 10.12.17 so need to re-tender	In progress

10. Of the above, the key projects are:

- Implementation of Tell Us Once which has not been finalised due to IT issues
- The reconciliation of the GMP values with HMRC, which has been linked with the backlog of work to be cleared, with both projects being supported by additional resources procured under the LGPS National Framework
- The re-tender of the actuarial contract

Meetings scheduled over next few weeks will determine the priorities and deadlines for the remaining projects

Write Offs

11. In line with the Scheme of Delegation Policy (last reviewed in June 2017), the approval for writing off outstanding debts is given by:

Pension Fund Committee	For amounts above £10,000
Service Manager – Pensions (in conjunction with Director of Finance	For amounts between £7,500 and £10,000
Service Manager – Pensions	For amounts up to £7,500
Pension Services Manager	For amounts up to £500

12. 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.

13. In the current period, the Pension Services Manager has approved the write off of £49.23 chargeable to the pension fund in respect of seven cases where the member has died.

14. In the period December 2016 to September 2017 a total of £10,861.90 has been written off, in respect of 28 cases where the member has died plus one case of non-repayment.

Employer Changes

15. In previous reports these employer changes have been listed in detail. However, the LGPS Regulations set out the criteria for admission which does not include any requirement for approval by the Pension Fund Committee, therefore providing the correct steps have been taken to mitigate any costs / risks to the Fund this is just an administrative process. The most challenging issue (administratively) is getting confirmation of pass through agreements since there seems to be a general lack of understanding around this issue.

16. There is, at the moment, a high volume of movement among scheme employers, of around 50 new cases, whether this is through conversion to academy status; merging of existing academies or the in /out sourcing of scheme employer functions.

17. The majority of the cases relate to the outsourcing of either catering or cleaning contracts which generally affects one or two scheme members. Some of the outsourcings are significant in terms of number of members and the potential impact to the fund as noted in the Business Plan report, which would be updated accordingly in future.

Fire Service Pension Schemes

18. Pension Services also provide administration services to Oxfordshire Fire & Rescue in respect of the Fire Service Pension Schemes

	April	May	June	July
Workload B/F	162	161	169	154
Workload Received This Month	12	21	23	10
Workload Completed	13	13	38	38
Workload C/F	161	169	154	126
Net Increase / Decrease in Workload	-1	8	-15	-28

RECOMMENDATION

19. The Committee is RECOMMENDED to note the report.

Lorna Baxter
Director of Finance

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

August 2017

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OXFORDSHIRE PENSION FUND
REPORT AND ACCOUNTS 2016/17
Registered Number: PS049/20

CONTENTS

FOREWORD TO THE 2016/17 PENSION FUND REPORT AND ACCOUNTS BY THE CHIEF FINANCE OFFICER

Introduction

The 2016/17 Report and Accounts reflect a year of significant activity. Officers and Members were heavily engaged in developing the full business case to meet the Government's investment pooling requirement for all Administering Authorities within the Local Government Pension Scheme. It was Valuation year and officers were engaged with the Fund Actuary in determining the employer contribution rates to be effective for the three years from 1 April 2017.

For the administration team and scheme employers, it was again a challenging year to meet all the data requirements, which ultimately led to a second referral to the Pensions Regulator for a breach of the Regulations in respect of the issuing of Annual Benefit Statements to all active and deferred scheme members. The Local Pension Board has made this an area of key focus, particularly in looking to support the development of the Improvement Plan to ensure performance in 2017/18 does reach the required standards.

Key Challenges of 2016/17

Responding to the Government's pooling requirements was a key challenge throughout 2016/17 with an outline business case signed off in July 2016, followed by a full business case in December 2016. At the time of writing this foreword, the 10 Administering Authorities have just established the Brunel Pension Partnership Limited, and agreed the 8 members of the initial Board. Each of the 10 authorities is an equal shareholder in the new company. Over time, the company will become responsible for managing the investments of all 10 authorities looking to deliver total net savings of £550m over the next 20 years, of which £18.9m will be Oxfordshire's share. The business case sets out the scope for further savings and improvements in investment returns which should stem from the new arrangements.

The Fund Actuary completed the 2016 Fund Valuation exercise which estimates the total liabilities of the Fund as at 31 March 2016, and the shortfall in assets held to meet them. Following strong investment performance over the period since the last valuation, the Actuary was able to report a significant improvement in the overall funding level from 82% to 90%, with the deficit falling from £329m to £205m. For many employers, the Actuary was therefore able to shorten the deficit recovery period whilst maintaining a stable employer contribution rate overall. For the Fund as a whole this contribution rate was 20.2% of pensionable pay reflecting an employer cost of 15.3% towards future pension benefits and 4.9% to meet the costs of the past service deficit.

As noted in the introduction, maintaining complete and accurate records for all scheme members remained a significant challenge, with many employers still struggling to produce timely and accurate returns. As a consequence, whilst we managed to issue just over 50% of the required Annual Benefit Statements by the statutory deadline of 31 August 2016, compared to 0% last year, we were still required to report a statutory breach of duty to the Pension Regulator. Officers have worked closely with the Pension Regulator and the Local Pension Board to develop an improvement plan which should lead to a much improved position this August. This year, we have included a report from the Local Pension Board on their work during 2016/17 as part of the Annual Report and Accounts.

One other key challenge this year was to respond to a number of calls from scheme members to stop the Fund investing in fossil fuel companies and to divest from existing holdings. The Pension Fund Committee discussed the issue on a number of occasions having heard from speakers from Fossil Free Oxfordshire as well as staff from our Fund Managers who lead on their responsible investment policies. This culminated with the publication of our first Investment Strategy Statement in March 2017. This Statement stops short of a divestment policy, but does make it clear that the impact of climate change is seen as one of the key risks to the long term financial returns of companies, and that the Committee therefore requires their Fund Managers to fully assess this risk before making any investment, engaging with company management where necessary and divesting from a company where they do not see that management are responding appropriately.

The Fund

The Fund saw a further 10% growth in the number of scheme employers during 2016/17, now receiving contributions from 184 employers. The increase reflects the changing nature of public service delivery, and in particular the growth of academy schools and the out-sourcing of services. The Fund had a total of 62,819 members as at 31 March 2017.

In terms of cash-flow, whilst the trend is downwards, the Fund remains cash positive, collecting just under £1m each month more than it pays out by way of benefits. This allows the Fund to retain an investment strategy which maximises the long term returns to the Fund, without the restriction of maintaining high levels of cash or liquid assets to meet pension payments.

Investment Performance

Investment performance over the last year was strong, with the Fund as a whole returning 22.5% against a benchmark of 20.8%. UK equity managers in the Fund made returns just over 20% whereas global equity managers saw returns of over 30%. Fixed income returned 11%, the diversified growth fund 8%, property 4% and private equity 31%. Private equity and the diversified growth fund accounted for most of the out-performance against benchmarks. The returns plus positive cash flow meant the fund grew in size from £1.8bn to £2.3bn.

The Future

A considerable amount of work will be required during 2017/18 to establish the Brunel Pension Partnership including transitioning all investment assets across to a new Administrator/Custodian ready for the movement of investments to new portfolios managed by the new company during 2018/19 and onwards. These new portfolios will themselves have to be designed during the year with Officers and Members from all 10 Administering Authorities working with the new company to ensure that all the requirements of the Investment Strategy Statements can be met, and pension liabilities continue to be met in the most cost efficient way.

As the trend in cash flow continues downwards, the Fund will need to work with the major scheme employers to understand any key potential changes in their workforce which will impact on the level of pensions in payment and/or contributions payable from active members. This will need to be fed into a review of the investment strategy to ensure we are still in a position to close the current deficit on the Fund, whilst retaining sufficient cash to meet the monthly pension payroll. The lower deficit reported within the 2016 Valuation has allowed us to plan to reduce the current level of investment risk/volatility by switch 5% of the fund from equities to fixed income.

As noted above a lot of work still needs to be completed to ensure all scheme employers are in a position to provide timely and accurate member data, and the Administering Authority in turn can provide information to individual scheme members in line with the regulatory requirements.

All of this will need to be achieved with a brand new Pension Fund Committee, after the May elections lead to 9 new Committee Members following retirements and election losses of the previous Committee Members. It therefore remains the case that the next year promises to be yet another eventful year for the LGPS in Oxfordshire. We look forward to the challenge.

Lorna Baxter
Director of Finance July 2017

THE OXFORDSHIRE PENSION FUND LOCAL PENSION BOARD

All Public Sector Pension Schemes were required under the Public Service Pensions Act 2013 to set up a Pension Board with effect from 2015/16 to assist the administering authorities of their Pension Scheme in ensuring compliance with LGPS and other pension regulations.

The Oxfordshire Pension Fund Committee, acting as administering authority of the Oxfordshire LGPS, agreed the terms of reference of the Pension Board in March 2015. These terms of reference are available on the Board's website at https://www.oxfordshire.gov.uk/cms/content/lgps-local-pension-board.

Under the constitution of the Board, an annual report on the work of the Board should be produced by the Board for inclusion in the Fund's own annual report; and it should be presented to the Pension Fund Committee within 6 months following the end of the municipal year. This report meets that requirement for the 2016/17 financial year (the initial annual report of the Pension Board covered the period November 2015 which was the initial meeting of the Board to July 2016, the Board's third meeting. This report therefore covers the work from the October 2016 Board meeting to their meeting on 7 April 2017. Future annual reports will cover the full year of meetings).

Board Membership

The Board continued to run with a scheme member representative vacancy until the April 2017, when Sarah Pritchard was appointed to the Board, following a process where all scheme members were invited to express an interest in the position. Membership during the year and attendance at Board meetings was as follows:

Scheme Employer Representatives	Attended 21 October 2016 Meeting	Attended 13 January 2017 Meeting	Attended 7 April 2017 Meeting
Cllr Bob Johnston (Oxfordshire County Council)	Yes	Yes	Yes
Cllr Roger Cox (Vale of White Horse District Council)	Yes	No	No
David Locke (Oxford Diocesan Schools Trust)	Yes	In Part	No
Scheme Member Representatives			
Stephen Davis (Oxford City Council & Unite)	Yes	Yes	Yes
Alistair Bastin (Oxfordshire County Council & Unison)	Yes	No	Yes
Sarah Pritchard (Brookes University)	n/a	n/a	Yes

Cllr Roger Cox sent apologies for two of the meetings which clashed with cabinet meetings he was required to attend at the Vale of White Horse District Council. Following the end of the financial year, he submitted his resignation to the Board given the continued capacity issue whilst he remained on the Cabinet of the District Council. A new expression of interest process was initiated with an appointment due to be confirmed by the end of July 2017.

All meetings were attended and chaired by Graham Burrow, the Head of Pensions for the Gloucestershire Pension Fund in line with his appointment as the Independent Chairman. At the April Board meeting, Graham announced his decision to step down from the position given his impending retirement. It was subsequently agreed that Mark Spilsbury, as the new Head of Pensions at the Gloucestershire Pension Fund would take on the role as Independent Chairman of the Oxfordshire Pension Board, with Sean Collins, the Head of Pensions for the Oxfordshire Fund remaining as Independent Chairman of the Gloucestershire Local Pension Board.

Work Programme

The main area of focus for the Pension Board throughout 2016/17 was in respect of employer management, and in particular the timely and accurate submission of data from employers to the Pension Services team. At their meeting in October 2016 the Board raised a number of concerns about the level of communication with Scheme Members where they did not receive their Annual Benefit Statement and expressed a view that all active and deferred members should receive some form of communication. Officers were asked to look at the options of sending a holding letter to inform the member we were still working on their statement which would follow, or to send out the statement based on the information provided by the employer, with a message that there were outstanding queries with the information, and that the scheme member should contact their employer to discuss.

The Board were also keen to see the development of improved management information, which would allow both the Board and the Committee to monitor progress on the production of the 2017 statements.

The January meeting of the Board considered further management information and welcomed the decision of the Committee to increase the establishment of the Pension Services team to help address some of the issues. There was also discussion as to how the process for collecting data could be improved, and in particular the extent it could be standardised which would assist scheme employers who had scheme members in multiple funds. The Board also noted the plans to improve employer training, and the escalation process in cases on non-compliance. The Board suggested that they could be involved in the escalation process and call in scheme employers to discuss the issues related to late, incomplete or inaccurate returns.

The Board was also keen to develop more data about the processes and results from other Funds, starting with the administering authorities within the Brunel Pension Partnership. This should include information on the level of tolerances around data accepted by each Fund, and the level of risks taken by each Fund in processing the data received.

In April, the Board reviewed the latest position, and considered the action plan developed in response to the request from the Pension Regulator, which contained many of the items previously highlighted by the Board.

Other areas of work considered by the Board during 2016/17 included:

- The development of the Brunel Pension Partnership. The Board received update reports at each meeting and attended the engagement days with colleagues from the Pension Committee and members of the Pension Fund Committees and Boards from Buckinghamshire and Gloucestershire.
- The Risk Register. The Board reviewed the risk register at each meeting and raised any concerns with the Pension Fund Committee, including concerns re the potential loss of

skills and knowledge on the Pension Fund Committee as a result of the County Council elections, and within the Pension Services team as a consequence over office moves.

- In October at the request of a Board Member, the Board considered the current Additional Voluntary Contributions (AVC) Scheme. The Committee subsequently accepted the Board's recommendations for the next review of the Scheme to be undertaken by independent advisers and to include a comparison of the arrangements of the other Funds within the Brunel Pension Partnership, specifically the number of providers/fund choices open to scheme members.
- In April, the Board considered the Business Plan and the Investment Strategy Statement agreed by the March meeting of the Pension Fund Committee. The Board agreed to undertake further work on the future cash flow forecasts, and on the overall investment management costs and the benefits of active v passive fund management.

The minutes of each Board meeting are included in the agenda papers of the subsequent Pension Fund Committee and a Board representative is invited to present any key items to the Committee. All papers and minutes are also contained on the County council's website, which also hosts pages dedicated to the work of the Pension Board.

Future Work Programme

The Board are keen to build on the work of the last year, and will maintain a focus on scheme data and the management of employer returns. They are looking to invite scheme employers in to present to the Board to ensure they develop a better understanding of the difficulties experienced by scheme employers, as well as the practices in place in those employers who regular meet the return deadlines.

The Board will continue to review the development of the Brunel Pension Partnership and keep a watch on the progress on the delivery of the Pension Committees annual business plan and the action plans to mitigate the risks recorded in the Committee's risk register.

The Board are also looking forward to working with the new Pension Fund Committee which as a new Chairman, Deputy Chairman and 7 new County Councillor members following the May elections. As part of this relationship, the Board will be keen to review the skills, knowledge and experience available at the Committee and the training programme developed to ensure the Committee is in a position to meet the statutory responsibilities it faces.

Statement of Responsibilities for the Pension Fund

The County Council's Responsibilities

The County Council is required to:

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

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

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

The Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Pension Fund's accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ('the Code of Practice').

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

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

The Chief Finance Officer has also:

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

LORNA BAXTER
Director of Finance

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF OXFORDSHIRE COUNTY COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS

Administering Authority	Oxfordshire County Council PO Box 12 County Hall Oxford OX1 1TH
Administrator	Director of Finance
Pension Fund Committee County Council Members 2016/17 Membership	Cllr Stewart Lilly (Chairman) Cllr Patrick Greene (Deputy Chairman) Cllr Surinder Dhesi Cllr Jean Fooks Cllr Nick Hards Cllr Richard Langridge Cllr Sandy Lovatt Cllr Neil Owen Cllr Les Sibley
Representatives of District Councils	Cllr James Fry (Oxford City) Cllr Bill Service (SODC)
Beneficiary Observer	Philip Wilde
Independent Investment Adviser	Peter Davies AllenbridgeEpic Investment Advisers Limited
Fund Managers	Adams Street Partners Baillie Gifford Legal & General Investment Management Partners Group UBS Global Asset Management Wellington Management Insight Investment Management
Internally Managed Funds	Listed Private Equity
Actuary	Alison Hamilton FFA Barnett Waddingham LLP

Auditor	Ernst & Young LLP
AVC Provider	Prudential Assurance Company Ltd
Custodian	BNP Paribas Securities Services
Legal Advisers	Oxfordshire County Council Legal Services
Bankers	Lloyds Bank Plc

SCHEME MANAGEMENT & ADVISORS

HOW THE SCHEME OPERATES

♦ Legal Framework

The Local Government Pension Scheme is a statutory, funded defined benefit pension scheme. It is "contracted-out" of the state scheme. The operation of the Oxfordshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 [as amended] (effective from April 2014).[1] The scheme covers eligible employees and employees of other bodies eligible to be employers in the Scheme. A list of all those bodies with employees currently participating in the Scheme is shown on pages 13 to 17.

This career average revalued earnings (CARE), defined benefit scheme provides benefits related to actual salary for its members and the benefits are unaffected by the investment return achieved on the Scheme's assets. 'CARE' benefits build up each year with annual revaluation while pensions paid to retired employees, their dependents, and deferred benefits are subject to mandatory increases in accordance with annual pension increase legislation. Since 2011 the amount is based the Consumer Price Index (CPI).

All active LGPS members at 31 March 2014 were transferred to the new LGPS for 1 April 2014. Their final salary benefits linked to the final pay definitions of the previous regulations continue while accrual of membership stopped at 31 March 2014.

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

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

♦ Contributions

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

The contribution from employees is prescribed by statute at rates between 5.5% and 12.5% of pay.

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

Contribution rates for 2016 - 2017 were based on the completed valuation of the Scheme's financial position as at 31 March 2013 and are shown on pages 13 to 17. The results of the next actuarial valuation, taking place in 2016 will be operational from April 2017.

♦ Benefits

The benefits payable under the Scheme are laid down by the 2013 Regulations. Pension payments are guaranteed and any shortfall is met through the Pension Fund linked to employer contribution rates set by the fund valuation. The Scheme is a ‘defined benefit scheme and provides a pension based on 1/49th of pensionable pay each year of membership with annual revaluation, adjusted in line with CPI. A Summary of Benefits is shown on pages 75 to 77.

Overriding legislation

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

The limits an individual can build up in a year and a lifetime are set by HMRC with additional reporting timetables for fund administration.

♦ Adjudication of Disagreements Procedure

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

PARTICIPATING EMPLOYERS

Scheduled Bodies	Contribution Rate: Payroll %	Contribution Rate: Additional Monetary Amount	Scheduled Bodies (cont)	Contribution Rate: Payroll %	Contribution Rate: Additional Monetary Amount
	2016/17	2016/17		2016/17	2016/17
Abingdon & Witney College	14.3	£134,000	Dominic Barberi Multi Academy Co	13.9	£117,000
Abingdon Learning Trust	14.4	£18,000	Drayton Parish Council	16.6	-
Abingdon Town Council	16.6	£ 23,000	Endeavour Academy	19.9	-
Activate - Bicester College	19.9	-	Europa School	14.4	£6,100
Activate - UTC Oxfordshire	19.9	-	Eynsham Parish Council	16.6	£ 1,100
Activate Learning	13.0	£409,000	Eynsham Partnership	16.9	£26,000
Adderbury Parish Council	16.6	-	Faringdon Academy	15.9	£33,000
Aspirations Academy Trust	14.0	£76,000	Faringdon Town Council	16.6	£6,500
Banbury Town Council	16.6	£19,000	GEMS Didcot Primary Academy	14.4	£3,300
Benson Parish Council	16.6	£ 1,100	Gillots Academy	14.4	£29,000
Berinsfield Parish Council	16.6	£ 700	GLF- William Morris	19.9	-
Bicester Learning Academy	15.8	£62,200	Gosford Hill Academy School	14.4	£37,000
Bicester Town Council	16.6	£12,000	Hanwell Fields Academy	12.3	£35,000
Blackbird Multi Academy Trust	12.8	£102,000	Henley College	15.0	£46,000
Bloxham Parish Council	16.6	-	Henley on Thames Town Council	16.6	£23,000
Burford School	17.5	£ 62,000	Heyford Park Free School	19.9	-
Carterton Town Council	16.6	£ 4,200	John Mason Academy Trust	17.0	£27,240
CfBT MAT	15.6	£40,700	Kennington Parish Council	21.7	-
Chalgrove Parish Council	16.6	-	Kidlington Parish Council	16.6	£8,600
Cheney Academy School	13.8	£119,000	Ladygrove Park Primary School	14.4	£15,000
Cherwell District Council	13.7	1,595,000	Langtree Academy	14.4	£21,000
Chinnor Parish Council	16.6	£4,100	Littlemore Parish Council	*	-
Chipping Norton Academy	18.4	£35,000	Long Hanborough Parish Council	16.6	£800
Chipping Norton Town Council	16.6	£ 2,400	Lord Williams School	15.6	£74,000
Cholsey Primary School (OPEN)	14.4	£11,000	Manor School Didcot Academy Trust	14.1	£18,000
Cumnor Parish Council	16.6	-	Marcham Parish Council	16.6	£700
Didcot Academy of Schools	16.1	£67,000	Marlborough CE VC School	16.8	£30,000
Didcot Town Council	16.6	£15,000	North Hinksey Parish Council	*	-

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Scheduled Bodies (cont)	Contribution Rate: Payroll % 2016/17	Contribution Rate: Additional Monetary Amount 2016/17
North Oxfordshire Academy	12.0	-
Northern House School Academy Trust	14.4	£23,000
Old Marston Parish Council	16.6	-
Oxford Brookes University	14.1	£1,631,000
Oxford City Council	20.6	-
Oxford Diocesan Trust	13.8	£118,667
Oxfordshire County Council	19.9	-
Propeller Academy Trust	13.4	£55,000
Radcliffe Academy	14.4	£49,400
Radley Parish Council	16.6	£800
Ramsden Parish Council	16.6	£200
Risinghurst & Sandhills Parish Council	*	-
River Learning Trust	14.1	£79,000
Rotherfield Greys Parish Council	16.6	£100
Rotherfield Peppard Parish Council	16.6	£400
Sonning Common Parish Council	16.6	£1,000
South Oxfordshire District Council	12.3	£757,000
St John's Academy Trust	14.4	£9,000
Sutton Courtenay Parish Council	16.6	£700
Thame Town Council	16.6	£13,000
The Iffley Academy	14.4	£34,000
The Mill Academy	16.3	£37,000
The Oxford Academy	16.1	-
The Pope Francis MAC	19.9	-
Tynedale School	14.4	£2,200
Vale Academy Trust	13.2	£148,000
Vale of White Horse District Council	13.1	£708,000

Scheduled Bodies (cont)	Contribution Rate: Payroll % 2016/17	Contribution Rate: Additional Monetary Amount 2016/17
Wallingford School Academy	14.6	£47,000
Wallingford Town Council	16.6	£11,000
Wantage Town Council	*	-
Warriner Multi Academy Trust	19.9	-
West Oxford School Trust	17.7	£22,800
West Oxfordshire District Council	14.4	-
Wheatley Area Learning Trust	18.8	£28,000
Wheatley Parish Council	16.6	£1,200
Whitchurch on Thames Parish Council	*	-
White Horse Federation	19.9	-
Willowcroft Academy Trust	14.4	£17,000
Witney Town Council	16.6	£18,000
Woodstock Town Council	16.6	£1,900

Admitted Bodies

Admitted Bodies	Payroll % 2016/17	Additional Monetary Amount 2016/17
1st Homecare (Oxford) Ltd	19.9	-
A2 Dominion	15.0	£32,000
Adviza	19.9	-
Age UK Oxfordshire	19.9	-
Allied Healthcare	19.9	-
Arcadis	12.3	-
Banbury Citizens Advice Bureau	15.0	£500
Banbury Homes	15.0	£800
Banbury Museum Trust	23.1	-
Barnardos	19.9	-
Capita	X	-
Capita Symonds Ltd	19.9	-

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	Contribution Rate Payroll % 2016/17	Contribution Rate Additional Monetary Amount 2016/17
Cara Services Limited	19.3	-
Care Outlook Ltd	19.9	-
Carillion (AMBS) Ltd	19.9	-
Cater Link Limited	19.7	-
CfBT Career Service	19.6	£15,000
Charter Community Housing	15.6	-
Chartwells (Wheatley Park School)	19.9	-
Cleantec Services Ltd	19.9	-
Community Voice	19.9	-
Cottsway Housing Association	14.5	-
Edwards and Ward (Banbury Dashwood Academy)	19.9	-
Edwards and Ward (Benson C.E. Primary School)	19.9	-
Edwards and Ward (Bladon C.E. Primary School)	19.9	-
Edwards & Ward Ltd (Brightwell-cum-Sotwell CE Primary School)	19.9	-
Edwards and Ward (Caldecott Primary School)	19.9	-
Edwards and Ward (Chilton Primary School)	19.9	-
Edwards & Ward (Hailey Primary School)	19.9	-
Edwards and Ward (New Marston Primary School)	19.9	-
Edwards and Ward (Orchard Fields Primary School)	19.9	-
Edwards & Ward (Rush Common Primary School)	19.9	-
Edwards and Ward (St Andrews C.E. Primary School)	19.9	-
Edwards and Ward (St Nicholas C.E. Primary School)	19.9	-
Edwards & Ward (St Nicholas Oxford)	19.9	-
Edwards and Ward (Willowcroft Community School)	19.9	-
Edwards & Ward (Wolvercote Primary School)	19.9	-

Admitted Bodies (cont)	Contribution Rate Payroll % 2016/17	Contribution Rate Additional Monetary Amount 2016/17
Fresh Start Langford Primary	19.9	-
Fresh Start Ltd (Bloxham School contract)	19.9	-
Fusion Lifestyle	20.6	-
Greenwich Leisure Limited	22.5	-
Groundwork South	19.9	-
Hayward Cleaning Services	19.9	-
Home Farm Trust - South & Vale 1	19.9	-
Home Farm Trust - South & Vale 2	19.9	-
Indigo	X	-
Innovate Services Limited	10.1	-
Nexus Community	15.0	-
Optalis Limited	19.9	-
Order of St John's Care Trust (Oxford)	19.9	-
Oxford Active	12.0	-
Oxford Archaelogical Unit	15.0	£67,000
Oxford Citizens' Housing Association	19.9	
Oxford Community Work Agency	15.0	£5,900
Oxford Health NHS Foundation Trust	19.9	-
Oxford Health NHS Foundation Trust - (Reablement)	19.9	-
Oxford Homeless Pathways	15.0	£12,000
Oxford Inspires	15.4	-
Oxfordshire South & Vale Citizens Advice Bureau	15.0	£710
Oxfordshire Youth Arts Partnership	15.0	£1,100
PAM Wellbeing Ltd	19.9	-
Rapid Commercial Cleaning Ltd	19.9	-

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	Contribution Rate: Payroll % 2016/17	Contribution Rate: Additional Monetary Amount 2016/17	Admitted Bodies (cont)	Contribution Rate: Payroll % 2016/17	Contribution Rate: Additional Monetary Amount 2016/17
Reading Quest	*	-	School Lunch Company (RAF Benson)	19.9	-
RM Education	12.0	-	School Lunch Company (Standlake CE Primary School)	19.9	-
School Lunch Company (Appleton CE Primary School)	19.9	-	School Lunch Company (St Christopher's CE Primary School)	19.9	-
School Lunch Company (Badgemore Community Primary School)	19.9	-	School Lunch Company (St John Fisher Primary School)	19.9	-
School Lunch Company (Bishop Loveday CE Primary School)	19.9	-	School Lunch Company (St Mary's CE Infant School)	19.9	-
School Lunch Company (Brize Norton Primary School)	19.9	-	School Lunch Company (St Mary's Chipping Norton)	19.9	-
School Lunch Company (Charlton on Otmoor)	19.9	-	School Lunch Company (The Batt CE Primary School, Witney)	19.9	-
School Lunch Company (Chesterton CE School)	19.9	-	School Lunch Company (The John Henry Newman Academy)	19.9	-
School Lunch Company (Combe CE Primary School)	19.9	-	School Lunch Company (St John the Evangelist CE Primary School)	19.9	-
School Lunch Company (Cumnor School)	24.6	-	School Lunch Company (St Josephs Catholic Primary School)	19.9	-
School Lunch Company (Hook Norton CE Primary School)	19.9	-	School Lunch Company (St Kenelm's C of E Primary School	19.9	-
School Lunch Company (Nettlebed Community School)	19.9	-	School Lunch Company (Tower Hill School)	24.0	-
School Lunch Company (North Hinksey CE Primary School)	19.9	-	School Lunch Company (Whitchurch Primary School)	19.9	-
School Lunch Company (Queensway School)	19.9	-	School Lunch Company (Witney Community Primary School)	19.9	-

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	Contribution Rate Payroll % 2016/17	Additional Monetary Amount 2016/17	Admitted Bodies (cont)	Payroll %	Additional Monetary Amount
School Lunch Company (Wychwood CE Primary School)	19.9		The Camden Society - North	19.9	-
Skanska Construction UK Ltd	14.7	-	The Camden Society - West 2	19.9	-
SOLL Vale	*	-	UBICO Limited	14.4	
Soverign Vale	*	-	United Sustainable Energy	12.0	
Swalcliffe Park School Trust	15.0	£31,000	Vale Capita	15.3	£29,000
Thames Valley Partnership	15.0	£4,500	Vinci		
The Camden Society - City 1	19.9	-	West Oxon Citizens Advice Bureau	15.0	£3,900
The Camden Society - City 2	19.9	-	Wyclean (The Mill Academy)	20.7	

* No active members at the date of the last valuation (31 March 2013). A contribution rate will be advised by the actuary at the date an active member joins the fund.

Governance

Conflicts of Interest

All councillors and co-opted members are required to register any disclosable pecuniary interests. In preparing the year-end statement of accounts checks are made for any potential related party transactions using the interests declared by Councillors on the Pension Fund Committee.

The Governance Compliance Statement which details the degree of compliance with best practice is available on the Council's public website.

Pension Fund Committee

Committee Membership and Attendance 2016/17

Councillor	10-Jun-16	01-Jul-16	02-Sep-16	02-Dec-16	10-Mar-17
County Councillors;					
Councillor L Sibley (on committee since December 2014)	✓	✗	✓	✓	✓
Councillor S Dhesi (on committee since May 2013)	✓	✓	✓	✓	✗ - Substituted by Cllr. G Sanders
Councillor J Fooks (on committee since September 2009)	✓	✓	✓	✓	✓
Councillor P Greene (on committee since May 2013)	✓	✓	✓	✓	✓
Councillor N Hards (on committee since May 2013)	✓	✓	✓	✓	✓
Councillor R Langridge (on committee since May 2008)	✗ - Substituted by Cllr. I Hudspeth	✗ - Substituted by Cllr. D Willmshurst	✓	✓	✓
Councillor S Lilly (on committee since September 2008)	✓	✓	✓	✓	✓
Councillor S Lovatt (on committee since June 2012)	✓	✗	✓	✓	✓
Councillor N Owen (on committee since May 2013)	✓	✓	✓	✓	✓
District Councillors;					
Councillor J Fry (on committee since September 2015)	✓	✗	✗	✗	✗
Councillor B Service (on committee since September 2015)	✓	✓	✗	✓	✓
Beneficiaries Observer (non-voting member);					
P Wilde (since June 2015)	✗ - Substituted by J Slaymaker	✗	✓	✓	✗ - Substituted by A Bastin

Committee Members Training Received 2016/17

Councillor	Date	Training Course
County Councillors;		
Councillor S Dhesi	10-Jun-16 17-Oct-16	Barnett Waddingham – Triennial Valuation LGPS Pooling Workshop
Councillor J Fooks	10-Jun-16 04-06-Oct-16 17-Oct-16	Barnett Waddingham – Triennial Valuation Baillie Gifford LGPS Seminar LGPS Pooling Workshop
Councillor P Greene	10-Jun-16	Barnett Waddingham – Triennial Valuation
Councillor N Hards	14-16-May-16 10-Jun-16 17-Oct-16	PLSA Local Authority Conference Barnett Waddingham – Triennial Valuation LGPS Pooling Workshop
Councillor R Langridge	17-Oct-16	LGPS Pooling Workshop
Councillor S Lilly	10-Jun-16	Barnett Waddingham – Triennial Valuation
Councillor S Lovatt	10-Jun-16 17-Oct-16	Barnett Waddingham – Triennial Valuation LGPS Pooling Workshop

Councillor N Owen	10-Jun-16 17-Oct-16	Barnett Waddingham – Triennial Valuation LGPS Pooling Workshop
Councillor Les Sibley	10-Jun-16 17-Oct-16	Barnett Waddingham – Triennial Valuation LGPS Pooling Workshop
District Councillors;		
Councillor J Fry	10-Jun-16 17-Oct-16	Barnett Waddingham – Triennial Valuation LGPS Pooling Workshop
Councillor B Service	10-Jun-16 23/24-June-16 17-Oct-16	Barnett Waddingham – Triennial Valuation LGA LGPS Trustees Conference LGPS Pooling Workshop
Beneficiaries Observer; P Wilde	23/24-June-16 17-Oct-16	LGA LGPS Trustees Conference LGPS Pooling Workshop

Members that have been on the Pension Fund Committee in previous financial years will have attended training events in those years in addition to the training undertaken in the current financial year.

Risk Management

Internal Risk Management

Officers operate within the financial procedures and control environment of the Administering Authority. These are regularly audited by internal and external audit.

The Council's Internal Audit function undertook a review of the Pension Investments team in 2016/17. The overall conclusion on the system of internal control being maintained was 'G' (There is a strong system of internal control in place and risks are being effectively managed. Some minor action may be required to improve controls), which is the highest rating available. There were no actions recommended as a result of the audit. The Pension Administration team was also subject to an internal audit during 2016/17. The overall conclusion was 'G'. There was one management action resulting from the audit findings which is being addressed.

The Pension Fund Committee is responsible for the prudent and effective stewardship of the Oxfordshire County Council Pension Fund. As part of this duty the Committee oversees the monitoring and management of risk. This role includes:

- Determining the risk management policy and reconciling this with wider organisational risk policy
- Setting the risk management strategy in line with the risk policy
- Overseeing the risk management process

The risk management process involves: Risk identification, risk analysis, risk control and monitoring.

A key tool for the management of risk is the risk register. The register incorporates an assessment of the impact and likelihood of identified risks to give a risk score, assigns a target risk score, as well as the actions required to achieve the target score. The risk register is kept under review by the Chief Finance Officer and is presented to the Committee on a quarterly basis.

Risks are identified and assessed using a scoring matrix. The scoring matrix assesses two elements of a risk:

- the chance of it happening
- the impact if it did happen

Risks are analysed between:

- Financial
- Administrative
- Governance

Each element is independently assessed on a scale of 1-5 (5 being the highest risk). These scores are then multiplied to give an overall score. The risk register lists the risks identified, the consequence of each risk occurring, the score assigned to each risk, the target score for each risk and the measures in place to address the risk.

This process identifies the risks with the highest scores, and those furthest away from their targets, which are then closely monitored.

The table below details the highest scoring risks from the most recent version of the risk register for the Fund (a copy of the full risk register is available in the Pension Fund Committee papers for March 2016 which is on the Council's public website).

Officers are mindful of risk in carrying out their duties on a day to day basis and any significant risks identified are reviewed and managed through processes and controls accordingly. The Pensions teams have regular team meetings through which any operational risks can be discussed and dealt with appropriately.

Key Risks identified on the Pension Fund Risk Register

Risk	Cause	Impact	Likelihood	Risk Score	Actions Required
Administrative					
Insufficient resources to deliver responsibilities – LGPS and FSPS	Budget Reductions	4	3	12	Need to address backlog of work which is impacting on ability of staff to meet statutory deadlines. External resources to be employed.
Financial & Administrative					
Inaccurate or out of date pension liability data – LGPS and FSPS	Late or Incomplete Returns from Employers	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.

Third Party Risk Management

The Pension Fund Committee receive quarterly investment performance reports and receive regular updates from Fund Managers which provide an opportunity to ensure their strategies are in line with expectations and to discuss any risks the Committee is concerned about. Officers also have regular meetings with the Independent Financial Advisor and Fund Managers through which performance is reviewed and key issues are discussed.

The Fund's investment managers and its custodian issue annual internal control reports prepared by their auditors. For fund managers, auditors typically issue a report based on the Statement on Standards for Attestation Engagements (SSAE 16) in North America, or Audit & Assurance Faculty (AAF 01/06) in the UK. The International Auditing & Assurance Standards Board (IAASB) has also developed the International Standard on Assurance Engagements (ISAE 3402) as a global standard of reporting, for use from 2012. These documents identify internal processes and procedures, and details of the audit testing performed on them during the year. The reports are reviewed annually by the pension investments team and are used to gain assurance that the third parties' internal controls are sufficient and are operating effectively. Any concerns are discussed with the third parties to ensure corrective action is being taken where weaknesses are identified.

The following reports were received and reviewed:

Company	Report Type	Reporting Period End	Auditor
Baillie Gifford	AAF 01/06 / ISAE 3402	30 April 2017	PricewaterhouseCoopers
BNP Paribas Securities Services (Custodian)	ISAE 3402	30 September 2016	PricewaterhouseCoopers
Legal & General	AAF 01/06 / ISAE 3402	31 December 2016	PricewaterhouseCoopers
UBS	ISAE 3402	31 December 2016	Ernst & Young
Wellington	SSAE16 / ISAE 3402	31 October 2016	Deloitte

The pension investment team analyse and reconcile valuation information provided by the custodian to that of the investment manager and follow up any significant variations. Checks are undertaken on a monthly basis to ensure compliance of the Fund's investments with the limits set out in The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2013. The government issued The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 that came into effect on 1st November 2016. The 2016 investment regulations removed the limits that previously applied under the 2013 investment regulations.

The fund's Independent Financial Advisor monitors the market and the activities of investment managers and informs officers if there are any concerns, such as changes in key staff.

Scheme Administration and Administration Performance

The Pension Services team is responsible for all scheme member benefit administration. This involves liaising with all scheme employers to receive monthly and end of year data returns, checking this information prior to loading this on to the pension system.

Once data is loaded the team can then calculate and process queries and benefit payments to scheme members.

Data assurance comes from internal checks; process review; internal and external audit reviews and CIPFA bench marking against other LGPS funds.

Scheme Communications are detailed in the Communication Strategy which details types and methods of communication used to reach all fund's stakeholders. This is underpinned by the Pension Fund pages located on the County Council's website, which contains links for following fund documents:

- Communication Policy Statement
- Annual Report and Accounts
- Triennial Valuation Report
- Investment Strategy Statement
- Funding Strategy Statement
- Governance Policy Statement
- Statements of Policy about Exercise of Discretionary Functions
- Administration Strategy

Complaints are dealt with in line with the Adjudication of Disagreements Procedure which is set out in Regulation. This is a three stage process:

- Stage 1 – depending upon nature of complaint the Appointed Person from either the fund or scheme employer will review and provide a written determination to the points raised.
- Stage 2 – should the member be unhappy with the decision made at age 1 they have the right to ask for the Appointed Person at stage 2 to review their case.
- If, after this second independent review the member remains unhappy with the outcome they can then refer their case to the Pension Ombudsman.
- At all stages of this process the member can seek support and advice from The Pensions Advisory Service (TPAS).

During 2016/2017 the following complaints have been received:

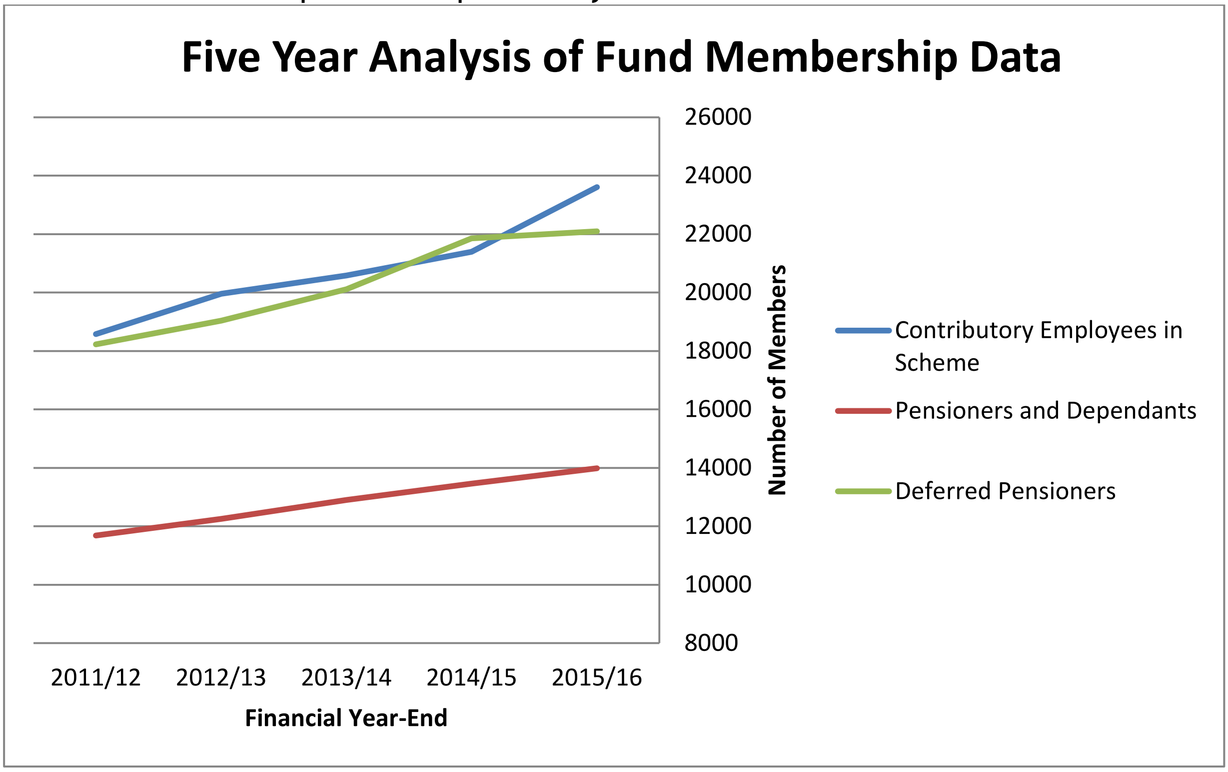
	2016/17
Number of Complaints	19
Complaints as % of Workload	0.15%

The Regulations – Under the framework of overarching pension regulations The Local Government Pension Scheme is governed by statutory regulations which are the responsibility of the Department of Communities and Local Government (DCLG).

The LGPS is applicable to staff working in the public sector, although this excludes Fire Officers, Teachers and Police Officers who have their own separate scheme. However, it will include any staff working in those area but ineligible to join those other public sector schemes.

Members of the scheme will be employed by Oxfordshire County Council; District Councils; Town and Parish Councils; Academies, as well as private sector companies providing services on their behalf.

The fund membership over the past five years is shown below:



As at 31 March 2017 the number of staff within Pension Services is 23.29 FTE overall which is a small increase against last year. Using the CIFPA benchmarking definition of pension administration work to strip out staff working on other public sector schemes or employing authority work this is reduced to 16.10 FTE.

During this year staff have dealt with 14,944 tasks, which gives an average number per member of staff as 928 tasks. The top 10 tasks are shown in the table below:

Top 10 Case Types

Case Type	Completed 2016/17	Completed Within Target Time
Change of Address	1,205	96%
Frozen Refunds	1,162	43%
Complete Deferred Benefit	970	30%
Deaths	638	27%
Member Estimates	575	34%
Refund of Pension Contributions	460	65%
General Enquiries	439	71%
Re-employments	294	37%
Quotation of Deferred Pensions at Normal Retirement Date	283	68%
Payment of Deferred Pensions at Normal Retirement Date	237	84%

At the time of preparing this report CIPFA benchmarking for 2017 has not been completed. The unit cost per member for the Oxfordshire Pension Fund as at 31 March 2016 was £ 20.81 against a benchmarked average of £18.55.

Promotion of Scheme Membership

The fund supplies template letters for employers to incorporate within their starter / new joiner process. This information will point to the centrally provided on-line guides (www.lgps2014.org) concerning costs and benefits of the LGPS for members, and also to the scheme guides. Both the brief guide and the full detailed guide are hosted on the fund website pages (www.oxfordshire.gov.uk/lgpsmembersguide). When requested the fund will comment on employer prepared automatic enrolment notices to members, which would be sent to eligible jobholders where the LGPS is the qualifying pension saving scheme.

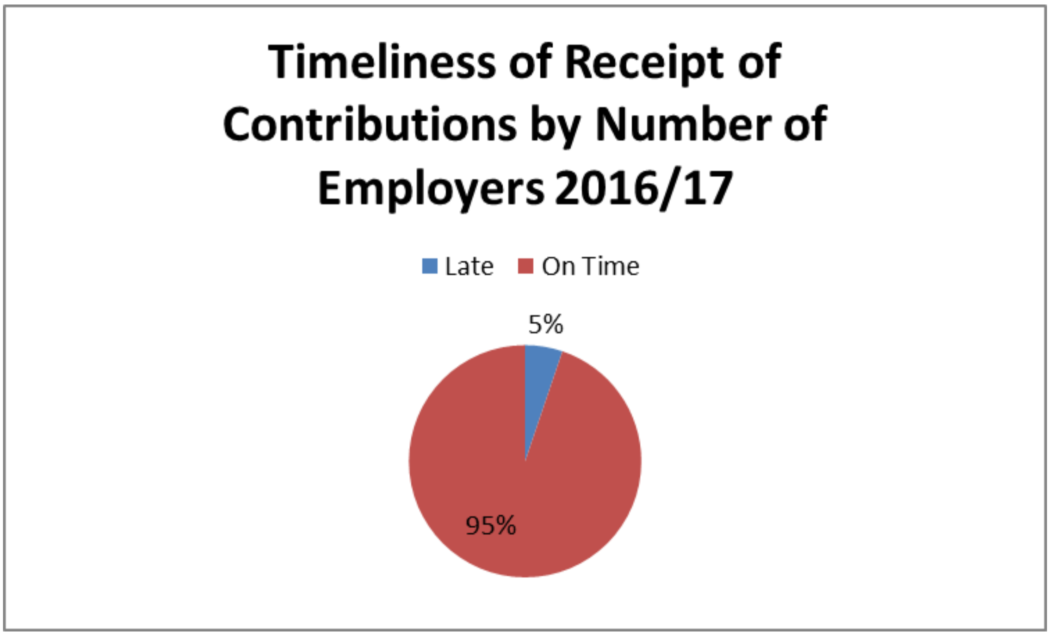
Memberships

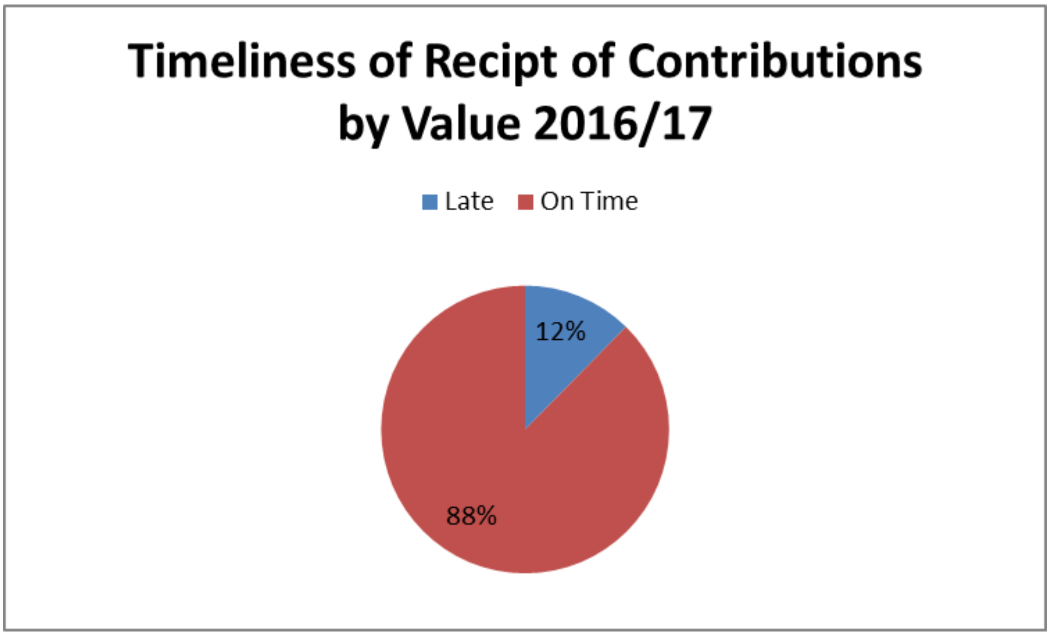
The Fund is a member of the National Association of Pension Funds and subscribes to the CIPFA Pensions Network. Officers also attend the South East Local Authority Pensions User Group.

Financial Performance

Contributions

Payment of contributions from employers is monitored on a monthly basis as they fall due. Reconciliations are undertaken between contributions received and those expected with any discrepancies followed up with the employer. Late payments are immediately followed up with employers to request payment. If contribution payments are repeatedly late the issue is escalated and a letter is sent to employers. Fines are also issued in accordance with the Administration Strategy. The graphs below illustrate the timeliness of the receipt of contributions from employers during 2016/17.





The average number of days that payments were late by during 2016/17 was 7.

Budget

The below table shows budget for 2016/17:

	Budget £'000
Administrative Expenses	
Administrative Employee Costs	1,043
Support Services Including ICT	393
Printing & Stationary	51
Advisory & Consultancy Fees	45
Other	44
Total Administrative Expenses	**1,576**
Investment Management Expenses	
Management Fees	6,540
Custody Fees	70
Total Investment Management Expenses	**6,610**
Oversight & Governance	
Investment Employee Costs	224
Support Services Including ICT	40
Actuarial Fees	75
External Audit Fees	24
Internal Audit Fees	14
Advisory & Consultancy Fees	113
Committee and Board Costs	48
Total Oversight & Governance Expenses	**538**
Total Pension Fund Budget	**8,724**

The budget outturn report will be presented at the September 2017 Pension Fund Committee meeting and will be available on the Council's website.

Pension Overpayments

Financial Year	Pension Overpayments
2016/17	29,341.58
2015/16*	78,422.63
2014/15	908.20
2013/14	629.98
2012/13*	27,920.21

* Figures are higher due to results of the National Fraud Initiative data matching exercise.

The Fund participates in the National Fraud Initiative data matching exercise which takes place every two years. This process matches data between different records to identify discrepancies that should be investigated further. The latest exercise for which results are available is from 2016/17. This exercise identified 604 matches. Detailed investigations are currently being undertaken and any identified overpayments are being investigated/recovered.

Interim Actuarial Valuation

A full actuarial valuation of the Fund was undertaken as at 31 March 2016. This valuation calculated the funding level to be 90%. This compares to a funding level of 82% calculated for the 2013 valuation. The actuary also produces a quarterly funding update for the fund. At the March 2017 funding update the estimated funding level was 96%.

Investment Review 2016/17

Economic Background

The rate of economic growth in the UK and US slowed in 2016 to 2.0% and 1.6% respectively. China defied earlier fears by reporting growth of 6.7% - only slightly down on 2015 – while Japan improved to 0.9% and the Eurozone to 1.6%. The oil price continued to recover from the low of $28 reached in January 2016, and spent most of the year in the $50-55 range. Base metal prices also strengthened, leading to very strong performance by Metals and Mining shares during the year.

The vote in the June Referendum for the UK to leave the EU was a major surprise, and initially caused sharp falls in UK Equities and in the value of sterling. While the equity market recovered lost ground after the rapid replacement of David Cameron as Prime Minister by Theresa May, the pound remained depressed, falling below $1.25 by the end of 2016 – a 15% decline on its pre-Referendum level. The Bank of England responded to the economic uncertainty by cutting UK interest rates from 0.5% to 0.25% in early August, and UK growth remained steady in the second half of the year. Elsewhere, the European Central Bank and the Bank of Japan continued their programmes of quantitative easing.

In the other unexpected outcome, Donald Trump was elected President of the United States in November. Again markets' initial reaction was nervous, but this was soon replaced by optimism about his plans to cut taxes, deregulate energy, healthcare and financial services, and to offer tax incentives for infrastructure. In the event, his tax proposals look likely to be delayed into the autumn, and the extent of any significant boost to infrastructure is in doubt. The Federal Reserve raised US interest rates by 0.25% in December, followed by another rise in March 2017, and indicated that they expected to make further rises during 2017.

Market Returns

Global Equities gave an exceptional return of 33.1% in sterling during the year to March. While this return was boosted by the weakness of sterling, the UK market itself rose by a very creditable 23.1%. The gains in North America, Japan, Pacific Basin and Emerging Markets were all in the 32-37% range, while Continental Europe gained 28.5%.

[Source of equity market returns: FTSE All-World Total Return series (£)]

The pound fell by some 13% against both the dollar and the yen during the year, and by 6% against the euro. Conventional UK government bonds ended the year showing slight gains, after reaching record low yields in the summer of 2016, while Index Linked Gilts gained 22 % as inflation expectations rose after the drop in sterling. Yields on US government bonds rose after the Presidential Election, on anticipation of expansionary moves by the new administration, and in recognition of the likely rise in short-term US interest rates.
[Source: FTSE-A Index Linked (over 5 years), total return]

The strong growth seen since 2013 in UK Commercial Property values had begun to slow down ahead of the EU Referendum, and sentiment in the Central London rental market deteriorated after June on the potential weakness in demand from overseas occupiers. The fall in sterling, however, increased the attraction of the UK for foreign buyers of property, and for the year to March the All Property total return was +3.8%.

[Source: IPD Monthly Index of Total Returns]

The Oxfordshire Pension Fund achieved a total return of 22.5% for the year, compared with a 20.8% return on its benchmark.

Outlook

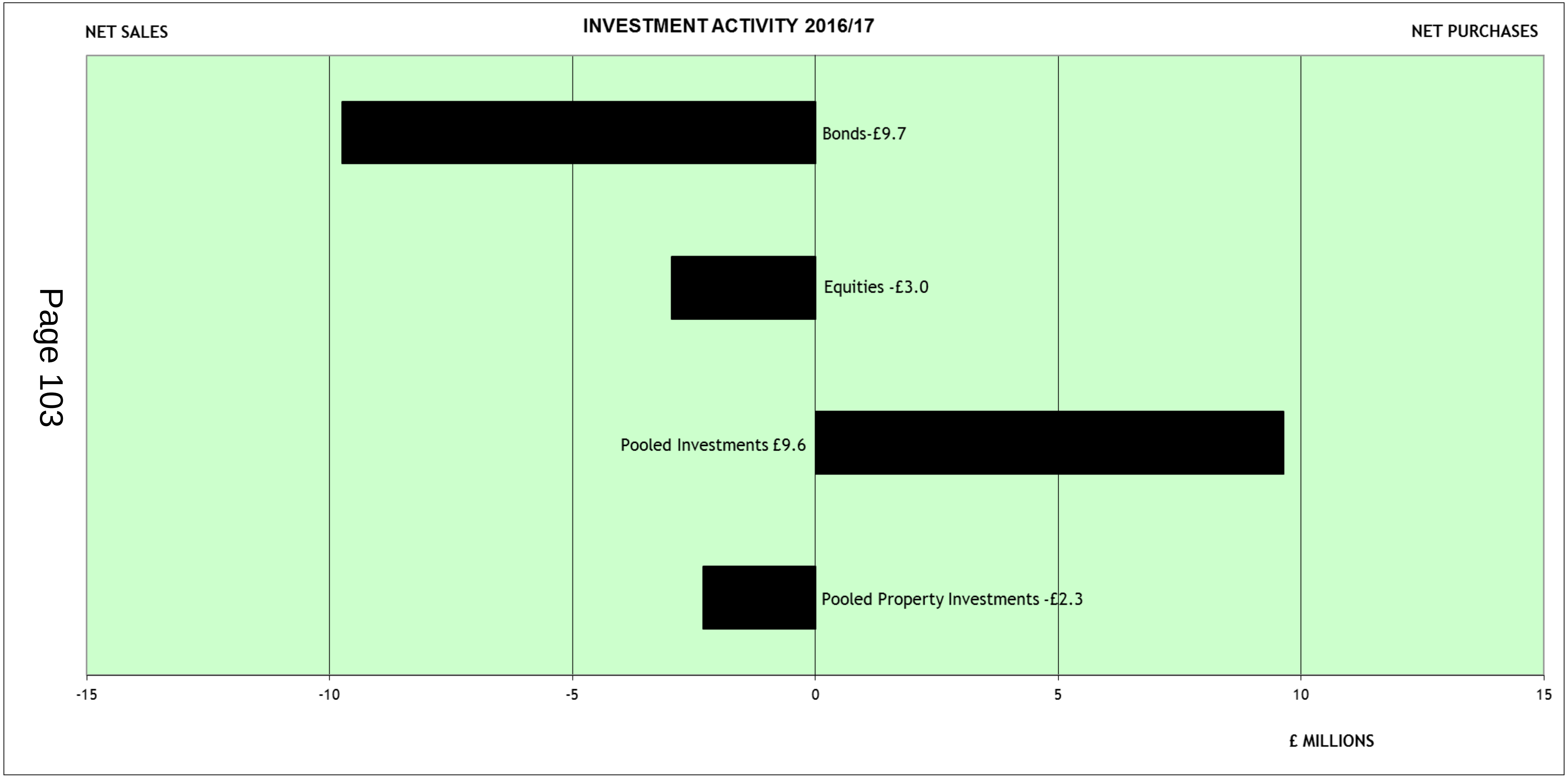
With equity markets having taken the surprise outcomes of the EU Referendum and the US Presidential Election in their stride, it is tempting to downplay the degree of influence exercised on markets by political events. This, however, would be too sanguine a view to take. Whether prompted by the various elections taking place in Europe, the Brexit negotiations, the course of President Trump's trade and foreign policy or the Syrian conflict, we must expect some disruption to the smooth upward path which equities have travelled in the past year. With further increases in US short-term interest rates predicted for 2017 and 2018, yields on medium-dated US government bonds seem unlikely to fall from their present levels. Any signs of a slowdown in the pace of quantitative easing in Europe or Japan could also have an adverse effect on those bond markets.

Table showing the total returns (capital plus income) in sterling terms calculated on major indices for the year to 31 March 2017.

SECTOR		INDEX	% Total Returns Year to 31.3.17
Equities	Global	FTSE All World	33.1
	UK	FTSE Actuaries All Share	22.0
	North America	FTSE AW – North America	35.0
	Japan	FTSE AW - Japan	32.8
	Europe	FTSE AW - Europe (ex UK)	28.5
	Asia Pacific (ex Japan)	FTSE AW - Asia Pacific (ex Japan)	36.8
	Emerging Markets	FTSE AW - Emerging	35.6
Bonds	UK Government	FTSE-A Government (over 15 years)	6.6
	UK Index-Linked	FTSE-A Index- Linked (over 5 years)	22.0
	UK Corporate Bonds	iBoxx Sterling Non-Gilt All Stocks Index	9.2
	Overseas	JP Morgan Global Government (ex UK) Traded Bond Index (£)	-1.1
Cash	UK	7 DAY £ LIBID INDEX	0.2
Property	UK Commercial	IPD All Balanced Funds Index	3.7

- **Investment Activity**

The Pension Fund disinvested a net £5.4 million during the year ended 31 March 2017. The amounts invested or disinvested in each principal category of asset are shown in the chart below. Derivatives are not included in the chart.



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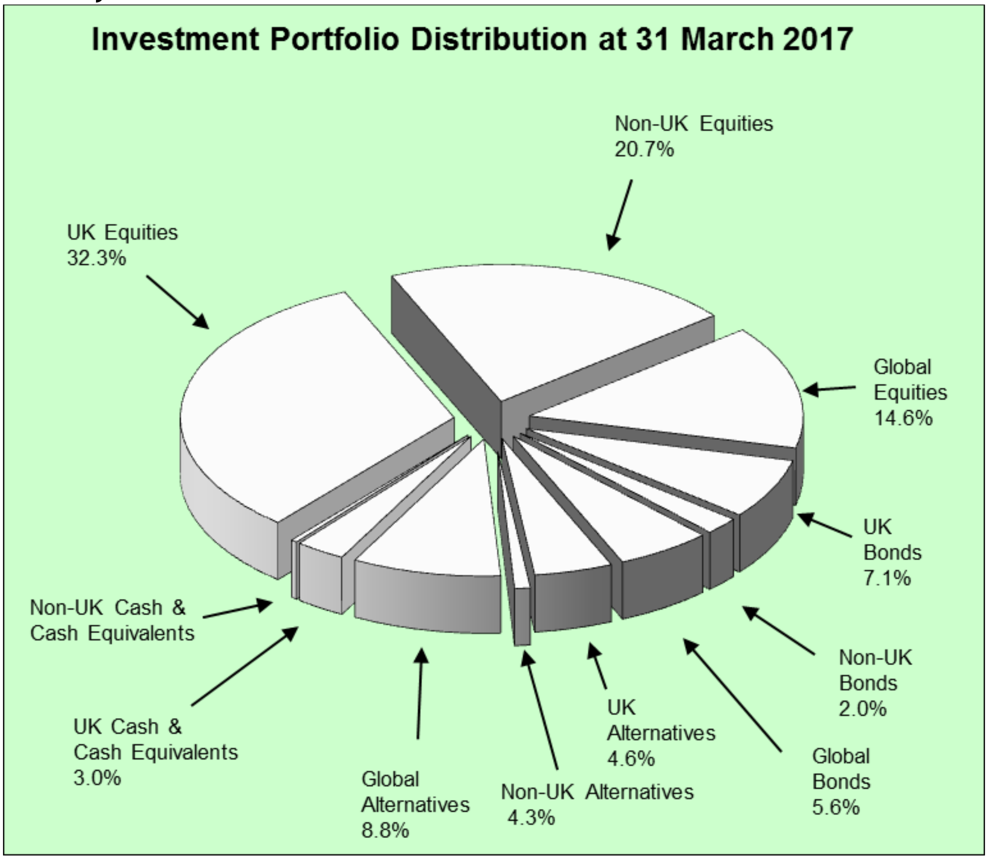
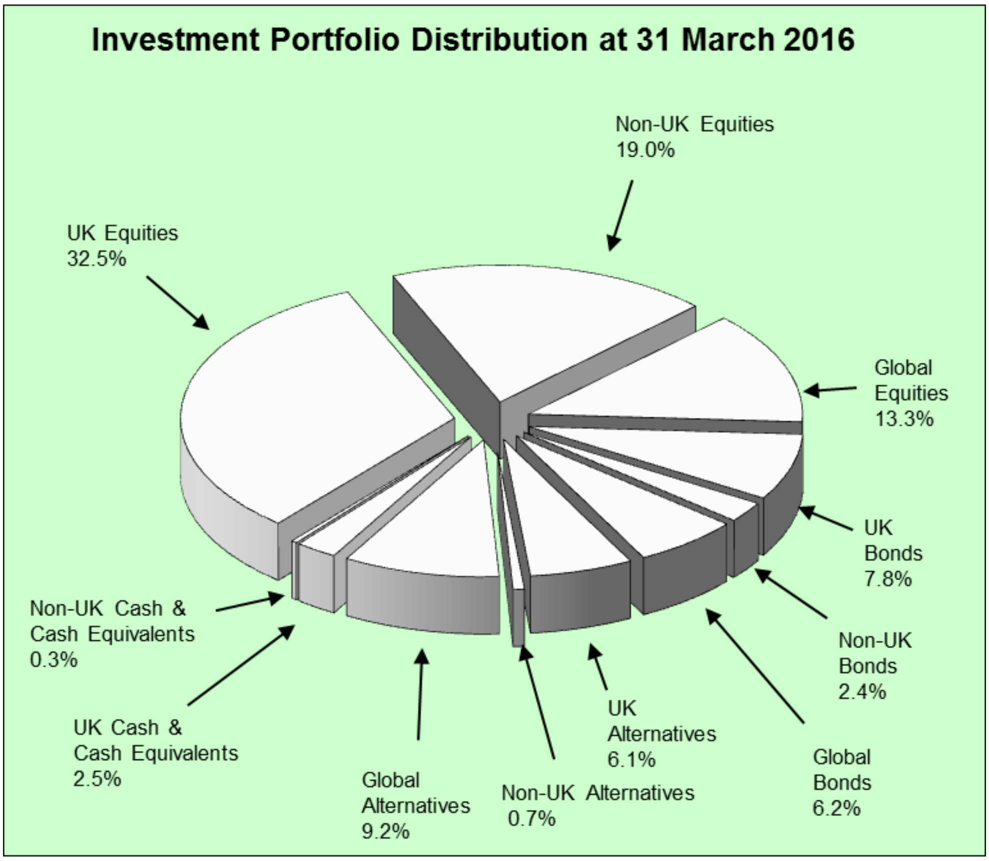
Portfolio Distribution

The distribution of the Pension Fund amongst the principal categories of assets as at 31 March 2017 is shown in the chart below. A comparative chart of the position at 31 March 2016 is also shown. Changes in the asset weightings, from one year to another, are due to investment activity and market movements.

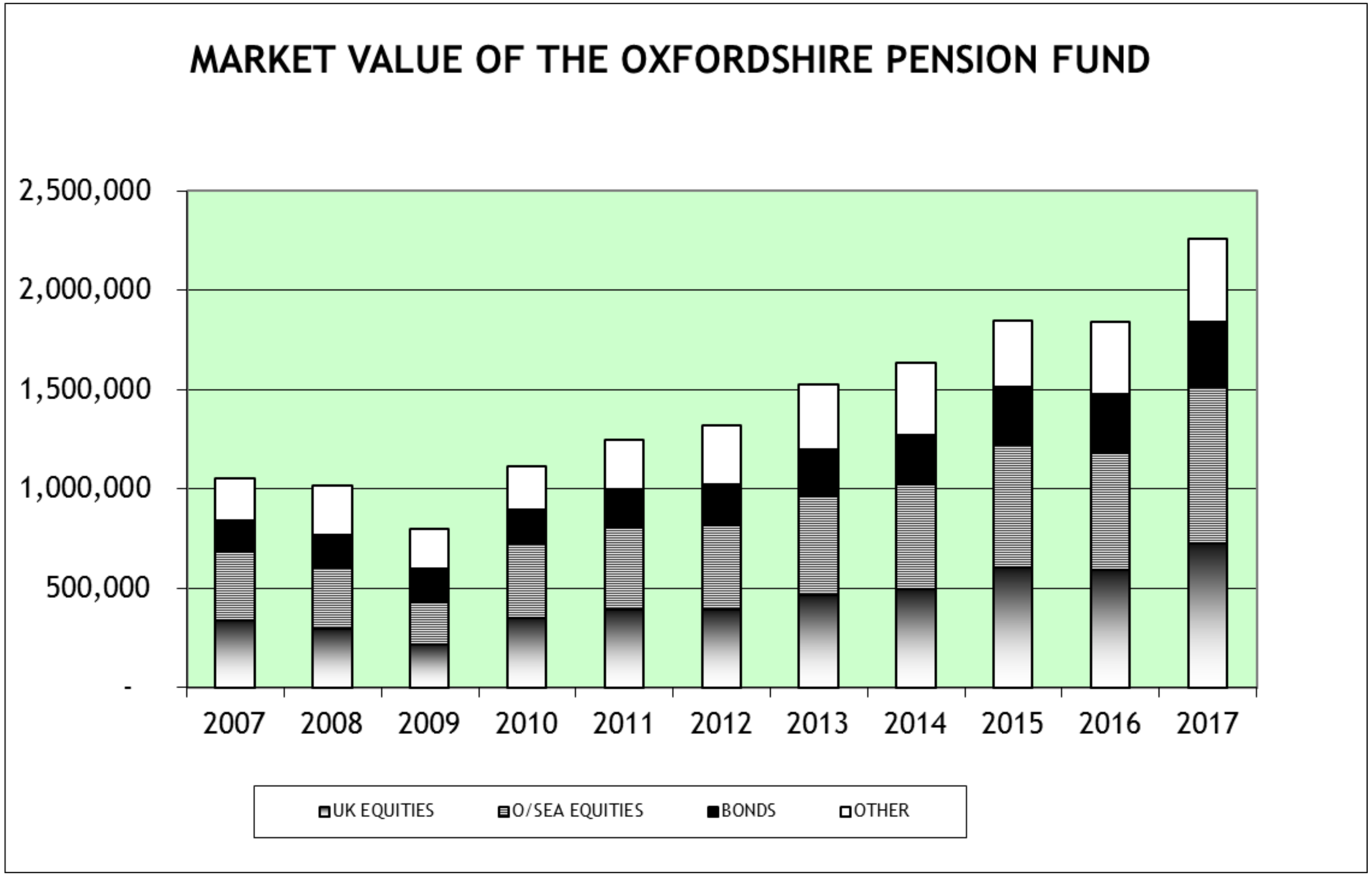




Portfolio Asset Allocation over the Ten Years to March 2017

The total assets (including accruals) of the Pension Fund have grown from £1,049 million at end of March 2007 to £2,257 million at end of March 2017 (see chart below).

Over the period the percentage in UK equities decreased from 32.3% to 32.0% and bonds decreased from 15.0% to 14.6%.



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

♦ Investment Benchmark and Performance

The performance of the individual Fund Managers against their benchmark is shown in the following table. Each Fund Manager is given a different target to outperform their benchmark over a rolling three year period. The table indicates that performance in 2016/17 at the total fund level was 1.7% above benchmark with an overall return of -22.5%.

Fund Manager	Target %	One Year Ended 31 March 2017		Three Years Ended 31 March 2017		Five Years Ended 31 March 2017	
		Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %
Baillie Gifford UK Equities	1.25	22.0	21.5	7.7	7.9	9.7	10.9
Wellington Global Equities	2.0	32.3	32.6	15.7	14.7	-	-
UBS Global Equities	3.0*	33.0	34.2	15.8	13.2	14.1	12.4
Legal & General UK Equities - Passive	n/a	23.3	23.9	7.5	7.7	8.9	9.0
Legal & General Ex UK Equities - Passive	n/a	33.6	33.6	17.1	17.1	-	-
Legal & General Fixed Income	0.6	11.4	11.1	9.3	9.4	7.2	7.2
Diversified Growth Fund	3-5	3.3	8.0	-	-	-	-
UBS Property	1.0	3.7	4.1	10.2	10.9	8.6	9.0
In-house Property	Excess	3.7	12.4	10.2	11.6	8.6	8.4
Private equity	1.0	17.5	31.1	8.0	18.9	13.5	17.3
Cash	n/a	0.4	0.3	0.4	0.4	0.4	0.6
Total Fund		**20.8**	**22.5**	**10.9**	**11.2**	**11.0**	**11.0**

* - Being phased in. Target was 1% above benchmark until June 2014.
Cash held by Fund Managers is included within total Fund Manager performance.

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

% Returns per annum for the financial year ended 31 March 2017				
Actual Returns	1 year	3 years	5 years	10 years
Oxfordshire Total Fund Return	22.5	11.2	11.0	6.4
Average Returns				
PIRC LGPS Universe Median Return	20.6	10.7	10.6	6.8
Oxfordshire Benchmark	20.8	10.9	11.0	7.1

Asset Allocation

Asset Class	Actual % 31-Mar-17	Target % 31-Mar-17	Variation	Actual % 01-Apr-16	Target % 01-Apr-16	Variation
UK Equities	**28.2%**	**29.0%**	**-0.8%**	**28.0%**	**29.0%**	**-1.0%**
Overseas Equities	**33.6%**	**30.0%**	**3.6%**	**31.1%**	**30.0%**	**1.1%**
UK Gilts	4.3%	3.0%	**1.3%**	5.0%	3.0%	**2.0%**
Corporate Bonds	3.4%	6.0%	**-2.6%**	3.8%	6.0%	**-2.2%**
Overseas Bonds	2.2%	2.0%	**0.2%**	2.5%	2.0%	**0.5%**
Index-Linked	4.7%	5.0%	**-0.3%**	5.1%	5.0%	**0.1%**
Total Bonds	**14.5%**	**16.0%**	**-1.5%**	**16.4%**	**16.0%**	**0.4%**
Property	6.5%	8.0%	**-1.5%**	7.8%	8.0%	**-0.2%**
Private Equity	8.9%	9.0%	**-0.1%**	9.3%	9.0%	**0.3%**
Multi-Asset DGF	4.5%	5.0%	**-0.5%**	4.3%	5.0%	**-0.7%**
Infrastructure	0.0%	3.0%	**-3.0%**	0.0%	3.0%	**-3.0%**
Total Alternative Investments	**19.9%**	**25.0%**	**-5.1%**	**21.4%**	**25.0%**	**-3.6%**
Cash	**3.8%**	**0.0%**	**3.8%**	**3.1%**	**0.0%**	**3.1%**
	100.0%	**100.0%**		**100.0%**	**100.0%**	

Responsible Investment

Fund managers produce reports outlining their engagement and ESG related activity. All of the Fund's investment managers are signatories to the United Nations Principles for Responsible Investment Initiative. Fund managers and officers monitor ESG related developments and ad-hoc reports are produced for the Committee on topical ESG issues relevant to the Fund.

Annual Voting Report

Introduction

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

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

The Oxfordshire County Council Pension Fund's voting policy is set out in its Investment Strategy Statement which states that in practice the Fund's Investment Managers are delegated authority to exercise voting rights in respect of the Council's holdings. Voting decisions are fully delegated to fund managers, while recognising that the Fund maintains ultimate responsibility for ensuring that voting is undertaken in the best interests of the Fund. An annual voting report is produced and presented to the Pension Fund Committee which compares voting activity against a best practice template. The report for 2016/17 will be presented at the December 2017 Committee meeting. Papers will be available on the Council's website once published (http://mycouncil.oxfordshire.gov.uk/ieListMeetings.aspx?CId=140&Year=0).

Other Material

Employer Discretions

Pension Services can supply employers with related pension costs which would result following an employer's action on a discretionary policy. The employer's written decisions are required before pension services will take action in any circumstance which could incur additional cost, unless it is clear from an employer's current written policy statement that the decision is in accordance with that statement. For example, some employers will allow late transfers without further consideration while others need to make individual decisions.

Specific Requirements

The following tables have been prepared to assist the LGPS scheme advisory board in the production of an annual report for the LGPS as a whole.

Employer Bodies Summary as at 31 March 2017

	Active	Ceased	Total
Scheduled Body	96	0	96
Admitted Body	97	9	106
Total	**193**	**9**	**212**

Analysis of Fund Assets as at 31 March 2017

	UK £m	Non-UK £m	Global £m	Total £m
Equities	722.035	463.146	325.360	1,510.541
Bonds	157.552	45.331	125.708	328.591
Property (Direct Holdings)	0	0	0	0
Alternatives	103.193	20.620	195.987	319.800
Cash and Cash Equivalents	65.916	8.027	0	73.943
Other	0	0	0	0
Total	**1,048.696**	**537.124**	**647.055**	**2,232.875**

Analysis of Investment Income Accrued During 2016/17

	UK £'000	Non-UK £'000	Global £'000	Total £'000
Equities	15,853	6,107	0	21,960
Bonds	1,879	1,442	0	3,321
Property (Direct Holdings)	0	0	0	0
Alternatives	2,793	303	536	3,632
Cash and Cash Equivalents	191	24	0	215
Other	0	0	0	0
Total	**20,716**	**7,876**	**536**	**29,128**

Income from holdings in pooled funds accrues within the pooled fund and is reflected within the unit price so is not included within investment income.

Fund Account for the Year Ended 31 March 2017			
	Notes	2017 £'000	2016 £'000
Contributions and Benefits			
Contributions Receivable	6	(87,845)	(87,895)
Transfers from Other Schemes	7	(6,535)	(4,325)
Other Income	8	(336)	(390)
Income Sub Total		**(94,716)**	**(92,610)**
Benefits Payable	9	77,879	77,044
Payments to and on Account of Leavers	10	11,711	4,947
Management Expenses	11	9,203	8,751
Other Expenses		0	0
Expenditure Sub Total		**98,793**	**90,742**
Net (Additions)/Withdrawals from dealings with members		**4,077**	**(1,868)**
Returns on Investments			
Investment Income	12	(29,128)	(26,869)
Commission Recapture		(2)	(2)
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	16a	(390,036)	31,791
Less Taxes on Income	12	258	138
Net returns on Investments		**(418,908)**	**5,058**
Net Increase in the Net Assets Available for Benefits During the Year		**(414,831)**	**3,190**
Opening Net Assets of the Scheme		1,842,289	1,845,479
Closing Net Assets of the Scheme		**2,257,120**	**1,842,289**

Net Assets as at 31 March 2017			
	Notes	2017 £'000	2016 £'000
Investment Assets			
Bonds	16b	202,883	185,882
Equities	16b	780,002	621,770
Pooled Investments	16b	1,031,626	818,097
Pooled Property Investments	16b	144,421	142,259
Derivative Contracts	16c	522	758
Cash Deposits	16d	8,027	6,113
Other Investment Balances	16d	10,404	8,760
Investment Liabilities			
Derivative Contracts	16c	(441)	(1,295)
Other Investment Balances	16d	(3,266)	(3,467)
Total Investments		**2,174,178**	**1,778,877**
Assets and Liabilities			
Current Assets	17	77,612	55,706
Current Liabilities	18	(3,404)	(3,021)
Net Current Assets		**74,208**	**52,685**
Long-Term Assets	19	8,734	10,727
Net Assets of the scheme available to fund benefits at year end		**2,257,120**	**1,842,289**

Note 1 – Description of the fund

This description of the fund is a summary only. Further details are available in the Fund's 2016/17 Annual Report and in the underlying statutes.

General
The Oxfordshire County Council Pension Fund is part of the Local Government Pension Scheme which is a statutory, funded, defined benefit pension scheme. Oxfordshire County Council is the administering body for this pension fund. The scheme covers eligible employees and elected members of the County Council, District Councils within the county area and employees of other bodies eligible to join the Scheme.

The scheme is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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

Membership
The majority of fund employers are required to automatically enrol eligible jobholders into the LGPS under the government's auto-enrolment legislation, employees may then choose to opt-out of the scheme. Some employers will have the option of whether to auto-enrol eligible jobholders into the LGPS or another qualifying scheme.

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

Organisations participating in the Oxfordshire County Council Pension Fund include:

- Scheduled Bodies – Local authorities and similar bodies, such as academies, whose staff are automatically entitled to become members of the fund.
- Admitted Bodies – Organisations that participate in the fund under an admission agreement between the fund and the organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Admitted Bodies can be split in to two groups:
    - Community Admission Bodies – these are typically employers that provide a public service on a not-for-profit basis and often have links to scheduled bodies already in the fund. Housing Corporations fall under this category.

- Transferee Admission Bodies – these are bodies that provide a service or asset in connection with the exercise of a function of a scheme employer. Typically this will be when a service is transferred from a scheme employer and is to allow continuing membership for staff still involved in the delivery of the service transferred.

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

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

	As at 31 March 2017	As at 31 March 2016
Number of Contributory Employees in Scheme		
Oxfordshire County Council	9,369	11,674
Other Scheduled Bodies	9,599	10,885
Admitted Bodies	829	1,047
	19,797	**23,606**
Number of Pensioners and Dependants		
Oxfordshire County Council	8,478	8,214
Other Scheduled Bodies	5,167	4,949
Admitted Bodies	867	819
	14,512	**13,982**
Deferred Pensioners		
Oxfordshire County Council	17,277	14,161
Other Scheduled Bodies	10,053	7,002
Admitted Bodies	1,180	928
	28,510	**22,091**

For 2016/17 unprocessed leavers have been classified as Deferred Pensioners rather than Contributory Employees.

Three Scheduled Bodies, all of which are Academies, two Resolution Bodies, plus fifteen Admitted Bodies, joined the scheme in 2016/17. In addition two admitted bodies left the scheme and two scheduled bodies formed a multi-academy trust in 2016/17. There was no significant impact on the membership of the scheme because the Academies' members were previously in the scheme as County Council employees and the other new bodies all transferred from an existing scheme employer or were small.

Funding
The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The contribution from employees is prescribed by statute, and for the year ending 31 March 2017 rates ranged from 5.5% to 12.5% of pensionable pay.

Employers’ contribution rates are set following the actuarial valuation, which takes place every three years. The latest actuarial valuation took place in 2016 and determined the contribution rates to take effect from 01 April 2017. Employer contribution rates currently range from 10.1% to 24.6% of pensionable pay.

Benefits
Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service as summarised below.

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

From 1 April 2014 the scheme became a career average scheme, where members accrue benefits based on their pensionable pay in any given year at an accrual rate of 1/49th. Accrued pension is indexed annually in line with the Consumer Prices Index. The normal retirement age is linked to each individual member’s State Pension Age.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. Scheme members are now also able to opt to pay 50% of the standard contributions in return for 50% of the pension benefit.

Note 2 – Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831) prohibits administering authorities from crediting Additional Voluntary Contributions to the Pension Fund. In consequence Additional Voluntary Contributions are excluded from the Net Assets Statement and are disclosed separately in Note 23.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after the year-end. The actuarial position of the scheme which takes into account these obligations is dealt with in the Actuarial Statement on page 73.

Note 3 – Summary of Significant Accounting Policies

Investments

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

   (a) The majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, as at 31 March 2017.

   (b) Unlisted securities are included at fair value, estimated by having regard to the latest dealings, professional valuations, asset values and other appropriate financial information;

   (c) Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.

   (d) Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2017.

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

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

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

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

Foreign Currencies

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

Contributions

3. Employee normal contributions are accounted for when deducted from pay. Employer normal contributions that are expressed as a rate of salary are ac-

counted for on the same basis as employees' contributions, otherwise they are accounted for in the period they are due under the Schedule of Contributions. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and recovery plan under which they are being paid or on receipt if earlier than the due date.

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

The Actuary determines the contribution rate for each employer during the triennial valuations of the Fund's assets and liabilities. Employees' contributions have been included at rates required by the Local Government Pension Scheme Regulations.

Benefits, Refunds of Contributions and Transfer Values

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

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

Investment Income

5. Dividends and interest have been accounted for on an accruals basis. Dividends from quoted securities are accounted for when the security is declared ex-div. Interest is accrued on a daily basis. Investment income is reported net of attributable tax credits but gross of withholding taxes. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within 'Change in Market Value'. Foreign income has been translated into sterling at the date of the transaction. Income due at the year-end was translated into sterling at the rate ruling at 31 March 2017.

Investment Management and Scheme Administration

6. A proportion of relevant County Council officers' salaries, including salary on-costs, have been charged to the Fund on the basis of time spent on scheme administration and investment related business. The fees of the Fund's general investment managers have been accounted for on the basis contained within their management agreements. Investment management fees are accounted for on an accruals basis.

Expenses

7. Expenses are accounted for on an accruals basis.

Cash

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

Listed Private Equity

9. The fund holds a number of investments in listed private equity companies. These are included under equities as the investment is in a company that undertakes private equity related activities rather than an investment in a specific fund that makes private equity investments. This is consistent with the treatment of other equity investments as the fund does not split out any other categories from within equities, for example retail stocks.

Management Fees

10. Management fees have been accounted for based on the latest guidance from the Chartered Institute of Public Finance & Accountancy. Fees have been accounted for where the pension fund has a direct contractual obligation to pay them. This means where fees are deducted in a pooled fund they have been accounted for, but in a fund of funds the fees for the underlying funds are not included only those the pension fund pays to the fund of funds manager. This is a change from how management fees were previously accounted for where only fees that were invoiced to the fund were included.

Note 4 – Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

Determining the fair value of unquoted private equity investments is highly subjective in nature. Unquoted private equity investments are valued by the investment managers using various valuation techniques and this involves the use of significant judgements by the managers. The value of unquoted private equity investments at 31 March 2017 was £74.995m (£69.374m at 31 March 2016). All of the unquoted private equity investments at 31 March 2017 are included within the pooled investments category in the net assets statement.

Pension Fund Liability

The pension fund liability is calculated every three years by the Fund’s actuary, with annual updates in the intervening years. Methods and assumptions consistent with IAS19 are used in the calculations. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 26. The estimate of the liability is therefore subject to significant variances based on changes to the assumptions used.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainties that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are:-

Item	Uncertainties	Potential Impact
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. The fund engages an actuarial firm to provide expert advice on the assumptions to be applied.	The actuarial present value of promised retirement benefits included in the financial statements is £3,596m. There is a risk that this figure is under, or overstated in Note 26 to the accounts.
Unquoted Private Equity	Unquoted private equity investments are valued at fair value using recognised valuation techniques. Due to the assumptions involved in this process there is a degree of estimation involved in the valuation.	Unquoted private equity investments included in the financial statements total £74.995m. There is a risk these investments are under, or overstated in the accounts.

Note 6 – Contributions

	2016/17 £'000	2015/16 £'000
Employers		
Normal	(47,561)	(46,230)
Augmentation		
Deficit Funding	(17,620)	(18,254)
Costs of Early Retirement	(967)	(2,047)
	(66,148)	(66,531)
Members		
Normal	(21,429)	(21,010)
Additional *	(268)	(354)
	(21,697)	(21,364)
Total	**(87,845)**	**(87,895)**

Deficit recovery contributions are paid by employers based on the maximum 25 year recovery period set out in the Funding Strategy Statement. Where appropriate, the Actuary has shortened the recovery period for some employers to maintain as near stable contribution rates for those employers, in line with the Regulations.

*Local Government Scheme Additional Employees contributions are invested within the Fund, unlike AVCs which are held separately, as disclosed in Note 23.

	Employer Contributions		Members Contributions	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
Oxfordshire County Council	(28,343)	(30,260)	(9,139)	(9,441)
Scheduled Bodies	(34,209)	(32,520)	(11,339)	(10,659)
Resolution Bodies	(772)	(745)	(231)	(225)
Community Admission Bodies	(1,551)	(1,639)	(541)	(583)
Transferee Admission Bodies	(1,273)	(1,367)	(447)	(456)
Total	**(66,148)**	**(66,531)**	**(21,697)**	**(21,364)**

Note 7 – Transfers In

	2016/17 £'000	2015/16 £'000
Individual Transfers In from other schemes	(6,535)	(4,325)
Total	**(6,535)**	**(4,325)**

Note 8 – Other Income and Expenses

Other Income for 2016/17 of £0.336m includes £0.311m reflecting the interest resulting from the unwinding of the discount for the long-term receivable recognised for transfers to Magistrates' Courts. The long-term receivable was calculated on a discounted cash flow basis. This resulted in a charge to the fund account in the year the long-term receivable was originally recognised representing the value of the discount. The discount is being written down over a ten year period. Further information regarding the deferred asset is included in Note 19.

Note 9 – Benefits

	2016/17 £'000	2015/16 £'000
Pensions Payable	64,091	62,029
Lump Sums – Retirement Grants	11,361	13,715
Lump Sums – Death Grants	2,427	1,300
Total	**77,879**	**77,044**

	Pensions Payable		Lump Sums	
	2016/17	2015/16	2016/17	2015/16
	£'000	£'000	£'000	£'000
Oxfordshire County Council	32,169	31,084	6,158	7,848
Scheduled Bodies	27,910	27,155	6,450	5,807
Resolution Bodies	528	504	138	222
Community Admission Bodies	3,034	2,909	628	924
Transferee Admission Bodies	450	377	414	214
Total	**64,091**	**62,029**	**13,788**	**15,015**

Note 10 - Payments to and on account of leavers

	2016/17 £'000	2015/16 £'000
Refunds of Contributions	297	160
Payments for members joining state scheme	(32)	(18)
Group Transfers Out to other schemes	6,484	153
Individual Transfers Out to other schemes	4,962	4,652
Total	**11,711**	**4,947**

Note 11 - Management Expenses

	2016/17 £'000	2015/16 £'000
Administrative Costs	1,223	1,293
Investment Management Expenses	7,374	7,069
Oversight & Governance Costs	606	389
Total	**9,203**	**8,751**

A further breakdown of investment management expenses is provided in Note 13.

Note 12 - Investment Income

	2016/17 £'000	2015/16 £'000
Bonds	(3,271)	(3,398)
Equity Dividends	(21,726)	(19,959)
Pooled Property Investments	(3,096)	(2,855)
Pooled Investments – Unit Trusts & Other Managed Funds	(770)	(385)
Interest on Cash Deposits	(215)	(191)
Other – Securities Lending	(46)	(81)
Other – Underwriting Commission	(4)	0
	(29,128)	**(26,869)**
Irrecoverable Withholding Tax - Equities	**258**	**138**
Total	**(28,870)**	**(26,731)**

Note 13 - Investment Management Expenses

	2016/17 £'000	2015/16 £'000
Management Fees	7,306	7,007
Custody Fees	68	62
Total	**7,374**	**7,069**

Investment Manager & Custody Fees are generally calculated on a fixed sliding scale basis and are applied to the market value of the assets managed. See note 3 for details of the accounting treatment of management fees for 2016/17.

Note 14 – Securities Lending

In January 2014 the Fund introduced an arrangement with its custodian BNP Paribas to lend eligible securities from within its portfolio to third parties in return for collateral. Lending is limited to a maximum of 25% of the aggregate market value of the Fund. Collateralised lending generated income of £0.046m in 2016/17 (2015/16 £0.081m). This is included within investment income in the Pension Fund Accounts. At 31 March 2017 £18.975m of stock was on loan, for which the fund held £19.436m worth of collateral. Collateral consists of acceptable securities and government and supranational debt.

Note 15 – Related Party Transactions

The Pension Fund is required to disclose material transactions with related parties, and bodies or individuals that have the potential to control or influence the Pension Fund, or to be controlled or influenced by the Pension Fund. Disclosure of these transactions allows readers to assess the extent to which the Pension Fund might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Pension Fund.

Members of the Pension Fund Committee and the post of Service Manager (Pensions) are the key management personnel involved with the Pension Fund. During 2016/17, the Committee consisted of nine County Councillors, two District Councillors and a beneficiary observer. Members of the Pension Fund Committee are disclosed in the Pension Fund Report and Accounts. An amount of £0.108m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

	2016/17 £'000	2015/16 £'000
Short Term Benefits*	93	49
Long Term/Post Retirement Benefits	15	8
Total	**108**	**57**

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

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

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

For the 12 months ended 31 March 2017, employer contributions to the Pension Fund from the County Council were £28.343m (2015/16 £30.260m). At 31 March 2017 there were receivables in respect of contributions due from the County Council of £3.245m (2015/16 £3.168m) and payables due to the County Council of £0.128m (2015/16 £0.069m) for support services.

The County Council was reimbursed £1.195m (2015/16 £1.018m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

Note 16 – Investments

	Value at 31.3.2017 £'000	Value at 31.3.2016 £'000
Investment Assets		
Bonds	202,883	185,882
Equities	780,002	621,770
Pooled Investments	1,031,626	818,097
Pooled Property Investments	144,421	142,259
Derivatives:		
- Forward Currency Contracts	522	758
Cash Deposits	8,027	6,113
Investment Income Due	4,303	4,702
Amounts Receivable for Sales	6,101	4,058
Total Investment Assets	**2,177,885**	**1,783,639**
Investment Liabilities		
Derivatives:		
- Forward Currency Contracts	(441)	(1,295)
Investment Expenses Due	(1,446)	(976)
Amounts Payable for Purchases	(1,820)	(2,491)
Total Investment Liabilities	**(3,707)**	**(4,762)**
Net Investment Assets	**2,174,178**	**1,778,877**

Note 16a – Reconciliation of Movements in Investments and Derivatives

	Value at 1.4.2016 £’000	Purchases at Cost & Derivative Payments £’000	Sales Proceeds & Derivative Receipts £’000	Change in Market Value £’000	Cash Movement £’000	Increase in Receivables / (Payables) £’000	Value at 31.3.2017 £’000
Bonds	185,882	252,654	(262,388)	26,735			202,883
Equities	621,770	137,835	(140,795)	161,192			780,002
Pooled Investments	818,097	24,708	(15,065)	206,883			1,031,626
Pooled Property Investments	142,259	10,596	(12,909)	4,475			144,421
Derivative Contracts							
FX	-537	615,454	(607,105)	(7,731)			81
Other Investment Balances							
Cash Deposits	6,113	32,346	(23,805)	1,479	(8,106)		8,027
Amounts Receivable for Sales of Investments	4,058					2,043	6,101
Investment Income Due	4,702					(399)	4,303
Amounts Payable for Purchases of Investments	(3,467)					201	(3,266)
	1,778,877	**1,073,593**	**(1,062,067)**	**390,036**	**(8,106)**	**1,845**	**2,174,178**

Included within the above purchases and sales figures are transaction costs of £0.451m. Costs are also borne by the scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

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

	Value at 1.4.2015 £’000	Purchases at Cost & Derivative Payments £’000	Sales Proceeds & Derivative Receipts £’000	Change in Market Value £’000	Cash Movement £’000	Increase in Receivables / (Payables) £’000	Value at 31.3.2016 £’000
Bonds	179,881	329,833	(329,398)	5,566			185,882

Equities	643,335	120,766	(106,010)	(36,321)			621,770
Pooled Investments	839,010	7,869	(14,399)	(14,383)			818,097
Pooled Property Investments	111,462	23,387	(9,748)	17,158			142,259
<u>Derivative Contracts</u>							
FX	1,205	1,112,306	(1,110,020)	(4,028			(537)
<u>Other Investment Balances</u>							
Cash Deposits	7,332	15,096	(14,719)	217	(1,813)		6,113
Amounts Receivable for Sales of Investments	3,090					968	4,058
Investment Income Due	3,918					784	4,702
Amounts Payable for Purchases of Investments	(4,249)					782	(3,467)
	1,784,984	**1,609,257**	**(1,584,294)**	**(31,791)**	**(1,813)**	**2,534**	**1,778,877**

Note 16b – Analysis of Investments (Excluding Derivative Contracts)

Bonds

	2016/17 £'000	**2015/16 £'000**

UK Public Sector	52,848	49,510
UK Other	0	0
Overseas Public Sector	45,331	43,710
UK Public Sector Index Linked	104,704	92,662
	202,883	**185,882**

Equity Investments

	2016/17 £'000	**2015/16 £'000**
UK listed equities	523,881	430,437
Overseas Listed Equities:		
North America	168,498	132,225
Japan	11,630	17,777
Europe	49,646	36,670
Pacific Basin	3,138	0
Emerging Markets	23,209	4,661
	780,002	**621,770**

Pooled Investment Vehicles

	2016/17 £'000	**2015/16 £'000**
UK Registered Managed Funds – Property	26,118	26,019
Non UK Registered Managed Funds – Property	20,609	19,449
UK Registered Managed Funds – Other	530,889	428,705
Non UK Registered Managed Funds – Other	175,378	148,384
UK Registered Property Unit Trusts	77,074	84,741
Non UK Registered Property Unit Trusts	20,620	12,050
Non UK Registered Unit Linked Insurance Fund	325,359	241,008
	1,176,047	**960,356**

Total Investments (excluding derivative contracts)

	2016/17 £'000	**2015/16 £'000**
	2,158,932	1,768,008

Objectives and policies

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

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

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

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

Contract	Settlement Date	Currency Bought '000	Currency Sold '000	Asset value At year end £'000	Liability value at year end £'000	Net Forward currency Contracts £'000
Forward OTC	1 month	1,510 EUR	1,286 GBP	7		
Forward OTC	2 month	19,892 GBP	23,400EUR		-143	
Forward OTC	2 month	6,088 GBP	867,000 JPY		-139	
Forward OTC	2 month	11,046 GBP	13,800 USD	22		
Forward OTC	2 month	18,526GBP	30,400 AUD	14		
Forward OTC	2 month	2,000 EUR	1,708 GBP	4		
Forward OTC	2 month	3,640 EUR	3,129 GBP		-13	
Forward OTC	5 months	20,518 GBP	23,415 EUR	408		
Forward OTC	2 month	2,606 GBP	3,190 USD	58		
Forward OTC	1 month	8,000 USD	6,472 GBP		-80	
Forward OTC	5 months	356 GBP	410 EUR	4		
Forward OTC	1 month	2,090EUR	1,814 GBP		-25	
Forward OTC	1 month	6,436 GBP	8,100 USD		-36	
Forward OTC	1 month	622 USD	69,089JPY	5	-3	
Forward OTC	1 month	591 USD	66,072 JPY		-2	
Forward Currency Contracts at 31 March 2017				**522**	**(441)**	**81**
Prior Year Comparative						
Forward Currency contracts at 31 March 2016				**758**	**(1,295)**	**(537)**

Note 16d – Other Investment Balances

	2016/17 £'000	2015/16 £'000
Receivables		
Sale of Investments	6,100	4,058
Dividend & Interest Accrued	4,246	4,662
Inland Revenue	54	34
Other	4	6
	10,404	**8,760**
Payables		
Purchase of Investments	(1,820)	(2,491)
Management Fees	(1,431)	(963)
Custodian Fees	(15)	(13)
	(3,266)	**(3,467)**
Total	**7,138**	**5,293**

Cash Deposits

	2016/17 £'000	2015/16 £'000
Non-Sterling Cash Deposits	8,027	6,113
	8,027	**6,113**

The following investments represent more than 5% of the net assets of the scheme

	2016/17 £'000	% of Total Fund	2015/16 £'000	% of Total Fund
UBS Life Global Equities All Countries Fund	325,359	14.41	241,008	13.08
L&G World (ex-UK) Equity Index	207,026	9.17	154,912	8.41
L&G UK FTSE100 Equity Index	181,237	8.03	146,384	7.95
L&G Core Plus Bond Fund	125,708	5.57	113,220	6.15

Note 17 - Current Assets

2016/17	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	2,973	3,506	2	0	1,041	**7,522**
Employee Contributions	262	1,129	1	0	397	**1,789**
Rechargeable Benefits	74	1,083	0	0	13	**1,170**
Transferred Benefits	7	485	0	0	47	**539**
Costs of Early Retirement	49	211	0	0	169	**429**
Inland Revenue	11	0	0	0	0	**11**
Other	68	96	0	0	72	**236**
Cash Balances					65,916	**65,916**
Total	**3,444**	**6,510**	**3**	**0**	**67,655**	**77,612**

2015/16	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	2,884	3,438	16	0	977	**7,315**
Employee Contributions	243	1,097	5	0	361	**1,706**
Rechargeable Benefits	104	101	0	0	16	**221**
Transferred Benefits	0	150	0	0	16	**166**
Costs of Early Retirement	42	216	0	0	230	**488**
Inland Revenue	117	0	0	0	0	**117**
Other	30	954	0	0	96	**1,080**
Cash Balances					44,613	**44,613**
Total	**3,420**	**5,956**	**21**	**0**	**46,309**	**55,706**

Note 18 – Current Liabilities

	Central Government	Local Authorities	Public Corporations &	Other	Total

2016/17	Bodies £'000	 £'000	Trading Funds £'000	 £'000	 £'000
Transferred Benefits	(39)	(252)	0	(58)	**(349)**
Benefits Payable	0	(22)	0	(1,326)	**(1,348)**
Inland Revenue	(1,119)	0	0	0	**(1,119)**
Costs of Early Retirement	(391)	0	0	0	**(391)**
Staff Costs	0	(70)	0	0	**(70)**
Consultancy	0	(5)	0	(29)	**(34)**
Other	(1)	(36)	(10)	(46)	**(93)**
Total	**(1,550)**	**(385)**	**(10)**	**(1,459)**	**(3,404)**

2015/16	Central Government Bodies £'000	Local Authorities £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Transferred Benefits	(80)	0	0	(525	**(605)**
Benefits Payable	(22)	0	0	(937)	**(959)**
Inland Revenue	(885)	0	0	0	**(885)**
Costs of Early Retirement	(391)	0	0	0	**(391)**
Staff Costs	0	(67)	0	(2)	**(69)**
Consultancy	0	(13)	0	(22)	**(35)**
Other	(4)	(24)	(9)	(40)	**(77)**
Total	**(1,382)**	**(104)**	**(9)**	**(1,526)**	**(3,021)**

Note 19 - Long-Term Assets

2016/17	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Employer Contributions	8,103	0	0	0	20	**8,123**
Costs of Early Retirement	65	299	0	0	247	**611**
Total	**8,168**	**299**	**0**	**0**	**267**	**8,734**

2015/16	Central Government Bodies	Local Authorities	NHS Bodies	Public Corporations & Trading Funds	Other	Total

	£'000	£'000	£'000	£'000	£'000	£'000
Employer Contributions	9,977	0	0	0	24	**10,001**
Costs of Early Retirement	67	427	0	0	232	**726**
Total	**10,044**	**427**	**0**	**0**	**256**	**10,727**

Long-Term assets for 2016/17 include deferred receivables in relation to the transfer of staff to Magistrates' Courts for which a payment of £21.860m is due to be received in ten equal annual instalments, in line with the national agreement reached between Actuaries on behalf of Pension Funds, and the Government Actuary Department on behalf of the Government.

Note 20 - Assets under External Management

The market value of assets under external fund management amounted to £2,056.941m as at 31 March 2017. The table below gives a breakdown of this sum and shows the market value of assets under management with each external manager:

	31/03/2017		31/03/2016	
Fund Manager	**Market Value £'000**	**%**	**Market Value £'000**	**%**
Baillie Gifford	411,258	19.99	338,290	20.16
Legal & General	722,543	35.13	602,360	35.90
UBS	444,117	21.59	356,440	21.24
Wellington	287,234	13.97	216,560	12.91
Insight	100,383	4.88	79,010	4.71
Adams Street Partners	41,395	2.01	34,376	2.05
Partners Group	50,011	2.43	50,914	3.03
	2,056,941	**100.00**	**1,677,950**	**100.00**

Note 21 - Top 5 Holdings

Value of the Fund's Top Five Holdings at 31 March 2017	£'000	% of Fund
Electra Investment Trust	47,178	2.09
HG Capital Trust	30,402	1.35
British American Tobacco	26,303	1.17
Royal Dutch Shell	24,560	1.09
Ashtead Group	16,802	0.74

Note 22 - Taxation

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

Note 23 – Additional Voluntary Contributions

	Market Value 31 March 2017 £'000	Market Value 31 March 2016 £'000
Prudential	14,220	13,881

AVC contributions of £1.557m were paid directly to Prudential during the year (2015/16 - £1.392m).

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

Note 24 – Contingent Liabilities

There are two contingencies to note:

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

2) In 2013/14 the Pension Fund received a Final Determination from the Pension Ombudsman, in which he has instructed the Administering Authority to pay compensation to a complainant as a result of mal-administration. The final level of compensation is contingent on the circumstances of the complainant over the next eight years, though the maximum payment has been calculated as approximately £0.140m plus pensions increase.

As at 31 March 2017 the fund had outstanding capital commitments (investments) totalling £35.878m (31 March 2016 - £39.511m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the pooled investments and pooled property fund elements of the investment portfolio. The amounts 'called' by these funds are irregular in both size and timing from the date of the original commitment due to the nature of the investments.

Note 25 – Investment Strategy Statement

Oxfordshire County Council Pension Fund has an Investment Strategy Statement. This is published in the Pension Fund Annual Report and Accounts which is circulated to all scheme employers and is also available on the Council's webpage.

Note 26 – Actuarial Present Value of Promised Retirement Benefits

	2017 £'000	2016 £'000
Present Value of Funded Obligation	3,595,746	2,863,405

Present Value of Funded Obligation consists of £3,472.669m (2016 – £2,784.675m) in respect of Vested Obligation and £123.077m (2016 – £78.730m) in respect of Non-Vested Obligation. The movement from March 2016 can in part be explained by the normal changes over the year as new benefits are accrued and previous benefits paid out. This explains an increase in the present value of the Funded Obligation of £123.904m (2016 - £134.859m increase).

There has been an increase in the present value of the Funded Obligation of £608.437m (2016 - £212.197m decrease) reflecting changes in the actuarial assumptions as a consequence of changes in the financial markets. The key changes in financial assumptions were:

- An increase in the assumed level of CPI and therefore pension increase from 2.3% to 2.7% (net effect an increase in Present Value of Funded Obligation)
- An increase in the assumed level of salary increases from 4.1% to 4.2% (net effect an increase in Present Value of Funded Obligation)
- A reduction in the discount factor from 3.6% to 2.8% (net effect an increase in Present Value of Funded Obligation).

Note 27 – Financial Instruments

Note 27a – Classification of Financial Instruments

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

	2016/17			2015/16		
	Fair Value Through Profit & Loss £'000	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000	Fair Value Through Profit & Loss £'000	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000
Financial Assets						
Fixed Interest Securities	98,178			93,220		
Index Linked Securities	104,704			92,662		
Equities	780,002			621,770		
Pooled Investments	1,031,626			818,097		
Pooled Property Investments	144,421			142,259		
Derivatives	522			758		
Cash		73,943			50,726	
Other Investment Balances	10,350			8,727		
Receivables		181			137	
	2,169,803	**74,124**	**0**	**1,777,493**	**50,863**	**0**
Financial Liabilities						
Derivatives	(441)			(1,295)		
Other Investment Balances	(3,266)			(3,468)		
Payables			(174)			(156)
	(3,707)	**0**	**(174)**	**(4,763)**	**0**	**(156)**
Total	**2,166,096**	**74,124**	**(174)**	**1,772,730**	**50,863**	**(156)**

Note 27b - Net Gains and Losses on Financial Instruments

	31 March 2017 £'000	31 March 2016 £'000
Financial Assets		

Fair Value through Profit and Loss	388,557	(27,980)
Loans and Receivables	1,479	217
Financial Liabilities		
Fair Value through Profit and Loss	0	(4,028)
Financial Liabilities Measured at Amortised Cost	0	0
Total	**(390,036)**	**(31,791)**

Note 27d – Valuation of Financial Instruments Carried at Fair Value

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

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

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

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

Level 2 includes pooled funds where the valuation is based on the bid price, where bid and offer prices are published, or the net asset value provided by the issuing fund. Within Level 2 there are also listed private equity investments where the market for the security is not deemed active; for these investments the valuation is based on the most recently available bid price in the market.

Included within Level 3 are pooled private equity investments made in Limited Liability Partnerships where fair value is determined using valuation techniques which involve significant judgements by fund managers due to the unquoted nature of the underlying fund investments. The valuations are obtained from the audited financial statements of the issuing funds and are adjusted for cashflows where data does not cover the full financial year for the Pension Fund. Some listed private equity investments have been included within Level 3 of the hierarchy where it has been determined that the market for the fund is inactive. These listed private equity investments are valued using the most recently available bid price in the market.

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

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

Value at 31 March 2017	**Level 1 £’000**	**Level 2 £’000**	**Level 3 £’000**	**Total £’000**
Financial Assets				
Financial Assets at Fair Value through	927,044	1,136,541	106,218	2,169,803

Profit and Loss				
Loans and Receivables	74,124	0	0	74,124
Total Financial Assets	**1,001,168**	**1,136,541**	**106,218**	**2,243,927**
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	(3,266)	(441)	0	(3,707)
Financial Liabilities at Amortised Cost	(174)	0	0	(174)
Total Financial Liabilities	**(3,440)**	**(441)**	**0**	**(3,881)**
Net Financial Assets	**997,728**	**1,136,100**	**106,218**	**2,240,046**

Value at 31 March 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	766,847	909,725	100,921	1,777,493
Loans and Receivables	50,863	0	0	50,863
Total Financial Assets	**817,710**	**909,725**	**100,921**	**1,828,356**
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	(3,468)	(1,295)	0	(4,763)
Financial Liabilities at Amortised Cost	(156)	0	0	(156)
Total Financial Liabilities	**(3,624)**	**(1,295)**	**0**	**(4,919)**
Net Financial Assets	**814,086**	**908,430**	**100,921**	**1,823,437**

Reconciliation of Movement in Level 3 Financial Instruments

Level 3 Investments	UK Equities £'000	Pooled Private Equity Funds £'000	Pooled Property Funds £'000
Market Value 31 March 2016	3,008	69,374	28,539
Transfers In	0	0	0
Transfers Out	0	0	0
Purchases	500	5,787	1,870
Sales	-15,073	-14,616	-5,233
Unrealised Gains/(Losses)	13,062	11,153	3,598
Realised Gains/(Losses)	452	3,797	0
Market Value 31 March 2017	**1,949**	**75,495**	**28,774**

Level 3 Sensitivities

Level 3 Investments	Valuation Range +/-	Value at 31 March 2017 £'000	Valuation on Increase £'000	Valuation on Decrease £'000
UK Equities	15%	1,949	1,657	2,241
Pooled Private	15%	75,495	64,171	86,819

Equity Funds Pooled Property Funds	5%	28,774	27,335	30,213

Note 28 – Risk

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

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

- The triennial Fund Valuation which reviews the assets and liabilities of the Fund, and resets employer contribution rates to target a 100% Funding Level. The 2016 Valuation estimated that the current Funding Level is 90%, and set contribution rates to address the deficit over the next 22 years.
- The Investment Strategy Statement which sets out the Fund's approach to the investment of funds, and specifically sets out the approach to the mitigation of investment risk.
- The review of the Strategic Asset Allocation to ensure compliance with the Investment Strategy Statement.
- The regular review of the performance of all Fund Managers.

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

- Maintaining an element of the asset allocation in fixed income securities, the behaviour of which most closely mirrors that of the Fund liabilities. The allocation to fixed income securities is constantly reviewed with the proposal that the allocation will increase as the maturity of the fund increases, as was the case following the 2016 valuation. Whilst the Fund maintains a high proportion of active members where the payment of liabilities is not due for many decades, the Fund can afford to seek the higher investment returns associated with the more volatile asset classes.
- Maintaining an element of the asset allocation in passive equity funds which remove the risk associated with poor manager performance (though retaining the market risk).
- Ensuring a diversification amongst asset classes, and in particular an allocation to alternative asset classes for which performance has historically not correlated to equity performance.
- Ensuring a diversification of Fund Managers and investment styles (e.g. some with a growth philosophy, some with a value philosophy) to mitigate the risk of poor manager performance impacting on asset values.
- The Fund's ESG Policy.

The key risks associated with the level of liabilities stem from the level of initial pension benefit payable, the indexation of this benefit and the time the benefit is in payment for. These risks largely lie outside the control of the Pension Fund. Recently, changes to the scheme have been made with the aim of making the scheme more sustainable including; linking the normal retirement age to future estimates of life expectancy to bring stability to the length of time benefits are in payment, a change in the calculation of benefits to career average revalued earnings to avoid the sudden hike possible in final benefits possible under a final salary scheme, and a switch in the basis of indexation to CPI which is generally lower than the RPI alternative.

The Actuary when completing the 2016 Valuation undertook sensitivity analysis calculations to look at the impact on potential liabilities and the funding level. A variation of 0.1% per annum in the discount rate would move the calculated funding level from 90% down to 88% or up to 91%. A change in the CPI assumption of 0.1% per annum would lead to a reduction in the funding level to 89% or an increase to 91%. A change to the rate of mortality improvement of 0.25% would move the funding level down to 89% or up to 91%.

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

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

Credit Risk

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

At 31 March 2017 the Fund's exposure to credit risk predominantly related to the following investments:

Investment Category	31 March 2017	31 March 2016
	£'000	£'000
UK Government Gilts	52,848	49,510
UK Corporate Bonds	125,708	113,220
UK Index Linked Gilts	104,704	92,662
Overseas Government Bonds	45,331	43,710
Non-Sterling Cash Deposits	8,027	6,113
Cash Balances	65,916	44,613
Total	**402,534**	**349,828**

The Pension Fund manages the credit risk by ensuring a diversification of investments both in terms of product and in terms of redemption dates, whilst limiting investments made to sub-investment grade bonds to those made through pooled funds. Corporate Bonds are held through a pooled fund vehicle and up to 15% of holdings can be invested in sub-investment grade bonds. Cash held in sterling at 31 March 2017 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	Balance as at 31 March 2017	Rating	Balance as at 31 March 2016

		£'000		£'000
Money Market Funds				
Standard Life	AAA	22,500	AAA	7,187
Bank Current Accounts				
Lloyds TSB Plc	A+	5,069	A+	7,213
BNP Paribas	A+	46,374	A	36,326
Total		**50,726**		**50,726**

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

Liquidity Risk

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

During 2016/17 the Pension Fund received/accrued income related to dealings with members of £94.7m (2015/16 - £92.6m) and incurred expenditure related to dealings with members of £98.8m (2015/16 - £87.9m). There were further receipts/accruals of £29.1m (2015/16 - £26.9m) in respect of investment income, against which need to be set taxes of £0.3m (2015/16 - £0.1m). The net inflow was therefore £24.7m (2015/16 - £31.5m).

These figures indicate significant levels of flexibility around the levels of cash available to meet liabilities as they are due. A cash flow forecast is maintained for the Fund to understand and manage the timing of the Fund's cash flows. On a daily basis, the Fund holds a minimum of £10m of cash in call accounts and money market funds to meet benefit payments due, drawdowns from the private equity fund managers, and other payments due from the Fund. The Fund has also looked at longer-term cashflow forecasts to gain a greater understanding of when the balance of pension payments and contributions may become negative so as to consider how this may affect the Fund's investment strategy in the future.

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

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

However, as noted above, for the Fund to reach a position where it is forced to sell assets and therefore face a potential financial loss, (as well as to forego future investment returns which have been assumed to meet pension liabilities in the future), the net movement in cash would be equivalent to a reduction in contributions received or benefits payable in the region of 25%. Movements of this scale are deemed highly unlikely in the medium-term. The Pension Fund will seek to mitigate these risks through working with employers to understand the potential for any significant membership changes and by monitoring the fund's cashflows. The fund will also provide advice to the Government on the impact of any proposals for change, as well providing clear communication to current scheme members of the on-going benefits of scheme membership and the personal risks to their future financial prospects of opting out at this time.

Market Risk

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

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

Interest Rate Risk

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

Asset Type	Carrying Amount as at 31 March 2017	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£’000	£’000	£’000
Cash and Cash Equivalents	8,027	80	(80)
Cash Balances	65,916	659	(659)
Fixed Interest Securities	328,591	3,286	(3,286)
Total Change in Assets Available	**402,534**	**4,025**	**(4,025)**

Asset Type	Carrying Amount as at 31 March 2016	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£’000	£’000	£’000
Cash and Cash Equivalents	6,113	61	(61)
Cash Balances	44,613	446	(446)
Fixed Interest Securities	299,102	2,991	(2,991)
Total Change in Assets Available	**349,828**	**3,498**	**(3,498)**

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

Currency Risk

Currency risk concerns the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is exposed to foreign exchange risk on financial instruments that are denominated in currencies other than the Fund's functional currency (£GBP). Risks around foreign currency rates are mitigated in part by allowing the Fund Managers to put in place currency hedging arrangements up to the value of the stock held in a foreign currency (also see note 16c).

The table below shows the impact a 10.0% weakening/strengthening of the pound against the various currencies would have on the assets available to pay benefits.

This analysis assumes that all other variables remain constant.

Currency Exposure - Asset Type	Asset Values as at 31 March 2017	Change in Year in the Net Assets Available to Pay Benefits	
		+10.0%	-10.0%
	£'000	£'000	£'000
Overseas Equities	256,121	25,612	(25,612)
Pooled Overseas Equities	532,385	53,238	(53,238)
Pooled Private Equity (LLPs)	70,797	7,080	(7,080)
Pooled Property	41,228	4,123	(4,123)
Cash	8,027	803	(803)
Total Change in Assets Available	**908,558**	**90,856**	**(90,856)**

Currency Exposure - Asset Type	Asset Values as at 31 March 2016	Change in Year in the Net Assets Available to Pay Benefits	
		+12.9%	-12.9%
	£'000	£'000	£'000
Overseas Equities	191,333	24,634	(24,634)
Pooled Overseas Equities	395,920	50,975	(50,975)
Pooled Private Equity (LLPs)	65,841	8,477	(8,477)
Pooled Property	31,499	4,055	(4,055)
Cash	6,113	787	(787)

Total Change in Assets Available	**690,706**	**88,928**	**(88,928)**

Other Price Risk

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

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

The effect of various movements in market price are presented in the table below along with the effect on total assets available to pay benefits assuming all other factors remain constant:

Asset Type	**Value as at 31 March 2017**	**Percentage Change**	**Value on Increase**	**Value on Decrease**
	£'000	**%**	**£'000**	**£'000**
UK Equities	677,488	15.0	779,110	575,864
Pooled UK Equities (Small Cap)	16,916	15.0	19,454	14,379
Global Equities	283,753	15.0	326,315	241,189
Diversified Growth Fund	100,383	5.0	105,402	95,364
Pooled Global Equities	325,360	15.0	374,163	276,556
Pooled Overseas Equities	207,026	15.0	238,080	175,972
UK Bonds	52,848	10.0	58,133	47,563
Overseas Bonds	45,331	10.0	49,864	40,798
UK Index Linked Bonds	104,704	10.0	115,174	94,234
Pooled Corporate Bonds	125,708	10.0	138,279	113,138
Pooled Private Equity (LLPs)	74,995	15.0	86,244	63,746
Pooled Property	144,420	5.0	151,642	137,200
Cash	73,943	0.0	73,943	73,943
Total Assets Available to Pay Benefits	**2,232,875**		**2,515,803**	**1,949,946**

Asset Type	**Value as at 31 March 2016**	**Percentage Change**	**Value on Increase**	**Value on Decrease**
	£'000	**%**	**£'000**	**£'000**
UK Equities	555,048	18.4	657,288	452,808
Pooled UK Equities (Small Cap)	14,188	9.8	15,577	12,799
Global Equities	213,106	13.7	242,259	183,953
Diversified Growth Fund	79,010	4.2	82,321	75,700
Pooled Global Equities	241,008	15.8	279,022	202,994

Pooled Overseas Equities	154,912	13.3	175,500	134,324
UK Bonds	49,511	7.8	53,362	45,659
Overseas Bonds	43,710	8.2	47,285	40,134
UK Index Linked Bonds	92,662	13.1	104,838	80,486
Pooled Corporate Bonds	113,221	5.6	119,512	106,929
Pooled Private Equity (LLPs)	69,374	9.8	76,166	62,583
Pooled Property	142,259	1.9	145,031	139,487
Cash	50,726	0.0	50,726	50,726
Total Assets Available to Pay Benefits	**1,818,735**	**12.7**	**2,048,887**	**1,588,582**

Note 29 – Accounting Standards Issued But Not Yet Adopted

The Pension Fund is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. For the purposes of this disclosure, the standards introduced by the 2017/18 Code that are relevant to the Pension Fund are:

- Amendment to the reporting of pension fund scheme transaction costs.
- Amendment to the reporting of investment concentration.

The Pension Fund has adopted the latest voluntary guidance from CIPFA on the reporting of management costs which also covers transaction costs. Therefore, the Pension Fund already broadly meets the new requirements for reporting of transaction costs. There may be some minor changes to the format for the disclosure of transaction costs as a result of the new requirements.

The amendment to the reporting of investment concentration removes the requirement to report any single investment that represents over 5% of a class or type of security. The requirement to report any single investment exceeding 5% of the net assets available to pay benefits remains.

Neither of the above amendments is anticipated to have a material impact on the values reported in the Pension Fund's financial statements.

Oxfordshire County Council Pension Fund

Actuary's Statement as at 31 March 2017

Introduction

The most recent full actuarial valuation of the Oxfordshire County Council Pension Fund was at 31 March 2016 in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated March 2017. This statement gives an update on the funding position as at 31 March 2017 and comments on the main factors that have led to a change since the full valuation.

The estimated funding position in this statement at 31 March 2017 is based on market movements since 31 March 2016 rather than being a full valuation with updated member data.

2016 Valuation

The results for the Fund at 31 March 2016 were as follows

- The Fund as a whole had a funding level of 90% i.e. the assets were 90% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £205m.
- To cover the cost of new benefits an average contribution rate of 15.3% of pensionable salaries is required.
- The contribution rate for each employer was set based on the annual cost of new benefits plus any adjustment required to pay for their individual deficit reflecting the employer's experience within the Fund.
- Where there is currently a deficit for an individual employer, this is targeted in line with the Fund's Funding Strategy Statement and all employers have a deficit recovery period of no longer than 22 years.

Barnett Waddingham
Public Sector Consulting

Assumptions

The assumptions used to value the benefits at 31 March 2016 and used in providing this estimate at 31 March 2017 are summarised below:

Assumption	*31 March 2016*	*31 March 2017*
Discount rate	*5.4% p.a.*	*5.9% p.a.*
Pension increases	*2.4% p.a.*	*2.8% p.a.*
Salary increases	*CPI to 31 March 2020 then 3.9%*	*CPI to 31 March 2020 then 4.3% p.a.*
Mortality	*90% of the S2PA tables with projected improvements in line with the 2015 CMI model allowing for a long term rate of improvement of 1.5% p.a.*	
Retirement	*Each member retires at a single age, weighted based on when each part of their pension is payable unreduced*	
Commutation	*Members will convert 50% of the maximum possible amount of pension into cash*	

Updated position

The estimated funding position at 31 March 2017 is a funding level of 96% which is an improvement on the position reported as at 31 March 2016 of 90% in the 2016 actuarial valuation report.

The value of the liabilities is greater than previously projected, primarily because of a higher future inflation assumption. However, investment returns since 31 March 2016 have been on average 21.2% p.a. which is significantly greater than assumed at the 2016 actuarial valuation. This means that, along with the payment of deficit contributions, the funding level has improved.

The next actuarial valuation is due as at 31 March 2019 and the resulting contribution rates required by the employers will take effect from 1 April 2020. We will continue to monitor the financial position of the Fund on a regular basis.

Alison Hamilton FFA
Partner, Barnett Waddingham LLP

Membership of the Local Government Pension Scheme (LGPS) secures entitlement to benefits that are determined by statute, contained within the LGPS Regulations. The regulations current for this year's report were effective from April 2014. A summary of the main benefit structure follows. There is further specific information in the sections, making up an Employee Guide currently held on the pension pages of the County public website.
www.oxfordshire.gov.uk/lgpsmembersguide

- **Employers' Discretion**

The regulations require each employer within the Oxfordshire Fund to determine their own local policy in specific areas. These policy statements have to be published and kept under review.
The specific areas include how employers will exercise discretionary powers to, award additional pension for a member, agreement to flexible retirement on request of the member ,setting up a shared cost AVC scheme, and waiving the reduction to a pension which is being paid early.

- **Retirement**

The 2014 scheme reintroduced the 2 year vesting period to qualify for any benefit other than that following a death in service. The scheme retirement age is linked to State Pension Age (SPA) for men and women, membership of the scheme continues when employment continues after SPA. All pensions contributions must cease before the 75th birthday.
Scheme benefits can be taken voluntarily after leaving employment from age 55, but the benefit payable will be reduced. Alternatively when retirement is deferred until after SPA, the benefit will be increased.
The regulations confirm 'normal retirement age' to be the personal state retirement age but not before age 65, but protection is offered to those members who previously had the entitlement for earlier retirement with an unreduced benefit. The protections offered are limited according to the age of the member and may not apply on the whole of their membership.

The earliest age for payment of pensions is age 55 and from April 2014 employer's approval is no longer required.

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

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

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

- **Benefits**

A retirement benefit, whether payable immediately or deferred, consists of an annual retirement pension and lump sum retirement grant for membership to 31 March 2008 and an annual retirement pension on membership from April 2008 (see below). However there is an option for members to convert pension to lump sum retirement grant. The minimum period of membership to qualify for retirement benefits is 2 years. The standard pension calculation, for membership to 31 March 2008, is 1/80 of final years' pensionable pay for each year of membership and the retirement grant is 3/80 of final year's pensionable pay for each year of membership. From 1 April 2008 to 31 March 2014 the standard calculation is 1/60 of final years' pensionable pay for each year of membership. From April 2014 the standard calculation is pay x 1/49 for the year with annual pension revaluation. NB Where members choose to pay into the 50/50 section of the scheme their accrual for that period will be pay x 1/98 and not 1/49 as shown.

Example - retirement in 2017
25 years membership to 31 March 2014 and then 3 years in the 'new scheme', 'final pay' £15,000 for period to 31 March 2014
Annual Pension
20 years x 1/80 x £15,000 = **£3,750**
5 years x 1/60 x £15,000 **= £1,250**
£15,000 x 3/49 = **£918.37**
Retirement Grant
20 years x 3/80 x £15,000 = **£11,250**

Members can choose at retirement to exchange pension for a larger retirement grant lump sum. AVC funds can also be used to provide a larger tax free lump sum. This combined lump sum can be up to 25 percent of the member's individual total pension fund value.
There are differences for elected members: Final pay is derived from career average pay and the benefit calculation remains for the time being as 1/80 for annual pension and 3/80 retirement grant. Elected members can only remain in the LGPS for their current period of office, and is not available for newly elected councillors.

• Liability to pay future benefits

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

• Increasing Benefits

Scheme members have several options as to how they increase their benefits, additional contributions to the LGPS or by contributing to the group AVC scheme arranged with the Prudential.
Additional Regular contributions (ARC's) to the LGPS to buy additional pension and set up before 1 April 2014 may continue but opening a new ARC is not possible.
Additional Pension Contributions (APC) gives members the opportunity to buy additional pension of up to £6,675. Payment can be made by a one off, or regular monthly payments.
Prudential AVCs. A member's additional contributions are invested by the Prudential to enable an annuity to be bought at retirement either from the Prudential, on the open market or as a top up pension with the LGPS. In certain protected circumstances the AVC value may also be used to buy additional LGPS membership
Members may also make their own arrangements using a stakeholder pension or an FSAVC.

• Death

Following a death in service a death grant of up to three times pensionable pay is payable. There are no minimum service requirements to qualify, but there are limits to the total of death grant payable if the member also has pensions on payment or in deferment. Scheme members are recommended to keep their 'expression of wish' nominations current.

• Pensions are due to the eligible survivors: partners and /or children. The pension due to survivors reflects the changing regulations and the partnership status. Whilst the regulations no longer require prior nomination of co-habitees, eligibility must be determined before making payment. Widows' and Widowers' Pension; Civil Partners' Pension; Nominated co-habiting partners' Pension The formula for pensions for surviving partners is 1/160 of the members' final year's pensionable pay for the allowable membership to 31 March 2014 with enhancements assessed under the CARE scheme from 1 April 2014 until the members state retirement age.

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

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

♦ INVESTMENT STRATEGY STATEMENT

Introduction

The Pension Fund Committee has drawn up this Investment Strategy Statement (ISS) to comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the accompanying Guidance on Preparing and Maintaining an Investment Strategy Statement. The Authority has consulted its Actuary and Independent Financial Adviser in preparing this statement.

The ISS is subject to periodic review at least every three years and more frequently if there are any developments that impact significantly on the suitability of the ISS currently in place. Investment performance is monitored by the Committee on a quarterly basis and may be used to check whether actual results are in-line with those expected under the ISS.

The Committee will invest any Fund money not immediately required to make payments from the Fund in accordance with the ISS. The ISS should be read in conjunction with the Fund's Funding Strategy Statement.

Governance Overview

Oxfordshire County Council is the designated statutory body responsible for administering the Oxfordshire Pension Fund. The Pension Fund Committee acts on the delegated authority of the Administering Authority and is responsible for setting investment policy, appointing suitable persons to implement that policy and carrying out regular reviews and monitoring of investments.

The Director of Finance 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 Director of Finance and the Fund's Independent Financial Adviser. The Committee members are not trustees, although they have similar responsibilities.

Investment Objectives

The Fund's primary objective is to ensure that over the life of the Fund it has sufficient funds to meet all pension liabilities as they fall due. In seeking to achieve this aim, the investment objectives of the Fund are:

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

Asset Allocation

The decision on asset allocation determines the allocation of the Fund's assets between different asset classes. The Committee believes that this is the single most important factor in the determination of the Fund's investment outcomes. In setting the asset allocation the Fund has considered advice from its Independent Financial Adviser and has used long-term cashflow modelling provided by the Fund's Actuary.

Every three years, following the actuarial valuation, there is a fundamental review of how the assets are managed. This review considers the most appropriate asset allocation for the Fund in order to achieve its investment objectives and considers advice from the Fund's Independent Financial Adviser. A balance is sought between risk, return and liquidity. The most recent review was undertaken in March 2017.

Diversification is the Fund's primary tool for managing investment risk. Diversification can improve returns and reduce portfolio volatility by ensuring that investment risk is not concentrated in a particular asset class or investment style and by reducing exposure to losses through poor performance of an individual asset class. In considering asset class correlations it is acknowledged that these vary over time and as such, are not indicators of how assets will behave relative to each other in the future. Taking this into account, the Committee believes that spreading investments over a wide range of asset classes is the most appropriate way to benefit from diversification having considered the factors that may cause values for various asset classes to move in the future.

The Committee has developed the following guidelines to assist in ensuring appropriate diversification is maintained:

1. Exposure to a single security will be limited to 10% of the total portfolio.
2. No single investment shall exceed 35% of the Fund's total portfolio.
3. Not more than 10% of the Fund may be held as a deposit in any single bank, institution or person.

In considering the asset classes used to build the Fund's overall portfolio, consideration has been given to the suitability of those investments given the Fund's investment objectives and advice has been taken from the Fund's Independent Financial Adviser. The fund broadly defines assets as either return-seeking or liability-matching assets and seeks to develop an appropriate balance between these categories. Each asset class should be understood by the Committee, be consistent with the Fund's risk/return objectives, and provide the most effective solution for delivering a target outcome.

The Fund currently constructs its investment portfolio using eleven distinct asset classes. A target allocation and range is set for each asset class as shown in the table below.

Asset Class	Target Allocation (%)	Range (%)

UK Equities Overseas Equities	26 28	24 - 28 26 - 30
Total Equities	**54**	**50 - 58**
UK Gilts Corporate Bonds Index-Linked Bonds Overseas Bonds	To be specified	
Total Bonds	**21**	**19 - 23**
Property Private Equity Multi-Asset Infrastructure Cash	8 9 5 3 0	6 - 10 6 - 11 4 - 6 2 - 4 0 - 5
Total Other Assets	**25**	**18 - 31**

Investment Implementation

To implement its asset allocation the Fund has a range of options available to access the different asset classes. This ranges from undertaking investments in-house to using external Fund Managers or selecting externally managed pooled funds. Options to manage investments in-house need to be considered against the capacity and skills available to the Fund. At present the majority of assets are managed externally by Fund Managers.

In selecting Fund Managers the Pension Fund considers whether they are suitably qualified to make investment decisions on behalf of the Fund and takes advice as considered appropriate. The fund is primarily interested in the net return delivered by an investment. While the return side of the equation is less controllable the cost side is more certain. The Fund is conscious of the compounding effect that fees have on total investment performance and considers the most cost effective way to invest in an asset class while maintaining the same level of exposure to the desired outcome.

When selecting investments for some asset classes there is a choice available between active and passive management. The Fund believes that active management can provide benefits above passive management in some situations. Active management gives the potential for outperformance relative to the passive benchmark through the selection of holdings expected to outperform the general market and through the use of cash to protect against downside risk. In considering the most appropriate type of mandate the Fund will consider the potential for outperformance, fees and risk. For some investment classes there are not passive investment solutions currently available but the Fund will monitor the market to identify any new products that are developed in the passive arena.

The individual managers' performance, current activity and transactions are monitored quarterly by the Pension Fund Committee.

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 Investment Management	FTSE All-Share FTSE 100	+1.25% Passive
Overseas Equities	Legal & General Investment Management	FTSE AW-World (ex-UK) Index	Passive
Global Equities	Wellington UBS	MSCI All Countries World Index MSCI All Countries World Index	+ 2.0% + 3.0%
Bonds & Index Linked - UK Gilts - Index Linked - Corporate bonds - Overseas bonds	Legal & General	 FTSE A All Gilts Stocks FTSE A Over 5 year IBoxx Sterling Non-Gilts JPMorgan Global Govt (ex UK) traded bond	+ 0.6%
Property	UBS Global Asset Management	IPD UK All Balanced Funds Index	+1.0%
Private Equity - Quoted Inv. Trusts - Limited Partnerships	 Director of Finance Adams Street Partners Group	FTSE Smaller Companies (Including Investment Trusts)	+ 1.0%
Diversified Growth Fund	Insight	3 month Libor	+ 3.0 – 5.0%
Cash	Internal	3 month Libor	-

Target performance is based on rolling 3-year periods

Rebalancing

The primary goal of the rebalancing strategy is to minimize risk relative to a target asset allocation, rather than to maximize returns. Asset allocation is the major determinant of the portfolio's risk-and-return characteristics. Over time, asset classes produce different returns, so the portfolio's asset allocation changes. Therefore, to recapture the portfolio’s original risk-and-return characteristics, the portfolio needs to be rebalanced.

The Fund has set ranges for the different assets included in the asset allocation, these are not hard limits but there would need to be a clear rationale for maintaining an allocation outside the ranges for any significant length of time. The fund takes a pragmatic approach to rebalancing and is cognisant that rebalancing latitude is important and can significantly affect the performance of the portfolio. Blind adherence to narrow ranges increases transaction costs without a documented increase in performance. While a rebalancing range that is too wide may cause undesired changes in the asset allocation fundamentally altering its risk/return characteristics.

Rebalancing meetings take place on a quarterly basis where the most recent asset allocation is reviewed against the target allocations and the ranges in place. A number of factors are taken into account in the decision on whether to rebalance which includes, but is not limited to; current and forecast market dynamics, and known future investment activity at the Fund level.

Where a decision is made to undertake rebalancing the Fund aims to use cash to rebalance as far as possible, as this will minimise transaction costs and keep the cash holding closer to target avoiding the need for future transactions with associated costs. The rebalancing action will not necessarily take place immediately after a decision has been made as consideration is given to market opportunities and transaction costs.

Restrictions on Investments

The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. These restrictions set limits for types of investment vehicles but not for asset classes. The Committee’s approach to setting its investment strategy and assessing the suitability of different types of investment takes into account the various risks involved and rebalancing is undertaken as described above to ensure asset allocations are kept at appropriate levels. When making investment decisions the suitability of the proposed investment structure is considered to ensure that it is the most efficient in meeting the Fund’s objectives. Therefore, it is not felt necessary to set any additional restrictions on investments.

In accordance with the regulations the Fund is not permitted to invest more than 5% of the total value of all investments of fund money in entities which are connected with the Administering Authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(d).

Risk

The overall risk for the Fund is that its assets will be insufficient to meet its liabilities. The Funding Strategy Statement, which is drawn up following the triennial actuarial valuation of the Fund, sets out how any deficit in assets compared with liabilities is to be addressed.

Underlying the overall risk, the Fund is exposed to demographic risks, regulatory risks, governance risks and financial risks (including investment risk). The measures taken by the Fund to control these risks are included in the Funding Strategy Statement and are reviewed periodically by the Committee via the Fund’s risk register. Further details on the risk management process and risks faced by the Pension Fund are also included in the Annual Report and Accounts document produced by the Fund. The primary investment risk is that the Fund fails to deliver the returns anticipated in the actuarial valuation over the long term. The Committee anticipates expected market returns on a prudent basis to reduce the risk of underperforming expectations.

It is important to note that the Fund is exposed to external, market driven, fluctuations in asset prices which affect the liabilities (liabilities are estimated with reference to government bond yields) as well as the valuation of the Fund's assets. Holding a proportion of the assets in government bonds helps to mitigate the effect of falling bond yields on the liabilities to a certain extent. Further measures taken to control/mitigate investment risks are set out in more detail below:

<u>Concentration</u>
The Committee manages the risk of exposure to a single asset class by holding different categories of investments (e.g. equities, bonds, property, alternatives and cash) and by holding a diversified portfolio spread by geography, currency, investment style and market sectors. Each asset class is managed within an agreed permitted range to ensure that the Fund does not deviate too far away from the Benchmark, which has been designed to meet the required level of return with an appropriate level of exposure to risk, taking into consideration the level of correlation between the asset classes.

<u>Volatility</u>
The Benchmark contains a high proportion of equities with a commensurate high degree of volatility. The strong covenant of the major employing bodies and the current forecast cashflow position enables the Committee to take a long term perspective and to access the forecast inflation plus returns from equities.

<u>Performance</u>
Investment managers are expected to outperform the individual asset class benchmarks detailed in the overall Strategic Asset Allocation Benchmark. The Committee takes a long term approach to the evaluation of investment performance but will take steps to address persistent underperformance. 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 Fund Managers report on portfolio risk each quarter and are required to provide internal control reports to the Fund for review on an annual basis. A proportion of assets are invested passively to reduce the risks from manager underperformance.

<u>Illiquidity</u>
Close attention is paid to the Fund's projected cash flows; the Fund is currently cash flow positive, in that annually there is an excess of cash paid into the Fund from contributions and investment income after pension benefits are paid out. The Fund expects to be cash flow positive for the short to medium term. Despite the significant proportion of illiquid investments in the Fund, a large proportion of the assets are held in liquid assets and can be realised quickly, in normal circumstances, in order for the Fund to pay its immediate liabilities.

<u>Currency</u>
The Fund's liabilities are denominated in sterling which means that investing in overseas assets exposes the Fund to a degree of currency risk. The Committee regards the currency exposure associated with investing in overseas equities as part of the return on

the overseas equities; the currency exposure on overseas bonds is hedged back to sterling.

<u>Custody</u>
The risk of losing economic rights to the Fund's assets is managed by the use of a global custodian for custody of the assets. Custodian services are provided by BNP Paribas Securities Services. 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.

<u>Stock Lending</u>
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. The levels of collateral and the list of eligible counterparties have been agreed by the Fund. The Committee will ensure that robust controls are in place to protect the security of the Fund's assets before entering into any stock lending arrangements.

Pooling

The Oxfordshire Pension Fund is working with nine other administering authorities to pool investment assets through the Brunel Pension Partnership Ltd. (BPP Ltd). This is currently work in progress with the intention of meeting the Government's requirement for the pool to become operational and for the first assets to transition to the pool from April 2018.

Once the Brunel Pension Partnership Ltd. is established the Oxfordshire Pension Fund, through the Pension Committee, will retain the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by BPP Ltd.

The Brunel Pension Partnership Ltd will be a new company which will be wholly owned by the Administering Authorities. The company will seek authorisation from the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme. It will be responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds' assets within defined outcome focused investment portfolios. In particular it will research and select the Manager Operated Funds needed to meet the requirements of the detailed Strategic Asset Allocations. These Manager Operated Funds will be operated by professional external investment managers. The Oxfordshire Pension Fund will be a client of BPP Ltd and as a client will have the right to expect certain standards and quality of service. A detailed service agreement is being drafted which will set out the duties and responsibilities of BPP Ltd, and the rights of the Oxfordshire Pension Fund as a client. It includes a duty of care of BPP to act in its clients' interests.

An Oversight Board will be established. This will be comprised of representatives from each of the Administering Authorities. It will be set up by them according to an agreed constitution and terms of reference. Acting for the Administering Authorities, it will have ultimate responsibility for ensuring that BPP Ltd delivers the services required to achieve investment pooling. It will therefore have a monitoring and oversight function.

Subject to its terms of reference it will be able to consider relevant matters on behalf of the Administering Authorities, but will not have delegated powers to take decisions requiring shareholder approval. These will be remitted back to each Administering Authority individually.

The Oversight Board will be supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities but will also draw on Administering Authorities finance and legal officers from time to time. It will have a primary role in reviewing the implementation of pooling by BPP Ltd, and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

The proposed arrangements for asset pooling for the Brunel pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Regular reports have been made to Government on progress towards the pooling of investment assets, and the Minister for Local Government has confirmed that the pool should proceed as set out in the proposals made.

Oxfordshire County Council has approved the full business case for the Brunel Pension Partnership. It is anticipated that investment assets will be transitioned across from the Oxfordshire Pension Fund's existing investment managers to the portfolios managed by BPP Ltd between April 2018 and March 2020 in accordance with a timetable that will be agreed with BPP Ltd. Until such time as transitions take place, the Oxfordshire Pension Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance, working in partnership with BPP Ltd. where appropriate.

Following the completion of the transition plan outlined above, it is envisaged that all of the Oxfordshire Pension Fund's assets will be invested through BPP Ltd. However, the Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by BPP Ltd. These assets will be managed in partnership with BPP Ltd. until such time as they are liquidated, and capital is returned.

ESG Policy

The Committee recognises that environmental, social and corporate governance (ESG) issues, including climate change, can have materially significant investment implications. The Fund therefore seeks to be a responsible investor and to consider ESG risks as part of the investment process across all investments. The objective of responsible investment is to decrease investor risk and improve risk-adjusted returns. Responsible investment principles are at the foundation of the Fund's approach to stewardship and underpin the Fund's fulfilment of its fiduciary duty to scheme beneficiaries.

The Committee's principal concern is to invest in the best financial interests of the Fund's employing bodies and beneficiaries. Its Investment Managers are given performance objectives accordingly. The Council requires its Investment Managers to monitor and assess the environmental, social and governance considerations, which may impact on financial performance 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.

The Investment Managers report at quarterly intervals on the selection, retention and realisation of investments on the Council's behalf and on any engagement activities undertaken. These Reports/Review Meetings provide an opportunity for the Council to influence the Investment Manager's choice of investments and to review/challenge their stewardship activities but the Council is careful to preserve the Investment Manager's autonomy in pursuit of their given performance.

Just because concerns have been registered about a company's performance on ESG issues, doesn't mean our fund managers will be instructed not to invest in that company. It is then through active ownership we aim to drive change. Where engagement is not seen to be resulting in sufficient progress, and so the risk associated with a holding is increasing or not reducing sufficiently, the Fund will consider divesting.

As a passive investor, the Fund accepts that it will hold companies of varying ESG quality due to the requirement to hold all securities in the target index. The committee believes that passive investing offers a number of benefits that need to be weighed against this and requires passive managers to demonstrate effective engagement, as is the case for active managers. It is important to note that ownership of a security in a company does not signify that the Oxfordshire Pension Fund approves of all of the company's practices or its products

The Committee is open to investing in Social Investments; investments where social impact is delivered alongside financial return. The Committee further believes that the goal of social impact is inherently compatible with generating sustainable financial returns by meeting societal needs. The Fund has made investments in this area and will continue to review whether further opportunities are available that offer an appropriate risk/return profile. Stakeholders' views are taken into account through the representation of different parties on the Pension Fund Committee, which includes a beneficiaries' representative, and the Local Pension Board, which consists of equal numbers of employer and member representatives.

The Fund will not use pension policies to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

One of the principal benefits, outlined in the Brunel Pension Partnership business case, achieved through the enhanced scale and resources as a result of pooling is the improved implementation of responsible investment and stewardship. Once established and fully operational the Brunel Company will deliver best practice standards in responsible investment and stewardship as outlined in the BPP Investment Principles.

Every portfolio under the Brunel Pension Partnership explicitly includes responsible investment and an assessment of how social, environment and corporate governance considerations may present financial risks to the delivery of the portfolio objectives. These considerations will therefore be taken into account in the selection, non-selection, retention and realisation of assets. The approach undertaken will vary in order to be the most effective in mitigating risks and enhancing investor value in relation to each portfolio and its objectives.

Policy on Exercise of Rights

As an investor with a very long-term investment horizon and expected life, the success of the Oxfordshire Pension Fund is linked to long term global economic growth and prosperity. Actions and activities that detract from the likelihood and potential of global growth are not in the long-term interests of the Fund. Since the Fund is a long-term investor, short-term gains at the expense of long-term gains are not in the best interest of the Fund. Sustainable returns over long periods are in the economic interest of the Fund.

The Fund recognises that encouraging the highest standards of corporate governance and promoting corporate responsibility by investee companies protects the financial interests of pension fund members over the long term. Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure and corporate governance, including culture and remuneration.

The Fund's commitment to actively exercising the ownership rights attached to its investments reflects the Fund's conviction that responsible asset owners should maintain oversight of the way in which the enterprises they invest in are managed and how their activities impact upon customers, clients, employees, stakeholders, and wider society.

The routes for exercising ownership influence vary across asset types and a range of activities are undertaken on the Fund's behalf by Fund Managers including engagement with senior management of companies, voting of shares, direct representation on company boards, presence on investor & advisory committees and participation in partnerships and collaborations with other investors. Where the Pension Fund invests in pooled vehicles it will seek to gain representation on investor committees if considered appropriate.

In practice the Fund’s Investment Managers are delegated authority to exercise voting rights in respect of the Council’s holdings. Voting decisions are fully delegated to fund managers, while recognising that the Fund maintains ultimate responsibility for ensuring that voting is undertaken in the best interests of the Fund.

The Fund will exercise its voting rights in all markets and its investment managers are required to vote at all company meetings where practicable. Market conventions in some countries may mean voting shares is not in the best interests of the Fund, for example where share-blocking is in operation.

The Fund has appointed an external company to monitor the Fund’s proxy voting at the whole fund level. The Fund receives reports detailing where votes cast by Fund Managers differ to the template vote recommended by the provider. The monitoring service also includes the production of an annual report for the Fund summarising and analysing the voting activity for the Fund including at Fund Manager level. These reports are used to inform the Fund and to enable discussion with Fund Managers where appropriate.

Our approach to Stewardship, including the exercising of rights attached to investments is outlined above and is consistent with the requirements of the UK Stewardship Code. During 2017 we will develop this further by becoming signatories to the code and clearly demonstrating our position in relation to all seven principles. As part of the Brunel Pension Partnership (BPP) we are actively exploring opportunities to enhance our stewardship activities.

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 pub-

lished 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.

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.

COMMUNICATIONS 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.
Reviewed May 2016

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.

<u>Communications Policy Annex - Local Communications</u>

	Available to:	**Method of Distribution**	**Frequency**
Communication Policy	Employers Members – active, deferred and pensioner Prospective scheme members Employee representatives	Website	Annual review, or earlier where there is a material change
Pensions Increase Notification	Pensioner members	Website Post	Annually – in February
Annual Benefit Statements	Active members Deferred members	By post to individuals, either to home address or via	Annually – by August

		employers	
Employers Forum	Employers in the Oxfordshire Pension Fund	Meeting	Annually – December
Newsletter – Reporting Pensions (With one Newsletter Including Summary of Accounts for Pensioners)	Active scheme members	Paper distribution with assistance from employers Website	Quarterly
Beneficiaries Report from the Pension Fund Committee Beneficiary's Advisor	Active members Employee representatives	Email distribution to employers for notice boards and intranets Post Website	Quarterly
Pensions User Group	Employer human resource and payroll contacts	Meeting Email distribution of agenda and action notes	Quarterly
LGPS Summary Information Guide Membership Forms	Prospective scheme members Employers for new starters, job application packs	Paper copies Downlaod from County website Email	All Year
Provide Presentations and Talks on LGPS Matters Facilitate 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 Website and Intranet Pages	All targeted audiences should be able to access information, especially from the external site		Regular reviews to keep up to date

Notes:

Website - www.oxfordshire.gov.uk/pensions

COMMUNICATION

The Pension Fund Committee approved a Communication Strategy, which sets out the fund's communication policy with all employing bodies, contributors and pensioners. The following initiatives are currently in place: -

- **Annual Report and Accounts** – The investment team circulate this document to all Oxfordshire County Council Directors and all employing bodies. It is also available on line from the website page. Copies are available for public inspection in the main Oxfordshire public libraries.
- **Summary of Report and Accounts Leaflet** – The Pension Fund Investment Manager selects sections from the main document to incorporate into an issue of Reporting Pensions for all current members. Pensioners receive the fund information with their annual newsletter.
- **Annual Pension Fund Forum** – An annual event for all employers in the fund, with an open invitation to submit topics for discussion and to send representatives. The forum is to keep employing bodies informed of topical issues and events that have occurred in the last year and also to give them the opportunity to raise any questions in relation to the Pension Fund.
- **Pensions Employer/User Group** – This is a meeting held quarterly for all employing bodies within the Oxfordshire Fund. The purpose of the group is to inform, consult and discuss LGPS matters such as changes in legislation, the results of the actuarial valuation and other policy changes. We will continue with the recently revised format of presenting on specific subjects at these meetings.
- **Employee Guide to LGPS** – presents aspects of the scheme to all members as a series of short subject leaflets. Taken together they provide a full guide for members, but individually offer broad information on specific subjects. The leaflets are available from the Oxfordshire County Council Pension Fund website or on request from Pension Services.
- **Brief Guide to the LGPS** - a reduced version of the scheme guide, with main points available for all from the website. We encourage all employers to link their starting information for new employees to this guide.
- **Reports by Beneficiaries Representative** – The beneficiaries' representative attends all Pension Fund Committee meetings as an observer. He has no voting rights but is allowed to speak with the permission of the Chairman. The Representative's report after each meeting is circulated to all employers for their staff, and is also on the pensions website pages.
- **Reporting Pensions** – a quarterly newsletter distributed, with the assistance of fund employers to scheme members and those eligible to join the fund. These pick up major changes to the LGPS and ensure that Oxfordshire County Council Pension Fund complies with the Disclosure of Information Regulations.
- **Website** – Pages for the Oxfordshire County Council Pension Fund are located on the County's public website. They offer access to administration and investment information, including Pension Fund Committee reports and minutes. Fund Employers can find detailed Administration information as an online toolkit to support their role in the fund. All members; current, pensioners, and deferred, have

dedicated sections, with links to newsletters, guides, and national websites.

- **Intranet** - is not maintained by Pension Services as it reflects the decisions and policies of the County Council as a fund employer. Their pages also provide links and access to the Pension Fund website. Other fund employers also provide information on their intra-net sites for employees.
- **Talking Pensions –** This is an informal monthly newssheet for all employers in the Oxfordshire Fund distributed to all Human Resources and Payroll contacts.
- **Annual Benefit Statements -** Pension Services issue statements to current members and to members who have left the scheme with an entitlement to pension but not to an immediate payment. Additional information to the Statement is available from the website.
- **Administration principles -** we encourage all new employers to attend a meeting to help acquaint themselves to our requirements and importantly, their responsibilities within the scheme.

USEFUL CONTACTS AND ADDRESSES

BENEFIT ADMINISTRATION

Pension Services
Oxfordshire County Council
4640 Kingsgate
Oxford Business Park South
Oxford, OX4 2SU

Telephone:
0330 024 1359
email:
pension.services@oxfordshire.gov.uk

ACCOUNTS AND INVESTMENTS

Financial Manager – Pension Fund Investments
Corporate Services
Oxfordshire County Council
County Hall
Oxford, OX1 1ND

email:
pension.investments@oxfordshire.gov.uk

BENEFICIARIES REPRESENTATIVE

c/o Pension Services
Oxfordshire County Council
4640 Kingsgate
Oxford Business Park South
Oxford
OX1 1ND

SPECIFIED PERSON FOR ADJUDICATION OF DISPUTES PROCEDURE
Disputes to be sent to:-

Pensions Services Manager
Oxfordshire County Council
4640 Kingsgate
Oxford Business Park South
Oxford, OX1 1ND

Telephone: 01865 323854
Email: sally.fox@oxfordshire.gov.uk

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW 0345 600 1011
www.thepensionsregulator.gov.uk

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU 0345 6002 537
www.gov.uk/find-pension-contact-details

The Pensions Advisory Service (TPAS)
11 Belgrave Road
London
SW1V 1RB 0300 123 1047
www.pensionsadvisoryservice.org.uk

Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB 0207 630 2200
www.pensions-ombudsman.org.uk

Division(s): N/A

PENSION FUND COMMITTEE – 15 SEPTEMBER 2017

PENSION FUND BUDGET OUTTURN REPORT FOR THE YEAR ENDED 31 MARCH 2017.

Report of the Director of Finance

Introduction

1. In March 2016 the Pension Fund Committee agreed a budget in respect of the Pension Fund for the 2016/17 financial year. The production of an annual budget is in accordance with a recommendation of best practice set out in the CIPFA Principles for Investment Decision Making in the Local Government Pension Scheme.

2. Annex 1 compares the outturn figures against the budget and shows the variations for each budget line. The overall outturn position was an overspend of £479,000. The reasons for any material variations are explained below.

Scheme Administration Expenses

3. **Administrative Employee Costs** were underspent by a total of £240,000. The agreed budget provision included costs for staffing of the project to clear a backlog of work, (unprocessed leavers) and to undertake the GMP reconciliation exercise, which did not start in year. This is now being put in process. Also, during the last year the team has carried several vacancies which in additional to reducing staffing costs has had a knock on effect to the training budget which has not been fully spent.

4. The budget for **Support Services Including ICT** was underspent by £65,000. The budget provision had included the purchase of new printers and scanners, which was put on hold pending the office move. Further provisions had been made for changes to the scheme, which did not materialise, but would have incurred additional software and development costs.

5. **Advisory and Consultancy Fees** were underspent by £40,000. The majority of this was due to an error in the original budget which resulted in the provision for these fees being overstated.

6. **Other Costs** were overspent by £16,000. The majority of this overspend was attributable to postage costs arising from the implementation of member self-service for pensioners.

Investment Management Expenses

7. **Fund Management Fees**. Although a budgeted sum is agreed for this item it is not possible to accurately estimate the annual charges because they are linked to the market values of the assets being managed, which continually fluctuate. The actual spend on fund management fees for 2016/17 was £766,000 above the budgeted amount. The overspend predominantly came from the equity and bond portfolios where actual returns where significantly greater than those forecast and used in setting the management fees budget.

8. The 2016/17 budget and actuals are based on the CIPFA guidance for calculating management fees and as such include management fees that are borne by the fund but are not invoiced. The Pension Fund is invoiced for some management fees but for investments in pooled funds management fees are typically deducted at source so are factored in to the price of units in the pooled fund.

Oversight & Governance Expenses

9. **Advisory & Consultancy Fees** were overspent by £54,000. This was due to higher costs than forecast relating to the project to establish the Brunel Pension Partnership. At the time the budget was set, the business case for the Brunel project was only in outline form. As this was further developed, the complexity of the project became clearer, and the requirement for additional specialist consultancy support was agreed through the Shadow Oversight Board, and subsequently this Committee.

RECOMMENDATIONS

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

Lorna Baxter
Director of Finance

Background Papers: None

Contact Officers: Gregory Ley, Financial Manager

Sally Fox, Pensions Administration Manager

August 2017

Annex 1

Pension Fund Budget Outturn for the Financial Year ended 31 March 2017

	Budget £'000	Actual £'000	Variance £'000
Administrative Expenses			
Administrative Employee Costs	1,044	804	-240
Support Services Including ICT	392	327	-65
Printing & Stationary	51	49	-2
Advisory & Consultancy Fees	45	5	-40
Other	44	60	16
Total Administrative Expenses	**1,576**	**1,245**	**-331**
Investment Management Expenses			
Management Fees	6,540	7,306	766
Custody Fees	70	68	-2
Other	0	0	0
Total Investment Management Expenses	**6,610**	**7,374**	**764**
Oversight & Governance			
Investment Employee Costs	224	224	0
Support Services Including ICT	40	46	6
Actuarial Fees	75	72	-3
External Audit Fees	24	30	6
Internal Audit Fees	14	14	0
Advisory & Consultancy Fees	113	167	54
Other	48	31	-17
Total Oversight & Governance Expenses	**538**	**584**	**46**
Total Pension Fund Budget	**8,724**	**9,203**	**479**

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Division(s): N/A

PENSION FUND COMMITTEE – 15 SEPTEMBER 2017

PENSIONS ADMINISTRATION – SERVICE PERFORMANCE

Report by the Chief Financial Officer

Introduction

1. This is the annual report is to update members on the service performance of the administration team during the year to March 2017.

Team Structure & Staffing

2. Following the introduction of the 2014 CARE scheme, this committee has received, and agreed, two reports to amend the team structure to meet the increased volume of incoming monthly data.

3. In December 2015 the proposed team was:

	Manager	Senior	Administrator	Assistant	Total
Data	1.00	1.50	4.00		6.50
Benefits	2.00	4.00	10.00	2.00	18.00
Employer			1.00		1.00
Communications	1.00				1.00
Pension Services	1.00				1.00
Totals	**5.00**	**5.50**	**15.00**	**2.00**	**27.50**

4. As reported in this annual update in September 2016 this level of staffing was not achieved, vacancies had been carried throughout the year due to recruitment issues and maternity leave.

5. Managers continued to assess incoming workloads in terms of both volume and the skills required which lead to another report being submitted and agreed in December 2016 to increase staffing levels to create an employer focussed team within Pension Services:

	Manager	Senior	Administrator	Assistant	Total
Data	1.00	2.00	4.00		7.00
Benefits	2.00	4.15	10.00	2.00	18.15
Employer		1.00	3.00		4.00
Communications	1..14				1.14
Pension Services	1.00				1.00
Totals	**5.14**	**7.15**	**17.00**	**2.00**	**31.29**

6. Some eight months on this level of staffing has not yet been achieved due to resignation; maternity leave (which will go on to 2018) / reducing hours of work and long term sickness absence. Currently 4 administrator vacancies are being advertised.

Data Returns

7. The Employer team is starting to make a difference by checking receipt of the monthly return and validating the return at the time of receipt. This process is not yet at a level state due to the fact that the employer team was not in place February 2017 so had to catch up the backlog of processing for the 2016/2017 monthly returns.

8. End of Year returns – there was an improvement in the number of returns received by deadline but, again, employers often did not carry out basic checks ahead of submitting data which meant these had to be sent back. Again, some of the larger scheme employers had issues with making these returns which, not only, has put them to the back of the queue for production of annual benefit statement but in some cases impacted on other linked scheme employers.

9. There are a number of employers who have either made multiple incorrect returns / not made any returns who will be subject to detailed reviews once the bulk of the annual benefit statements have been issued.

Service Performance

10. In previous years this report has included a comparison table of the Oxfordshire Pension Fund's performance to Industry Standard Performance Indications and the Local Government PC. However, as noted in the quarterly administration report, an error has been found in the reports used to produce this data which renders this meaningless until fixed.

Formal Complaints

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

12. However, if a complaint cannot be resolved informally the regulations set out a formal procedure, The Internal Dispute Resolution Procedure (IDRP). During the calendar year 2016 (the last full year recorded) a total of 11 complaints were received. These are summarised below:

Employer	Referred To	Summary	Decision
ODST	Internal Complaint	Member left employment on 31.08.15 & is complaining that hasn't been advised of benefits due / received pension payment. Have explained that employer has not advised PS of leaving date / pay information. This is being chased by PS. Following various discussions with employer information received & options have been sent out today – no further correspondence.	Found
Abingdon & Witney College	Internal Complaint	Member has complained that they have not been advised of benefits due at SPA. Member sent information & payment of retirement grant paid on 05.02.16. Apologies sent - no further correspondence.	Found
OCC	AoD.1	Member recently retired and has complained saying that OCC CSL had "advised" her of incorrect pay details when she joined so that she did not transfer previous LGPS.As a result pension payment is now significantly lower. The current value of deferred pay at previous fund is significantly higher than final pay from OCC - therefore there has been no detriment to pension in payment.	Not found
Oxford City	Pension Ombudsman	Member signed early choice form on 26.01.15 requesting payments to be brought in to payment on 11.04.15. Letter	Not found

		sent confirming earliest date was 27.04.15….now in payment member is disputing the date & asking to be reimbursed for period 11.04.15 - 26.04.15. Not found at stage 2. Member has now referred to PO. The PO has confirmed that payment made in line with regulations / processes.	
OCC	Internal Complaint	Member unhappy about the delays in processing / making payment following flexible retirement. Hold up due to waiting for scheme employer to provide information. Didn't update member even though we are chasing employer. Information received & letter sent to member.	Found
OCC	AoD.2	Member recently retired and has complained saying that OCC CSL had "advised" her of incorrect pay details when she joined so that she did not transfer previous LGPS.As a result pension payment is now significantly lower. The current value of deferred pay at previous fund is significantly higher than final pay from OCC - therefore there has been no detriment to pension in payment. This is confirmed by stage 2 determination. Member has now emailed to thank Adjudicator for detailed and informative response. also to confirm that will not be pursuing matter further.	Not found
OCC	Pension Ombudsman	Member disagrees with Council decision not to award ill-health retirement - case referred to PO. Not upheld	Not found
Activate	AoD.1	Seeking ill-health retirement - complaint referred to scheme employer.	Not found
SODC	Internal	Member complained since retirement forms had not been sent within published service standards. Investigation	Found

		confirmed that there was a delay & a letter of apology was sent. This letter also confirmed when the information would be provided.	
OCC	AoD.1	Member transferred to PCSPS as part of government reorganisation. Main benefits were transferred by AVC was not. Now retired member is seeking 100% tax free cash from AVC. Stage 2 determination confirmed that OPF should have given member choice to transfer AVC at point of restructure by MoJ. However, since member has taken full tax free benefits at retirement they are not out of pocket by fact that they can only take 25% tax free cash from AVC. Member has now rejoined public sector and will be transferring AVC to new provider - 14.02.17	Partially Found
OCC	AoD.1	Member believes that benefits should be calculated on membership from 1985 rather than 1995 when part time staffs were brought in to scheme. There is no evidence that member sought to join scheme prior to 1995.	Not found

13. During the year the team has not made as much progress as they wished but given that there have been two office moves and continuing recruitment / training of new staff has meant workloads have constantly had to be shifted according to level of competence within the team.

14. Now that the team are settled in to their new office accommodation plans are being put in place to address the backlogs of work and to improve data capture from scheme employers. Details will be updated to Committee in future quarterly administration reports.

15. RECOMMENDATION

The Committee is RECOMMENDED to note the report.

Lorna Baxter
Director of Finance

Contact Officer: Sally Fox, Tel: (01865) 323854

August 2017

TABLE 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND
OVERALL VALUATION OF FUND AS AT 30th JUNE 2017

	COMBINED PORTFOLIO 01.04.17	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 30.06.17		
Investment	**Value £' 000**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Target %**
EQUITIES																
UK Equities	**632,807**	**392,036**	**97.4%**	**23,826**	**9.7%**	**183,019**	**46.8%**	**0**	**0.0%**	**27,645**	**6.9%**	**0**	**0.0%**	**626,526**	**27.6%**	**26.0%**
Overseas Equities																
North American Equities	165,291	0	0.0%	144,957	59.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	144,957	6.4%	
European & Middle Eastern Equities	48,699	0	0.0%	43,888	18.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	43,888	1.9%	
Japanese Equities	11,630	0	0.0%	9,844	4.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	9,844	0.4%	
Pacific Basin Equities	3,138	0	0.0%	2,775	1.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	2,775	0.1%	
Emerging Markets Equities	23,209	0	0.0%	15,714	6.4%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	15,714	0.7%	
UBS Global Pooled Fund	293,734	0	0.0%	0	0.0%	0	0.0%	0	0.0%	252,451	62.8%	0	0.0%	252,451	11.1%	
L&G World (ex UK) Equity Fund	207,026	0	0.0%	0	0.0%	207,980	53.2%	0	0.0%	0	0.0%	0	0.0%	207,980	9.1%	
Total Overseas Equities	**752,727**	**0**	**0.0%**	**217,178**	**88.8%**	**207,980**	**53.2%**	**0**	**0.0%**	**252,451**	**62.8%**	**0**	**0.0%**	**677,609**	**29.7%**	**28.0%**
BONDS																
UK Gilts	96,591	0	0.0%	0	0.0%	0	**0.0%**	153,080	33.1%	0	0.0%	0	0.0%	153,080	6.7%	
Corporate Bonds	76,261	0	0.0%	0	0.0%	0	**0.0%**	110,053	23.8%	0	0.0%	0	0.0%	110,053	4.8%	
Overseas Bonds	48,497	0	0.0%	0	0.0%	0	**0.0%**	43,594	9.4%	0	0.0%	0	0.0%	43,594	1.9%	
Index-Linked	104,704	0	0.0%	0	0.0%	0	**0.0%**	142,328	30.8%	0	0.0%	0	0.0%	142,328	6.3%	
Total Bonds	**326,053**	**0**	**0%**	**0**	**0.0%**	**0**	**0.0%**	**449,055**	**97.0%**	**0**	**0.0%**	**0**	**0.0%**	**449,055**	**19.7%**	**21.0%**
ALTERNATIVE INVESTMENTS																
Property	144,604	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	118,214	29.4%	29,897	8.0%	148,111	6.5%	8.0%
Private Equity	200,001	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	175,381	46.7%	175,381	7.7%	9.0%
Multi Asset - DGF	100,383	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	111,796	29.8%	111,796	4.9%	5.0%
Infrastructure	-	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	2,171	0.6%	2,171	0.1%	3.0%
Total Alternative Investments	**444,988**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**118,214**	**29.4%**	**319,245**	**85.1%**	**437,459**	**19.2%**	**25.0%**
CASH	**84,922**	**10,523**	**2.6%**	**3,655**	**1.5%**	**0**	**0.0%**	**13,763**	**3.0%**	**3,518**	**0.9%**	**56,071**	**14.9%**	**87,530**	**3.8%**	**0.0%**
TOTAL ASSETS	**2,241,497**	**402,559**	**100.0%**	**244,659**	**100.0%**	**390,999**	**100.0%**	**462,818**	**100.0%**	**401,828**	**100.0%**	**375,316**	**100.0%**	**2,278,179**	**100.0%**	**100.0%**
% of total Fund		17.67%		10.74%		17.16%		20.32%		17.64%		16.47%		100.00%		

TABLE 2

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

Asset	Market Value 01.04.17	%	Net Purchases and Sales: UBS	Net Purchases and Sales: Baillie Gifford	Net Purchases and Sales: Legal & General	Net Purchases and Sales: Wellington	Net Purchases and Sales: Other	Changes in Market Value: UBS	Changes in Market Value: Baillie Gifford	Changes in Market Value: Legal & General	Changes in Market Value: Wellington	Changes in Market Value: Other	Market Value 30.06.17	%
	£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
EQUITIES														
UK Equities	632,807	28	0	(7,452)		(2,789)	0	(3,979)	7,175	1,782	(1,017)	0	626,526	28
US Equities	165,291	8	0	0	0	(17,672)	0	0	0	0	(2,662)	0	144,957	6
European & Middle Eastern Equities	48,699	2	0	0	0	(6,725)	0	0	0	0	1,914	0	43,888	2
Japanese Equities	11,630	1	0	0	0	(2,187)	0	0	0	0	401	0	9,844	0
Pacific Basin Equities	3,138	0	0	0	0	(481)	0	0	0	0	118	0	2,775	0
Emerging Market Equities	23,209	1	0	0	0	(7,081)	0	0	0	0	(414)	0	15,714	1
Global Pooled Funds	500,760	22	(49,000)	0			0	7,716	0	954	0	0	460,431	20
Total Overseas Equities	752,727	34	(49,000)	0	0	(34,146)	0	7,716	0	954	(643)	0	677,609	29
BONDS														
UK Gilts	96,591	4	0	0	62,327		0	0	0	(5,838)	0	0	153,080	6
Corporate Bonds	76,261	3	0	0	32,274		0	0	0	1,518	0	0	110,053	5
Overseas Bonds	48,497	2	0	0	(3,226)		0	0	0	(1,677)	0	0	43,594	2
Index-Linked Bonds	104,704	5	0	0	41,839		0	0	0	(4,215)	0	0	142,328	6
ALTERNATIVE INVESTMENTS														
Property	144,604	7	(25)	0	0		722	2,592	0	0	0	218	148,111	7
Private Equity	200,001	9	0	0	0		(35,207)	0	0	0	0	10,587	175,381	8
Multi Asset - DGF	100,383	4	0	0	0		8,861	0	0	0	0	2,552	111,796	5
Infrastructure	0	0	0	0	0	0	2,488	0				(317)	2,171	0
SUB TOTAL	2,156,575	96	(49,025)	(7,452)	133,214	(36,935)	(23,136)	6,329	7,175	(7,476)	(1,660)	13,040	2,190,649	96
CASH *	84,922	4	407	(8,421)	5,536	(3,980)	9,066	0	0	0	0	0	87,530	4
GRAND TOTAL	**2,241,497**	**100**	**(48,618)**	**(15,873)**	**138,750**	**(40,915)**	**(14,070)**	**6,329**	**7,175**	**(7,476)**	**(1,660)**	**13,040**	**2,278,179**	**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 30th JUNE 2017

COMBINED PORTFOLIO (BY FUND MANAGER)

FUND MANAGER	% Weighting of Fund as at 30th June 2017	QUARTER ENDED 30th June 2017 RETURN %	12 MONTHS ENDED 30th June 2017 RETURN %	THREE YEARS ENDED 30th June 2017 RETURN %	FIVE YEARS ENDED 30th June 2017 RETURN %	TEN YEARS ENDED 30th June 2017 RETURN %
BAILLIE GIFFORD UK EQUITIES	17.7%	2.6	23.5	8.7	12.0	7.4
BENCHMARK		1.4	18.1	7.4	10.6	5.4
VARITAION		**1.2**	**5.4**	**1.3**	**1.4**	**2.0**
WELLINGTON GLOBAL EQUITIES	10.8%	0.1	22.0	13.9		
BENCHMARK		0.4	22.3	14.9		
VARITAION		**-0.3**	**-0.3**	**-1.0**		
L&G UK EQUITIES - PASSIVE	8.0%	1.4	17.8	7.0	9.8	
BENCHMARK		1.5	17.4	6.9	9.7	
VARITAION		**-0.1**	**0.4**	**0.1**	**0.1**	
L&G GLOBAL EX UK EQUITIES - PASSIVE	9.1%	0.5	23.3	16.4	16.2	
BENCHMARK		0.5	23.2	16.4	16.2	
VARITAION		**0.0**	**0.1**	**0.0**	**0.0**	
L&G FIXED INCOME	20.3%	-0.7	3.4	8.6	6.5	7.9
BENCHMARK		-0.7	3.7	8.5	6.7	7.5
VARITAION		**0.0**	**-0.3**	**0.1**	**-0.2**	**0.4**
IN-HOUSE PROPERTY	1.3%	1.4	13.7	9.9	8.6	
BENCHMARK		2.3	6.0	9.5	9.1	
VARITAION		**-0.9**	**7.7**	**0.4**	**-0.5**	
PRIVATE EQUITY	7.7%	16.6	47.8	24.6	21.2	9.5
BENCHMARK		2.9	26.4	5.9	15.2	4.0
VARITAION		**13.7**	**21.4**	**18.7**	**6.0**	**5.5**
UBS GLOBAL EQUITIES	12.3%	1.4	27.5	13.1	14.2	7.9
BENCHMARK		0.6	23.0	15.2	15.3	8.4
VARITAION		**0.8**	**4.5**	**-2.1**	**-1.1**	**-0.5**
UBS PROPERTY	5.4%	2.9	6.5	10.5	9.6	3.3
BENCHMARK		2.3	6.0	9.5	9.1	2.4
VARITAION		**0.6**	**0.5**	**1.0**	**0.5**	**0.9**
INSIGHT DIVERSIFIED GROWTH FUND	4.9%	1.6	7.6			
BENCHMARK		0.8	3.4			
VARITAION		**0.8**	**4.2**			
IN-HOUSE CASH	2.5%	0.1	0.3	0.4	0.5	1.6
BENCHMARK		0.1	0.3	0.4	0.4	1.1
VARITAION		**0.0**	**0.0**	**0.0**	**0.1**	**0.5**
TOTAL FUND	**100.0%**	**1.2**	**18.3**	**11.0**	**11.7**	**6.2**
BENCHMARK		**0.8**	**17.8**	**10.4**	**11.6**	**6.9**
VARIATION		**0.4**	**0.5**	**0.6**	**0.1**	**-0.7**

TABLE 4

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

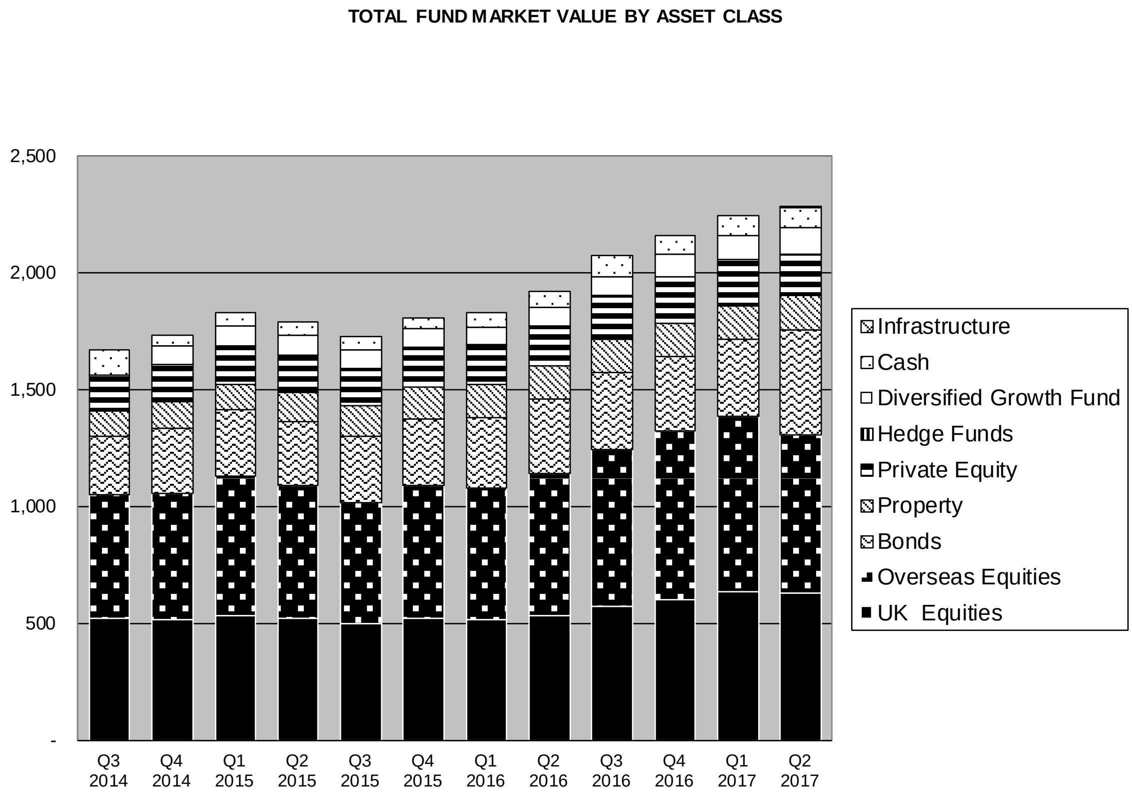
TOP 20 HOLDINGS AT 30/06/2017

	ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
	DIRECT HOLDINGS		
1	HG CAPITAL TRUST PLC	32,684,600	1.43
2	BRITISH AMERICAN TOBACCO PLC	24,438,383	1.07
3	ROYAL DUTCH SHELL B SHS EUR0.07	21,675,658	0.95
4	PRUDENTIAL PLC	18,485,622	0.81
5	ELECTRA PRIVATE EQUITY PLC	16,723,518	0.73
6	ST JAMESS PLACE PLC	16,047,624	0.70
7	STANDARD LIFE PRIVATE EQ ORD	15,525,064	0.68
8	ASHTEAD GROUP PLC	15,464,958	0.68
9	F&C PRIVATE EQTY TST ORD GBP0.01	14,258,400	0.63
10	BUNZL PLC	14,207,702	0.62
11	UK (GOVT OF) 0.5% 22/07/22 GBP	11,889,600	0.52
12	HSBC HOLDINGS PLC	10,908,518	0.48
13	LEGAL & GENERAL GROUP PLC	10,867,161	0.48
14	UNILEVER PLC	10,615,983	0.47
15	REED ELSEVIER PLC	10,576,292	0.46
16	3I GRP	10,150,535	0.45
17	CARNIVAL PLC	10,044,176	0.44
18	GERMANY(FED REP) 0.25% 15/02/27 EUR	9,507,026	0.42
19	DIAGEO PLC	9,081,282	0.40
20	RIO TINTO	8,846,640	0.39
	TOP 20 HOLDINGS MARKET VALUE *	**291,998,742**	12.81
	* Excludes investments held within Pooled Funds		
	POOLED FUNDS AT 30/06/2017		
1	UBS LIFE GLOBAL EQUITY ALL COUNTRY FUND A	280,096,474	12.29
2	L&G WORLD (EX UK) EQUITY INDEX	207,980,149	9.13
3	L&G UK EQUITY INDEX	183,018,954	8.03
4	LEGAL AND GENERAL TD CORE PLUS	174,967,145	7.68
5	INSIGHT BROAD OPPORTUNITIES FUND	111,796,210	4.91
	TOTAL POOLED FUNDS MARKET VALUE	**957,858,932**	42.04
	TOTAL FUND MARKET VALUE	**2,278,179,210**	

GRAPH 1

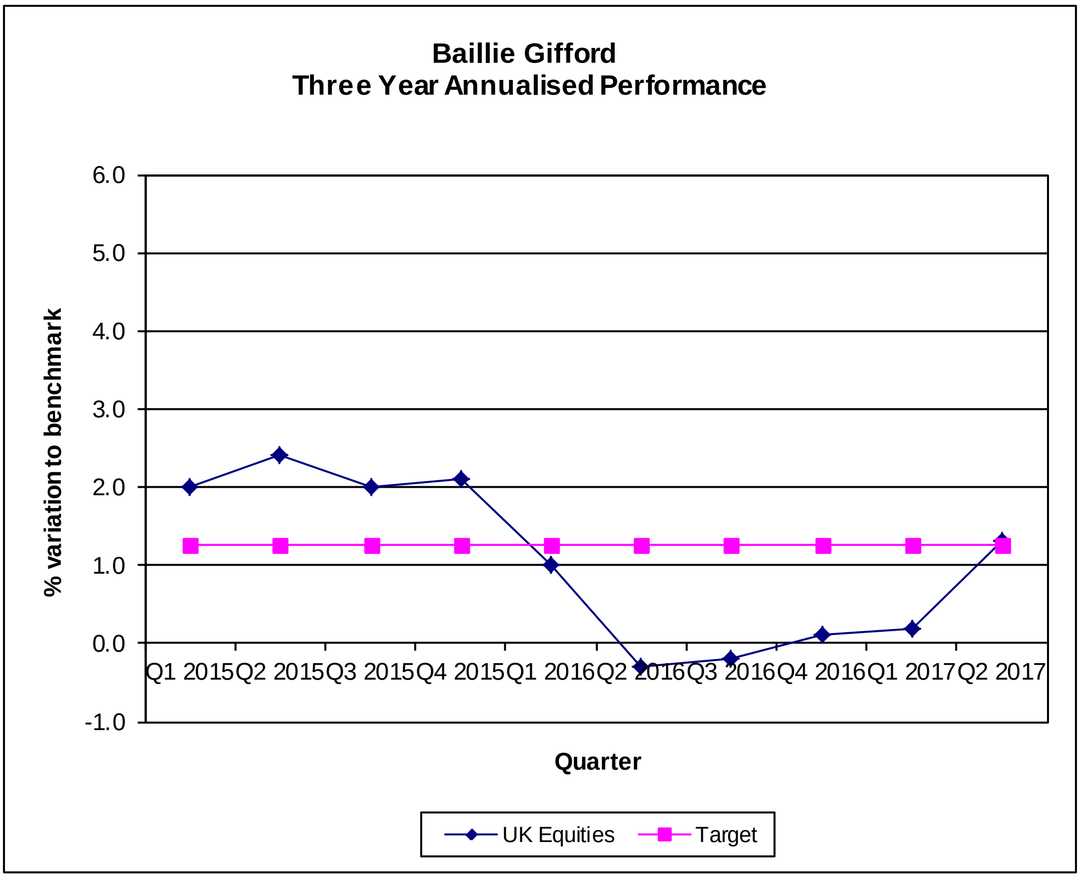
OXFORDSHIRE COUNTY COUNCIL PENSION FUND

MARKET VALUE OF TOTAL FUND



OXFORDSHIRE COUNTY COUNCIL PENSION FUND

GRAPH 2



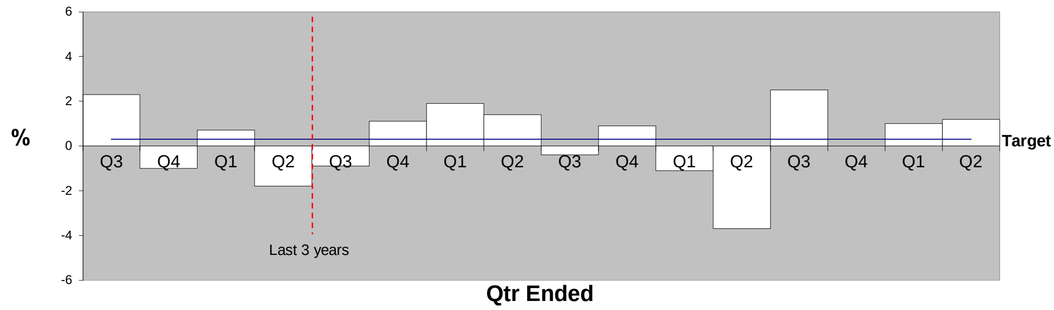
Baillie Gifford Three Year Annualised Performance

	UK Equities	Target
Q1 2015	2.0	1.25
Q2 2015	2.4	1.25
Q3 2015	2.0	1.25
Q4 2015	2.1	1.25
Q1 2016	1.0	1.25
Q2 2016	-0.3	1.25
Q3 2016	-0.2	1.25
Q4 2016	0.1	1.25
Q1 2017	0.2	1.25
Q2 2017	1.3	1.25

PERFORMANCE RELATIVE TO BENCHMARK

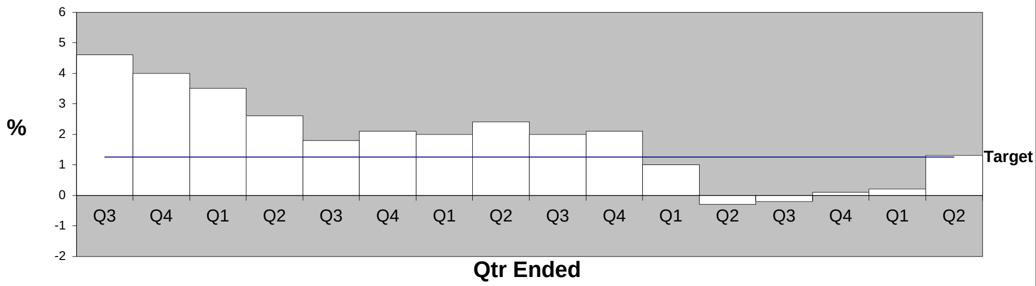
2013 2014 2015 2016 2017

Quarterly Performance



Performance	7.9	4.5	0.1	0.4	-1.9	1.7	6.6	-0.2	-6.1	4.9	-1.5	1.0	10.3	3.9	5.0	2.6
	5.6	5.5	-0.6	2.2	-1.0	0.6	4.7	-1.6	-5.7	4.0	-0.4	4.7	7.8	3.9	4.0	1.4
Relative Return	**2.3**	**-1.0**	**0.7**	**-1.8**	**-0.9**	**1.1**	**1.9**	**1.4**	**-0.4**	**0.9**	**-1.1**	**-3.7**	**2.5**	**0.0**	**1.0**	**1.2**

3 Year Performance



Performance	14.7	13.4	12.3	11.5	15.7	13.2	12.6	13.4	9.3	9.5	4.7	5.6	6.4	6.2	7.9	8.7
Benchmark	10.1	9.4	8.8	8.9	13.9	11.1	10.6	11	7.2	7.3	3.7	5.9	6.6	6.1	7.7	7.4
Relative Return	**4.6**	**4.0**	**3.5**	**2.6**	**1.8**	**2.1**	**2**	**2.4**	**2.1**	**2.1**	**0.9**	**-0.3**	**-0.2**	**0.1**	**0.2**	**1.3**

Target Returns

Rolling annual target of 1.25% above benchmark

Top 10 holdings at 30/06/2017

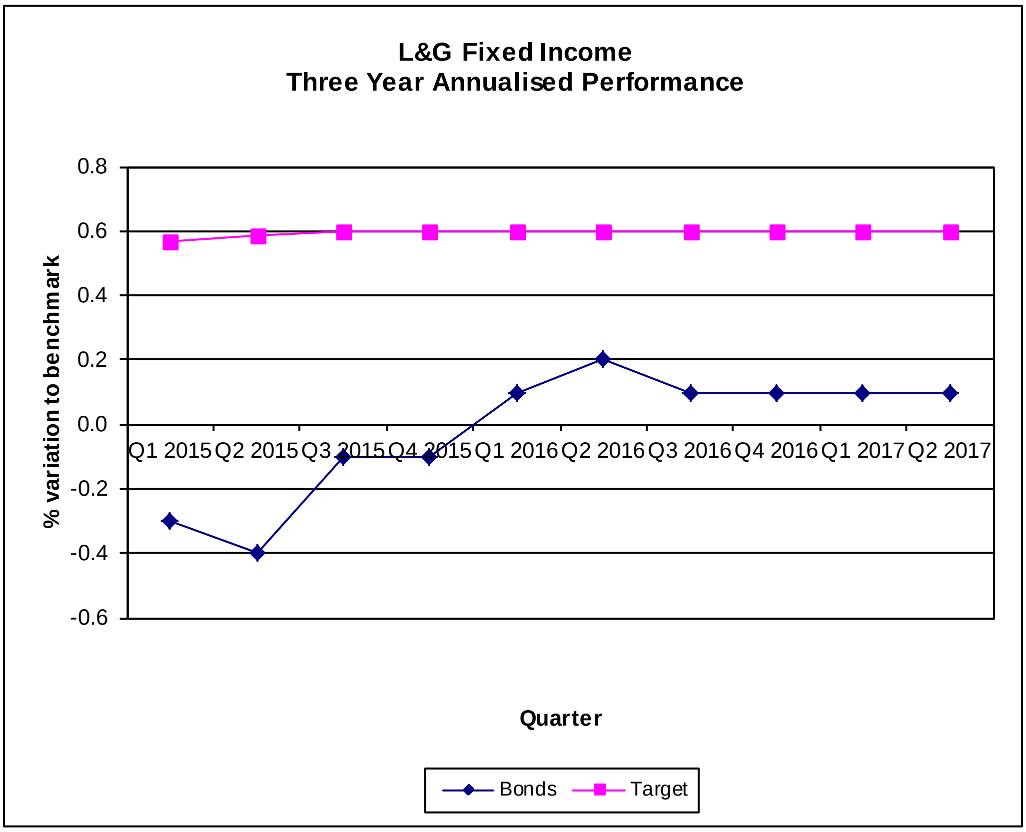
	Holding	Value £	% of portfolio
1	BRITISH AMERICAN TOBACCO PLC	19,193,915	4.77
2	PRUDENTIAL PLC	18,485,622	4.60
3	ROYAL DUTCH SHELL B SHS	17,238,767	4.28
4	ST JAMES'S PLACE PLC	16,047,624	3.99
5	ASHTEAD GROUP PLC	15,464,958	3.84
6	BUNZL PLC	14,207,702	3.53
7	HSBC HOLDINGS	10,908,518	2.71
8	LEGAL & GENERAL GROUP PLC	10,867,161	2.70
9	UNILEVER PLC	10,615,983	2.64
10	REED ELSEVIER PLC	10,576,292	2.63
	Top 10 Holdings Market Value	143,606,542	35.67
	Total Baillie Gifford Market Value	402,559,000	

Baillie Gifford

Top 10 holdings excludes investments held within pooled funds.

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

GRAPH 4



L&G Fixed Income Three Year Annualised Performance

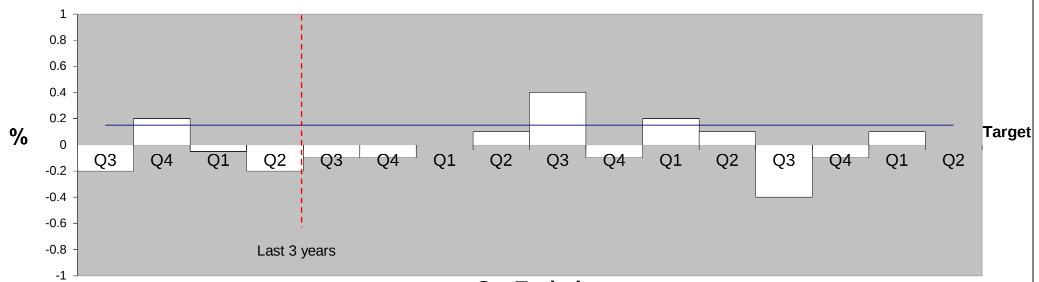
	Bonds	Target
Q1 2015	-0.3	0.6
Q2 2015	-0.4	0.6
Q3 2015	-0.1	0.6
Q4 2015	-0.1	0.6
Q1 2016	0.1	0.6
Q2 2016	0.2	0.6
Q3 2016	0.1	0.6
Q4 2016	0.1	0.6
Q1 2017	0.1	0.6
Q2 2017	0.1	0.6

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 5

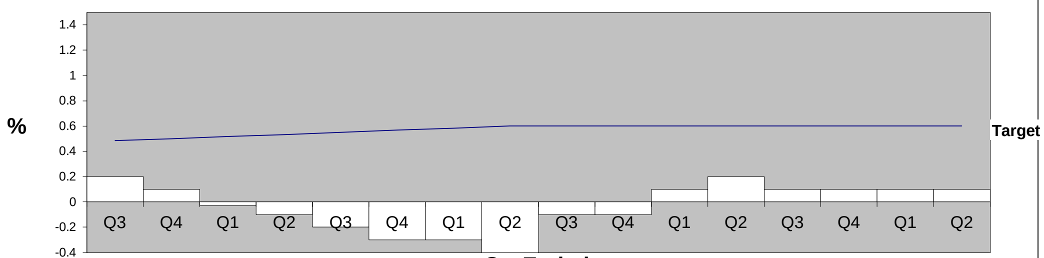
2013	2014	2015	2016	2017

Quarterly Performance



	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Performance	1.0	-0.3	2.7	1.4	3.7	6.0	2.9	-3.3	2.3	-1.2	4.8	6.7	5.5	-3.0	1.7	-0.7
	1.2	-0.5	2.7	1.6	3.8	6.1	2.9	-3.4	1.9	-1.1	4.6	6.6	5.9	-2.9	1.6	-0.7
Relative Return	**-0.2**	**0.2**	**-0.1**	**-0.2**	**-0.1**	**-0.1**	**0.0**	**0.1**	**0.4**	**-0.1**	**0.2**	**0.1**	**-0.4**	**-0.1**	**0.1**	**0.0**

3 Year Performance



	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Performance	6.2	6.4	7.2	6.7	6.1	6.4	7.4	5.4	5.8	4.6	5.1	9.1	10.7	9.8	9.4	8.6
Benchmark	6.0	6.3	7.2	6.8	6.3	6.7	7.7	5.8	5.9	4.7	5.0	8.9	10.6	9.7	9.3	8.5
Relative Return	**0.2**	**0.1**	**0.0**	**-0.1**	**-0.2**	**-0.3**	**-0.3**	**-0.4**	**-0.1**	**-0.1**	**0.1**	**0.2**	**0.1**	**0.1**	**0.1**	**0.1**

Target Returns

Rolling annual target of 0.60% above benchmark

Top 10 holdings at 30/06/2017

	Holding	Value £	% of portfolio
1	UK (GOVT OF) 0.5% 22/07/22	11,889,600	2.57
2	GERMANY(FED REP) 0.25% 15/02/27 EUR	9,507,026	2.05
3	UK TREASURY 0.625% 22/03/40 INDX LKD 3MO	8,267,096	1.79
4	UK TREASURY 0.125% 22/03/68 INDX LKD 3MO	7,750,122	1.67
5	UK TREASURY 1.25% 22/11/55 INDX LKD 3MO	7,488,591	1.62
6	UK TREASURY 0.75% 22/11/47 INDX LKD 3MO	7,410,491	1.60
7	UK TREASURY 0.375% 22/03/62 INDX LKD 3MO	7,361,897	1.59
8	UK TREASURY 0.125% 22/03/44 INDX LKD 3MO	7,360,098	1.59
9	UK TREASURY 1.5% 22/01/21	7,254,100	1.57
10	UK TREASURY 0.125% 22/03/24 INDX LKD 3MO	6,624,317	1.43
	Top 10 Holdings Market Value	80,913,338	17.48
	Total Legal & General Market Value	462,818,000	

Legal & General

Top 10 holdings excludes investments held within pooled funds.

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Allenbridge

QUARTERLY REVIEW PREPARED FOR

Oxfordshire Council Pension Fund

Q2 2017

11th August 2017

Peter Davies

AllenbridgeEpic Investment Advisers Limited (Allenbridge)

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PENSION FUND COMMITTEE – 15 SEPTEMBER 2017

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

Economy

1. The UK economy continued to grow at a quarterly rate of just 0.3% in the second quarter, and the Bank of England revised its estimate for 2017 downwards from 1.9% to 1.7%. US employment data have been stronger than expected, while China announced GDP growth at an annual rate of 6.9% for the second quarter. The Federal Reserve raised US interest rates by 0.25% to the 1 – 1.25% range in June, and is generally expected to raise once more during 2017.

   (In the table below, bracketed figures show the forecasts made in May)

Consensus real growth (%)						Consumer prices latest (%)
	2014	**2015**	**2016**	**2017E**	**2018E**	
UK	+2.8	+2.3	+2.0	+1.6 (+1.6)	+1.2	+2.6(CPI)
USA	+2.4	+2.4	+1.6	+2.2 (+2.2)	+2.3	+ 1.9
Eurozone	+0.8	+1.5	+1.6	+1.9 (+1.7)	+1.7	+ 1.3
Japan	+0.3	+0.6	+0.9	+1.3 (+1.3)	+1.1	+ 0.4
China	+7.4	+6.9	+6.7	+6.7 (+6.6)	+6.3	+ 1.5

[Source of estimates: The Economist, July 8th, 2017]

2. In the UK General Election on June 8th the Conservatives lost their overall majority, and entered into a pact with the DUP to ensure they had a working majority in Parliament. Negotiations opened on the terms of Britain's exit from the EU. Terrorist attacks in Manchester and London caused profound shock, as did the disastrous fire at Grenfell Tower in West London.

3. In France, Emmanuel Macron convincingly secured the presidency, and his newly-formed political party then won a resounding majority in the National Assembly. This result was welcomed within the Eurozone, although the new president may not find it easy to implement his economic programme.

4. US political developments continue at breakneck pace; President Trump sacked the FBI director in May, but shortly afterwards the Assistant Attorney-General appointed Robert Mueller as special investigator into possible Russian involvement in the 2016 election campaign. The President has withdrawn the US from the Paris Climate Accord and endorsed the Gulf states' boycott of Qatar. Meanwhile tension has been building up after North Korea's test missile launches, with the United Nations voting to impose sanctions on North Korea's exports.

Markets

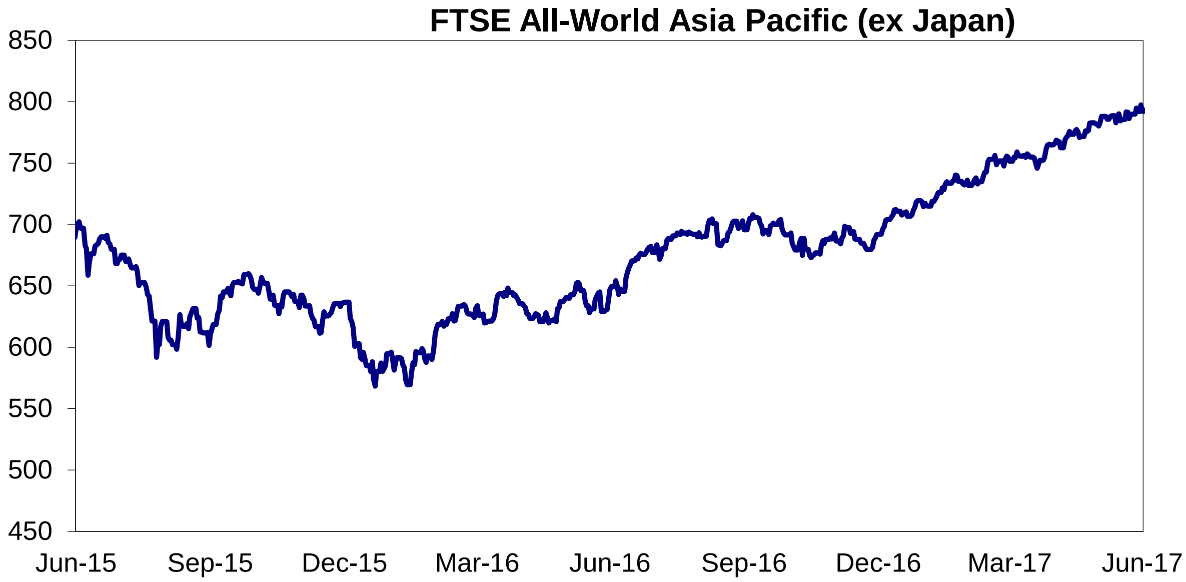
<u>Equities</u>

5. Equity markets were little changed on balance during the quarter, with UK and US indices remaining close to their all-time high levels.

	Capital return (in £, %) to 30.6.17		
Weight %	Region	**3 months**	**12 months**
100.0	FTSE All-World Index	**- 0.3**	**+19.9**
54.8	FTSE All-World North America	-1.4	+18.8
8.4	FTSE All-World Japan	+1.4	+21.4
12.0	FTSE All-World Asia Pacific ex Japan	+0.4	+24.1
15.0	FTSE All-World Europe (ex-UK)	+2.7	+24.8
6.1	FTSE All-World UK	-0.3	+12.5
9.2	FTSE All-World Emerging Markets	-0.8	+20.7

[Source: FTSE All-World Review, June 2017]

6. Pacific Basin equities have risen steadily over the past eighteen months (see graph).



7. Among the sectors of the equity market, Oil & Gas and Telecommunications were significantly weak in the quarter, while Technology has become the leading sector over one year, spurred on by the strength of the 'FAANGs' (Facebook, Apple, Amazon, Netflix and Google).

	Capital return (in £, %) to 30.6.17		
Weight %	**Industry Group**	**3 months**	**12 months**
12.6	Technology	+0.7	+36.4
22.8	Financials	+0.2	+30.4
4.7	Basic Materials	-2.7	+27.3
12.9	Industrials	+1.5	+25.3
100.0	**FTSE All-World**	**-0.3**	**+19.9**
10.4	Consumer Services	-0.9	+15.6
13.4	Consumer Goods	+1.0	+15.3
10.7	Health Care	+2.6	+10.8
3.3	Utilities	-1.3	+4.1
6.0	Oil & Gas	- 9.1	+0.7
3.2	Telecommunications	-5.3	-2.6

[Source: FTSE All-World Review, June 2017]

8. In the UK market, the medium and small-cap sectors have resumed their leadership relative to the FTSE 100 segment.

(Capital only%, to 30.6.17)	3 months	12 months
FTSE 100	**-0.1**	**+12.4**
FTSE 250	**+1.9**	**+18.9**
FTSE Small Cap	**+2.8**	**+24.9**
FTSE All-Share	**+0.3**	**+13.8**

[Source: Financial Times]

Bonds

9. The main **Government bond** yields were little changed during the quarter, although the yield gap between US Treasuries and UK gilts narrowed by ¼%.

10-year government bond yields (%)					
	Dec '14	**Dec 2015**	**Dec 2016**	**Mar 2017**	**June 2017**
US	2.17	2.27	2.46	2.41	2.28
UK	1.76	1.96	1.24	1.22	1.33
Germany	0.54	0.63	0.11	0.33	0.47
Japan	0.33	0.27	0.04	0.07	0.09

[Source: Financial Times]

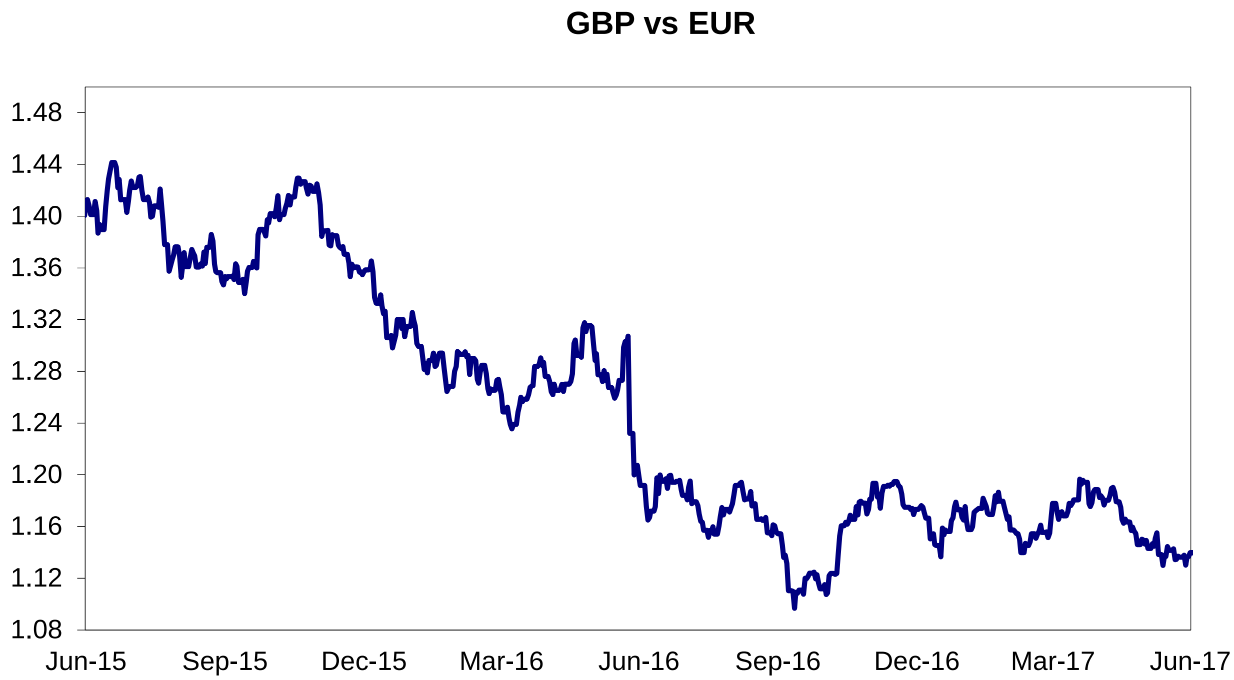
Currencies

10. The dollar has continued to weaken, despite the rises in US interest rates. Its trade-weighted index against other world currencies fell 7% in the first seven months of 2017. In the same period, the euro index gained 6%, as the Eurozone economies delivered stronger growth than expected. The euro's recent strength against the pound is shown in the graph below.

				£ move (%)	
	30.6.16	**31.3.17**	**30.6.17**	**3m**	**12m**
$ per £	1.337	1.251	1.299	+3.8	-2.8
€ per £	1.203	1.189	1.139	-4.2	- 5.3
Y per £	137.1	139.3	146.0	+4.8	+6.5

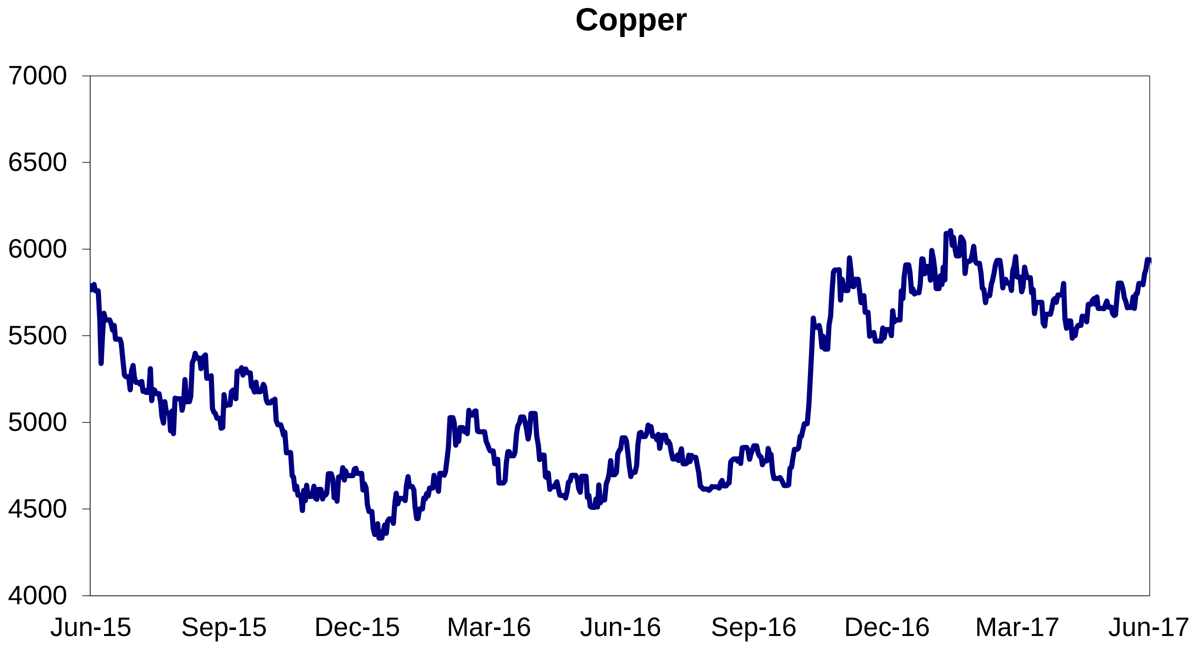
[Source: Financial Times]

GBP vs EUR



Commodities

11. The Oil price has remained in the $45-55 range, fluctuating as estimates of production and reserves are revised. In July the price of Copper reached its highest level since May 2015, spurred on by increased demand from China.



Property

12. In UK Property, the Industrial sector continues to provide the strongest returns, while the quarterly returns on Retail and Office derive almost entirely from rental income. The 12-month figures have improved since March because the post-Brexit referendum weakness of June 2016 has dropped out of the 12-month comparison.

	3-month (%)	12-month
All Property	**+ 2.5**	**+ 5.1**
Retail	**+ 1.8**	**+ 3.0**
Office	**+ 1.9**	**+ 2.2**
Industrial	**+ 4.6**	**+12.4**

[IPD Monthly Index of total returns, June 2017]

Outlook

13. Having disregarded geo-political risks for a long period, equity markets are beginning to worry about the standoff with North Korea and the unpredictable nature of any response from the US under President Trump. Meanwhile, the failure of his administration to get healthcare legislation through Congress has cast doubt on the likelihood of passing tax reform and infrastructure packages on which so many hopes rested. The turnover among senior White House staff, and the ongoing investigation into links with Russia, add to the uncertainty surrounding the direction of US policy on the major issues of the day.

14. After the UK election resulted in a hung parliament, and a severe weakening of the Prime Minister's authority, the equity market and sterling have reacted calmly, but the effect on domestic consumption of negative real wage growth seems likely to further depress UK economic growth. The progress of Brexit negotiations with the EU will become an increasing influence on sentiment in markets and in the country at large, so the near-term outlook is highly uncertain.

15. Against this background, it is hard to see equity markets moving into new high ground, while the 'safe-haven' government bond markets may well attract investors and thereby keep yields in those markets at current levels.

Peter Davies
Senior Adviser – AllenbridgeEpic Investment Advisers

August 11th, 2017
[All graphs supplied by Legal & General Investment Management]

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