



To: **Members of the Pension Fund Committee**

***Notice of a Meeting of the Pension Fund Committee***

**Friday, 14 September 2018 at 10.00 am**

**Rooms 1&2 - County Hall, New Road, Oxford OX1 1ND**

A handwritten signature in black ink that reads "Peter G. Clark".

Peter G. Clark  
Chief Executive

September 2018

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

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**Membership**

Chairman – Councillor Kevin Bulmer  
Deputy Chairman - Councillor Ian Corkin

*Councillors*

Nicholas Field-Johnson  
John Howson  
Mark Lygo

Charles Mathew  
John Sanders  
Lawrie Stratford

Alan Thompson

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*Co-optees*

District Councillor Alaa Al-Yousuf  
District Councillor Bill Service

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**Notes:**

- ***A lunch will be provided***
- ***Date of next meeting: 7 December 2018***

## 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](mailto:glenn.watson@oxfordshire.gov.uk) for a hard copy of the document.

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

# AGENDA

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

To approve the minutes of the meeting held on 8 June 2018 (**PF3**) and to receive information arising from them.

4. **Petitions and Public Address**
5. **Minutes of Local Pension Board and Brunel Oversight Board**  
(Pages 1 - 16)

**10:05**

A copy of the unconfirmed Minutes of the Local Pension Board, which met on 13 July 2018, is attached for information only (**PF5**).

Also attached is a copy of the latest Minutes of the Brunel Oversight Board which met on 18 July 2018, again for information only (**PF5**).

6. **Report of Local Pension Board** (Pages 17 - 18)

**10:10**

Attached at **PF6** is the report of the Local Pension Board to this Committee. It invites the Committee to respond to the key issues raised by the Pension Board at its most recent meeting on 13 July 2018.

***The Committee is RECOMMENDED to note the report of the Board and consider whether there is any specific work the Committee wishes the Board to undertake in respect of future improvements to the administration processes, with regard to paragraph 3 above.***

7. **Administration Improvement Plan** (Pages 19 - 24)

**10:20**

This report (**PF7**) updates the Committee on progress against the administration improvement plan and the target agreed with the Pension Regulator for 31 August

2018. It also covers future plans to ensure that similar breaches of the pension regulations are not repeated going forward.

***The Committee is RECOMMENDED to note the achievements against the targets set for 31 August 2018; and the key components of the comprehensive plan to be submitted to the Pension Regulator to ensure sustainable improvements going forward.***

## **8. Review of the Annual Business Plan (Pages 25 - 28)**

**10:40**

The report reviews progress to date on the key objectives, budget and training programme set out in the business plan for the Pension Fund for the forthcoming financial year.

***The Committee is RECOMMENDED to:***

- (a) note the progress against the key service priorities and budget included within the Business Plan 2018/19; and***
- (b) agree any further subjects it wishes to see included within the future training plans.***

## **9. Risk Register (Pages 29 - 36)**

**10:50**

The report (**PF9**) presents the latest position on the Fund's Risk Register. It includes any new risks identified since the report to the last meeting.

***The Committee is RECOMMENDED to note the current Risk Register and to determine any changes it wishes to see made.***

## **10. Administration report (Pages 37 - 46)**

**11:00**

The report **PF10** updates the Committee on the latest position on administration issues.

***The Committee is RECOMMENDED to:***

- (a) to consider whether it wishes to apply the intention of the Regulations for the pre-1998 leavers and allow member request for early payment at any time from age 55 for that group, or to wait until all options are covered in a further set of consultations and new regulations;***
- (b) determine whether this fund will / will not consider applications to 'switch on' the 85 year as this would increase costs/ on an individual***

*application initially to the Pension Services Manager for decision;*

*(c) agree to the inclusion of the groups as set out in paragraphs 12-23 in the administration strategy, as events requiring the upfront full cost to be provided by the employer agreeing to the request/ having a policy incurring this cost;*

*(d) determine in respect of the case set out in paragraph 35;*

*(e) whether payment of the child's pension can continue from present until age 23:*

- i. whether dependency in this case would hold after that date?*
- ii. What medical information the committee would require?*
- iii. Whether the committee has a view on the frequency of reviewing continued payment?*

*(f) determine whether to set up an escrow account for the Fund;*

*(g) determine what approach is to be applied to discrepancies arising from GMP reconciliation; and*

*(h) agree the appointment of ITM to finalise this project at cost stated.*

## **11. Budget Outturn Report 2017/18 (Pages 47 - 50)**

**11:05**

The report (**PF11**) analyses the actual spend by the OCC Pension Fund during 2017/18 against the budget and highlights the reasons for any material variances.

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

## 12. Overview of Past and Current Investment Position (Pages 51 - 60)

11:10

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 within his valuation figures and may also use different exchange rates and prices compared with the fund managers. The custodian also treats dividend 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 manager.

The Independent Financial Adviser will review the investment activity during the quarter and present an overview of the Fund's position as at 30 June 2018 and highlight any key performance issues using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 30 June 2018
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 2018
Table 4	provides details of the Pension Fund's top holdings

In addition to the above tables, the performance of the Fund 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 to the quarter ended 30 June 2018

***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 and 18 on the agenda.***

## 13. EXEMPT ITEMS

***The Committee is RECOMMENDED that the public be excluded for the duration of items 14, 15, 16, 17, 18, 19, 20 and 21 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 16 and 17, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

#### **14. Exempt Minutes (Pages 61 - 64)**

**11:15**

To **approve** the exempt Minute of the Pension Fund Committee meeting held on 8 June 2018 (PF14).

To **note** the exempt Minute of the Local Pension Board meeting held on 13 July 2018 (PF14).

#### **15. Overview and Outlook for Investment Markets (Pages 65 - 72)**

**11:15**

The attached report of the Independent Financial Adviser (PF15) sets out an overview of the current and future investment scene and market developments across various regions and sectors. It provides the context for the consideration of the reports from the fund managers. The report itself does not contain exempt information and is available to the public. The Independent Financial Adviser will also report orally and any information reported orally will be exempt information.

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

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

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

#### **16. Baillie Gifford**

**11:25**

(1) The Independent Financial Adviser will report orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda Items 12 and 15.

- (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 2018;
  - (b) give their views on the future investment scene.

In support of the above is their report for the period to 30 June 2018.

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

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

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

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

## **17. Legal and General**

**12:05**

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Legal and General drawing on the tables at Agenda Items 12 and 15.
- (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 2018;
  - (b) give their views on the future investment scene.

In support of the above is their report for the period to 30 June 2018.

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

*The public should be excluded during this item because its discussion in public*



would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

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

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

## **18. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting (Pages 73 - 80)**

**12:45**

To consider a report (**PF18**) from the Independent Financial Adviser on the main issues arising from the reports from UBS, Wellington and Adams Street Partners in conjunction with information contained in the tables (Agenda Item 12).

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

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

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

## **19. Summary by the Independent Financial Adviser**

**12:50**

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

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

3. Information relating to the financial or business affairs of any particular

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

## **20. Review of the AVC Arrangements (Pages 81 - 106)**

**12:55**

The Local Government Pension Fund Regulations require the Administering Authority to appoint an Additional Voluntary Contributions (AVC) provider, to fulfil the statutory requirement of section 12 of the Social Security Act 1986. The authority must provide facilities whereby members may elect to pay additional contributions, within Her Majesty's Revenue and Customs limits, to provide additional benefits at retirement or in the event of death in service. These additional contributions do not form part of the Oxfordshire County Council Pension Fund and do not require an employer's contribution.

The Administering Authority appointed The Prudential Assurance Company Limited (Prudential) in 1998 to provide its AVC scheme. The Administering Authority is responsible for determining and periodically reviewing the performance of the range of fund options from which the members can select. A review of Oxfordshire County Council Pension Fund's AVC provider has been undertaken periodically by officers. It was determined that it would be appropriate to undertake an external review of the Fund's AVC arrangements including an assessment of the arrangements against other providers in the market. Aon Hewitt were appointed to undertake this review and their report is included at **PF20**.

*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.*

**The Committee is RECOMMENDED to:**

- (a) note the report;**
- (b) continue to use Prudential as the AVC provider of the Administering Authority; and**
- (c) instruct officers to implement the recommendations of the Aon Hewitt report as deemed appropriate following discussion with Prudential.**

## **21. Annual Report and Accounts 2017/18 (Pages 107 - 232)**

**13:05**

The Annual Report and Accounts for 2017/18 is before the Committee, including any comments from the Auditors (**PF21**). The report itself does not contain exempt information and is available to the public. However, Annex 1 does contain exempt information and therefore:

*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.*

**The Committee is RECOMMENDED to approve the Annual Report and Accounts for 2017/18.**

### **ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC**

## **22. Corporate Governance and Socially Responsible Investment**

**13:15**

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

## **23. Annual Pension Forum**

**13:20**

To report any matters arising in relation to the next Forum in January 2019.

**LUNCH**

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### **Pre-Meeting Briefing**

There will be a pre-meeting briefing at County Hall on **Wednesday 12 September 2018** at **11:00am** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

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## PENSION FUND COMMITTEE

**MINUTES** of the meeting held on Friday, 8 June 2018 commencing at 10.15 am and finishing at 1.15 pm

**Present:**

**Voting Members:** Councillor Kevin Bulmer – in the Chair

Councillor Ian Corkin (Deputy Chairman)

Councillor Nicholas Field-Johnson

Councillor John Howson

Councillor Mark Lygo

Councillor Charles Mathew

Councillor John Sanders

Councillor Lawrie Stratford

Councillor Alan Thompson

**District Council Representatives:** Councillors Alaa Al-Yousuf and Bill Service

**By Invitation:** Anya Grieg (Beneficiaries Observer)  
Peter Davies (Independent Financial Adviser)

**Officers:**

Whole of meeting Chief Finance Officer; J. Dean, S Collins, S. Fox and G. Ley (Resources)

*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.*

### **22/18 ELECTION OF CHAIRMAN FOR THE 2018/19 COUNCIL YEAR**

(Agenda No. 1)

Cllr Kevin Bulmer was elected Chairman for the Committee for the ensuing 2018/19 Council Year.

The Chairman welcomed new members Cllr Dr Alaa Al-Yousef and Cllr Lawrie Stratford to the Committee and new Beneficiaries Observer Anya Greig.

**23/18 ELECTION OF DEPUTY CHAIRMAN FOR THE 2018/19 COUNCIL YEAR**

(Agenda No. 2)

Cllr Ian Corkin was elected Deputy Chairman for the Committee for the ensuing 2018/19 Council Year.

**24/18 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 3)

There were no apologies for absence.

**25/18 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE**

(Agenda No. 4)

Cllrs Bulmer, Howson, 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.

**26/18 MINUTES**

(Agenda No. 5)

The Minutes of the meeting held on 9 March 2018 were approved and signed as a correct record.

There were no matters arising.

**27/18 PETITIONS AND PUBLIC ADDRESS**

(Agenda No. 6)

Mr Mark Luntley, Fossil Free Oxford, addressed the Committee in relation to Agenda Item 12 'Annual Review of Pension Fund Policies – Annex 2 - Investment Strategy Statement.'

Mr Luntley was a former Director of Finance at Oxford City Council and then was involved at the Local Government Association in national policy making about pension fund investments. He wished to put forward both the risk and financial case for reducing investments in the carbon intensive sector.

He stressed that his address was to look at investment in fossil fuels but not from an environmental or ethical position. He cited a massive fall in renewables prices giving two local projects as an example, Westmill Solar's costs had fallen by £15m and Southill Solar by £4m within a 4 - year period. More widely, costs were still falling, storage and demand management was advancing and the whole energy market appeared to be changing. Transport appeared to be coming on the horizon and international developments accelerating.

Mr Luntley stated that there was a strong concern over fossil fuel companies having balance sheets based on current asset values. In the event that these assets become stranded the market value of the company could collapse. There were two separate issues to consider, to invest in renewables and to not invest in fossil fuels.

He concluded that the LGPS was at an advantage as it could take a long - term view of prices 25 years ahead, not today's prices. He warned against funds holding the stocks that others were quietly selling. For this reason, he put forward a strong, risk-based and financial case for (quietly) reviewing and significantly reducing exposure to fossil fuels.

## **28/18 MINUTES OF LOCAL PENSION BOARD AND BRUNEL OVERSIGHT BOARD**

(Agenda No. 7)

The unconfirmed Minutes of the Local Pension Board which met on 20 April 2018 were noted.

The Minutes of the Brunel Oversight Board which met on 23 March 2018 were also noted.

## **29/18 REPORT OF THE LOCAL PENSION BOARD**

(Agenda No. 8)

The Committee had before them the latest report of the Local Pension Board (PF8) in which it was asked to note the comments contained in the report and to undertake any suggested action contained in it. The decisions of the Committee in relation this are as set out below.

**RESOLVED:** to thank the Board for the report and to:

- (a) note the report; and
- (b) to agree (unanimously) to request Mr Collins to write to the Scheme Advisory Board on behalf of the Board and the Committee to encourage the development of a national standard set of scheme administration benchmarks to include data quality and the issuance of annual benefit statements; and to circulate the draft through the Chairman, Deputy Chairman and Opposition Group Spokesperson for comment prior to sending.

## **30/18 ADMINISTRATION REPORT**

(Agenda No. 9)

Please note that the Chairman, with the consent of the Committee, brought forward Exempt Item 15 at this point in order for the Administration Report to be considered in the context of Matters Arising from the exempt Minute of the Pension Fund Committee meeting held on 9 March 2018.

***The Committee therefore AGREED that the public be excluded for the duration of this item in the Agenda since it was likely that if they were present during this item 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 item in the Agenda and since it was 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 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 distort the proper process of free negotiations with another party.*

The Committee **RESOLVED** to:

- (a) receive report PF9 which reviewed the latest performance data and also included the latest position on the on-going projects, employer cessations and any debt write-offs; and
- (b) note the exempt information appertaining to the Administration Report.

### **31/18 RISK REGISTER**

(Agenda No. 10)

The Committee considered a report (PF10) which presented the latest position on the Fund's Risk Register including any new risks identified since the last meeting.

**RESOLVED:** to note the current Risk Register and to request Mr Collins to expand Risk 15 to cover the new GDPR Regulations.

### **32/18 REVIEW OF THE ANNUAL BUSINESS PLAN 2018/19**

(Agenda No. 11)

The Committee had before them a report (PF11) which reviewed progress to date on the key objectives, budget and training programme as set out in the 2018/19 Business Plan for the forthcoming year.

**RESOLVED:** to

- (a) note the report; and
- (b) confirm the Training day for the Committee and the Board as Friday 6 July 2018.

### **33/18 ANNUAL REVIEW OF PENSION FUND POLICIES**

(Agenda No. 12)

The Committee considered a report (PF12) which provided an opportunity to undertake a formal annual review of its major policy documents held in line with the LGPS regulations. The Committee had previously agreed to review all such documents on an annual basis at its June meeting.

With reference to Annex 2 – 'Investment Strategy Statement' the Committee was informed that at the 27 March 2018 Council meeting, the following motion from Cllr Bob Johnston was agreed by 59 votes to 0 (with 1 abstention):



'Investment, environmental, social and governance (ESG) issues are now rising rapidly up the Agenda. This is evidenced for example by the recent decision of the Norwegian Sovereign Wealth Fund to cease investment in oil and gas. The Oxfordshire Local Pension Fund has an obligation to review its investment strategy, when the present 3 - year framework expires. Council therefore calls upon the Pension Committee to incorporate the latest and best advice available on ESG matters when reviewing its policies and drawing up the next 3-year Investment Strategy.'

**RESOLVED:** (unanimously) to

- (a) approve the revised policy documents as set out in Annexes 1, 2, and 4-9 to this report, noting the main changes in the documents as discussed above; and
- (b) approve in principle to changes as set out in Annex 3 to the Governance Policy and the Governance Compliance Statement and to **RECOMMEND** to Council via the Audit & Governance Committee the corresponding changes to the Terms of Reference and Constitution of the Pension Fund Committee.

### **34/18 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION**

(Agenda No. 13)

The Independent Financial Adviser reviewed the investments activity during the past quarter and presented an overview of the Fund's position as at 31 March 2018.

Mr Davies reported that the overall value of the Fund over the last quarter had fallen by the end of March 2018, but this fall in value had been recouped by the end of May. This had been the first significant fall in the size of the Fund since the third quarter of 2015, over which time the Fund had steadily increased.

**RESOLVED:** to receive the tables and graphs, and that the information contained in them be borne in mind insofar as they related to items 17 and 18 on the Agenda.

### **35/18 EXEMPT ITEMS**

(Agenda No. 14)

The Committee **RESOLVED** to exclude the public for the duration of items 15, 16, 17, 18, and 19 in the Agenda since it was likely that if they were present during those items there would be disclosure of exempt information as defined in Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it was considered that, in all circumstances in each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

**36/18 EXEMPT MINUTES - 9 MARCH 2018 PENSION FUND COMMITTEE AND 20 APRIL 2018 LOCAL PENSION BOARD MEETINGS**

(Agenda No. 15)

The Exempt Minute of Local Pension Board meeting held on 20 April 2018 was noted.

The Exempt Minute of Pension Fund Committee meeting held on 9 March 2018 was approved and signed.

Please note that the matters arising report from the exempt Minute of the Pension Fund Committee meeting held on 9 March 2018, as considered at the Administration Report earlier on the Agenda, is the subject of an Exempt Minute.

*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 distort the proper process of free negotiations with another party.*

**37/18 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS**

(Agenda No. 16)

The Committee had before them a report of the Independent Financial Adviser (PF16) which 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. Information which the Independent Financial Adviser reported orally was exempt information.

*The public was excluded during this item because its discussion in public 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 and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

**38/18 INSIGHT**

(Agenda No. 17)

The Independent Financial Adviser reported orally on the performance and strategy of Insight drawing on the tables at Agenda items 13 and 16.

The representatives, Gary Wilkinson and Matt McKelvey of the Fund Manager presented their approach to investments in relation to their part of the Fund and their strategy against the background of the current investment scene.

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

*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 is 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 in funding the Pension Fund.*

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

**39/18 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING**

(Agenda No. 18)

The Committee considered a report from the Independent Financial Adviser (PF18) on the main issues arising from the officer meetings with Baillie Gifford and Legal and General in conjunction with information contained in the tables at Agenda Item 13.

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

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it 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 note the main issues arising from the reports.

**40/18 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER**

(Agenda No. 19)

No summary was necessary by the Independent Financial Adviser.

**41/18 THE LOCAL AUTHORITY PENSION FUND FORUM**

(Agenda No. 20)

The Committee considered a report (PF20) which invited the Committee to consider becoming a member of the Local Authority Pension Fund Forum as a means of support in its role as a responsible investor.

**RESOLVED:** to become a member of the Local Authority Pension Fund Forum.

**42/18 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT**

(Agenda No. 21)

The Committee raised no issues under this item.

**43/18 ANNUAL PENSION FORUM**

(Agenda No. 22)

It was noted that the next Annual Pension Forum would take place in January 2019 on a date to be confirmed.

..... in the Chair

Date of signing .....

## LOCAL PENSION BOARD

**MINUTES** of the meeting held on Friday, 13 July 2018 commencing at 10.30 am and finishing at 12.10 pm

**Present:**

**Voting Members:** Mark Spilsbury – in the Chair

Alistair Bastin  
Stephen Davis  
David Locke FCA  
District Councillor Sandy Lovatt

**Officers:**

Whole of meeting S. Collins, S. Fox and J. Dean (Resources)

*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.*

**22/18 WELCOME BY CHAIRMAN**

(Agenda No. 1)

The Chairman welcomed all to the meeting.

**23/18 APOLOGIES FOR ABSENCE**

(Agenda No. 2)

Apologies for absence were received from Cllr Bob Johnston and Sarah Pritchard.

**24/18 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE OPPOSITE**

(Agenda No. 3)

There were no declarations of interest.

**25/18 PETITIONS AND PUBLIC ADDRESS**

(Agenda No. 4)

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

**26/18 MINUTES**

(Agenda No. 5)

The Minutes of the last meeting held on 20 April 2018 were approved and signed as a correct record.

## **ORDER OF BUSINESS AND AN ADDITIONAL ITEM OF ANY OTHER BUSINESS**

It was **AGREED** that:

- (a) agenda items 10, 11,12 and 13 be taken prior to exempt item 8 and
- (b) an additional item of business entitled 'Cost Transparency', as agreed by the Chairman, be taken following Agenda Item 13.

### **27/18 ANNUAL REPORT OF THE PENSION BOARD**

(Agenda No. 6)

The Board was asked if it wished to make any changes to its draft Annual Report (LPB6) which set out the key issues considered by the Board during 2017/18, and its key priorities for the 2018/19 financial year.

In response to a query, Mr Collins confirmed that the finalised report would be published as part of the Annual Report and Accounts of the Pension Fund Committee and it would also be published on Brunel's Scheme Advisory Board's website.

The Board **AGREED** to approve its Annual Report for 2017/18 financial year.

### **28/18 REVIEW OF THE ANNUAL BUSINESS PLAN**

(Agenda No. 10)

The Board was invited to review the latest position against the Annual Business Plan for 2018/19, as considered by the Pension Fund Committee at its meeting on 8 June 2018; and to offer any views back to the Committee (LPB10).

Mr Collins reported that the Plan would feature in subsequent reports over the next two quarters. He pointed out that the Training Day had been attended by 6 out of 7 of the Board members and 10 out of 12 of the Committee members. The Committee's Beneficiaries Observer and the Independent Financial Adviser had also attended. He asked the Board to consider whether there were any other issues it would like in-depth training on. Points raised by members of the Board included the following:

- The officers were congratulated on their hard work in enabling online access to pensioners' accounts, which had recently been launched;
- With regard to the fifth priority - the Pensions dashboard, Sally Fox reported that monetary briefings on the delivery of data was being run by the DWP, who were the software suppliers. She added that she was currently in discussion with DWP regarding data which would need to be uploaded;
- With regard to the fourth priority which addressed the growing importance of Environmental, Social & Governance (ESG) issues, Mr Collins confirmed that a survey would be taken of scheme member representatives, which would include information about the direction the Pension Fund Committee

had taken on the subject of divestment, prior to the major review of the Investment Strategy Statement to be agreed by Committee in 2020.

Members of the Board **AGREED** that they had no comments to relay back to the Committee.

## **29/18 RISK REGISTER**

(Agenda No. 11)

The Board was invited to review the latest report on the Risk Register, which had been presented to the Pension Fund Committee on 8 June 2018 and to offer any views back to Committee (LPB11).

The Board **AGREED** that they had no comments for the Committee.

## **30/18 BRUNEL PENSION PARTNERSHIP**

(Agenda No. 12)

Mr Collins gave an oral update on the latest position in relation to the development of the Brunel Pension Partnership. He reported the following:

- The first transition of assets had taken place that week to Legal & General;
- The process for awarding contracts for the new UK equity portfolio was continuing, with due diligence meetings with the short-listed fund managers to be held in the following week. Part of the process was to minimise the tax implications and to this end Brunel had appointed Fund Rock as its operator;
- Papers were being despatched to the Oversight Board in relation to private markets and how to take this forward; and
- The transition timetable had been reviewed and it had remained unchanged. The next to be transitioned was the Global & Emerging Markets and DGF and Property would be later.

Mr Collins was asked about the costs of transitioning assets to L & G passive. He informed the Board that a report would be produced and then made available by the Transition Manager for the Board and the Committee once the transition had taken place. He added that, in his view, the transition costs would come in under estimate. The Chairman reported that it was expected that there would be overall fee savings across the 10 funds.

The Board asked that a GANT chart be made available in relation to the transition timetable when it was circulated.

In response to a query about whether the Board would be able to request a report from Brunel, or at least a general overall statement on the overall financial situation, Mr Collins stated that the expectation was that Brunel would not attend the Pension Fund Committee every quarter – (it had not yet been agreed on the frequency), but Brunel would be preparing a quarterly performance report. A draft of this report was to be submitted to the Oversight Board the following week. Representatives from Brunel were due to attend either the September 2018 meeting or the December 2018 Committee. Mr Collins also pointed out that currently it was difficult to ascertain the

overall financial situation as so much was still to be determined, but the Oversight Board was currently examining all reporting arrangements and the Client Group was also looking at it. The process would be significantly refined over the next year and the Committee would then be able to see all the monitoring reports it wished to. He added that the intention was to hold another Brunel Engagement day in October or November this year for Oxfordshire, Buckinghamshire and Gloucestershire to present the position as it currently stood.

He informed the Board that as Chair of the Client Group, he had recently met, along with the two Vice Chairs of the Client Group from Devon and Somerset, with the company to discuss the first year of operation. All had agreed that the arrangements were progressing well, though there were issues and actions which needed to improve. For example, the general organisation needed to be tighter as some deadlines had been missed. There was a need, however, to keep in mind that there was a huge amount of work involved. There was also the question for some about where the responsibility lay. All parties needed to get used to their new responsibilities and the new governance arrangements, understanding that they could not now be involved in the level of detail that they were accustomed to. Mr Collins stated that nationally Brunel had a good reputation to date and was proving to be a very good partnership.

The Board **AGREED** to note the report.

### **31/18 REVIEW OF THE BOARD'S CONSTITUTION**

(Agenda No. 13)

In accordance with paragraph 68 of the Constitution (attached at LPB13), the Board was invited to consider whether it wished to make any changes, with particular attention to an issue which had arose in recent meetings regarding the inclusion of items of any other business.

During the ensuing discussion, the Chairman stated his view that items of any other business should be allowed where possible, as this was a meeting held in the public domain (where appropriate). However, he did feel that officers should be given as much time as possible to produce their reports to ensure that proper consideration could be given to them by the Board. To that end, he proposed that a new standard item be added to each Agenda under the title 'Any other Business for Consideration at the next Meeting'.

He proposed also that appropriate items that were considered urgent and which required consideration by the Board at a meeting, would be added to the Agenda with the agreement of the Chairman, as long as no less than one month's notice had been given, in order to allow for a written report to be produced.

Moreover, if any very urgent items arose from Pension Fund Committee which required consideration at the next meeting of the Board, and did not allow for one month's notice to be given, then these would be allowed by the Chairman in special circumstances if the Chairman deemed it appropriate.

The Board **AGREED** the above and requested Julie Dean to bring a revised Constitution to the next meeting for consideration.



### **Item of Any Other Business Allowed by the Chairman – Cost Transparency – Investment Costs**

The Chairman had allowed this item of any other business to be placed on the Agenda.

Employee representative, Alistair Bastin, who had brought this item, stated his concern that the returns submitted to the Pension Fund Committee were silent in respect of costs incurred by the fund managers and fees charged to the Committee. To that end he requested the Board to consider receiving the cost transparency spreadsheets submitted by the Fund Managers at its next meeting so that a thorough monitoring could occur, to enable comparison with Brunel's costs and fees following the transition. He was backed also by Stephen Davis who stated his preference to be aware of the costs and the level of fees incurred now, prior to the complete transition to Brunel.

Suggestions from Members of the Board included a proposal that a summary report from the officers to the Board be prepared which highlighted the key points, rather than receipt of the transparency templates themselves; and the possibility of looking at all spreadsheets to ascertain what each individual fund manager was charging.

It was another Board member's view that the Committee already employed a strategy whereby it looked at the spread of risk profiles employed by the different fund managers in order that a balanced view could be gained. Moreover, net fee levels depended upon the strategic allocations. To look at it in a more detailed manner at that level would, in his view, be unadvisable.

Sean Collins advised the Board that Legal & General submitted four templates for four separate funds and Baillie Gifford, one. The other Fund Managers had not yet submitted any annual returns, having signed up to the transparency code after the end of the financial year. Furthermore, Brunel was not charged with reducing costs, but improving net investment performance. As an example of the dangers of focusing just on investment costs, he cited that Baillie Gifford's transaction costs were always very low because their process focussed on holding growth stocks for the long term. Brunel could appoint a second manager who transacted on a more regular basis as stocks hit the manager's assessment of fair value, so increasing the level of investment costs. No judgement could be made on this without also looking at the impact on investment performance. Therefore, for the reasons above, looking solely at a template would not indicate any key implications/issues. Mr Collins also pointed out that actual fees paid were provided each year and made public within the annual accounts.

Following the Board's discussion it was **AGREED** that Mr Collins be requested to submit a report covering the points made in the discussion to the next meeting.

**32/18 EXEMPT ITEMS**

(Agenda No. 7)

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

**33/18 EXEMPT MINUTE - 20 APRIL 2018**

(Agenda No. 8)

The exempt Minute of the meeting held on 20 April 2018 was approved and signed as a correct record (LPB8).

*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 distort the proper process of free negotiations with another party.*

**34/18 EMPLOYER MANAGEMENT**

(Agenda No. 9)

The Board considered the latest in a series of reports to the Pension Fund Committee on the Fund's approach to employer management.

*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 distort the proper process of free negotiations with another party.*

READMISSION OF PRESS AND PUBLIC

**35/18 ITEMS TO INCLUDE IN REPORT TO THE PENSION FUND COMMITTEE**

(Agenda No. 14)

The Board confirmed the following issues it wished to include in its latest report to the Pension Fund Committee:

- Request for a report on fees, in the context of performance, to be submitted to the next meeting of the Board.
- Request for a GANT chart to be produced with regard to the transition timetable.
- How the Committee might like the Board to assist with administration issues.

**36/18 DATES OF FUTURE MEETINGS 2018/19**

(Agenda No. 15)

The Board noted the following dates of future meetings for 2018/19:

(All to take place on a Friday, starting at 10.30am)

- 26 October 2018
- 18 January 2019
- 26 April 2019
- 19 July 2019
- 25 October 2019
- 24 January 2020

..... in the Chair

Date of signing .....

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## Brunel Oversight Board Meeting

### Minutes

**Purpose:** To review Brunel/Client progress agree next steps

**Date and time:** Wednesday 18 July 2018, 14:30 – 16:30

**Location:** Brunel Offices, 101 Victoria Street, Bristol, BS1 6PU

**Dial-in details:** Dial In: 0330 336 1949 | Participant Pin: 889460

<i>Pension Committee Representatives</i>		
David Veale	Avon	
John Chilver	Buckinghamshire	Phone
Derek Holley	Cornwall	Phone
Rufus Gilbert	Devon	
Ray Bloxham	Devon	
Peter Wharf	Dorset	Apologies
Joanne Segars	EAPF	Phone
Hywel Tudor	EAPF	
Ray Theodoulou	Gloucestershire	Chair
Kevin Bulmer	Oxfordshire	Vice-Chair
Mark Simmonds	Somerset	
Tony Deane	Wiltshire	
<i>Member representative observers</i>		
Andy Bowman	Scheme member rep.	
Ian Brindley	Scheme member rep.	
<i>Fund Officers and Representatives</i>		
Tony Bartlett	Avon	
Julie Edwards	Buckinghamshire	Apologies
Sean Johns	Cornwall	Apologies
Mark Gayler	Devon	
Richard Bates	Dorset	
Craig Martin	EAPF	
Mark Spilsbury	Gloucestershire	
Sean Collins	Oxfordshire	Chair – CG
Anton Sweet	Somerset	Apologies
Nick Weaver	Wiltshire	
Nick Buckland	JLT - Client Side Executive	
Sophie McClenaghan	JLT - Client Side Assistant	Minutes
<i>Brunel Pension Partnership Ltd</i>		
Denise Le Gal	Brunel, Chair	Apologies
Steve Tyson	Brunel Shareholder NED	
Matthew Trebilcock	Brunel, CRD	

Dawn Turner	Brunel, CEO	
Joe Webster	Brunel, COO	
Mark Mansley	Brunel, CIO	
David Anthony	Brunel, Head of Finance	
Richard Fanshawe	Brunel, HPM	
Faith Ward	Brunel, CRIO	

Item	Agenda	Paper provided	Owner
1	Confirm agenda Requests for AOB Any new declarations of conflicts of interest	Agenda  C of Interests	Chair
	<p>Apologies were received from Denise Le Gal and Peter Wharf.</p> <p>RG introduced Councillor Ray Bloxham (RB) who will be taking over as Devon's representative, and commented on how successful he felt the partnership was, and will continue to be. BOB thanked Rufus for his work with Brunel.</p> <p>Hywel Tudor (HT) was introduced as EAPF's deputy representative supporting JS.</p> <p><u>Conflicts of interest</u></p> <ul style="list-style-type: none"> <li>NB's relationship with Cornwall has now ended.</li> <li>HT is a pensioner and member of committee. This was noted for the minutes, but not recorded in the register as not deemed a Conflict of Interest.</li> </ul> <p>No AOB was received</p>		
2	Review 22 March BOB minutes	Minutes	Chair
	The March minutes were agreed and confirmed as final.		
3	Brunel update report <ul style="list-style-type: none"> <li>Summary management accounts</li> <li>Business activities and developments</li> <li>Personnel and recruitment</li> <li>Risk register</li> <li>Compliance, regulatory or legal matters (inc GDPR)</li> <li>Press coverage and website</li> <li>Investment update</li> <li>Transparency code</li> <li>KPI and SLAs</li> </ul>	Update report	MT/SC

	<ul style="list-style-type: none"> <li>• Brunel reporting</li> <li>• Business Case review update</li> <li>• Private markets</li> </ul>		
	<p>MT provided an overview of the Brunel update report which was included for noting. MT confirmed that any substantive items were included as stand-alone papers elsewhere on the agenda.</p> <p>Updates included:</p> <ul style="list-style-type: none"> <li>• Brunel has completed the custodian transition without being required to call on the additional £225k approved by Shareholders in November 2017. The matter is now closed and the additional funds are therefore no longer available to Brunel.</li> <li>• The terms of reference amendment was 100% approved by the Shareholders.</li> <li>• The passive transition commenced on 11<sup>th</sup> July 2018, includes 9 funds and £6bn of assets. As the transition is not fully complete final details are not yet known, but SC provided an update on estimated costs. The annual fee savings are estimated to be better than the original estimate (£1.8m vs £1m). In addition, the passive transition costs are estimated to be lower than expected (£1m vs £3m). A full written report confirming fee savings and finalised costs will be taken to the September meeting post the completion of the passive transition.</li> <li>• Brunel is in the process of selecting and appointing active UK and Low Volatility equity managers.</li> <li>• Brunel has begun working with the CG to review the business case. The business case review is timetabled to come back to BOB at the September meeting.</li> <li>• Development costs, prior to year-end Brunel was under budget for costs relating to development stages 3a&amp;b. Post year end, there were some late costs which meant that stage 3a&amp;b development costs were £89k over budget, however, overall development costs (stages 3a&amp;b and 3c) resulted in a total underspend of £570k. MM noted that often actions such as appointing a transition manager can result in large savings (i.e. transition cost savings) but will reflect a cost in the Company's budget and therefore it is important to keep the full picture in mind when evaluating Brunel's costs.</li> <li>• The £340k for private markets has not yet been agreed or incurred. This will be covered later under item 5.</li> <li>• JS asked if papers can clarify whether the intended audience is Clients or Shareholders. RT confirmed all papers at BOB are for members of BOB in their oversight capacity. Although some BOB members are Shareholders, not all are. Papers for shareholders will be provided separately.</li> <li>• There were data breaches reported by State Street (details were included in appendix 6). The cause of the breaches was quoted as human error, it was queried whether this was an indication of a systematic cultural issue. Brunel communicated</li> </ul>		

	<p>with State Street regarding the breach and State Street have reassured Brunel that they have further improved processes. It was noted the breach was not material in terms of data.</p> <ul style="list-style-type: none"> <li>• The transition to State Street has not yet been fully completed. The delay is due to some markets not yet having been opened. Brunel do not see this as a material risk however are working with State Street and the CG to finalise the transition.</li> <li>• Brunel has currently recruited to all posts in the business plan, however recruitment continues for any growth or turnover. The reported departure of a member of staff was discussed and her reasons for leaving noted; she has returned to her previous employer.</li> <li>• KPIs are being developed between Brunel and the CG. A lot of the KPI's will rely on management information so as Brunel develops its policies and procedures these will be included in the service level document. RT asked how company management and investment manager oversight will be differentiated for KPIs. Investment manager oversight will be monitored through ensuring Brunel follow its stated procedures to appoint managers and manage risk. The internal audit report will give additional assurance.</li> </ul>		
4	Remuneration committee report	RemCo report	ST/JW
	<p>JW presented the report and highlighted the recommendation. Brunel has reviewed the remuneration policy and is proposing 4 items of change.</p> <ol style="list-style-type: none"> <li>Maximum Chair and NED payments per annum, to be capped as set out in the report and reviewed by RemCo annually.</li> <li>Recognition Awards, to be capped at a reduced level per award and in total, as set out in the report..</li> <li>Salary caps, to be linked to CPI.</li> <li>External review, to be once every two years (word definition only).</li> </ol> <p>A query was received on the cap for the Chair and NED payments as when it was initially set up it was understood that costs would be higher in year 1 but this policy does not reflect any reduction in cost following year 1. JW responded that the requested policy is the cap for the Chair and NED and not the budget. The update is to ensure the remuneration policy includes the same wording as the contract letters already in place for greater transparency.</p> <p>It was clarified that the recognition awards are recognition of one off exceptional work and are not bonuses.</p> <p>SC as Chair of the CG confirmed its support of the above proposals.</p>		



	<p><b>The BOB supported the following recommendations:</b></p> <p><b>i. The Oversight Board support the revised Remuneration Policy and the issuing of a Special Reserve Matter</b></p> <p><b>ii. The Oversight Board note that during the year Brunel have been working within the Remuneration Policy</b></p> <p><b>These four items will be sent to Shareholders to request approval.</b> There will be a selection box for each of the four items, to avoid any possibility of a vote against one item affecting the rest.</p>		MT/ 20 July
5	<p>Private markets</p> <ul style="list-style-type: none"> <li>• Business case for delivery</li> </ul>	Paper/ Presentation	DT/JW
	<p>JW presented the paper which detailed a proposal which, if supported would result in the issue of a Special Reserved Matter to Shareholders.</p> <p><i>The business case was explained and JW commented that additional budget was needed, as set out in the report, to realise estimated total savings of £70m by 2036.</i></p> <p>Brunel is proposing that it replaces the property multi-managers currently used by Funds as manager of the underlying portfolio of pooled property fund managers. Brunel is confident that it can do as good a job as the current multi-managers if it receives the additional budget. The private markets team have already shown their ability to replicate the service for lower cost by negotiating reduced management fees with two of the underlying funds.</p> <p>It was asked if other pools were likely to follow this approach. No other pool has as many pooled property fund holdings as the Brunel funds which currently have 146 underlying holdings between them.</p> <p>To enable Brunel to take on the role additional resource is required particularly with respect to the procurement of an administrator, hence the requested additional budget.</p> <p>JW confirmed that the budget provided has been calculated on a prudent basis and only accounts for 1 fund manager's agreed fee reduction. Brunel has since agreed a fee reduction with another manager and will continue to liaise with all of the underlying managers to negotiate on fees, and given the early signs is confident of a positive outcome.</p>		

The CG has worked with Brunel on the development of this model and has concluded that clients need to provide Brunel with the tools to realise the £70m saving to realise the business plan.

Brunel's estimates are based on significant market research. By the time the business plan is finalised Brunel will have firm costs as part of the procurement.

The resource required at Brunel to meet the current transition timetable is a significant risk to the pool and is reflected in the business plan. Resource constraints are being discussed with the CG.

There is an understanding that the costs will be split by total fund AUM. The intent is that the funds that use it will pay for the service but it is acknowledged that the pricing policy will need amending to reflect this. Brunel and the CG will be working on this to ensure that the split of costs is equitable.

Brunel has already interviewed for the additional post required to oversee the outsourced administrator and has a preferred candidate that will be offered the role provided BOB and shareholder support is received. Provided BOB support is received Brunel will commence the procurement process immediately however legal agreements will not be confirmed until after the shareholder vote is complete.

This proposed model which uses a third party administrator is appropriate for all private market asset classes and appropriate for all Funds, however it was noted that unlike any of the other Funds, Dorset hold property directly, and therefore they will not realise any meaningful savings in relation to property at this time, but will benefit from the delivery of the remaining Private Markets portfolios that will be provided through this model.

Third party administrator contract will likely be 5 years plus 5 and will be operated as a strategic partner. Brunel will have the ability to give notice if required. The administrator will be directly responsible to JW as COO.

**BOB agreed to support the following recommendation:**

**The Oversight Board support the revised Private Markets business case and the issue of a Special Reserve Matter. The business case includes a 5% additional expenditure on the current year budget plus an ongoing cost thereafter. This expenditure enables material client fee savings to be achieved, which are otherwise at risk.**

**A Shareholder reserve matter will be sent out to Shareholders shortly.**

MT/ 20 July

6	Voting and stock lending policies <ul style="list-style-type: none"> <li>Engagement session</li> </ul>	Presentation	FW/MM
	<p><u>Stock lending</u></p> <p>MM provided a summary of stock lending. Most funds, but not all, do some stock lending. State Street have estimated that the income which could be received from stock lending is not dissimilar to the cost of running Brunel (around £5m). State Street will manage stock lending and is included as part of the administration contract.</p> <p>There will be a single Brunel Stock lending policy which can be switched on and off on a portfolio by portfolio basis. Brunel is building on LGIM's cautious stock lending policy to create its own policy.</p> <p>FW is working with MM on the policy as there are a number of responsible investment issues, specifically around voting, however FW is confident that these issues can be incorporated adequately.</p> <p>It was asked how Funds will receive the income. Income will be transparent in the value of units. Each client will receive 100% of the income derived from the stock lending of its proportional investment in portfolios with stock lending switched on. <b>The draft policy will come to the September BOB meeting.</b></p> <p><u>Stewardship policy</u></p> <p>The Stewardship policy will include Brunel's engagement and voting policies. Brunel is developing a UK policy and will utilise the stewardship manager for expertise in other geographies. There will be a single Brunel voting policy. FW estimates that there will be around 25,000 decisions per annum hence Brunel will employ a specialist to manage this process on its behalf. Brunel will look to arbitrate differing views from investment managers and will be mindful of the view of LAPFF although will not be led by it. FW reported on the timeline for development of the Stewardship policy, which included the <b>draft policy being tabled at the September BOB meeting.</b></p> <p>Brunel requested that if there are any particular areas where members have views to share these with the team as early as possible.</p>	<p>MM/ 27 Sep</p> <p>FW/ 27 Sep</p>	
7	Shareholder NED role and report	Update report	MT/ST
	<p>ST provided an overview of his report, praising the partnership and the Brunel Company for so many achievements over the past year. ST noted that in a survey at a LGPS conference last week it was asked which pool is best placed for long term success. Brunel received 37%</p>		

	<p>of the votes, the highest of any pool.</p> <p>ST is concerned around resourcing of Brunel and believes the Company is operating at minimum requirements and acknowledges some key person risk. ST reiterated that Brunel has offered to attend committee meetings.</p> <p><b>It was requested that Shareholder NED update is added as a standing agenda item for future BOB meetings.</b></p> <p>It was queried if there will be a key person risk report. DT noted that key person risk is currently included as a risk in the Brunel Business Report. The September Remuneration Committee meeting will include a session on resilience and succession planning.</p> <p>There were several comments around the third bullet point in ST's report regarding the potential for streamlining Fund's investment strategies. There was a concern that this is being accepted as the future direction and a significant challenge to individual Fund's sovereignty. ST believes this is a future risk to the Funds and could be discussed at a later date.</p>	JLT/ 27 Sep
8	<p>AOB</p> <p>Future meeting dates</p> <ul style="list-style-type: none"> <li>- 27 September 2018</li> <li>- 1 November 2018</li> <li>- Cross Pool Forum 27 March 2018</li> </ul> <p>CP forum reps (x3)</p>	Chair/SC
	<p>RT asked whether Brunel would provide a short note on equity protection in due course. MM agreed to consider this for a future meeting.</p> <p>RT asked around the Hedge Fund portfolio. MM commented that there is a portfolio in the plan, but due the client demand and complexity of the asset class, it would near the end of the transition timetable. The plan will be developed over the coming months and years, and CG and BOB would kept informed of progress.</p> <p>SC commented that the CP forum reps have not been officially requested yet so this item was deferred to the September meeting.</p> <p>DA provided a hand out of the internal audit plan.</p>	

**Produced: JLT on 18/07/2018**

Division(s): N/A

## **PENSION FUND COMMITTEE – 14 SEPTEMBER 2018**

### **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.
2. This report reflects the discussions of the Board members at their meeting on 13 July 2018. The Board was attended by the Independent Chairman and two each of the three scheme employer and scheme member representatives.

##### **Matters Discussed and those the Board wished to bring to the Committee's Attention**

3. The Board again devoted a significant part of its agenda to the on-going issues on employer management, data quality and the issue of Annual Benefit Statements. The Board considered the most recent correspondence with the Pension Regulator, noted progress against the Improvement Plan and paid tribute to the work of the staff in Pension Services during this challenging period. They did not believe there was anything further they wished to bring to the Committee's attention on this matter, at this time. They did though ask if there was anything that the Committee wanted them to follow up in more detail at future meetings.
4. The Board agreed their Annual Report which sets out a summary of their work over the past year and the priorities for the forthcoming year. A copy of their report is included in the Annual Report and Accounts for the Fund, as included elsewhere on today's agenda.
5. The Board also considered the reports presented to the June Pension Fund Committee on the review of the Annual Business Plan for 2018/19, and the Risk Register. The Board did not identify any particular issues that they wished to draw to the Committee's attention.
6. Under the Brunel update, the Board noted progress and suggested that future meetings were provided with a GANT chart setting out in more detail the key deadlines within the current transition timetable.

7. As required under its initial terms, the Board reviewed its own Constitution. The main area of concern/debate was the process for adding items to the agenda. The Board was advised that there was no provision for bringing items of Any Other Business to the Board, and that whilst it was not established under the same Local Government Regulations as the other Committees of the County Council, it should aim to be fully transparent, providing the public with clear notice of items to be discussed, so that they could make representation to the Board if they so wished.
8. The Chairman was also keen that the Board were properly advised by the Fund Officers on any particular matter, and therefore all agenda items should be agreed in advance to enable Officers to produce a written report to be circulated with the Agenda in advance of the meeting. He undertook to propose an amendment to the current Constitution to add an item to all future Board agendas, which gave Board members an opportunity to add items to the agenda for the next meeting. He would also ensure the Constitution covered the eventuality of an urgent item needing to be discussed.
9. A scheme member representative asked to add as a future agenda item a review of the cost transparency templates received from the current Fund Managers. He was keen to be able to both review current costs and the impact on these costs as a result of the transition to Brunel. Following a long debate about the merits of reviewing the cost transparency templates in detail and in isolation from other performance data, the Board asked for a full report to their next meeting on the merits of different approaches to meeting their responsibility to monitor investment costs including custodian and transaction costs.

### **RECOMMENDATION**

10. **The Committee is RECOMMENDED to note the Report of the Board and consider whether there is any specific work the Committee wishes the Board to undertake in respect of future improvements to the administration processes, with regard to paragraph 3 above.**

Mark Spilsbury  
Independent Chairman of the Pension Board

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

August 2018

Division(s): N/A

## **PENSION FUND COMMITTEE – 14 SEPTEMBER 2018**

### **ADMINISTRATION IMPROVEMENT PLAN**

#### **Report by the Director of Finance**

##### **Introduction**

1. Over the recent meetings of this Committee, there have been a series of reports in respect of the breach of pension regulation relating to the timely issuance of Annual Benefit Statements, and the on-going discussions held with the Pension Regulator. The discussions with the Pension Regulator widen the review to cover further breaches of the Disclosure Regulations relating to the requirement to inform scheme members leaving the Fund of their deferred benefits held in the scheme and their options going forward, as well as general data quality issues. The issues have also been thoroughly discussed at each meeting of the Local Pension Board.
2. This report updates the Committee on the achievements against the targets set out in the Administration Improvement Plan, as well as the longer - term plan to ensure no re-occurrence of the breaches suffered.

##### **Achievement against the 31 August 2018 Targets**

3. The Committee previously agreed with the Pension Regulator, four targets to be completed by 31 August 2018. The first three targets were related to outcomes of specific pieces of work, and the fourth target was the submission of a written report to the Regulator on the outcome against the first three targets.
4. Target 1 related to the issuance of annual benefit statements to all active scheme members for 2017/18 in accordance with the relevant pension regulations. This followed on from three years where we have reported breaches of the regulations, having issued 0%, 50% and 77% of statements respectively.
5. As at the statutory deadline of 31 August 2018, we had issued 97% of the required annual benefit statements to active scheme members. We would not regard the shortfall to 100% as a material breach of the regulations, which in a normal year would require a breach report to be issued to the Pension Regulator.
6. We have issued statements in respect of the vast majority of scheme employers within the Fund. There were 103 scheme members who did not receive their statement by the deadline where we had been unable to issue

any of their employer's statements. This reflects 0.5% of the active membership). We are currently reviewing the correspondence with these scheme employers to determine whether this failure to issue their statements constitutes a material breach of the regulations on their behalf, and as such needs to be reported to the Pension Regulator.

7. The remaining 527 (2.8% of active membership) cases where a statement was not issued relates to outstanding queries on scheme member records, where the majority of statements for the employer have been issued. There are no cases where we believe that the number of individual queries for a single scheme employer represent a material shortfall in their responsibilities, and we have no plans to make a report to the Pension Regulator on these cases.
8. We expect to be in a position to issue the outstanding statements by the end of September 2018.
9. The second target related to our overall data quality scores which all Funds will have to report to the Pension Regulator for the first time this year. There are two data quality scores, one relating to the common data used to identify individual scheme members, and one relating to the scheme specific data required to calculate pension benefits under the LGPS. The target was to achieve a score of 98% of all scheme member records without a single failure on their data quality checks.
10. We received reports calculating our data quality scores from Aquila Heywood, our software supplier on the afternoon of 31 August 2018 (we had delayed the final run to the last possible moment to allow data still being processed under the other projects to be included in the results – we had been provided interim reports to highlight areas requiring attention earlier in the project). For the common data, the report showed that 99.3% of the checks were passed, but as the different member records failed the different tests, only 94.3% of the records were without a single failure. For the scheme specific data the respective scores were 97.4% and 80.4%.
11. For the common data, there were two main areas of failure, being temporary or missing NI numbers, and incomplete or missing addresses, with the latter being of greater significance. On a quick analysis of the results, it is apparent that the majority of records where we have a temporary NI number relate to individuals who only remained within the Fund for a short period and are not entitled to a pension benefit. In these cases we are required to trace the individual and refund them their contributions. We will need to work closely with their former scheme employer to complete this work.
12. For the missing or incomplete addresses, we have employed a tracing company to find current addresses. They have completed their initial search and provided new addresses for around 2/3rds of the missing records. There are however over 2,000 cases which will require a more detailed search.
13. On the scheme specific data we are currently undertaking a full review of the information provided by Aquila Heywood. As this is the first year that the



Pension Regulator has required all LGPS Funds to publish their data quality scores, and the deadline for the return is not until later this year, we have been working closely with Aquila Heywood in defining the criteria for the report. Based on our initial review of the latest report, we believe there are still some teething problems to be ironed out in the selection criteria which has led to an overstatement of the number of data failings e.g. scheme members who left before 2014 but showing a data failure for missing CARE data which was introduced after they left.

14. We also believe that there are a number of data quality checks where a failure relates to historic records (including those initially recorded before the introduction of electronic records), and where the failure does not impact on the calculation of the pension benefit. This includes a number of pensioner records where the pension has been in payment for a considerable period, and where the missing data was not a factor in the calculation of the pension.
15. We are also aware that there are a number of data failures which relate to the backlog of previous queries which we are now addressing. In particular, as part of the work to address the significant backlog of leaver records, we are changing the status of member records to reflect the new information now available e.g. records are being changed from an undecided leaver, and may now be linked to another record we have on file where the individual has been re-employed. In these cases we need to ensure that the data quality checks are looking for the information against the correct record.
16. There is a similar issue in respect of the separate GMP Project (see the Administration issues report elsewhere on the agenda for further information) whereby there is a timing issue as records are amended as the reconciliation work proceeds with a number of records currently failing the data quality checks in respect of GMP figures.
17. Analysis of the latest reports is continuing in order to provide an updated data quality score, as well as understand the further actions and timescales in bringing the remaining data to standard.
18. The third target related to the clearance of the backlog of leavers which it was agreed would be outsourced, a contract awarded to ITM Limited under the national LGPS procurement frameworks. This work was initially scheduled to be completed by the end of April 2018, and we subsequently agreed a request from ITM to extend the deadline until the end of June 2018.
19. Unfortunately, ITM have been unable to complete the work within the revised timescales, and as at the 31 August 2018, only 4,593 of the 7,862 cases initially identified had been fully completed. ITM have been asked to produce a written report explaining both the reasons for the further delays, and why these delays were not highlighted at an earlier time. This written report will be included as an annex to the final report to the Pension Regulator.
20. At the present time, ITM have indicated that they will complete a further 2,000 cases by the end of 14 September 2018, but need to assess the information

currently outstanding from scheme employers, before they can agree realistic deadlines for the final cases.

21. In respect of the fourth target to issue a report on the delivery against the first three targets, the Pension Regulator agreed to receive an interim report on 31 August 2018 and a fuller report by close of business on 7 September 2018. The Interim report has been copied to all members of this Committee and the Local Pension Board, and the intention is to provide the same members the opportunity to comment on the final report before it is submitted to the Regulator.

### **Future Improvements**

22. The final target agreed with the Pension Regulator was to produce a draft comprehensive plan setting out how it was intended to ensure no further breaches of the pension regulations in respect to the matters above. This is currently in progress, and again will be shared with all members of the Pension Fund Committee and Local Pension Board before submission to the Regulator by the agreed deadline of 30 September 2018.
23. In respect of the issuance of Annual Benefit Statements, the draft plan going forward will build on the success of this year's plan, but will look to improve those issues which could have gone better. A key point to note though is that some of the issues against this year's plan related to a lack of resources within the Pension Services Team, a factor exacerbated by the fact that we were running projects to clear the backlog of leaver queries, data quality issues and GMP reconciliation at the same time. The production of the 2018/19 Annual Benefit Statements will take place against an improved background where the majority if not all of the historic data issues have been resolved.
24. Some of the early points raised on conclusion of the 2017/18 Project Plan include:
  - Earlier loading of in year data from the monthly returns made by scheme employers, with the opportunity to raise queries throughout the year
  - Further improvements to the escalation arrangements, including ensuring we have received confirmation of an escalation point from all scheme employers
  - A review of communications with scheme employers as well as the provision of training – this in part will be developed through seeking the views of scheme employers on what worked well for them this year, and what further improvements they would like to see
  - Improved review of monthly data to ensure early identification of scheme employer changes – some of the outstanding statements relate to those individuals who have worked for multiple scheme employers during the year, whether due to out-sourcings, re-tenderings, transfers to academy status or movement between academy trusts – to ensure data is verified with the exiting employer at the time of transfer

25. In addition to the above more immediate changes, the draft plan will also outline longer term changes to improve the position going forward. This will include:
- The implementation of iConnect. This will be based on a standard data collection template to be agreed through the Scheme Advisory Board which will allow scheme employers to submit data electronically to the pension system without further manual intervention. As well as reducing the manual effort involved in the process, data validation checks can be built into the system to alert the scheme employer to potential errors in their data submissions, so that corrections are required at the point of entry.
  - A review of the team structure and processes within Pension Services to reflect the greater automation of the data collection processes, and ensure that staff resources are most effectively deployed
  - A review of the reporting requirements to ensure data quality standards are maintained on a continuous basis, and that the Pension Committee is given early warning of any potential build-up of backlogs of cases.
  - Improved use of the Members Self-Service module, so that members themselves can review their data and ensure it is kept up to date as appropriate.
26. These longer term changes are consistent with the wider changes proposed within the County Council under the new Operating Model, with improved self-service, greater automation and improved reporting.

### **RECOMMENDATION**

27. **The Committee is RECOMMENDED to note the achievements against the targets set for 31 August 2018; and the key components of the comprehensive plan to be submitted to the Pension Regulator to ensure sustainable improvements going forward.**

Lorna Baxter  
Director of Finance

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

September 2018

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## PENSION FUND COMMITTEE – 14 SEPTEMBER 2018

### REVIEW OF THE ANNUAL BUSINESS PLAN 2018/19

#### Report by the Director of Finance

##### Introduction

1. This report reviews progress to date against the key service priorities set out in the annual business plan for the Pension Fund for 2018/19. The report also contains details on the Fund's budget for the year and the training requirements for Committee Members.
2. The key objectives for the Oxfordshire Pension Fund are set out on the first page of the Business Plan for 2018/19, and remain consistent with those agreed for previous years. These are summarised as:
  - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pensions Regulator
  - To achieve a 100% funding level
  - To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
  - To maintain as near stable and affordable employer contribution rates as possible.

##### Key Service Priorities

3. The 2018/19 Business Plan contained 5 key service priorities. The first of these relates to the Brunel Pension Partnership and is to manage the successful transition of the initial asset classes which should include all equity assets, and potentially the investment of new money into the private markets.
4. At the time of writing this report, we have successfully completed the process for transitioning the passive equity mandates the new Brunel passive portfolios managed by Legal and General. The process is on-going to complete the full report on the costs of the transition and the new fees payable, including a comparison to the estimates included in the Business Case. Initial indications are that there will be further savings to those initially assumed.
5. As the transition was completed after the end of the first quarter of 2018/19, the first investment performance monitoring report from Brunel will not be due until the next meeting of this Committee. Officers are currently finalising the detail of that report with Brunel and State Street (to Administrator to the Partnership), as well as a series of KPI's and reports which will be used to monitor the performance of Brunel in delivering services under the Services Agreement.
6. Brunel are also finalising the appointment of Fund Managers to the first two of the active equity portfolios, being the UK mandate and the low volatility mandate. Brunel expects assets to transition towards the end of 2018.

Oxfordshire will transition money to the UK portfolio (from the allocation currently managed by Baillie Gifford), but does not have an allocation to the low volatility portfolio.

7. As part of the finalisation of these first two active equity mandates, Brunel have reviewed the processes followed, and the resources required to determine the feasibility of the remainder of the transition timescale. Reports are currently being considered by the Client Group and the Oversight Board to consider any potential changes to the timescales and/or the resources needed to deliver the transition.
8. The Private Markets Team at Brunel is also looking to identify initial investment opportunities across the five private market portfolios. Oxfordshire has provided commitments to the Secured Income, Infrastructure and Private Equity portfolios in line with the Committee's previous asset allocation decisions.
9. It is planned to hold further Engagement Days at the beginning of November, where Officers from Brunel and the Partner Funds can update members of the 10 Pension Fund Committees and Pension Boards on progress. Provisional dates have been set as 5 November in Oxford, 6 November in Bristol and 7 November in Exeter, and invitations confirming details should be sent out shortly.
10. The second key service priority focusses on the need to manage the risks associated with cash flow and employer covenants, and involves working with Hymans Robertson to develop the cash flow model to show the timing of payment of pension liabilities going forward. Delivery of this priority will also involve working with employers within the scheme to understand their strategic direction of travel, and their risk appetite, and developing the funding strategy statement and investment strategy statement to meet their requirements and the requirements of the Fund.
11. Initial discussions have taken place with Hymans Robertson to understand how their current tools will support this priority and a work programme is being put in place. It was always expected that there would be limited work on this priority during the first quarter of 2018/19 to allow resources to focus on the closure of the pension fund accounts. More detailed reports on the outcome of this work will be presented to future meetings of this Committee.
12. The third priority focusses on data quality and the need to ensure the current issues with data quality are addressed and processes and reporting arrangements are put in place to improve the data collection arrangements going forward. This issue is covered fully in the separate report on the administration improvement plan elsewhere on this agenda..
13. The fourth priority addresses the growing importance of Environmental, Social and Governance (ESG) issues within investment decision making. The actions include building on the current work with the responsible investment team at Brunel to develop a suite of reports which demonstrate the

effectiveness of the ESG policies and the impact of company engagement by our Fund Managers.

14. Work continues to progress in this area alongside the team at Brunel, with Oxfordshire also now representing the client side at Brunel on the national cross pool collaboration sub-group on responsible investment. This work includes on-going discussions with State Street as Administrator for the Brunel Pension Partnership as to how ESG scores can be built into the standard reporting suites to be presented to all 10 Pension Fund Committees going forward.
15. The final priority proposed in the 2018/19 Business Plan is the roll out of Member Self Service to deferred and active members. This should allow scheme members access to their records to undertake amendments to their core data and view key information on their pension benefits, so releasing pension administrator time to focus on the other priorities.
16. All deferred and active members have been invited to activate their on-line account. It is expected that take up of this facility will increase significantly now we have uploaded the 2018/19 Annual Benefit Statements to members on-line accounts.
17. Pensioner and Deferred Members who have already activated their accounts have taken advantage of the on-line tools to amend their beneficiary nominations for death grants, and to submit on-line queries to Pension Services. Further functionality will be added going forward.

### **Budget 2018/19**

18. We have reviewed the income and expenditure of the Fund for the first quarter of 2018/19 against the budget. On the administration side, the figures reflect the current staffing vacancies and predict an end of year underspend of £400,000 based on current levels of expenditure. However, this has been offset by the overspends on third party payments for the various improvement and backlog projects agreed previously by this Committee. More detailed analysis of these figures will be completed as part of the development of the further Improvement Plan discussed elsewhere on this agenda, and be reported to the December meeting of this Committee.
19. On the Investment Side, whilst the fees payable to Fund Managers is currently showing a marginal underspend, it is not possible to project an end of year position as the majority of fees are directly related to market values which could move significantly between now and March 2019. These costs will be further impacted by the transition of assets to the new Brunel Portfolio's. On the Brunel Contract costs, a special reserve matter has been agreed which could add a potential £34,000 to our costs this year, but will deliver additional savings in future years. The final position for 2018/19 will very much depend on the timing of the transitions of assets to Brunel.

## **Training Plan**

20. Following the last meeting of the Committee, Hymans Robertson ran a full Training Day for Members of the Committee and Pension Board. This provided a broad introduction into scheme governance, pensions administration and the valuation process. Members were invited to submit proposals for further training sessions, as well as attend externally run sessions, where details had been provided through the Pensions Investment Team.
21. At the present time, no firm proposals have been submitted for further training sessions, and Members are reminded that these can be submitted to any of the Fund's Officers.

## **RECOMMENDATION**

22. **The Committee is RECOMMENDED to:**
  - (a) note the progress against the key service priorities and budget included within the Business Plan 2018/19; and**
  - (b) agree any further subjects it wishes to see included in future training plans.**

Lorna Baxter  
Director of Finance

Contact Officer: Sean Collins, Service Manager, Pensions

Tel: 07554 103465

May 2018



Division(s): N/A

## **PENSION FUND COMMITTEE – 14 SEPTEMBER 2018**

### **RISK REGISTER**

#### **Report by the Director of Finance**

##### **Introduction**

- 1) At the 11 March 2016 meeting, 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. Any comments from the Pension Board are included in their report to this meeting.
- 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.
- 3) A number of the mitigation plans are directly linked to the key service priorities identified in the Annual Business Plan for 2018/19. This report should therefore be considered in conjunction with the business plan report elsewhere on this agenda.

##### **Comments from the Pension Board**

- 4) The Pension Board were generally happy with the risk register as presented to their meeting on 13 July 2018. They raised no material issues for the Committee to consider further.

##### **Latest Position on Risks**

- 5) There have been several changes to the risk scores since the June meeting of this Committee, largely reflecting the work undertaken in delivering the improvement action plan. The change and reason for the change are set out below.
- 6) Risk 3 covers the risks associated with a lack of understanding of individual scheme member choices (opt outs, transfer to 50:50 scheme, early retirements etc) which in the short term could impact on cash flow and in the long-term impacts on funding levels where the investment strategy is not properly aligned with the scheme liabilities. Work to delivered improved reporting on scheme member choices was targeted to be completed for this

meeting, but has slipped due to the higher priority work associated with the improvement action plan. These reports will need to be developed over the second half of 2018/19.

- 7) The target date for Risk 7 has been amended from March 2018 to March 2019. This reflects the decision to take no further action on this risk at the current time (the risk is currently at target score), but to review the approach to employer risk as part of the planning for the 2019 Valuation.
- 8) The likelihood scores for risks 8 to 10 have all been reduced, either from likely to possible, or from possible to unlikely. All three of these risks relate to impacts associated with poor data quality. As discussed elsewhere on this agenda, a significant amount of work has been achieved in delivering the improvement action plan, leading to improvements in our data quality scores, the publication of the majority of our Annual Benefit Statements by the statutory deadline (such that we do not consider that there is a material breach of the Regulations this year), and the resolution of the majority of long standing queries. Whilst there is still work to be undertaken to complete the action plan, and to ensure that we do not have similar issues with data quality going forward, it is felt that sufficient progress has been achieved to reduce the current risk scores.
- 9) Similarly, we have reduced the risk score for risk 11 which relates to the risk of insufficient resource to deliver our statutory responsibilities. This reflects the progress made under the improvement action plan which reduces the overall work pressure on the current staff. The reduction in the likelihood score to possible rather than the target score of unlikely, reflects the fact that the team is still carrying significant vacancies.
- 10) The comments for risk 12 have been updated to reflect the fact that we have now held the initial training day for members of both the Committee and the Board. At this stage though, we do not feel we can reduce the likelihood of the risk of insufficient skills and knowledge on the Committee from possible to unlikely. This will require the completion of follow up training sessions to widen the overall skills and knowledge of the Committee.
- 11) The wording of risk 15 has been amended to clarify that the risks associated with breaches of data security do cover breaches of the General Data Protection Regulations.
- 12) Finally, the likelihood score of risk 18 associated with the impact on the pension liability profile of significant structural change amongst scheme employers, has been reduced to unlikely i.e. the risk is now at target. Whilst structural change remains on the agenda, awareness of the potential pension implications are now much higher, such that any potential impacts should be identified at an earlier enough stage for the impacts to be properly mitigated.

## **RECOMMENDATION**

- 13) **The Committee is RECOMMENDED to note the current risk register, and to determine any changes it wishes to see made.**

Lorna Baxter  
Director of Finance

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

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## 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.

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### Likelihood

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

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
							Impact	Likelihood	Score			Impact	Likelihood	Score		
1	Investment Strategy not aligned with Pension Liability Profile	Financial	Pension Liabilities and asset attributes not understood and matched.	Long Term -Pension deficit not closed.	Service Manager	Triennial Asset Allocation Review after Valuation.	4	2	8	Develop cash flow Model with Actuary. Gain greater understanding of employer changes. Review asset allocation.	March 2019	4	1	4	September 2018	Now working with new Actuary on aligning Investment and Funding Strategies
2	Investment Strategy not aligned with Pension Liability Profile	Financial	Pension Liabilities and asset attributes not understood and matched.	Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	4	2	8	Develop cash flow Model with Actuary. Gain greater understanding of employer changes. Review asset allocation.	March 2019	4	1	4	September 2018	Now working with new Actuary on aligning Investment and Funding Strategies
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 2018	3	1	3	September 2018	Working with new Actuary on Improved Reports – slipped as a result of priority work on Improvement Plan.
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 through fraud or misappropriation.	Financial	Poor Control Processes within Fund Managers and/or Custodian	Long Term -Pension deficit not closed	Financial Manager	Review of Annual Internal Controls Report from each Fund Manager. Clear separation of duties.	3	1	3			3	1	3		At Target
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 underwriting deficit, or bond put in place.	3	2	6		March 2019	3	2	6	March 2019	No further action subject to planned review of Funding Strategy Statement Key risks accepted as education sector.

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
							Impact	Likelihood	Score			Impact	Likelihood	Score		
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	1	4	Delivery against data quality standards.	June 2018	3	1	3	September 2018	Improved monitoring in place. Escalation issues to ensure data issues are resolved at earliest point, including new charges, and improved training/guidance
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	1	3	Completion of current review of backlog work.	June 2018	3	1	3	September 2018	Improved monitoring in place, new escalation process agreed as well as new charging structure.
10	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative	Late or Incomplete Returns from Employers	Improvement Notice and/or Fines issued by Pension Regulator.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	4	2	8	Improve process for monthly returns (iConnect)	March 2019	4	1	4	September 2018	
11	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 employed.	June 2018	4	1	4	September 2018	Work under contract by external resource currently underway.
12	Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Governance	Poor Training Programme	Breach of Regulation	Service Manager	Training Review	4	2	4	Develop Needs Based Training Programme.		4	1	4		Initial Training Day held – Further training to be identified.
13	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
14	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

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
							Impact	Likelihood	Score			Impact	Likelihood	Score		
15	Breach of Data Security – LGPS and FSPS	Administrative	Poor Controls	Breach of Regulation, including GDPR	Pension Services Manager	Security Controls, passwords etc. GDPR Privacy Policy.	4	1	4			4	1	4		At Target
16	Failure to Meet Government Requirements on Pooling	Governance	Inability to agree proposals with other administering authorities.	Direct Intervention by Secretary of State	Service Manager	Full engagement in Project Brunel	5	1	5			5	1	5		At Target
17	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
18	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	1	4			4	1	4	September 2018	At Target



Division(s): N/A
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## PENSION FUND COMMITTEE – 14 SEPTEMBER 2018

### ADMINISTRATION REPORT

#### Report by the Director of Finance

#### Introduction

1. This report is to update members on scheme administration data and issues, not covered in the Administration Improvement Plan report elsewhere on today's agenda.

#### Workload and Staffing

2. The revised reporting looks at performance against the service level agreements set out in the Administration Strategy. We believe this presentation enables the Committee to be better able to identify areas of concern.

Subject	Working Days	% Within Target	% Achieved April to June 2018	Number of Cases
Annual Allowance	10	90	100.00	1/1
APC	10	90	77.50	11/18
Data Changes	10	90	64.72	241/676
Deaths	10	95	55.45	79/332
Deferred Benefits	40	90	28.71	422/1843
Divorces	10	95	62.92	27/37
Estimates – Employer	10	90	53.95	53/94
Estimates – Member	10	90	63.55	132/186
General Queries – Employer	10	90		
General Queries - Member	10	90	77.53	231/258
Other			45.37	18/43
Re-employments	40	90	33.28	538/983
Refund of Benefits	10	95	61.57	590/890
Retirements	10	95	67.02	201/257
Transfers In	10	90	56.02	92/156
Transfers Out	10	95	63.26	97/155

3. Current staffing levels are 26.09 FTE against an establishment of 35.38 FTE, leaving the team with vacancies of 9.29 FTE. This includes the recently approved Team Leader post to which we are currently recruiting. Given previous experiences using temporary staff, these vacancies have been covered in part by staff overtime where possible. Over past few months the team has worked flexibly to support project work to ensure that key deadlines have been met.

### Project Work

4. Current project work in the team is:

Project	Status	Notes
Administration to Pay	Red	On hold whilst issues with software are resolved
Annual Benefit Statements	Green	Please see separate report
Backlog of Work	Red	Please see separate report
Data Quality		Please see separate report
Employer Relationship Module - Altair	Amber	This Altair module is in and being used. However, the functionality is limited hence amber rating
GDPR	Amber	Some tidying up to do
GMP Reconciliation	Amber	Please see below
I-Connect	Red	Project not yet started – due to start later this month
Member Self Service	Green	This is now available to all active, deferred and pensioner members. Work will be scheduled to increase functionality for members.

### Changes to Scheme Employers

5. Between April 2017 and March 2018 there have been 17 new admission agreements issued to:

Barnardo's; The School Lunch Company – St Nicholas School, St Michael's, St Christopher's, The Blake School, Wroxton Primary and Orchard Fields; Alliance in Partnership – Queen Emma's School; EnergyKidz at John Hampden; APCOA Parking; Rapid Clean – Stockham Primary; Hill End Outdoor Educational Trust; Busy Bee Cleaning – Ridgeway Education; Edwards and Ward – South Moreton and Stockham Primary; Service Master – East Oxford Primary; Publica.

Additionally, Kingston Bagpuize with Southmoor Parish Council has admitted staff to the Fund.

18 Admission agreements have also ended during the same period.

### Complaints

6. Twelve complaints have been received in the year to date. Just over half of these have been made using the internal procedure to complain about delays in replying to queries. In response some changes have been made to better balance conflicts between responding to customers; other workloads and staffing. The remaining

complaints have been made using the formal complaint procedure about a decision affecting their pension; of these two have been not found and the remainder are in progress. The above number equates to 0.06% of active scheme members - which compares with a figure of 0.14% in 2017.

### Write Offs

7. 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

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.

8. In the current period, £47.91 has been written off in respect of seven cases where the member has died. In the period December 2017 to September 2018 a total of £123.74 has been written off, in respect of 23 cases where the member has died.

### Fire Service Pension Schemes

9. Pension Services also provide administration services to Oxfordshire Fire & Rescue in respect of the Fire Service Pension Schemes. The table below shows the work for January 2018:

Subject	Working Days	% Within Target	Achieved April to June 2018	
Annual Allowance	10	90	n/a	
APC	10	90	100.00	1/1
Data Changes	10	90	n/a	
Deaths	10	95	100.00	1/1
Deferred Benefits	40	90	n/a	
Divorces	10	95	n/a	
Estimates – Employer	10	90	n/a	
Estimates – Member	10	90	25.00	1/4
General Queries – Employer	10	90	n/a	

General Member	Queries -	10	90	100.00	13/13
Other				0.00	1/1
Re-employments		40	90	85.71	6/7
Refund of Benefits		10	95	n/a	
Retirements		10	95	100.00	4/4
Transfers In		10	90	n/a	
Transfers Out		10	95	50.00	1/2

### Other Administration Issues

10. The LGPS (Amendment) Regulations SI 2018/493 came into force from 14 May 2018. Much of the contents is to sort drafting errors and inconsistencies between intent and the regulations issued for the new scheme in 2014.
11. There are new policy areas, on which a consultation was issued in 2016, although not everything in the consultation is included in this set of amending regulations. The following outlines the new policy areas for the attention of the committee.
12. Early Payment of deferred benefits
  - Changes for members and the administering authority
  - Payment of deferred benefits at age 55 for leavers before 1 April 1998
  - Payment of deferred benefits from age 55 for leavers between 1 April 1998 and 31. March 2008
  - Payment of deferred benefits from age 55 for leavers between 1 April 2008 and 31 March 2014
13. These changes bring in opportunities for members with a deferred pension to request an early payment and for leavers from 1 April 1998 brings their options for an early payment in line with those for leavers since April 2014. However, the reduced pension cannot be paid if below the statutory protected level of requisite benefit or guaranteed minimum, and the fund will be required to support the cost. It cannot be passed back to employers.
14. The costs for releasing an early payment between age 55 and 60 under these changes is for the member because this early pension will be reduced, and the member loses any protections which might have otherwise been in place for early leavers having the employers' consent, subject to the statutory values referred to above.
15. The early release of a pension does not cover members who may have a deferred pension following an option out of the scheme or a withdrawal of scheme membership, until they leave the job or office that gave rise to the pension.
16. Employers will now have to review their discretions policies to incorporate these changes, because they can waive a reduction.

17. The options for other employer approved early payments - on the grounds of permanent ill health; using the discretion to waive reductions and on compassionate grounds as applicable, remain.
18. The MHCLG report that the intention had been for the regulations to remove the need for members aged at least 55 from seeking employer approval for an early payment at any time, however the regulation amendments do not fully deliver the intention for the earliest group of leavers, who can only ask for an early payment **at** age 55.
19. *This fund needs to consider whether it wishes the administration to apply the intention for the pre-1998 leavers and allow member request for early payment at any time from age 55 for that group, or to wait until all options are covered in a further set of consultations and new regulations.*
20. The Oxfordshire Pension fund also must act as if the employer where that former employer no longer exists, to amend their policy statements to incorporate the latest option, if the authority will 'switch-on' the former 85-year protections for someone with a deferred benefit and also for any deferred pensioner members between 55 and 60 requesting now an early payment under these provisions, who left the scheme between 1 April 1998 and 31 March 2014.
21. *This fund will / will not consider applications to 'switch on' the 85 year as this would increase costs/ on an individual application initially to the Pension Services Manager for decision.*
22. Also, to amend the policy requirement for employers to also pay immediately any 'hidden costs incurred by switching on the 85-year rule for these former employees and councillors.
23. *This fund agrees to the inclusion of this group/ these groups in the administration strategy as events requiring the upfront full cost to be provided by the employer agreeing to the request/ having a policy incurring this cost.*

#### **Admission agreement changes**

24. For agreements on and from 14 May 2018, there are changes to the reporting and publication details of new admission agreements. The guidance is that the fund annual report will meet the new requirements, although will not include the list of persons included in the agreement. More guidance may be specified from the CIPFA pensions panel.
25. Backdating start date - Where admissions have taken longer than expected to set up, or where the transfer has not been disclosed, the regulations now allow backdating to the transfer, and therefore authorisation for the collection of member contributions. The effective date of this can be taken back to April 2014.
26. Payment of exit credits - In the event of an exiting employer's liabilities being fully funded, with surplus assets the fund and actuary may consider a payment to the

exiting employer. Admission agreement documents may need to be changed to ensure clarity and prevent a later future claim. There is no tax charge due on an exit payment and no requirement to report to HMRC.

27. Linking previous pension records – application of time limit - Aggregating previous membership from before 2014 into the new scheme has not unintentionally had a time limit since the introduction of new scheme from 1 April 2014. For all new joiners from 14 May 2018 this window is now closed- although cannot be backdated for those earlier joiners.
28. Statutory underpin - Backdated to April 2014, the protection of final salary benefits for members transferring from other public-sector schemes is now extended to include them in the check at retirement to ensure the member is no worse off by joining the Career Average Revalued Earnings Scheme (CARE), and including the transferred in membership period.
29. Additional voluntary contributions (AVCs) - From 14 May 2018 the amendment regulations require administration changes in dealing with members with an AVC account. The effects of the changes will bring older plans which started before April 2014 and continue, into line with recent plans, by applying the same level of maximum contribution now (100% of pensionable pay, under the 2014 definitions). Members must link their AVC accounts when their LGPS records are aggregated, and decisions about the use of AVC fund must be taken no later than when the main LGPS fund is drawn.
30. The tie to the main LGPS pension is not absolute. A member can stop their AVC and transfer it away from the Prudential even when remaining as an active LGPS member.
31. For AVC plans – and all councillor members, where the member left before 1 April 2014 the changes above do not apply.
32. Regardless when the plan began, on a member's death before an AVC has come into payment, the administering authority may now use their discretion to disperse an AVC fund as it does for a LGPS death grant.

### **Children's pensions**

33. This Committee has already made a discretionary policy decision, in respect of children's pensions, to confirm that a gap year does not constitute a break in continuous education.
34. The administration team now has a case where further confirmation of this committee's discretionary policy decision needs to be sought.
  - The Regulations state: R27(3) "an eligible child cease to be entitled to a pension when he ceases to be a child within regulation 26".
  - R26(3) "a dependent child who has reached the age of 18 but has not reached the age of 23 and is in full time education or undertaking vocational training at the date of the member's death is an eligible child"

- R26(4) “an appropriate administering authority may treat a dependent child who commenced full time education or vocational training after the date of the member’s death as an eligible child after he reaches the age of 18 and until he reaches the age of 23”.
- R26(6) “and appropriate administering authority may treat a dependent child who is disabled within the meaning of the Disability Discrimination Act 1995 as an eligible child”

35. The administration team has a case where the dependent child, who is disabled (as confirmed by their GP / in line with the 1995 Act), has reached aged 18. Taking the above Regulations in to account this report is to ask the committee to consider:

- whether payment of the child’s pension can continue from present until age 23:
- whether dependency would hold after that date?
- What medical information the committee would require?
- Whether the committee has a view on the frequency of reviewing continued payment?

### **Escrow Account**

36. The LGPS Regulations (including the 1995, 1997, 2008 and 2013) require that where a death grant is not paid within 2 years of the date of the death, or within 2 years of the date on which the administering authority could reasonably be expected to have become aware of the member's death (except for the 1995 Regulations which only mention date of the death) payment must be made to personal representatives. So, in essence, the regulations provide that if the death grant has not been paid within the 2-year period, the administering authority can no longer exercise a discretion over to whom to pay the death grant but must, instead, pay it to the personal representatives.

From 6 April 2016 death grants paid after two years are no longer unauthorised payments but where they are being paid to the personal representatives are subject to the special lump sum death charge of 45%.

37. It goes without saying that administering authorities should do their utmost to ensure that they don’t get themselves into a position where they end up paying out a death grant after the 2 year period has expired. However, we are aware that they sometimes experience difficulties in determining whether there is anyone they can pay the death grant to (under their discretionary power) or in ascertaining who is administering the estate and consequently payments are not always made within the 2 year period.

**Q1.** Is it acceptable for administering authorities to pay the death grant into a separate bank account just before the expiry of the 2-year period to avoid the death grant being subject to the special lump sum death charge?

**Q2.** If the answer to question 1 is yes, what form would the bank account would have to take to meet the requirement of our Regulations that payment must be made to the personal representatives? That is, would a separate bank account need to be set up for each case, with the account being set up in the name of “The legal personal representatives of XXXXX deceased” (with XXXX being the name of the deceased)

in order to meet the requirements of our regulations (if this is even possible?) or would it be acceptable for the administering authority to set up one ESCROW account (a holding account held by a third party during the process of a transaction between two parties) and pay all such death grants into it until payment can be made to the personal representatives?

38. **Legal opinion.** We agree that the payment of the death grant to a separate bank account held outside of the Fund, before the two-year period has expired is likely to prevent the death grant from being subject to a special lump sum death benefits charge. However, we don't think this solution would work in respect of payments made after two years. This is because section 40(4) of the LGPS Regulations 2013 makes clear that after the expiry of two years the payment should be made to the personal representatives, it does not allow the Authority to hold the death grant "for the benefit of" the personal representatives.
39. Section 40(2) of the LGPS Regulations 2013, however, states that "the appropriate administering authority may, at its absolute discretion, pay the death grant to or for the benefit of the member's nominee, personal representatives or any person appearing to the authority to have been a relative or dependent of the member". So, as long as the payment is made out of the Fund before the expiry of two years from the date of death (or the date the Authority should have reasonably known about the member's death) holding the death grant in an escrow account is likely to fulfil this criteria, such that the payment could be made tax free to the member's personal representative. Whilst the money would still be held by the Authority (albeit outside the Fund) it would not be the Authority's money. The death grant would be held on constructive trust for the benefit of the personal representatives.
40. We don't see any reason why a separate bank account should be set up in respect of each death grant where the personal representatives are being located so long as the monies can be identified and the appropriate funds credited to the escrow account before the two-year period expires. Just to note this approach is common in private trusts so we see no reason why this approach couldn't be adopted by the Authority too.
41. Officers are therefore seeking views of this committee ahead of looking in to setting up such an account.

### **GMP Reconciliation**

42. With the abolition of contracting out in 2016 all schemes needed to decide whether to carry out a GMP reconciliation exercise, although it would have been difficult to justify not undertaking this exercise until the Fund had sufficient data to assess the value of any liabilities.
43. The GMP reconciliation is the comparison of membership and GMP figures between the administrator's database and the HRMC member records. If GMP is recorded inaccurately this means that pension payments can be incorrect as GMP is the minimum level of pension a scheme is required to pay to members who were contracted out of the State Earnings Related Pension Scheme prior to 6 April 1997.



This is a complex and time-consuming exercise which Oxfordshire, like most Funds, contracted out to an external provider of this service.

44. ITM Limited has now provided a report for the stage 2 reconciliation and a proposal for stage 3 of the project which will be the benefit rectification. Both reports have been emailed to members for ease of reading.
45. The Stage 2 interim report details the current situation and work needed to complete this part of the process. At present there are some 3,800 records to be reviewed by the Oxfordshire Pension Fund, which once completed may result in conversion to an HMRC query where it is believed that the liability does not sit with the Fund.
46. In terms of the discrepancies in the value of the GMP, this exercise has been undertaken in line with LGA guidance of a tolerance level of £2.00 and the table on page 9 sets out the records which will need to be reviewed where the discrepancies are outside of this tolerance. Members will need to determine how any under / over payments of pension resulting from this exercise are dealt with. From discussions with various peer groups the generally agreed approach is to correct any underpayments and to pay arrears of pension; for overpayments it has been to reduce the value of the pension paid, but to write off any recovery of the overpaid pension.
47. ITM has modelled the likely costs to the fund based on the current HMRC response (pages 11-14 of email) as:  
  
Total past under payment £ 31,394, which would affect 86 members, and  
Total past over payment £262,635, affecting 299 members.  
  
These will change as remaining records are processed.
48. The remaining part of the email sets out the proposal for ITM to process HMRC responses and the completion of the third and final stage of the GMP reconciliation with both timescales and cost.
49. This exercise is also being carried out for Fire Pensions and costs will be advised once received.

## **RECOMMENDATIONS**

50. **The Committee is RECOMMENDED to:**
  - (a) **to consider whether it wishes to apply the intention of the Regulations for the pre-1998 leavers and allow member request for early payment at any time from age 55 for that group, or to wait until all options are covered in a further set of consultations and new regulations;**
  - (b) **determine whether this fund will / will not consider applications to 'switch on' the 85 year as this would increase costs/ on an individual application initially to the Pension Services Manager for decision;**

- (c) agree to the inclusion of the groups as set out in paragraphs 12-23 in the administration strategy, as events requiring the upfront full cost to be provided by the employer agreeing to the request/ having a policy incurring this cost;**
- (d) determine in respect of the case set out in paragraph 35;**
- (e) whether payment of the child's pension can continue from present until age 23:
  - i. whether dependency in this case would hold after that date?**
  - ii. What medical information the committee would require?**
  - iii. Whether the committee has a view on the frequency of reviewing continued payment?****
- (f) determine whether to set up an escrow account for the Fund;**
- (g) determine what approach is to be applied to discrepancies arising from GMP reconciliation; and**
- (h) agree the appointment of ITM to finalise this project at cost stated.**

Lorna Baxter  
Director of Finance

Background papers: Nil

Contact Officer: Sally Fox, Pension Services Manager:  
Tel: 01865 323854

August 2018

Division(s): N/A

## **PENSION FUND COMMITTEE – 14 SEPTEMBER 2018**

### **PENSION FUND BUDGET OUTTURN REPORT FOR THE YEAR ENDED 31 MARCH 2018.**

#### **Report of the Director of Finance**

##### **Introduction**

1. In March 2017 the Pension Fund Committee agreed a budget in respect of the Pension Fund for the 2017/18 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 £1,147,000. The reasons for any material variations are explained below.

##### **Scheme Administration Expenses**

3. **Administrative Employee Costs** were underspent by a total of £42,000. This was due partly because of the vacancies within the team (offset by the employment of third parties to undertake project work relating to data quality and historic backlogs of work) and partly due to an underspend on training.
4. **Other Costs** were overspent by £81,000. The main variances included a shortfall in projected income of £76,000; an under spend on postage costs of £10,900, which is partly attributable to the move to online documents and a smaller under spend of subscription fees and telephone charges of £2,400. There were over spends storage costs of £4,000 and miscellaneous expenses of £15,000, which included property related charges

##### **Investment Management Expenses**

5. **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 2017/18 was £887,000 above the budgeted amount. The overspend predominantly resulted from the Pension Fund committing to several new funds in order to maintain target asset allocations in property, infrastructure, and private equity: Bridges Property Alternatives Fund IV, Partners Group Global Infrastructure Fund 2015, Epiris Fund II, Adams Street 2017 Global Fund, and Longwall Ventures

III ECF. These funds typically incur fees on commitments in the initial years of the fund.

6. The 2017/18 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.
7. The fund changed Custodian during the year following the appointment of State Street as the Custodian and Administrator for Brunel. **Custody Fees** for the year were £18,000 less than budgeted.
8. **Brunel Working/Regulatory Capital**; as approved by the Committee at its meeting on 23<sup>rd</sup> June 2017 there was an additional £300,000 of working/regulatory capital to be provided to Brunel which was to be offset by Brunel repaying a similar amount to cover **Brunel Development Costs** incurred by the Fund on its behalf. **Brunel Contract Costs** were to cover Brunel running costs, however these payments did not commence until 1<sup>st</sup> April 2018 meaning the working capital payments were increased by a corresponding amount.
9. Taken together **Brunel Development, Working/Regulatory Capital and Contract Costs** were budgeted at a net £605,000, the outturn against this was a £240,000 overspend. £100,000 of the overspend was a result of a decision to fully fund Brunel's pension position meaning the cost was incurred as a lump sum rather than spread over a number of years. The remaining overspend was a result of the timing of Brunel development costs. This does not affect the overall quantum of Brunel development costs which were within the budget agreed for Brunel.

### **Oversight & Governance Expenses**

10. There was an underspend of £33,000 on **Support Services** following a review of charges which identified costs that were no longer applicable to the Pension Fund following the vacating of Unipart House.
11. **Advisory & Consultancy Fees** were overspent by £25,000. This was primarily a result of the unbundling of broker research costs, as required by the Markets in Financial Instruments Directive II. This meant that the Pension Fund needed to sign-up and pay separately to receive broker research on its listed private equity holdings. Previously this service was not paid for directly but was included within the fees charged by brokers for their brokerage services. There was also a small additional cost from the Pension Fund's decision to sign up to the LGPS Universe service from PIRC which provides performance comparisons with other LGPS funds.

## **RECOMMENDATIONS**

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

Lorna Baxter  
Director of Finance

Background Papers:           None

Contact Officers:               Gregory Ley, Financial Manager, 07393 001071  
  
  Sally Fox, Pensions Administration Manager,  
  (01865) 323854

August 2018

**Pension Fund Budget Outturn for the Financial Year ended 31 March 2018**

	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
<b>Administrative Expenses</b>			
Administrative Employee Costs	1,240	1,198	-42
Support Services Including ICT	447	460	13
Printing & Stationary	51	57	6
Advisory & Consultancy Fees	30	12	-18
Other	29	110	81
<b>Total Administrative Expenses</b>	<b>1,797</b>	<b>1,837</b>	<b>40</b>
<b>Investment Management Expenses</b>			
Management Fees	7,436	8,323	887
Custody Fees	75	57	-18
Brunel Development Costs	75	5	-70
Brunel Working/Regulatory Capital	200	840	640
Brunel Contract Costs	330	0	-330
<b>Total Investment Management Expenses</b>	<b>8,116</b>	<b>9,225</b>	<b>1,109</b>
<b>Oversight &amp; Governance</b>			
Investment Employee Costs	240	236	-4
Support Services Including ICT	40	7	-33
Actuarial Fees	40	54	14
External Audit Fees	24	21	-3
Internal Audit Fees	14	14	0
Advisory & Consultancy Fees	64	89	25
Committee and Board Costs	48	47	-1
<b>Total Oversight &amp; Governance Expenses</b>	<b>470</b>	<b>468</b>	<b>-2</b>
<b>Total Pension Fund Budget</b>	<b>10,383</b>	<b>11,530</b>	<b>1,147</b>

TABLE 1

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**  
**OVERALL VALUATION OF FUND AS AT 30th JUNE 2018**

Investment	COMBINED PORTFOLIO 01.04.18	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 30.04.18		Target %
	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	
<b>EQUITIES</b>																
<b>UK Equities</b>	630,967	443,299	96.0%	21,826	8.3%	199,775	46.7%	0	0.0%	35,211	7.8%	0	0.0%	700,111	28.3%	26.0%
<i>Overseas Equities</i>																
North American Equities	145,928	0	0.0%	150,423	57.5%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	150,423	6.1%	
European & Middle Eastern Equities	48,660	0	0.0%	53,752	20.5%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	53,752	2.2%	
Japanese Equities	13,953	0	0.0%	11,610	4.4%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	11,610	0.5%	
Pacific Basin Equities	-	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Emerging Markets Equities	10,630	0	0.0%	15,985	6.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	15,985	0.6%	
UBS Global Pooled Fund	260,645	0	0.0%	0	0.0%	0	0.0%	0	0.0%	279,739	62.1%	0	0.0%	279,739	11.3%	
L&G World (ex UK) Equity Fund	212,755	0	0.0%	0	0.0%	227,586	53.3%	0	0.0%	0	0.0%	0	0.0%	227,586	9.2%	
<b>Total Overseas Equities</b>	<b>692,571</b>	<b>0</b>	<b>0.0%</b>	<b>231,770</b>	<b>88.6%</b>	<b>227,586</b>	<b>53.3%</b>	<b>0</b>	<b>0.0%</b>	<b>279,739</b>	<b>62.1%</b>	<b>0</b>	<b>0.0%</b>	<b>739,095</b>	<b>29.9%</b>	<b>28.0%</b>
<b>BONDS</b>																
UK Gilts	147,327	0	0.0%	0	0.0%	0	0.0%	146,355	31.1%	0	0.0%	0	0.0%	146,355	5.9%	
Corporate Bonds	118,375	0	0.0%	0	0.0%	0	0.0%	108,450	23.0%	0	0.0%	0	0.0%	108,450	4.4%	
Overseas Bonds	35,430	0	0.0%	0	0.0%	0	0.0%	38,957	8.3%	0	0.0%	0	0.0%	38,957	1.6%	
Index-Linked	148,376	0	0.0%	0	0.0%	0	0.0%	155,762	33.1%	0	0.0%	0	0.0%	155,762	6.3%	
<b>Total Bonds</b>	<b>449,508</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>449,524</b>	<b>95.4%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>449,524</b>	<b>18.2%</b>	<b>21.0%</b>
<b>ALTERNATIVE INVESTMENTS</b>																
Property	161,440	0	0.0%	0	0.0%	0	0.0%	0	0.0%	133,152	29.6%	32,933	8.3%	166,085	6.7%	8.0%
Private Equity	165,334	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	173,968	43.6%	173,968	7.0%	9.0%
Multi Asset - DGF	113,714	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	113,646	28.5%	113,646	4.6%	5.0%
Infrastructure	3,646	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	5,032	1.3%	5,032	0.2%	3.0%
<b>Total Alternative Investments</b>	<b>444,134</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0.0%</b>	<b>133,152</b>	<b>29.6%</b>	<b>325,579</b>	<b>81.6%</b>	<b>458,731</b>	<b>18.6%</b>	<b>25.0%</b>
<b>CASH</b>	<b>124,948</b>	<b>18,416</b>	<b>4.0%</b>	<b>8,051</b>	<b>3.1%</b>	<b>0</b>	<b>0.0%</b>	<b>21,539</b>	<b>4.6%</b>	<b>2,188</b>	<b>0.5%</b>	<b>73,738</b>	<b>18.5%</b>	<b>123,932</b>	<b>5.0%</b>	<b>0.0%</b>
<b>TOTAL ASSETS</b>	<b>2,342,128</b>	<b>461,715</b>	<b>100.0%</b>	<b>261,647</b>	<b>100.0%</b>	<b>427,361</b>	<b>100.0%</b>	<b>471,063</b>	<b>100.0%</b>	<b>450,290</b>	<b>100.0%</b>	<b>399,317</b>	<b>100.0%</b>	<b>2,471,393</b>	<b>100.0%</b>	<b>100.0%</b>

% of total Fund

18.68%

10.59%

17.29%

19.06%

18.22%

16.16%

100.00%

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**

Asset	Market Value 01.04.18	%	Net Purchases and Sales					Changes in Market Value					Market Value 30.04.18	%
			UBS	Baillie Gifford	Legal & General	Wellington	Other	UBS	Baillie Gifford	Legal & General	Wellington	Other		
	£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>EQUITIES</b>														
UK Equities	630,967	27	0	5,997		1,236	0	4,731	39,572	16,827	782	0	700,111	28
US Equities	145,928	6	0	0	0	(4,914)	0	0	0	0	9,409	0	150,423	6
European & Middle Eastern Equities	48,660	2	0	0	0	4,417	0	0	0	0	675	0	53,752	2
Japanese Equities	13,953	1	0	0	0	(3,540)	0	0	0	0	1,197	0	11,610	0
Pacific Basin Equities	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Emerging Market Equities	10,630	0	0	0	0	6,587	0	0	0	0	(1,232)	0	15,985	1
Global Pooled Funds	473,400	21	0	0			0	19,093	0	14,831	0	0	507,325	21
Total Overseas Equities	692,571	30	0	0	0	2,550	0	19,093	0	14,831	10,049	0	739,095	30
<b>BONDS</b>														
UK Gilts	147,327	6	0	0	(15,794)		0	0	0	14,822	0	0	146,355	6
Corporate Bonds	118,375	5	0	0	0		0	0	0	(9,925)	0	0	108,450	4
Overseas Bonds	35,430	2	0	0	6,852		0	0	0	(3,325)	0	0	38,957	2
Index-Linked Bonds	148,376	6	0	0	8,465		0	0	0	(1,079)	0	0	155,762	6
<b>ALTERNATIVE INVESTMENTS</b>														
Property	161,440	7	2,077	0	0		(1,119)	2,012	0	0	0	1,675	166,085	7
Private Equity	165,334	7	0	0	0		(2,240)	0	0	0	0	10,874	173,968	7
Multi Asset - DGF	113,714	5	0	0	0			0	0	0	0	(68)	113,646	5
Infrastructure	3,646	0	0	0	0		0	1,350	0			36	5,032	0
SUB TOTAL	2,217,180	95	2,077	5,997	(477)	3,786	(2,009)	25,836	39,572	32,151	10,831	12,517	2,347,461	95
CASH *	124,948	5	(1,284)	(1,678)	(1,005)	(632)	3,583	0	0	0	0	0	123,932	5
<b>GRAND TOTAL</b>	<b>2,342,128</b>	<b>100</b>	<b>793</b>	<b>4,319</b>	<b>(1,482)</b>	<b>3,154</b>	<b>1,574</b>	<b>25,836</b>	<b>39,572</b>	<b>32,151</b>	<b>10,831</b>	<b>12,517</b>	<b>2,471,393</b>	<b>100</b>

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



OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TABLE 3

PERFORMANCE TO 30th JUNE 2018

COMBINED PORTFOLIO ( BY FUND MANAGER)

FUND MANAGER	% Weighting of Fund as at 30th June 2018	QUARTER ENDED	12 MONTHS ENDED	THREE YEARS ENDED	FIVE YEARS ENDED	TEN YEARS ENDED
		30th June 2018	30th June 2018	30th June 2018	30th June 2018	30th June 2018
		RETURN	RETURN	RETURN	RETURN	RETURN
		%	%	%	%	%
<b>BAILLIE GIFFORD UK EQUITIES</b>	18.7%	10.5	14.6	11.5	10.7	10.0
BENCHMARK		9.2	8.8	9.5	8.8	7.7
VARITAION		1.3	5.8	2.0	1.9	2.3
<b>WELLINGTON GLOBAL EQUITIES</b>	10.6%	5.7	6.9	12.6	10.9	
BENCHMARK		7.0	9.3	14.8	12.6	
VARITAION		-1.3	-2.4	-2.2	-1.7	
<b>L&amp;G UK EQUITIES - PASSIVE</b>	8.1%	9.2	9.2	10.1	8.5	7.3
BENCHMARK		9.2	8.8	9.9	8.3	7.1
VARITAION		0.0	0.4	0.2	0.2	0.2
<b>L&amp;G GLOBAL EX UK EQUITIES - PASSIVE</b>	9.2%	7.0	9.4	15.9	13.6	
BENCHMARK		6.7	9.1	15.8	13.5	
VARITAION		0.3	0.3	0.1	0.1	
<b>L&amp;G FIXED INCOME</b>	19.1%	-0.2	1.6	5.9	6.4	7.1
BENCHMARK		-0.1	1.9	5.9	6.4	6.8
VARITAION		-0.1	-0.3	0.0	0.0	0.3
<b>IN-HOUSE PROPERTY</b>	1.3%	3.1	13.4	13.8	9.2	
BENCHMARK		2.0	9.7	7.6	10.6	
VARITAION		1.1	3.7	6.2	-1.4	
<b>PRIVATE EQUITY</b>	7.0%	7.2	11.7	19.2	16.3	9.9
BENCHMARK		6.1	7.4	8.7	10.6	9.1
VARITAION		1.1	4.3	10.5	5.7	0.8
<b>INFRASTRUCTURE</b>	0.2%	0.7				
BENCHMARK		1.1				
VARITAION		-0.4				
<b>UBS GLOBAL EQUITIES</b>	12.7%	8.2	12.5	14.6	12.3	10.5
BENCHMARK		7.0	9.5	15.2	12.8	10.3
VARITAION		1.2	3.0	-0.6	-0.5	0.2
<b>UBS PROPERTY</b>	5.5%	2.1	9.3	8.1	11.0	5.8
BENCHMARK		2.0	9.7	7.6	10.6	5.1
VARITAION		0.1	-0.4	0.5	0.4	0.7
<b>INSIGHT DIVERSIFIED GROWTH FUND</b>	4.6%	-0.1	1.8	2.4		
BENCHMARK		1.1	4.2	3.7		
VARITAION		-1.2	-2.4	-1.3		
<b>IN-HOUSE CASH</b>	3.0%	0.1	0.4	0.4	0.4	1.1
BENCHMARK		0.2	0.5	0.4	0.4	0.6
VARITAION		-0.1	-0.1	0.0	0.0	0.5
<b>TOTAL FUND</b>	100.0%	5.5	8.5	11.0	10.1	8.2
BENCHMARK		5.1	6.7	10.1	9.7	8.6
VARIATION		0.4	1.8	0.9	0.4	-0.4

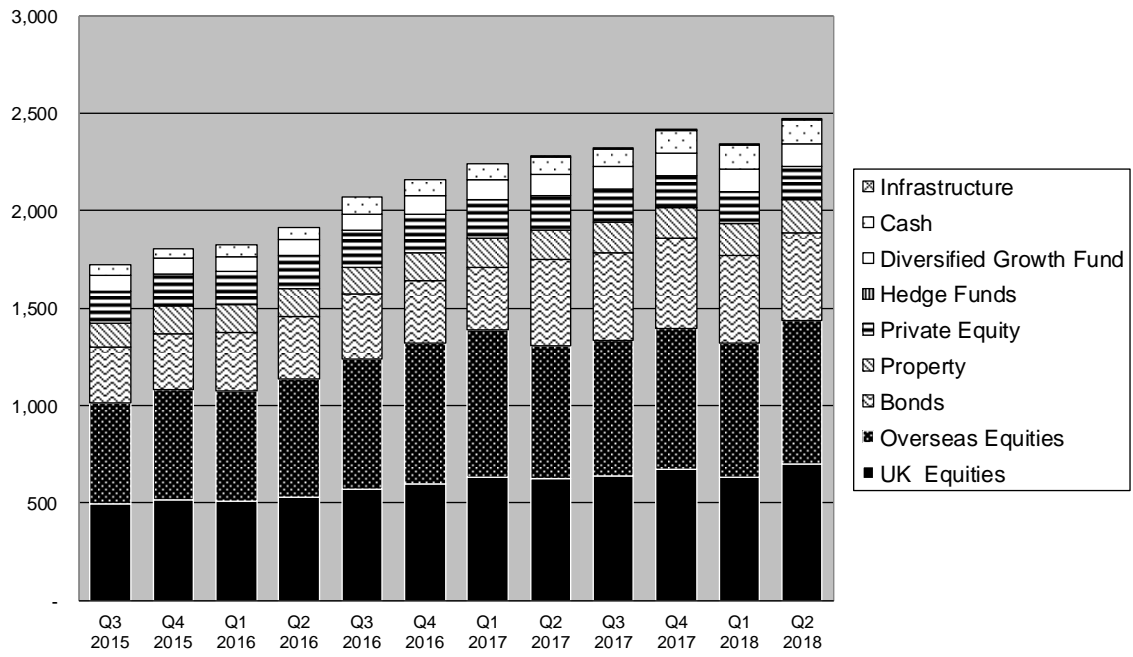
**OXFORDSHIRE COUNTY COUNCIL PENSION FUND****TOP 20 HOLDINGS AT 30/06/2018**

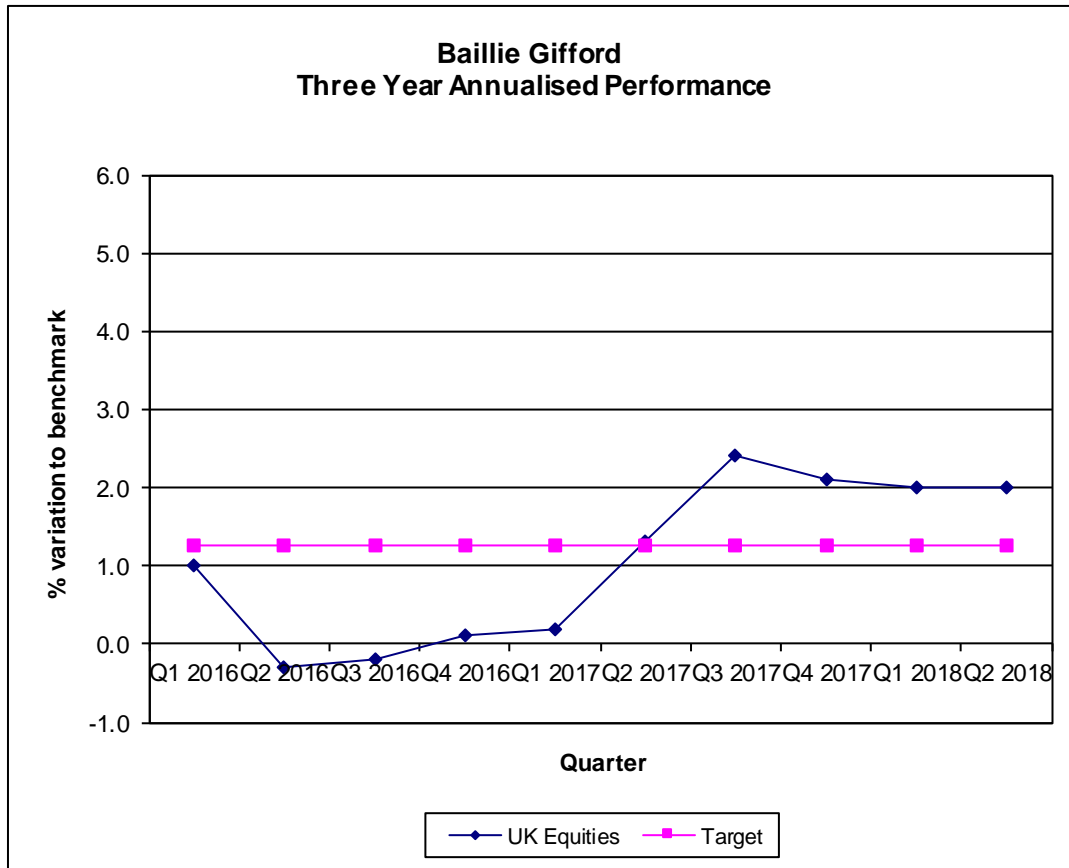
ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
<b><u>DIRECT HOLDINGS</u></b>		
1 HG CAPITAL TRUST PLC	37,422,900	1.51
2 ROYAL DUTCH SHELL B SHS EUR0.07	22,679,949	0.92
3 PRUDENTIAL PLC	18,207,445	0.74
4 ASHTEAD GROUP PLC	17,995,682	0.73
5 BHP BILLITON PLC COMMON STOCK	16,245,721	0.66
6 ST JAMESS PLACE PLC	15,579,229	0.63
7 DIAGEO PLC	15,256,483	0.62
8 STANDARD LIFE PRIVATE EQ ORD	15,187,310	0.61
9 F&C PRIVATE EQTY TST ORD GBP0.01	14,268,800	0.58
10 BUNZL PLC	14,244,960	0.58
11 BRITISH AMERICAN TOBACCO PLC	14,043,389	0.57
12 RIO TINTO	12,641,951	0.51
13 LEGAL & GENERAL GROUP PLC	11,186,908	0.45
14 HSBC HOLDINGS PLC	10,893,190	0.44
15 UNILEVER PLC	10,710,518	0.43
16 RELX PLC COMMON STOCK	10,337,369	0.42
17 3I GROUP PLC	10,129,165	0.41
18 BURBERRY GROUP PLC	9,767,553	0.40
19 TSY 1 1/4 2055 I/L GILT BONDS REGS 11/55 1.25	9,719,115	0.39
20 TSY 0 5/8 2040 I/L GILT BONDS REGS 03/40 0.625	9,629,376	0.39
	0.00	
<b>TOP 20 HOLDINGS MARKET VALUE *</b>	<b>296,147,013</b>	<b>11.99</b>
* Excludes investments held within Pooled Funds		
<b><u>POOLED FUNDS AT 30/06/2018</u></b>		
1 UBS LIFE GLOBAL EQUITY ALL COUNTRY FUND A	291,126,101	11.78
2 L&G WORLD (EX UK) EQUITY INDEX	212,755,110	8.61
3 L&G UK EQUITY INDEX	182,948,342	7.40
4 LEGAL AND GENERAL TD CORE PLUS	176,715,902	7.15
5 INSIGHT BROAD OPPORTUNITIES FUND	113,714,356	4.60
<b>TOTAL POOLED FUNDS MARKET VALUE</b>	<b>977,259,811</b>	<b>39.54</b>
<b>TOTAL FUND MARKET VALUE</b>	<b>2,471,393,390</b>	

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**

**MARKET VALUE OF TOTAL FUND**

TOTAL FUND MARKET VALUE BY ASSET CLASS





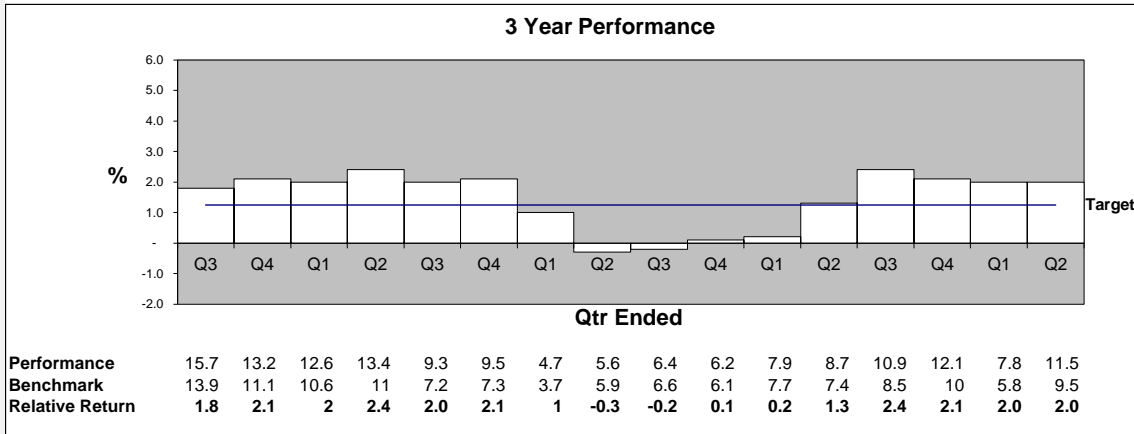
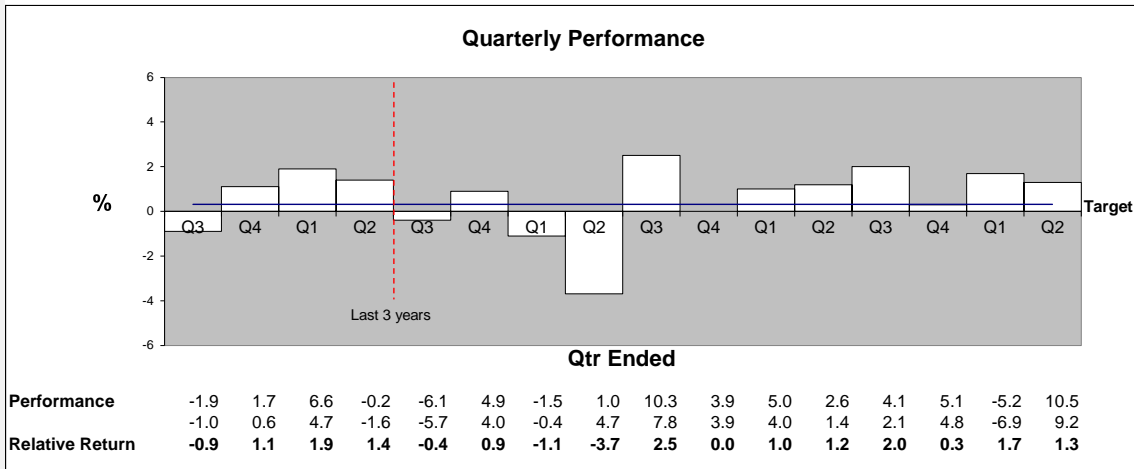
**Baillie Gifford Three Year Annualised Performance**

	UK Equities	Target
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
Q3 2017	2.4	1.25
Q4 2017	2.1	1.25
Q1 2018	2.0	1.25
Q2 2018	2.0	1.25

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 3

2014 2015 2016 2017 2018



**Target Returns**

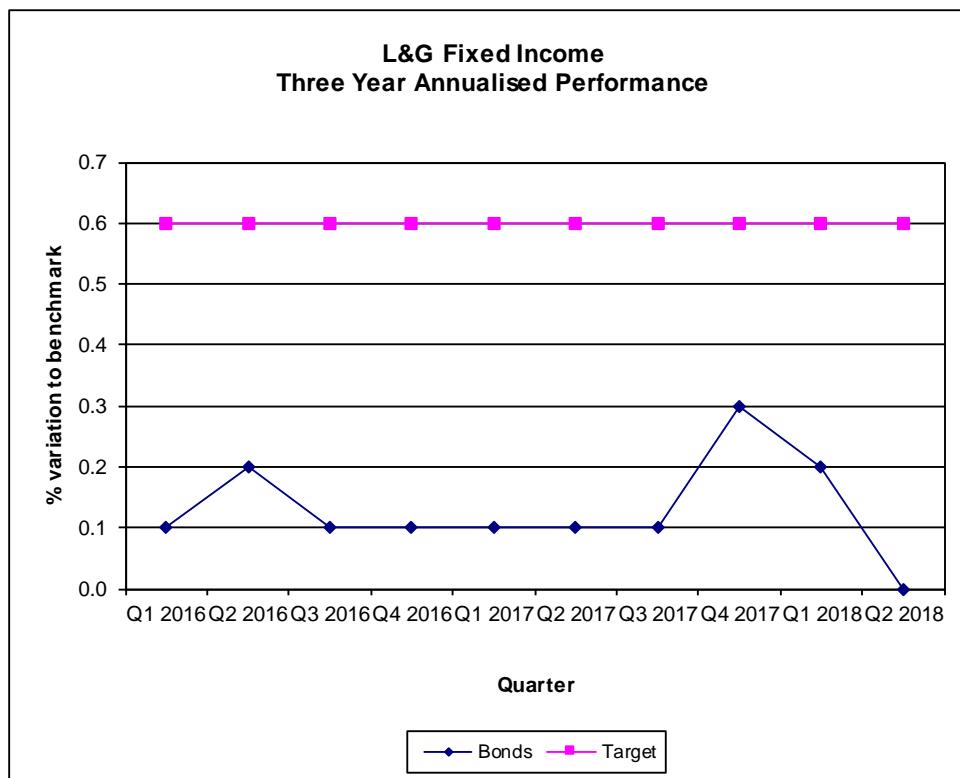
Rolling annual target of 1.25% above benchmark

**Top 10 holdings at 30/06/2018**

Holding	Value £	% of portfolio
1 ROYAL DUTCH SHELL B SHS	22,679,949	4.91
2 PRUDENTIAL PLC	18,207,445	3.95
3 ASHTEAD GROUP PLC	17,995,682	3.90
4 BHP BILLITON USD0.5	16,245,721	3.52
5 ST JAMES'S PLACE PLC	15,579,229	3.37
6 DIAGEO PLC	15,256,483	3.30
7 BUNZL PLC	14,244,960	3.09
8 BRITISH AMERICAN TOBACCO PLC	14,043,389	3.04
9 RIO TINTO PLC COMMON STOCK GBP.1	12,641,951	2.74
10 LEGAL + GENERAL GROUP PLC	11,186,908	2.42
<b>Top 10 Holdings Market Value</b>	<b>158,081,717</b>	<b>34.24</b>
<b>Total Baillie Gifford Market Value</b>	<b>461,715,000</b>	

**Baillie Gifford**

Top 10 holdings excludes investments held within pooled funds.



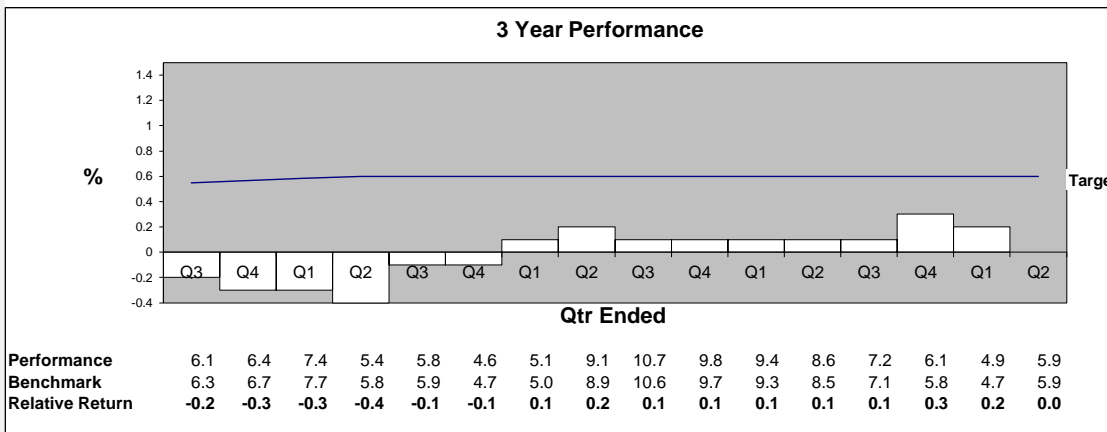
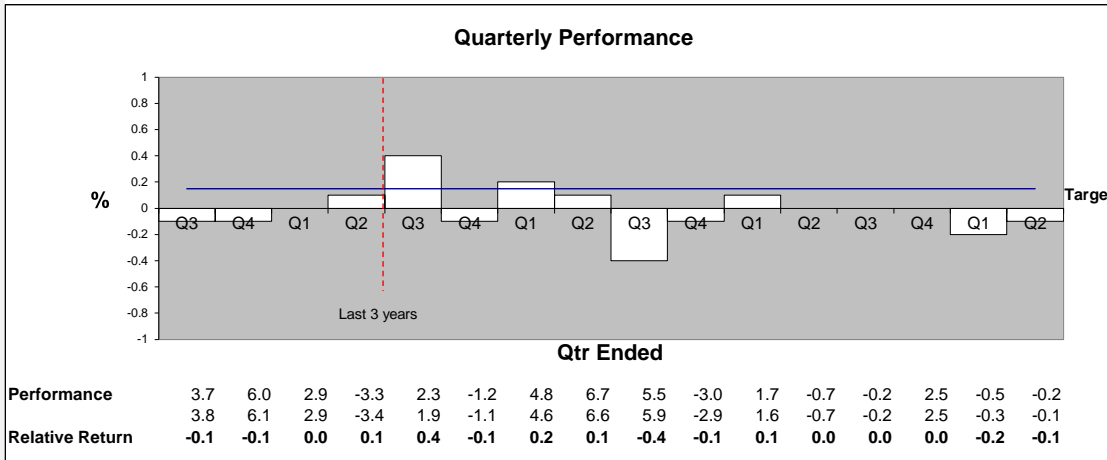
**L&G Fixed Income Three Year Annualised Performance**

	Bonds	Target
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
Q3 2017	0.1	0.6
Q4 2017	0.3	0.6
Q1 2018	0.2	0.6
Q2 2018	0.0	0.6

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 5

2014 2015 2016 2017 2018



**Target Returns**

Rolling annual target of 0.60% above benchmark

**Top 10 holdings at 30/06/2018**

Holding	Value £	% of portfolio
1 TSY 1 1/4 2055 I/L GILT BONDS REGS 11/55 1.25	9,719,115	2.06
2 TSY 0 5/8 2040 I/L GILT BONDS REGS 03/40 0.625	9,629,376	2.04
3 US TREASURY N/B 05/28 2.875	9,107,271	1.93
4 TSY 0 1/2 2050 I/L GILT BONDS REGS 03/50 0.5	8,483,136	1.80
5 TSY 0 1/8 2068 I/L GILT BONDS REGS 03/68 0.125	8,124,387	1.72
6 UK TSY 4 1/2 2034 BONDS REGS 09/34 4.5	8,035,358	1.71
7 UK TSY 1.25 2018 BONDS REGS 07/18 1.25	8,003,200	1.70
8 TSY 0 3/8 2062 I/L GILT BONDS REGS 03/62 0.375	7,498,883	1.59
9 UK TSY 1 1/2 2021 BONDS REGS 01/21 1.5	7,388,224	1.57
10 TSY 0 1/8 2044 I/L GILT BONDS REGS 03/44 0.125	7,239,810	1.54
<b>Top 10 Holdings Market Value</b>	<b>83,228,760</b>	<b>17.67</b>
<b>Total Legal &amp; General Market Value</b>	<b>471,063,000</b>	

**Legal & General**

Top 10 holdings excludes investments held within pooled funds.

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Oxfordshire Council Pension Fund

Quarterly Review Q2 2018

Peter Davies – independent financial adviser

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# OXFORDSHIRE COUNCIL PENSION FUND – 14 SEPTEMBER 2018

## OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

### Report by the Independent Financial Adviser

#### Economy

1. Growth forecasts for 2018 have been moderated since April, and the consensus forecasts for 2019 have also been lowered slightly. Levels of inflation in Western economies have eased since April.  
(In the table below the bracketed figures show the forecasts made in April)

<b>Consensus real growth (%)</b>						<b>Consumer prices latest (%)</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018E</b>	<b>2019E</b>	
<b>UK</b>	+2.3	+2.0	+1.6	+1.3 (+1.5)	+1.4	+2.4(CPI)
<b>USA</b>	+2.4	+1.6	+2.3	+2.8 (+2.8)	+2.4	+ 2.8
<b>Eurozone</b>	+1.5	+1.6	+2.3	+2.2 (+2.4)	+1.9	+ 2.0
<b>Japan</b>	+0.6	+0.9	+1.7	+1.1 (+1.5)	+1.1	+ 0.6
<b>China</b>	+6.9	+6.7	+6.8	+6.6 (+6.6)	+6.3	+ 1.8

[Source of estimates: The Economist, July 7<sup>th</sup>, 2018]

2. In June the Federal Reserve raised US interest rates by 0.25%, to the 1.75 – 2% range, and signalled that two further rises were likely this year, as a response to the strong US economy and tightening labour market. The European Central Bank announced that its programme of bond purchases would halve to €15bn /month from October, and then cease at the end of 2018. It also indicated that no rise in interest rates was planned before mid-2019. In May the Bank of England deferred a rate rise in the light of the slowing UK economy, but on August 2<sup>nd</sup> it increased the interest rate from 0.5% to 0.75% - the highest level since 2009.
3. The round of import tariffs instigated by President Trump escalated as China retaliated against the 25% levy on certain Chinese imports by targeting US exports from politically sensitive US regions. A further round of US tariffs is threatened, even as the EU responds to the US tariffs on steel and aluminium which came into effect on June 1<sup>st</sup>. President Trump has been in the headlines constantly. His historic meeting with the North Korean President took place in June, after a fractious summit with G7 heads of state in Toronto. A later confrontation with NATO leaders was followed by a more harmonious

meeting with President Putin in Helsinki. His visit to Britain was carefully planned to avoid the mass demonstrations in the centre of London and other cities.

4. In Britain the divisions within the Conservative party over Brexit deepened. A Cabinet meeting at Chequers on July 6<sup>th</sup> appeared to have settled government policy on the issue, but within two days David Davis (Brexit Secretary) and Boris Johnson (Foreign Secretary) had resigned from the Cabinet.
5. The European political scene underwent several significant changes. In Italy the 5 Star movement and La Liga formed an improbable coalition, and installed Giuseppe Conte as Prime Minister, while the Spanish PM Mariano Rajoy was ousted after a parliamentary vote, and replaced by the Socialist leader Pedro Sanchez. In Germany the CDU/CSU majority party survived an internal row over immigration policy.

## Markets

### Equities

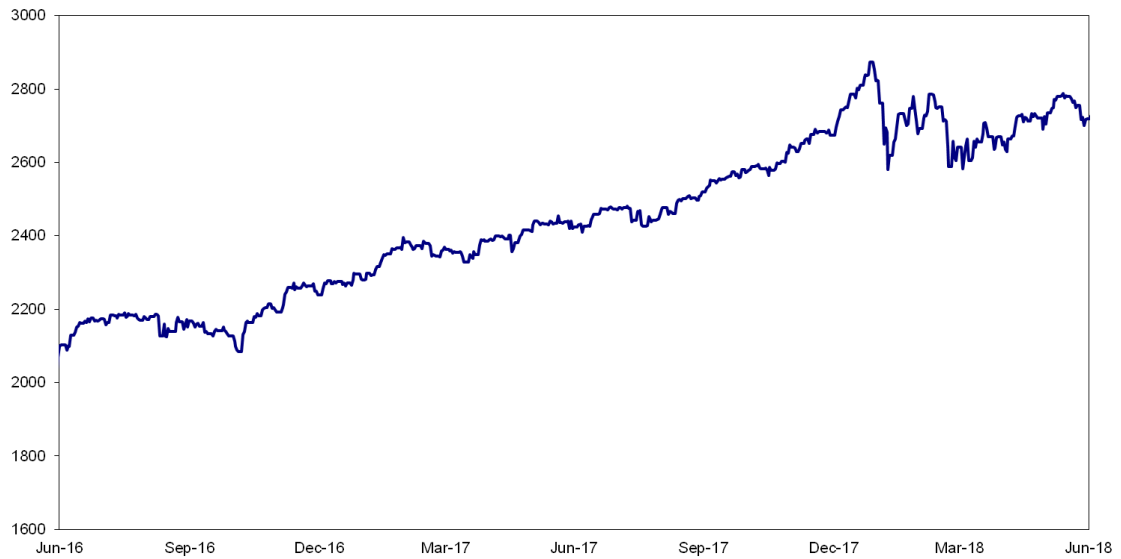
6. After the falls experienced in the first quarter of the year, equity markets rebounded strongly although at the end of June, North America was the only region showing a positive return for the calendar year to date. The scale of the rally in US equities (see graph below) was magnified in £ terms by the weakness of the pound relative to the dollar, which also contributed to the relative strength of the UK equity market.

	<b>Capital return (in £, %) to 30.6.18</b>		
<b>Weight %</b>	<b>Region</b>	<b>3 months</b>	<b>12 months</b>
<b>100.0</b>	FTSE All-World Index	<b>+6.0</b>	<b>+6.8</b>
55.4	FTSE All-World North America	+9.5	+10.3
8.4	FTSE All-World Japan	+3.0	+7.1
12.6	FTSE All-World Asia Pacific ex Japan	+1.3	+3.9
15.1	FTSE All-World Europe (ex-UK)	+1.2	-0.2
6.0	FTSE All-World UK	+8.2	+4.2
9.9	FTSE All-World Emerging Markets	-3.3	+3.0

[Source: FTSE All-World Review, June 2018]



S&amp;P 500



7. The surge in the oil price during the quarter buoyed up the Oil & Gas sector, while Technology continued its recent strong run

	<b>Capital return (in £, %) to 30.6.18</b>		
<b>Weight %</b>	<b>Industry Group</b>	<b>3 months</b>	<b>12 months</b>
14.8	Technology	+10.4	+23.1
6.7	Oil & Gas	+16.3	+18.7
11.3	Consumer Services	+10.4	+12.2
4.7	Basic Materials	+5.9	+11.2
<b>100.0</b>	<b>FTSE All-World</b>	<b>+6.0</b>	<b>+6.8</b>
12.7	Industrials	+3.6	+4.9
10.5	Health Care	+8.9	+3.1
21.6	Financials	+1.0	+2.1
12.0	Consumer Goods	+2.6	-1.4
3.0	Utilities	+5.7	-1.6
2.7	Telecommunications	+0.7	-9.4

[Source: FTSE All-World Review, June 2018]

8. UK shares recovered strongly during April and May, before losing some ground in June. The Bank of England's decision not to raise interest rates in May caused a weakening of the pound which implies higher profits for UK companies with foreign-currency earnings.

<b>(Capital only%, to 30.6.18)</b>	<b>3 months</b>	<b>12 months</b>
<b>FTSE 100</b>	<b>+8.2</b>	<b>+4.4</b>
<b>FTSE 250</b>	<b>+7.0</b>	<b>+7.7</b>
<b>FTSE Small Cap</b>	<b>+5.1</b>	<b>+5.2</b>
<b>FTSE All-Share</b>	<b>+7.9</b>	<b>+5.0</b>

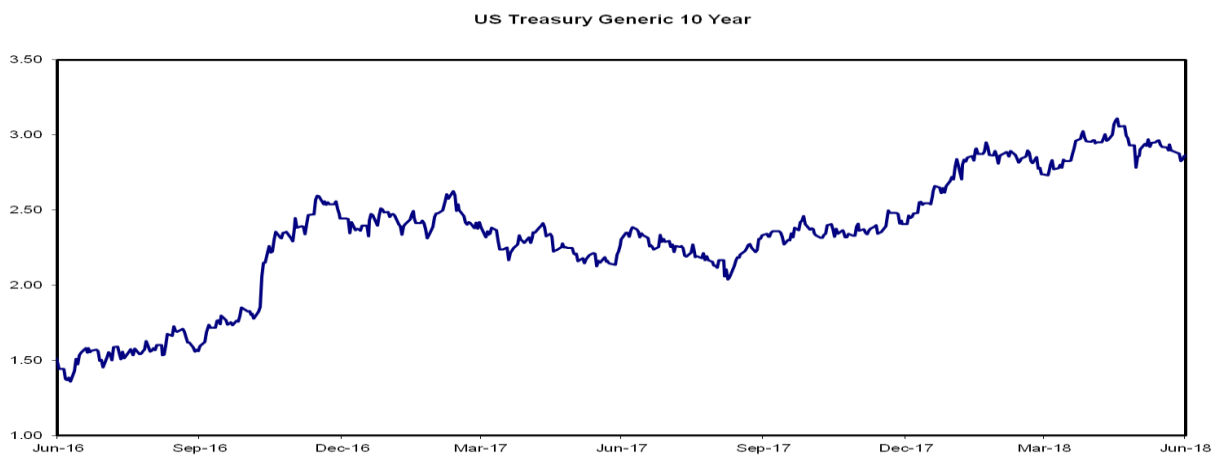
[Source: Financial Times]

### Bonds

9. Despite the rise in short-term interest rates, longer-term US bond yields were little changed over the quarter, even though the 10-year yield briefly exceeded 3% (as shown in the graph below).

<b>10-year government bond yields (%)</b>					
	<b>Dec 2015</b>	<b>Dec 2016</b>	<b>Dec 2017</b>	<b>Mar 2018</b>	<b>June 2018</b>
<b>US</b>	2.27	2.46	2.43	2.75	2.84
<b>UK</b>	1.96	1.24	1.23	1.35	1.28
<b>Germany</b>	0.63	0.11	0.43	0.50	0.30
<b>Japan</b>	0.27	0.04	0.05	0.04	0.03

[Source: Financial Times]



## Currencies

10. The dollar was strong relative to the other major currencies, gaining almost 5% on a trade-weighted index basis. Sterling weakened after interest rates were held in May, but viewed over a 12-month period the currency cross-rates are almost unchanged.

				£ move (%)	
				3m	12m
	<b>30.6.17</b>	<b>31.3.18</b>	<b>30.6.18</b>		
\$ per £	1.299	1.403	1.320	-5.9	+0.2
€ per £	1.139	1.141	1.131	-0.9	-0.7
¥ per £	146.0	149.2	146.2	-2.0	+0.1

## Commodities

11. The **oil** price continued to rise, partly on fears that the US withdrawal from the Iran nuclear deal would result in an embargo on exports of oil from Iran. The end-June Brent crude price of \$79/barrel represented a rise of 14% in the quarter and almost 60% over the past year. **Copper** had reached its highest price for four years in early June, but then fell back sharply on concerns about a slowdown in China's economy, as well as the possible impact of US tariffs being imposed on Chinese imports.



## Property

12. The recent pattern has continued, with the Industrial sector by far the most buoyant, while the Office and – especially – Retail sectors lagged well behind, albeit still delivering positive returns for the quarter and the year.

	3-month (%)	12-month
<b>All Property</b>	<b>+ 2.2</b>	<b>+10.9</b>
<b>Retail</b>	<b>+ 0.5</b>	<b>+ 5.7</b>
<b>Office</b>	<b>+ 1.6</b>	<b>+ 8.3</b>
<b>Industrial</b>	<b>+ 5.1</b>	<b>+22.2</b>

[Source: MSCI UK Monthly Index of total returns, June 2018]

## Outlook

13. Equity markets appear to have recovered their equilibrium after the volatility in January/February, but looking at the returns more closely it becomes apparent that only the US equity market has made any gains this year, and this may be largely a result of the boost to corporate profits from the cuts in Corporation Tax. The escalating trade war between the US and China could have widespread impacts on companies' input costs. Meanwhile the uncertainty over the form that Brexit will take is a cloud hanging over UK and European companies.
14. The steady rise in US interest rates, together with the actions of other Central Banks, shows that the era of artificially cheap money is coming to an end, which limits the potential for further rises in equity or bond markets.

**Peter Davies**

**Senior Adviser – MJ Hudson Investment Advisers**

**August 6<sup>th</sup>, 2018**

[Graphs supplied by Legal & General Investment Management]

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of the Local Government Act 1972.

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of the Local Government Act 1972.

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## OXFORDSHIRE PENSION FUND REPORT AND ACCOUNTS 2017/18

Registered Number: PS049/20

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# FOREWORD TO THE 2017/18 PENSION FUND REPORT AND ACCOUNTS BY THE DIRECTOR OF FINANCE

## Introduction

The 2017/18 Report and Accounts reflect yet another year of significant activity. Officers and Members were heavily engaged in the establishment of the Brunel Pension Partnership and preparing for the transition of our assets to the new portfolios over the next couple of years.

For the administration team and scheme employers, it was another year of improvement in the management of our scheme data, but we again were unable to issue all Annual Benefit Statements by the statutory deadline of 31 August 2017. Work continued throughout the year in conjunction with The Pensions Regulator to address outstanding issues and improve the processes going forward. Data Quality remained the key focus for the work of the Local Pension Board throughout 2017/18.

These challenges were faced with a brand-new Pension Fund Committee, with all 9 County Council representatives changing following the local elections in May 2017. The two District Council representatives who shared over 20 years of Committee experience between them played an integral role in supporting the new Committee to find its feet.

## Key Challenges of 2017/18

Pooling remains the big challenge in the LGPS investment world. Oxfordshire and the other 9 Funds in the Brunel Pension Partnership successfully established the new Brunel Company, with the first staff in place in July 2017, and approval from the Financial Conduct Authority achieved by March 2018 in advance of the Government's target of April 2018. During 2017/18 many key policy documents including the Shareholders' and Services Agreements were signed off, and the initial set of investment portfolios agreed. The process for awarding the first investment contract began, with Legal & General Investment Management appointed to run the passive equity portfolios shortly after the end of the financial year.

A key step in the establishment of the new partnership arrangements was the appointment of State Street as the single Administrator/Custodian for the partnership. This entailed Oxfordshire switching its custodian arrangements from BNP Paribas, which was successfully concluded in November 2017.

2017/18 also saw the appointment of a new Fund Actuary, with Hymans Robertson appointed to replace Barnett Waddingham. One of the key factors leading to the appointment was a view that Hymans Robertson were more advanced than their competitors in developing automated processes to improve the management of scheme data and the analysis of our pension liabilities.

Data Quality was a major issue in 2017/18. We again fell short against the statutory requirement to issue all Annual Benefit Statements by the end of August, though we again improved performance from last year's 50% of all active statements to 77%. This figure had risen to 98% by the end of the financial year. This improvement reflected significant work on behalf of both the Administration team and the majority of Scheme Employers. Since August we have continued to work with Scheme Employers and The Pensions Regulator to deliver further improvements in our processes and communications to ensure we meet all statutory responsibilities in 2018/19.

One of the key statutory responsibilities for 2017/18 was to publish our initial Investment Strategy Statement which sets out our approach to investing the Fund's money, including how we take environmental, social and governance factors, including climate change into account. This latter issue has been one that the Committee continue to receive representations on, from scheme members and representative groups including Fossil Free Oxfordshire. Our membership of the Brunel Pension Partnership gave us direct access to some of the leading people working in this area, who were previously employed at the Environment Agency's Pension Fund. Our Investment Strategy Statement recognises the material investment implications that ESG issues can have, and requires all investment decisions to fully assess these implications. The Committee have determined not to have a blanket divestment policy in any area, but to ensure all decisions are made on the individual merits of each case. Any concerns about the way any company is addressing ESG issues would initially be addressed through engagement with the senior management teams of companies, with votes against management where engagement is initially unsuccessful. Divestment would always be seen as a last resort.

A final challenge met during 2017/18 was the roll out of Member Self-Service to pensioner members of the Fund, allowing them to view and amend the personal data we hold on their pension record on-line. This will be extended during 2018/19 to include all deferred and active scheme members, and include the provision to provide key documents, including the annual benefit statements electronically.

### The Fund

The Fund saw a further 12% growth in the number of scheme employers during 2017/18, with the number now standing at 206 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 64,842 members as at 31 March 2018, up 3% since last year, with increases in all three categories of active, deferred and pensioner members.

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. The Fund though, decided to switch 5% of assets out of equity into fixed interest as a result of the improved funding position at the 2016 Valuation, so reducing the level of risk and volatility within the Fund.

### Investment Performance

The Fund as a whole returned 4.1% against a benchmark of 2.4%. The main out-performance came from the Fund's private equity managers and Baillie Gifford who manage the UK equity portfolio, two areas where the Fund has out-performed over the medium term. UBS also out-performed on their global equity mandate, compensating for under-performance in the last couple of years. The Fund as a whole out-performed against the LGPS average over 2017/18, as well as over the last 3 and 5 years. The returns plus positive cash flow meant the fund grew in size to £2.355bn.

### The Future

The biggest challenge for 2018/19 will be to improve the overall levels of data quality, and ensure we meet all our statutory responsibilities including the issuance of annual benefit

statements by the end of August. All Funds will need to publish data quality scores as part of their annual return to The Pensions Regulator, who has made it clear that they are going to introduce a tougher approach going forward to issues of non-compliance.

On the investment side, 2018/19 should see the transition of all equity assets to the new Brunel Portfolios as well as the initial investments in the Brunel Private Market Funds. As well as managing the transition, we will need to ensure that new mechanisms for monitoring the performance of Brunel are developed and are effective.

During 2018/19 we will need to work with Hymans Robertson as the new Fund Actuary to ensure we are fully prepared for the next Tri-ennial Valuation which is due as at 31 March 2019. As well as addressing any shortfalls in scheme data as covered above, we will need to complete work alongside our scheme employers to ensure we understand any potential key changes to scheme membership going forward, the cash flow of the Fund, and the risk appetite of scheme employers. This in turn will feed into the Funding Strategy Statement and Investment Strategy Statement, to ensure we have the appropriate allocations to the various asset classes which enable any pension deficits to be recovered, without undue volatility in employer contribution rates, and whilst ensuring there is always enough cash to meet the pension payments as they fall due.

Lorna Baxter  
Director of Finance

June 2018

## 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 2017/18 financial year, covering the work from the July 2017 Board meeting to their meeting on 20 April 2018.

### Board Membership

Cllr Roger Cox resigned from the Board at the beginning of the year as he was unable to commit to regular attendance at the Board meetings due to his Cabinet responsibilities at the Vale of White Horse DC. Following a request for expressions of interest, District Councillor Sandy Lovatt (Vale of White Horse District Council) was appointed as the new Scheme Employer representative. Cllr Lovatt had previously served on the Pension Fund Committee during his time as a County Councillor. Attendance at Board meetings was as follows:

Scheme Employer Representatives	Attended 21 July 2017 Meeting	Attended 20 October 2017 Meeting	Attended 19 January 2018 Meeting	Attended 20 April 2018 Meeting
Cllr Bob Johnston (Oxfordshire County Council)	Yes	Yes	Yes	Yes
Cllr Sandy Lovatt (Vale of White Horse District Council)	n/a	Yes	Yes	Yes
David Locke (Oxford Diocesan Schools Trust)	Yes	Yes	Yes	Yes
Scheme Member Representatives				
Stephen Davis (Oxford City Council & Unite)	Yes	Yes	Yes	Yes
Alistair Bastin (Oxfordshire County Council & Unison)	Yes	Yes	Yes	Yes
Sarah Pritchard (Brookes University)	Yes	Yes	Yes	Yes

All meetings were attended and chaired by Mark Spilsbury, the Head of Pensions for the Gloucestershire Pension Fund in line with his appointment as the Independent Chairman. Mark took over as Independent Chairman at the beginning of 2017/18 following the retirement of Graham Burrow from his role as Head of Pensions at Gloucestershire, and his subsequent resignation from the Oxfordshire Local Pension Board. Sean Collins, the Head of Pensions for the Oxfordshire Fund remains as Independent Chairman of the Gloucestershire Local Pension Board.

A number of the Board Members regularly attended the Pension Fund Committee as observers, with Cllr Bob Johnston presenting the report of the Board to the Committee. Board Members were also regular attenders at the training events run through the year, to which all Committee and Board members were invited.

## **Work Programme**

The main area of focus for the Pension Board throughout 2017/18 was in respect of employer management, and in particular the timely and accurate submission of data from employers to the Pension Services team. The Board received up to date reports on the latest position on the submission of data, issuance of annual benefit statements, proposed changes to the process, the action plan for the 2017/18 statements and the on-going discussions with The Pensions Regulator at each of their four meetings during the year. During the year, the Board raised a number of key issues back to the Pension Fund Committee for their further consideration including:

- The need to keep scheme members fully informed of the position, and to write to each individual scheme member where it was not possible to produce their annual benefit statement, setting out an explanation for the position
- The opportunities in future to introduce greater standardisation and automation to the process, including the implementation of i-connect
- The need to build in sufficient time for scheme employers to amend their payroll systems and processes when considering changes to the monthly or end of year returns
- The need for national benchmark data on the key administration responsibilities to allow individual funds to consider their performance in comparison to other similar funds.

At each of their meetings, the Board also reviewed the Risk Register papers presented to the meetings of the Pension Fund Committee, and offered a number of challenges to the risk scores as well as identifying areas which they did not believe were adequately covered in the risk register. The Board had a particular focus around the risks associated with cyber security and the introduction of the General Data Protection Regulations, as well as commenting on the risks associated with the lack of resources within the Pension Services Team, and the need for additional training for the new members of the Pension Fund Committee.

The third item which the Board considered at each of their four meetings during 2017/18 was the development of the Brunel Pension Partnership. The Board welcomed the progress made throughout the year. Key issues identified by the Board were a need to review the arrangements for shareholder decision making in light of the first year of operation, and a wish for a clear timetable of future milestones.

During the year, the Board also took an interest in the development and monitoring of the Annual Business Plan. The Board welcomes the introduction of a quarterly review of the Business Plan, and the links developed between the Business Plan and the Risk Register. The Board were keen to explore the mechanisms by which Scheme Members could be consulted in developing future iterations of the Investment Strategy Statement, with a focus on the ability to take non-financial factors into account where to do so would cause no materially significant financial detriment to the Fund, and where there is good reason to think that scheme members would support the decision.

## **Future Work Programme**

The issues around data quality will continue to be a major item on the agenda of the Pension Board for 2018/19 as we look to ensure we fully comply with all statutory requirements in-

cluding the timely issuance of all annual benefit statements, as well as ensuring we meet the target scores for both the Common and Scheme Specific Data Quality measures. This work will include the development of an appropriate performance management framework, as well as a review of current data collection processes to identify where these can be simplified, standardised and automated.

The Board will also be keen to review the new governance arrangements being developed to enable the Pension Fund Committee to hold the Brunel Company to account.

The Board will also maintain its focus on the Risk Register and Annual Business Plan to ensure that the Committee is able to meet its statutory duties. This work will include a review of the resources in place as well as the skills and knowledge of both staff and the Pension Fund Committee. The Board Members will remain committed to completing their own training programmes to support them in their own activities.

# 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 2017/18 ('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 PENSION FUND ON THE PENSION FUND FINANCIAL STATEMENTS**

### **Opinion**

We have examined the pension fund financial statements for the year ended 31 March 2018, which comprise the Fund Account, the Net Assets Statement and the related notes.

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Oxfordshire County Council for the year ended 31 March 2018 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

### **Respective responsibilities of the Director of Finance and the auditor**

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Oxfordshire County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only of the Oxfordshire Pension Fund Annual Report and Accounts 2017/18.

We conducted our work in accordance with Auditor Guidance Note 07 - Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinions on those financial statements.

Paul King (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Reading  
26 July 2018

## SCHEME MANAGEMENT & ADVISORS

<b><i>Administering Authority</i></b>	Oxfordshire County Council County Hall Oxford OX1 1ND
<b><i>Administrator</i></b>	Director of Finance
<b><i>Pension Fund Committee County Council Members 2017/18 Membership</i></b>	Cllr Kevin Bulmer (Chairman) Cllr Ian Corkin (Deputy Chairman) Cllr Nicholas Field-Johnson Cllr John Howson Cllr Mark Lygo Cllr Charles Mathew Cllr John Sanders Cllr Lawrie Stratford Cllr Alan Thompson
<b><i>Representatives of District Councils</i></b>	Cllr James Fry (Oxford City) Cllr Bill Service (SODC)
<b><i>Beneficiary Observer</i></b>	Philip Wilde
<b><i>Independent Investment Adviser</i></b>	Peter Davies AllenbridgeEpic Investment Advisers Limited
<b><i>Fund Managers</i></b>	Adams Street Partners Baillie Gifford Legal & General Investment Management Partners Group UBS Global Asset Management Wellington Management Insight Investment Management
<b><i>Internally Managed Funds</i></b>	Listed Private Equity
<b><i>Actuary</i></b>	Hymans Robertson
<b><i>Auditor</i></b>	Ernst & Young LLP
<b><i>AVC Provider</i></b>	Prudential Assurance Company Ltd
<b><i>Custodian</i></b>	State Street Bank and Trust Company
<b><i>Legal Advisers</i></b>	Oxfordshire County Council Legal Services
<b><i>Bankers</i></b>	Lloyds Bank Plc

## HOW THE SCHEME OPERATES

### ◆ Legal Framework

The Local Government Pension Scheme is a statutory, funded defined benefit pension 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).<sup>1</sup> 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 18.

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.

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 22 years.

Contribution rates for 2017 - 2018 were based on the completed valuation of the Scheme's financial position as at 31 March 2016 and are shown on pages 13 to 18.

### ◆ 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 1/49<sup>th</sup> of pensionable pay each year of membership with annual revaluation, adjusted in line with CPI. A Summary of Benefits is shown on pages 74 to 76.

### 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.

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

The 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	<u>Contribution Rate</u>		Scheduled Bodies (cont)	<u>Contribution Rate</u>	
	Payroll %	Additional Monetary Amount		Payroll %	Additional Monetary Amount
	2017/18	2017/18		2017/18	2017/18
Abingdon & Witney College	13.0%	£ 200,000	Ridgeway Education Trust	16.7%	£ 59,000
Abingdon Learning Trust	19.3%	-	Didcot Town Council	21.7%	-
Abingdon Town Council	21.7%	-	Dominic Barberi Multi Academy Co	15.4%	£ 104,000
AcerTrust MAT	19.9%	£ 53,000	Drayton Parish Council	21.7%	-
Activate Learning Education Trust	19.3%	-	Endeavour Academy	19.3%	-
Activate Learning	13.5%	£ 408,000	Europa School	19.3%	-
Adderbury Parish Council	21.7%	-	Eynsham Parish Council	21.7%	-
Aspirations Academy Trust	13.9%	£ 73,000	Eynsham Partnership	17.6%	£ 39,000
Benbury Town Council	21.7%	-	Faringdon Academy	15.3%	£ 83,000
Benson Parish Council	21.7%	-	Faringdon Town Council	21.7%	-
Berinsfield Parish Council	21.7%	-	GEMS Didcot Primary Academy	19.3%	-
Bicester Learning Academy	16.8%	£ 51,000	Gillots Academy	19.3%	-
Bicester Town Council	21.7%	-	GLF- William Morris	19.3%	-
Blackbird Multi Academy Trust	14.4%	£ 84,000	Gosford Hill Academy School	19.3%	-
Bloxham Parish Council	21.7%	-	Hanwell Fields Academy	12.2%	£ 13,000
Burford School	17.8%	£ 60,000	Henley College	17.1%	-
Carterton Town Council	21.7%	-	Henley on Thames Town Council	21.7%	-
CfBT MAT	21.1%	-	Heyford Park Free School	19.3%	-
Chalgrove Parish Council	21.7%	-	John Mason Academy Trust	16.6%	£ 31,000
Cherwell District Council	14.9%	-	Kennington Parish Council	21.7%	-
Chinnor Parish Council	21.7%	-	Kidlington Parish Council	21.7%	-
Chipping Norton Town Council	21.7%	-	Ladygrove Park Primary School	19.3%	-
Cholsey Primary School (OPEN)	19.3%	-	Langtree Academy	19.3%	-
Community Schools Alliance Trust	14.7%	£ 83,000	Littlemore Parish Council	*	-
Cumnor Parish Council	21.7%	-	Long Hanborough Parish Council	21.7%	-

List of Participating Employers continues on next page...

## PARTICIPATING EMPLOYERS

Scheduled Bodies (cont)	<u>Contribution Rate</u>		Scheduled Bodies (cont)	<u>Contribution Rate</u>	
	Payroll %	Additional Monetary Amount		Payroll %	Additional Monetary Amount
	2017/18	2017/18		2017/18	2017/18
Lord Williams School	17.2%	£ 46,000	St Johns Academy Trust	19.3%	-
Manor School Didcot Academy Trust	15.7%	£ 17,000	Sutton Courtenay Parish Council	21.7%	-
Marcham Parish Council	21.7%	-	Thame Town Council	21.7%	-
Marlborough CE VC School	18.0%	£ 29,000	The Gallery Trust	19.3%	-
North Hinksey Parish Council	21.7%	-	The Merchant Taylors Oxfordshire Academy School Trust	15.1%	£ 43,000
North Oxfordshire Academy	12.0%	-	The Mill Academy Trust	17.4%	£ 49,000
Northern House School Academy Trust	19.3%	-	The Oxford Academy	14.1%	-
Old Marston Parish Council	21.7%	-	The Pope Francis MAC	16.9%	£ 35,000
Oxford Brookes University	14.4%	£ 1,733,000	Tyndale School	19.3%	-
Oxford City Council	20.6%	-	Vale Academy Trust	16.7%	£ 100,000
Oxford Diocesan Trust	19.3%	-	Vale of the White Horse District Council	13.2%	£ 683,000
Oxfordshire County Council	19.9%	-	Wallingford Town Council	21.7%	-
Propeller Academy Trust	15.1%	41,000	Wantage Town Council	*	-
Radcliffe Academy Trust	19.3%	-	Warriner MAT	18.0%	£ 37,000
Radley Parish Council	21.7%	-	West Oxfordshire District Council	15.8%	-
Ramsden Parish Council	21.7%	-	Wheatley Parish Council	21.7%	-
Risinghurst & Sandhills Parish Council	*	-	Whitchurch on Thames Parish Council	*	-
River Learning Trust	16.5%	£ 139,000	White Horse Federation	19.3%	-
Rotherfield Greys Parish Council	*	-	Willowcroft Academy Trust	19.3%	-
Rotherfield Peppard Parish Council	21.7%	-	Witney Town Council	21.7%	-
Sonning Common Parish Council	21.7%	-	Woodstock Town Council	21.7%	-
South Oxfordshire District Council	12.9%	£ 774,000			

List of Participating Employers continues on next page...

## PARTICIPATING EMPLOYERS

Admitted Bodies	<u>Contribution Rate</u>		Admitted Bodies (cont)	<u>Contribution Rate</u>	
	Payroll %	Additional Monetary Amount		Payroll %	Additional Monetary Amount
	2017/18	2017/18		2017/18	2017/18
1st Homecare (Oxford) Ltd	19.9%	-	Chartwells (Wheatley Park School)	19.3%	-
A2 Dominion	18.1%	-	Cleantec Services Ltd	21.0%	-
Adviza		-	Community Voice		-
Age UK Oxfordshire		-	Cottsway Housing Association		-
Allied Healthcare		-	Edwards and Ward (Banbury Dashwood Academy)	19.3%	-
Alliance in Partnership Limited	21.0%	-	Edwards and Ward (Benson C.E. Primary School)	19.9%	-
APCOA Parking (UK) Ltd	28.4%	-	Edwards and Ward (Bladon C.E. Primary School)	19.9%	-
Ascadis		-	Edwards & Ward Ltd (Brightwell-cum-Sotwell CE Primary School)	19.9%	-
Banbury Citizens Advice Bureau		-	Edwards and Ward (Caldecott Primary School)	19.9%	-
Banbury Homes	18.1%	-	Edwards and Ward (Chilton Primary School)	19.9%	-
Banbury Museum Trust	16.8%	£ 14,000	Edwards & Ward (Hailey Primary School)	19.9%	-
Barnardos	25.3%	-	Edwards and Ward (New Marston Primary School)	19.9%	-
Busy Bee Cleaning Services	19.9%	-	Edwards and Ward (Orchard Fields Primary School)	19.3%	-
Capita		-	Edwards & Ward (Rush Common Primary School)	19.3%	-
Capita Symonds Ltd	19.9%	-	Edwards and Ward (St Andrews C.E. Primary School)	19.9%	-
Cara Services Limited	19.30%	-	Edwards and Ward (St Nicholas C.E. Primary School)	19.9%	-
Care Outlook Ltd	19.90%	-	Edwards & Ward (St Nicholas Oxford)	19.9%	-
Carillion (AMBS) Ltd	19.90%	-	Edwards and Ward (Willowcroft Community School)	*	-
Cater Link Limited	21.10%	-	Edwards & Ward (Wolvercote Primary School)	19.3%	-
CfBT Career Service	26.00%	£ 10,000	Fresh Start Langford Primary	19.9%	-
Charter Community Housing	16.5%	-	Fresh Start Ltd (Bloxham School contract)	19.9%	-

List of Participating Employers continues on next page...

## PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	<u>Contribution Rate</u>			Admitted Bodies (cont)	<u>Contribution Rate</u>	
	Payroll %	Additional Monetary Amount			Payroll %	Additional Monetary Amount
	2017/18	2017/18			2017/18	2017/18
Fusion Lifestyle	20.6%	-		Oxford Health NHS Foundation Trust	19.9%	-
Greenwich Leisure Limited	22.3%	-		Oxford Homeless Pathways	18.1%	-
Groundwork South	19.9%	-		Oxford Inspires		-
Hayward Cleaning Services	19.9%	-		Oxfordshire South & Vale Citizens Advice Bureau		-
Hill End Outdoor Education Centre	25.9%	-		Oxfordshire Youth Arts Partnership	18.1%	-
Home Farm Trust - South & Vale 1	19.9%	-		PAM Wellbeing Ltd	19.9%	-
Home Farm Trust - South & Vale 2	19.9%	-		Publica	15.8%	-
Indigo		-		Rapid Clean - Stockham Primary School	19.9%	-
Innovate Services Limited	14.4%	-		Rapid Clean - Manor School Didcot Academy Trust	19.3%	-
Nexus Community		-		Rapid Commercial Cleaning Ltd	19.9%	-
Optalis Limited	14.1%	£ 2,000		Reading Quest	*	-
Order of St John's Care Trust (Oxford)	19.9%	-		RM Education		-
Oxford Active	12.3%	-		School Lunch Company (Appleton CE Primary School)	19.9%	-
Oxford Archaeological Unit	18.1%	-		School Lunch Company (Badgemore Community Primary School)	19.9%	-
Oxford Citizens' Housing Association	0.0%	-		School Lunch Company (Bishop Loveday CE Primary School)	19.9%	-
Oxford Community Work Agency	18.1%	-		School Lunch Company (Brize Norton Primary School)	19.3%	-

List of Participating Employers continues on next page...



## PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	<u>Contribution Rate</u>		Admitted Bodies (cont)	<u>Contribution Rate</u>	
	Payroll %	Additional Monetary Amount		Payroll %	Additional Monetary Amount
	2017/18	2017/18		2017/18	2017/18
School Lunch Company (Charlton on Otmoor)	19.4%	-	School Lunch Company (St Christopher's CE Primary School)	19.3%	-
School Lunch Company (Chesterton CE School)	19.9%	-	School Lunch Company (St John Fisher Primary School)	19.3%	-
School Lunch Company (Combe CE Primary School)	19.9%	-	School Lunch Company (St Mary's CE Infant School)	19.3%	-
School Lunch Company (Cumnor School)		-	School Lunch Company (St Mary's Chipping Norton)	19.9%	-
School Lunch Company (Hook Norton CE Primary School)	19.9%	-	School Lunch Company (The Batt CE Primary School, Witney)	19.3%	-
School Lunch Company (Nettlebed Community School)	19.9%	-	School Lunch Company (The Hendreds Primary School)	19.3%	-
School Lunch Company (North Hinksey CE Primary School)	19.9%	-	School Lunch Company (The John Henry Newman Academy)	19.3%	-
School Lunch Company (Queensway School)	19.9%	-	School Lunch Company (St John the Evangelist CE Primary School)	19.9%	-
School Lunch Company (RAF Benson)	19.9%	-	School Lunch Company (St Josephs Catholic Primary School)	19.3%	-
School Lunch Company (Standlake CE Primary School)	19.9%	-	School Lunch Company (St Kenelm's C of E Primary School)	19.9%	-

List of Participating Employers continues on next page...

## PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	<u>Contribution Rate</u>		Admitted Bodies (cont)	<u>Contribution Rate</u>	
	Payroll %	Additional Monetary Amount		Payroll %	Additional Monetary Amount
	2017/18	2017/18		2017/18	2017/18
School Lunch Company (Tackley C of E Primary School)	19.3%	-	The Camden Society - City 1	19.9%	-
School Lunch Company (Tower Hill School)	19.3%	-	The Camden Society - City 2	19.9%	-
School Lunch Company (Whitchurch Primary School)		-	The Camden Society - North	19.9%	-
School Lunch Company (Witney Community Primary School)	19.9%	-	The Camden Society - West 2	19.9%	-
School Lunch Company (Wychwood CE Primary School)	19.9%	-	UBICO Limited	15.8%	-
Skanska Construction UK Ltd	15.6%	-	Vale Capita		-
SOLL Vale	*	-	Vinci		-
Soverign Vale	*	-	West Oxon Citizens Advice Bureau	18.1%	-
Swalcliffe Park School Trust	18.1%	-	Wyclean (The Mill Academy)	21.0%	-
Thames Valley Partnership	18.1%	-			

\* No active members at the date of the last valuation (31 March 2016). 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 2017/18

<u>Councillor</u>	<u>23-Jun-17</u>	<u>15-Sep-17</u>	<u>01-Dec-17</u>	<u>09-Mar-18</u>
<b>County Councillors;</b>				
Councillor K Bulmer (on committee since May 2017)	✓	✓	✓	✓
Councillor I Corkin (on committee since May 2017)	✓	✓	✓	✓
Councillor N Field-Johnson (on committee since May 2017)	✗ - Substituted by Cllr. M Fox-Davies	✓	✓	✓
Councillor C Griffiths (on committee since May 2017)	✗ - Substituted by Cllr. N Carter	✗	✗	✗
Councillor J Howson (on committee since May 2017)	✓	✓	✓	✓
Councillor C Mathew (on committee since May 2017)	✓	✓	✓	✓
Councillor M Lygo (on committee since May 2017)	✓	✓	✓	✗ - Substituted by Cllr. S Pres-sel
Councillor J Sanders (on committee since May 2017)	✓	✓	✓	✓
Councillor A Thompson (on committee since May 2017)	✓	✓	✓	✓
<b>District Councillors;</b>				
Councillor J Fry (on committee since September 2015)	✗ - Substituted by Cllr. J Fooks	✗ - Substituted by Cllr. J Fooks	✗ - Substituted by Cllr. J Fooks	✗ - Substituted by Cllr. J Fooks
Councillor B Service (on committee since September 2015)	✓	✓	✓	✓
<b>Beneficiaries Observer (non-voting member);</b>				
P Wilde (since June 2015)	✓	✓	✓	✗ - Substituted by A Bastin

Committee Members Training Received 2017/18

<u>Councillor</u>	<u>Date</u>	<u>Training Course</u>
<b>County Councillors;</b>		
Councillor K Bulmer	23-Jun-17 17-Nov-17	New Pension Fund Committee Member Training (In-house) Brunel Stakeholder Engagement Day
Councillor I Corkin	23-Jun-17	New Pension Fund Committee Member Training (In-house)
Councillor N Field-Johnson		
Councillor C Griffiths		
Councillor J Howson	23-Jun-17 17-Nov-17	New Pension Fund Committee Member Training (In-house) Brunel Stakeholder Engagement Day
Councillor C Mathew	23-Jun-17	New Pension Fund Committee Member Training (In-house)
Councillor M Lygo	23-Jun-17 17-Jan-18	New Pension Fund Committee Member Training (In-house) Oxfordshire Pension Fund Forum
Councillor J Sanders	23-Jun-17 17-Nov-17 17-Jan-18	New Pension Fund Committee Member Training (In-house) Brunel Stakeholder Engagement Day Oxfordshire Pension Fund Forum
Councillor A Thompson	23-Jun-17	New Pension Fund Committee Member Training (In-house)

<b>District Councillors;</b>		
Councillor J Fry		
Councillor B Service	23-Jun-17	New Pension Fund Committee Member Training (In-house)
	29/30-June-17	LGA LGPS Trustees Conference
	17-Nov-17	Brunel Stakeholder Engagement Day
<b>Beneficiaries Observer;</b>		
P Wilde	23-Jun-17	New Pension Fund Committee Member Training (In-house)
	29/30-June-17	LGA LGPS Trustees Conference
	17-Nov-17	Brunel Stakeholder Engagement Day
	17-Jan-18	Oxfordshire Pension Fund Forum

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 function in 2017/18. 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 was one action recommended as a result of the audit. The Pension Administration function was also subject to an internal audit during 2017/18. The overall conclusion was 'A' (There is generally a good system of internal control in place and the majority of risks are being effectively managed. However some action is required to improve controls).

There were 14 management actions resulting from the audit findings which are 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. The risk register is also regularly reviewed by the Oxfordshire Local Pension Board.

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 2018 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.

**Summary of Key Risks identified on the Pension Fund Risk Register**

<b>Risk</b>	<b>Cause</b>	<b>Impact</b>	<b>Likelihood</b>	<b>Risk Score</b>	<b>Actions Required</b>
<b>Administrative</b>					
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 employed.
Inaccurate or out of date pension liability data - LGPS and FSPS	Late or Incomplete Returns from Employers	4	3	12	Improve process for monthly returns (iConnect)

## 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 2018	PricewaterhouseCoopers
Adams Street Partners	SOC 1	30 September 2017	KPMG
Partners Group	ISAE 3402	31 December 2017	PricewaterhouseCoopers
State Street Bank & Trust Company (Custodian)	ISAE 3402	30 September 2017	Ernst & Young
Insight Investment Management	AAF 01/06 / ISAE 3402	31 December 2017	KPMG
Legal & General Investment Management	AAF 01/06 / ISAE 3402	31 December 2017	PricewaterhouseCoopers
UBS	ISAE 3402	31 December 2017	Ernst & Young
Wellington	SOC 1 / ISAE 3402	31 October 2017	PricewaterhouseCoopers

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. The custodian also undertakes a monthly reconciliation between its records and those of funds managers and is required to investigate and report the reasons for any significant variances.

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.

During 2017/2018 the following complaints have been received:

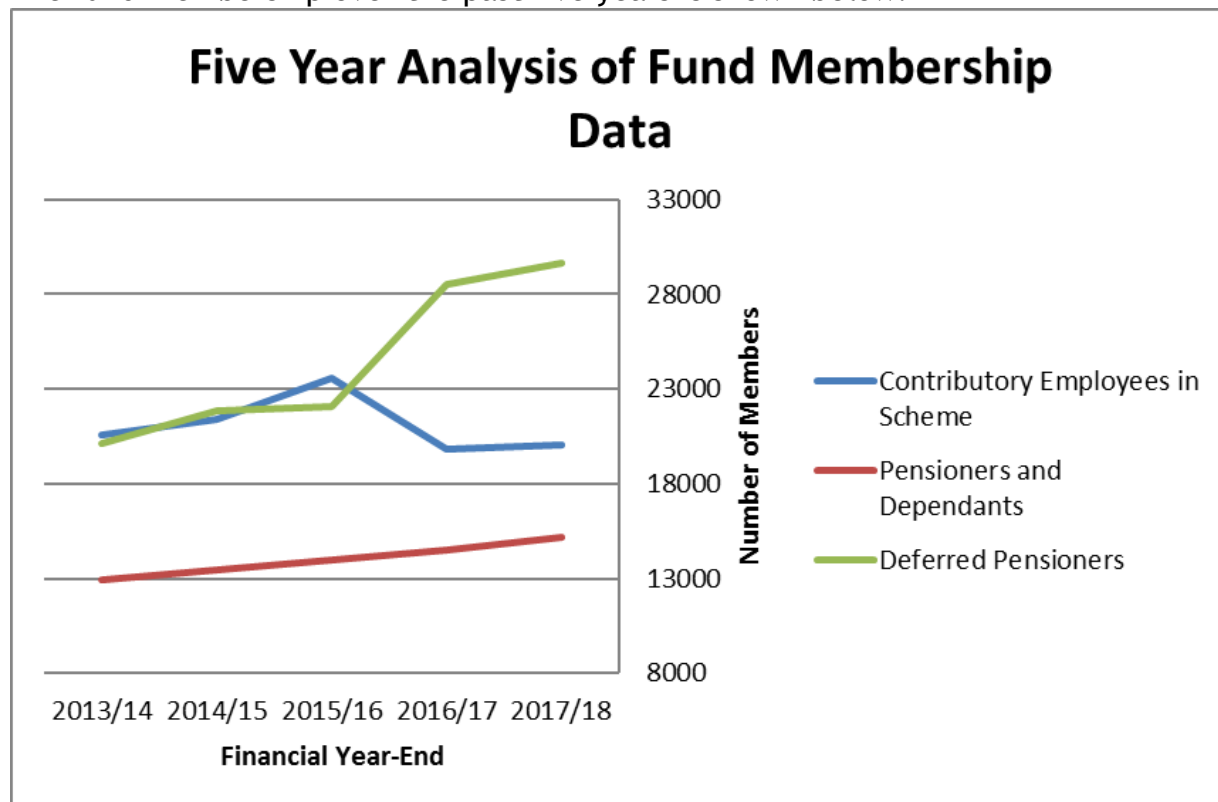
	<b>2017/18</b>
Number of Complaints	20
Complaints as % of Workload	0.03%

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 Ministry of Housing, Communities and Local Government.

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 schemes. However, it will include any staff working in those areas 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:



Note: from 2016/17 unprocessed leavers have been included as deferred pensioners.

As at 31 March 2018 the number of staff within Pension Services is 25.26 FTE which is a small increase against last year.

During the year staff have dealt with 61,262 tasks, which gives an average number per member of staff as 2,425 tasks. The top 10 tasks are shown in the table below:

#### Top 10 Case Types

Case Type	Completed 2017/18	Completed Within Target Time
Chase Member for Information	4,367	35%
Payment of Deferred Pensions at Normal Retirement Date	2,878	66%
Refund of Pension Contributions	2,095	97%
Complete Deferred Benefits	1,893	81%
General Enquiries	1,746	83%
Address Changes	1,218	91%
Retirements	1,187	87%
Member Estimates	899	71%
Chase Employer for Information	770	92%
Combining Concurrent Employments	692	51%

## 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](http://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](http://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.

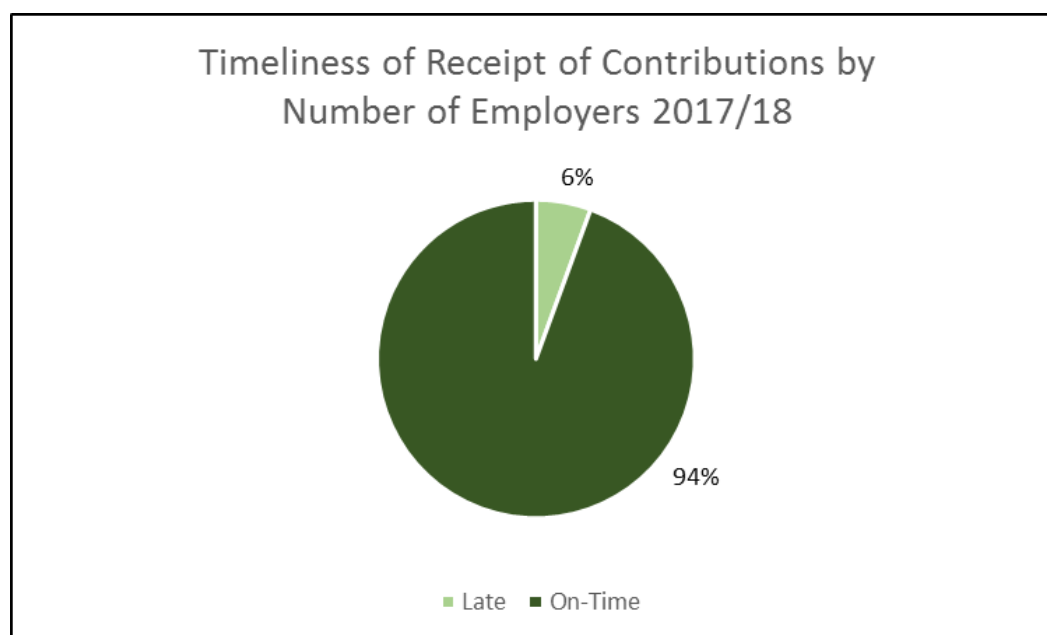
## Memberships

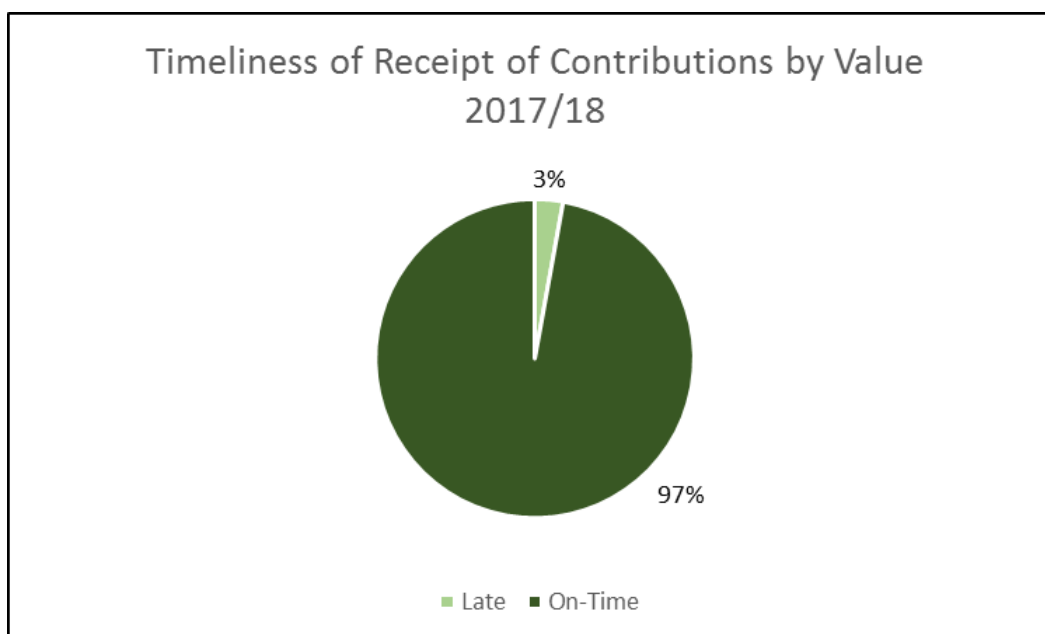
The Fund is a member of the National Association of Pension Funds and subscribes to the CIPFA Pensions Network. Officers also attend the South East Local Authority Pensions User Group.

## 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 2017/18.





The average number of days that payments were late by during 2017/18 was 44.

### Budget

The below table shows budget for 2017/18:

	<b>Budget £'000</b>
<b>Administrative Expenses</b>	
Administrative Employee Costs	1,240
Support Services Including ICT	447
Printing & Stationary	51
Advisory & Consultancy Fees	30
Other	29
<b>Total Administrative Expenses</b>	<b>1,797</b>
<b>Investment Management Expenses</b>	
Management Fees	7,436
Custody Fees	75
Brunel Development Costs	75
Brunel Working/Regulatory Capital	200
Brunel Contract Costs	330
<b>Total Investment Management Expenses</b>	<b>8,116</b>
<b>Oversight &amp; Governance</b>	
Investment Employee Costs	240
Support Services Including ICT	40
Actuarial Fees	40
External Audit Fees	24
Internal Audit Fees	14
Advisory & Consultancy Fees	64
Committee and Board Costs	48
<b>Total Oversight &amp; Governance Expenses</b>	<b>470</b>
<b>Total Pension Fund Budget</b>	<b>140,383</b>

The budget outturn report will be presented at the September 2018 Pension Fund Committee meeting and will be available on the Council's website.

## Pension Overpayments

Financial Year	Pension Overpayments
2017/18	125.06
2016/17	29,341.58
2015/16*	78,422.63
2014/15	908.20
2013/14	629.98

\* Figure is 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.

## Investment Review 2017/18

### Economic Background

In 2017 economic growth accelerated by 0.7% from 2016 levels in the US, Eurozone and Japan, while China maintained a growth rate of 6.7%. In the UK, however, growth slowed from 2.0% to 1.6%, with a similar rate being forecast for 2018. The price of Brent Crude oil rose from \$54 to \$69 during the year, stimulated by production curbs imposed by OPEC and Russia, as well as by stronger economic activity globally.

The period of special monetary measures embarked on by the world's central banks after the Financial Crisis of 2007/08 is beginning to wind down. The US Federal Reserve made two more ¼% rate rises during the year, and announced that it would start to reduce its balance sheet by not re-investing the proceeds of maturing bonds. The Bank of England, meanwhile, raised the UK interest rate by ¼% in November, and the European Central Bank halved its monthly purchases of bonds to €30bn from January 2018. The Bank of Japan continues with its programme of bond-buying, targeting a zero-yield on medium-term government bonds.

In June, the snap UK election called by the Prime Minister resulted in a loss of the Conservatives' overall majority, and they entered into a pact with the DUP to ensure they still had a working majority in Parliament. Negotiations on the terms of Britain's exit from the EU are continuing, amid disagreements within the Conservative party about many of the detailed arrangements. In France Emmanuel Macron was elected President at the head of a new centrist party, while several months after the German elections the CDU/CSU renewed its coalition with the SPD, allowing Angela Merkel to remain as Chancellor. The Italian elections in March have produced an uncertain outcome after the big gains registered by the Five Star Movement.

The United States Congress approved the Tax Bill in December, sharply cutting the Corporation Tax rate and also reducing the rate of Income Tax. President Trump an-

nounced the imposition of tariffs on imports of steel and aluminium from certain countries, and has threatened to put tariffs on a range of Chinese goods, to which China has responded with its own list of items to be penalised if the US tariffs come into force. Russia has been the subject of diplomatic responses and further sanctions from the West following the alleged poisoning of two Russians in England.

## Market Returns

Equity markets moved within a narrow range during the year, and the strength shown from October - January was swiftly cancelled out by sharp falls in early February when investors became concerned about a possible rise in inflation in the US. After the exceptionally strong preceding year, Global Equities gave a total return of just 2.9% (in £) in the year to March 2018. Within this figure, Emerging Markets (+8.7%), Japan (+7.5%) and Asia Pacific ex-Japan (+6.0%) were the strongest regions, while North America (+1.3%) and UK (-0.1%) were laggards.

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

In the year to March 2018, the pound gained 12% against a generally weak dollar, and 7% against the yen, but lost 4% against the euro. The yield on 10-year US Treasury bonds rose from 2.4% to 2.75% during the year, in response to the rate increases by the Federal Reserve and signs of rising inflation, while yields on UK and German government bonds were little changed for the year as a whole. Index-Linked Gilts were also flat, gaining just 0.7% during the year.

[Source: FTSE-A Index Linked (over 5 years), total return]

UK Commercial Property recorded a solid total of 11.3%, comprising a return of 21.6% from Industrial Property, 8.6% from Offices and 7.1% from Retail.

[Source: IPD Monthly Index of Total Returns]

The Oxfordshire Pension Fund achieved a total return of 4.1% for the year, compared with a 2.4% return on its benchmark.

## Outlook

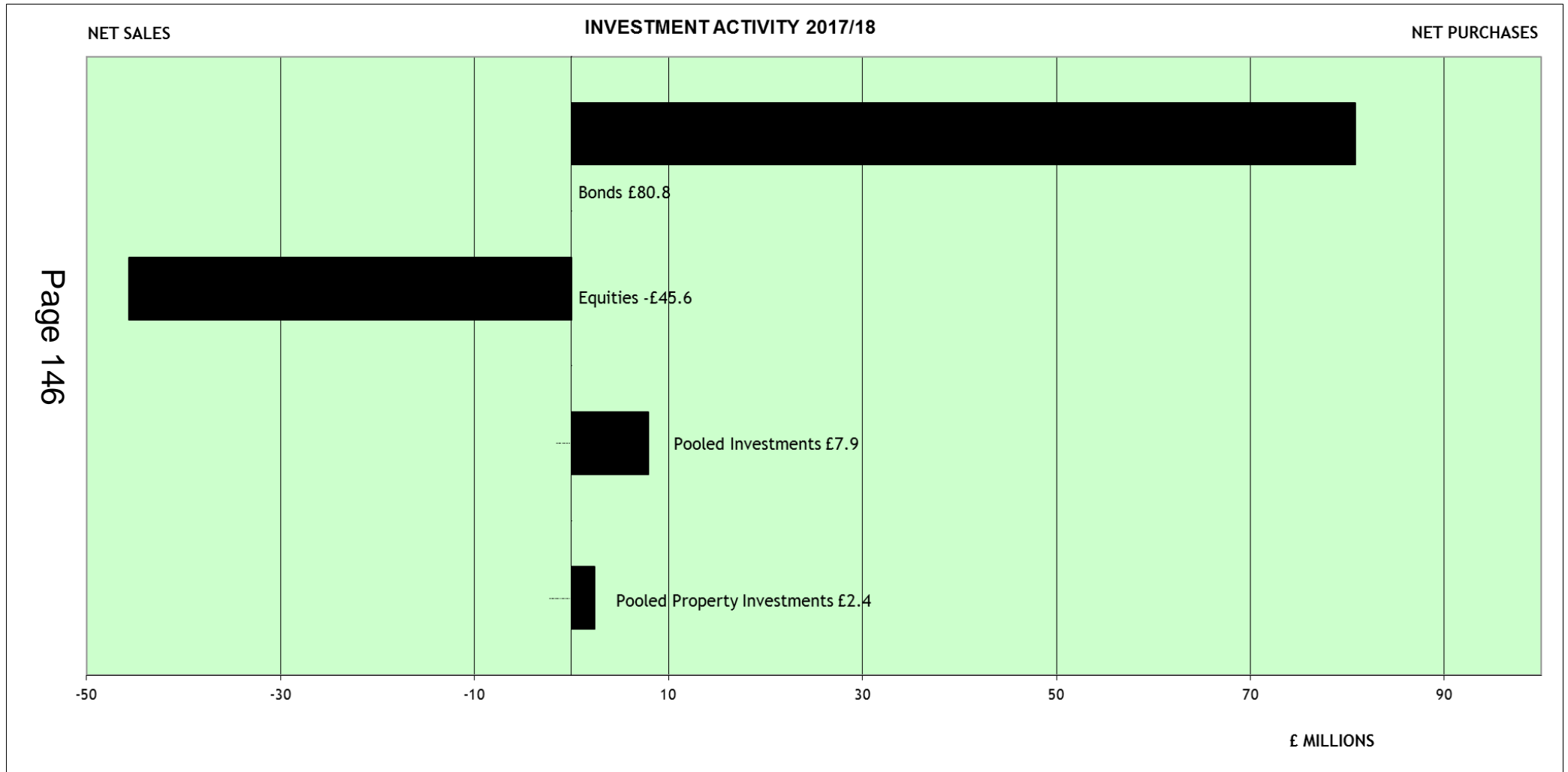
The steady upward trend of equity markets since March 2016 appears to have come to an end with the resurgence of volatility in February and March 2018. The return of interest rates to more normal levels, and the gradual withdrawal of quantitative easing by central banks, are likely to limit the scope for further growth in asset prices in the coming year. In addition, bond markets are having to adjust to signs of rising US inflation. The geo-political backdrop remains as uncertain as ever, with Russia's relations with the West, and the consequences of the Syrian conflict, now being supplemented as clouds on the horizon by potential trade wars involving the United States.

Table showing the total returns (capital plus income) in sterling terms calculated on major indices for the year to 31 March 2018.

SECTOR		INDEX	% Total Returns Year to 31.3.18
<b>Equities</b>	Global	FTSE All World	2.9
	UK	FTSE Actuaries All Share	1.2
	North America	FTSE AW - North America	1.3
	Japan	FTSE AW - Japan	7.5
	Europe	FTSE AW - Europe (ex UK)	4.3
	Asia Pacific (ex Japan)	FTSE AW - Asia Pacific (ex Japan)	6.0
	Emerging Markets	FTSE AW - Emerging	8.7
<b>Bonds</b>	UK Government	FTSE-A Government (over 15 years)	0.5
	UK Index-Linked	FTSE-A Index- Linked (over 5 years)	0.7
	UK Corporate Bonds	iBoxx Sterling Non-Gilt All Stocks Index	1.3
	Overseas	JP Morgan Global Government (ex UK) Traded Bond Index (£)	1.5
<b>Cash</b>	UK	7 DAY £ LIBID INDEX	0.2
<b>Property</b>	UK Commercial	IPD All Balanced Funds Index	10.1

- **Investment Activity**

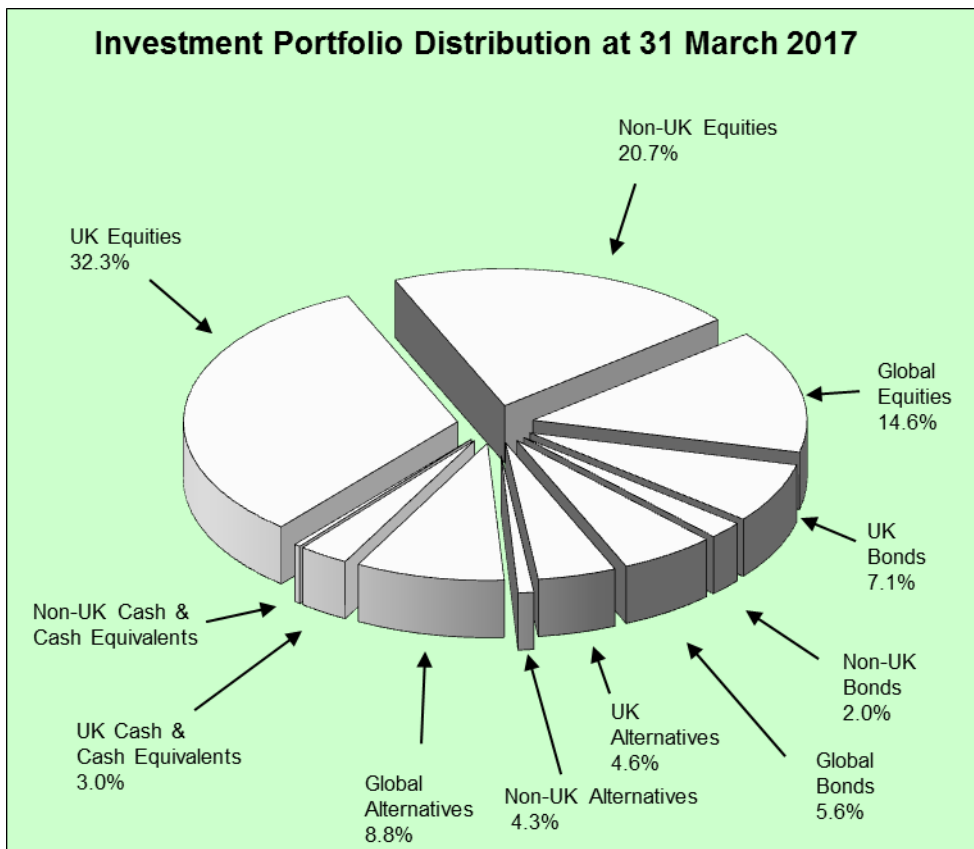
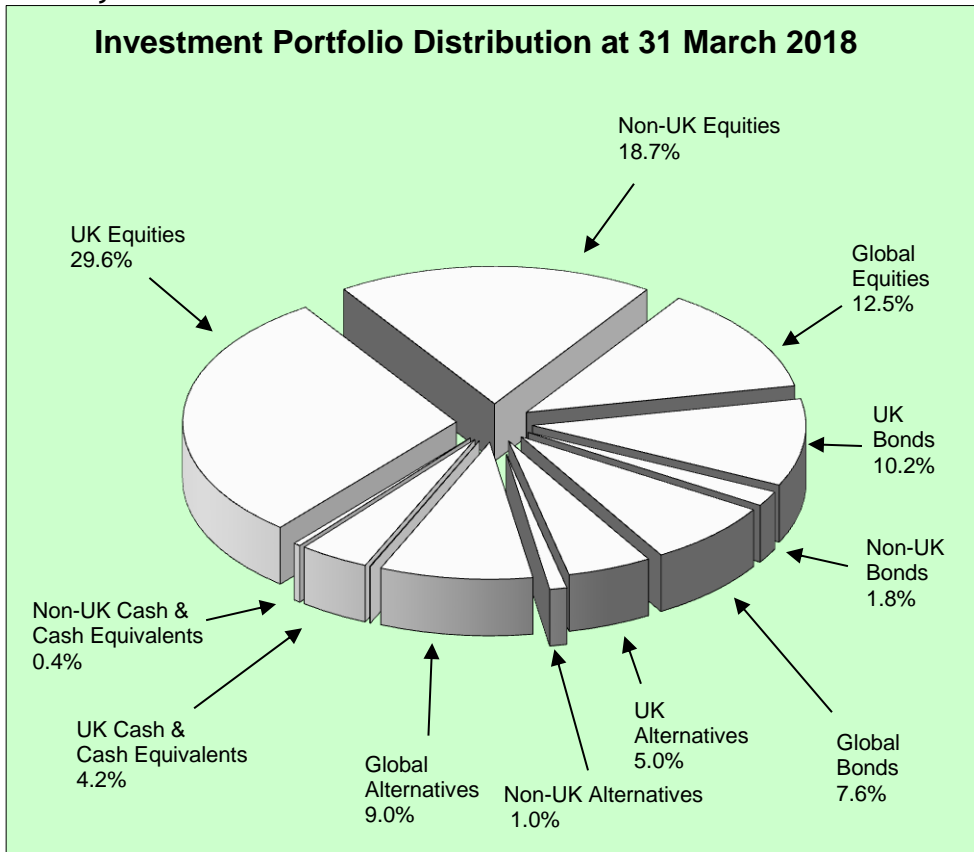
The Pension Fund invested a net £45.5 million during the year ended 31 March 2018. The amounts invested or disinvested in each principal category of asset are shown in the chart below. Derivatives are not included in the chart.





## Portfolio Distribution

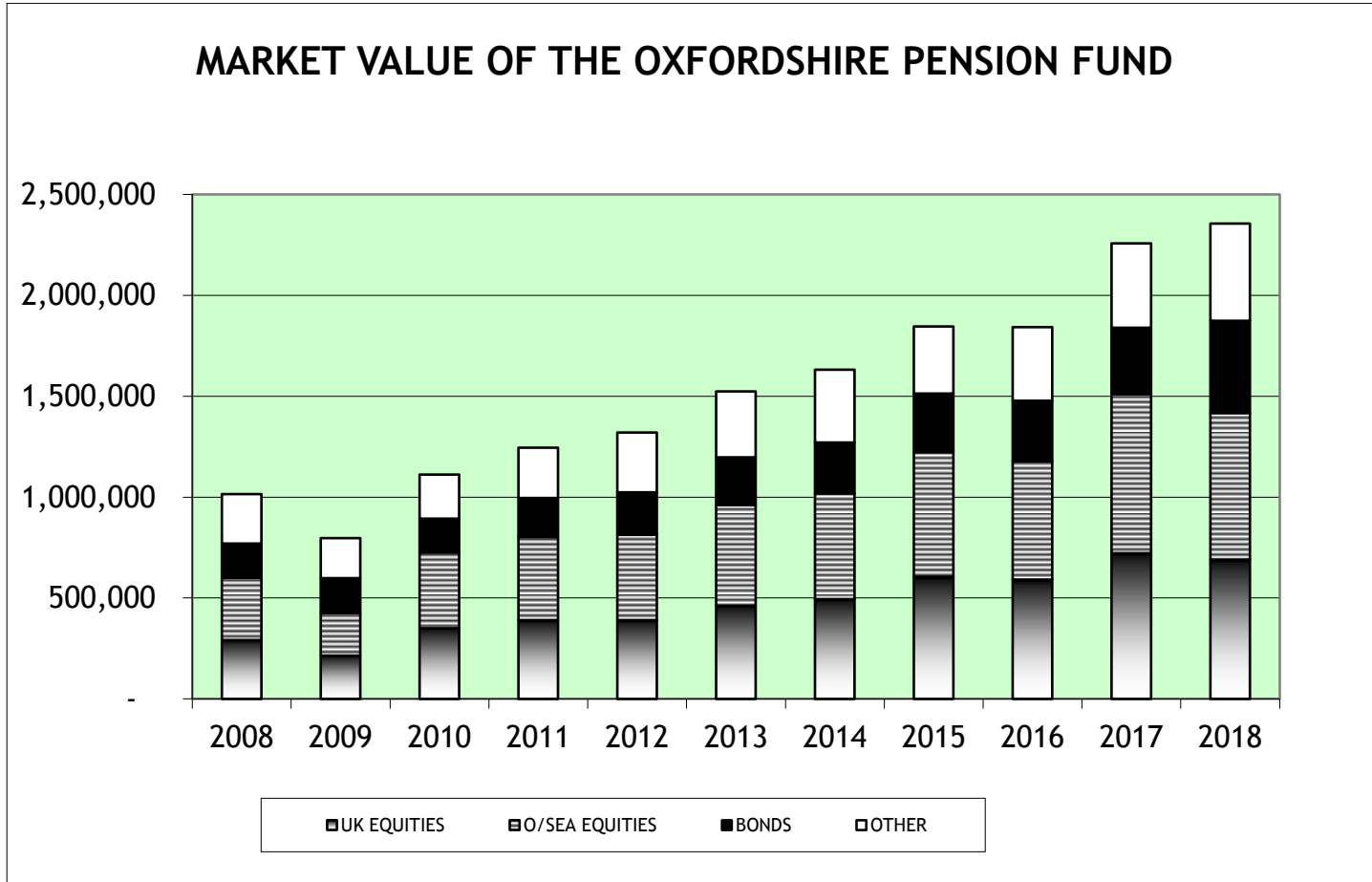
The distribution of the Pension Fund amongst the principal categories of assets as at 31 March 2018 is shown in the chart below. A comparative chart of the position at 31 March 2017 is also shown. Changes in the asset weightings, from one year to another, are due to investment activity and market movements.



### Portfolio Asset Allocation over the Ten Years to March 2018

The total assets (including accruals) of the Pension Fund have grown from £1,015 million at end of March 2008 to £2,355 million at end of March 2018 (see chart below).

Over the period the percentage in UK equities increased from 28.7% to 29.3% and bonds increased from 16.6% to 19.4%.



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 2017/18 at the total fund level was 1.7% above benchmark with an overall return of 4.1%.

Fund Manager	Target %	One Year Ended 31 March 2018		Three Years Ended 31 March 2018		Five Years Ended 31 March 2018	
		Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %
Baillie Gifford UK Equities	1.25	1.0	6.4	5.8	7.8	6.5	8.2
Wellington Global Equities	2.0	2.5	1.3	10.2	8.7	11.0	10.0
UBS Global Equities	3.0*	2.9	5.4	10.6	10.3	11.2	10.5
Legal & General UK Equities - Passive	n/a	1.1	1.4	5.7	5.9	6.0	6.2
Legal & General Ex UK Equities - Passive	n/a	2.7	2.8	11.3	11.3	12.2	12.2
Legal & General Fixed Income	0.6	1.2	1.1	4.7	4.9	5.5	5.5
Diversified Growth Fund	3-5	3.8	3.5	3.6	1.6	-	-
UBS Property	1.0	10.1	10.2	8.1	8.7	10.5	10.9
In-house Property	Excess	10.1	11.5	8.1	13.8	10.5	9.4
Private equity	1.0	4.1	11.6	7.5	16.6	9.5	14.7
Cash	n/a	0.4	0.3	0.4	0.3	0.4	0.4
<b>Total Fund</b>		<b>2.4</b>	<b>4.1</b>	<b>7.5</b>	<b>8.3</b>	<b>8.5</b>	<b>8.8</b>

\* - 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.

<b>% Returns per annum for the financial year ended 31 March 2018</b>				
<b>Actual Returns</b>	1 year	3 years	5 years	10 years
Oxfordshire Total Fund Return	4.1	8.3	8.8	7.4
<b>Average Returns</b>				
PIRC LGPS Universe Median Return	4.0	7.7	8.5	7.5
Oxfordshire Benchmark	2.4	7.5	8.5	7.9

## Asset Allocation

Asset Class	Actual % 31-Mar- 18	Target % 31-Mar- 18	Variation	Actual % 01-Apr- 17	Target % 01-Apr- 17	Variation
UK Equities	26.9%	26.0%	0.9%	28.2%	29.0%	-0.8%
Overseas Equities	29.6%	28.0%	1.6%	33.6%	30.0%	3.6%
UK Gilts	6.3%	4.0%	2.3%	4.3%	3.0%	1.3%
Corporate Bonds	5.1%	8.0%	-2.9%	3.4%	6.0%	-2.6%
Overseas Bonds	1.5%	3.0%	-1.5%	2.2%	2.0%	0.2%
Index-Linked	6.3%	6.0%	0.3%	4.7%	5.0%	-0.3%
<b>Total Bonds</b>	<b>19.2%</b>	<b>21.0%</b>	<b>-1.8%</b>	<b>14.5%</b>	<b>16.0%</b>	<b>-1.5%</b>
Property	6.9%	8.0%	-1.1%	6.5%	8.0%	-1.5%
Private Equity	7.0%	9.0%	-2.0%	8.9%	9.0%	-0.1%
Multi-Asset DGF	4.9%	5.0%	-0.1%	4.5%	5.0%	-0.5%
Infrastructure	0.2%	3.0%	-2.8%	0.0%	3.0%	-3.0%
<b>Total Alternative Investments</b>	<b>19.0%</b>	<b>25.0%</b>	<b>-4.0%</b>	<b>19.9%</b>	<b>25.0%</b>	<b>-5.1%</b>
Cash	5.3%	0.0%	5.3%	3.8%	0.0%	3.8%
	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>	<b>100.0%</b>	

## 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 the year ending 31 July 2017 was presented at the 09 March 2018 Committee meeting. A copy of the report is available in the papers for the relevant meeting on the Council's website (<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 2018

	Active	Ceased	Total
Scheduled Body	93	0	93
Admitted Body	102	11	113
<b>Total</b>	<b>195</b>	<b>11</b>	<b>206</b>

#### Analysis of Fund Assets as at 31 March 2018

	UK £m	Non-UK £m	Global £m	Total £m
Equities	689.888	436.061	291.126	1,417.075
Bonds	238.696	41.106	176.716	456.518
Property (Direct Holdings)	0	0	0	0
Alternatives	116.199	23.706	210.693	350.598
Cash and Cash Equivalents	96.772	9.698	0	106.470
Other	0	0	0	0
<b>Total</b>	<b>1,141.555</b>	<b>510.571</b>	<b>678.535</b>	<b>2,330.661</b>

#### Analysis of Investment Income Accrued During 2017/18

	UK £'000	Non-UK £'000	Global £'000	Total £'000
Equities	59,864	6,632	0	66,496
Bonds	3,085	894	0	3,979
Property (Direct Holdings)	0	0	0	0
Alternatives	2,571	555	1,349	4,475
Cash and Cash Equivalents	222	74	0	296
Other	0	0	0	0
<b>Total</b>	<b>65,742</b>	<b>8,155</b>	<b>1,349</b>	<b>75,246</b>

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.

<b>Fund Account for the Year Ended 31 March 2018</b>			
	<b>Notes</b>	<b>2018</b>	<b>2017</b>
		<b>£'000</b>	<b>£'000</b>
<b>Contributions and Benefits</b>			
Contributions Receivable	6	(95,440)	(87,845)
Transfers from Other Schemes	7	(7,562)	(6,535)
Other Income	8	(506)	(336)
<b>Income Sub Total</b>		<b>(103,508)</b>	<b>(94,716)</b>
Benefits Payable	9	83,215	77,879
Payments to and on Account of Leavers	10	7,746	11,711
Management Expenses	11	10,925	9,203
Other Expenses		0	0
<b>Expenditure Sub Total</b>		<b>101,886</b>	<b>98,793</b>
<b>Net (Additions)/Withdrawals from dealings with members</b>		<b>(1,622)</b>	<b>4,077</b>
<b>Returns on Investments</b>			
Investment Income	12	(75,246)	(29,128)
Commission Recapture		(1)	(2)
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	16a	(21,600)	(390,036)
Less Taxes on Income	12	239	258
<b>Net returns on Investments</b>		<b>(96,908)</b>	<b>(418,908)</b>
<b>Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year</b>		<b>(98,230)</b>	<b>(414,831)</b>
Opening Net Assets of the Scheme		2,257,120	1,842,289
Closing Net Assets of the Scheme		2,355,350	2,257,120



<b>Net Assets as at 31 March 2018</b>			
	Notes	2018 £'000	2017 £'000
<b>Investment Assets</b>			
Bonds	16b	279,802	202,883
Equities	16b	713,313	780,002
Pooled Investments	16b	1,069,635	1,031,626
Pooled Property Investments	16b	161,441	144,421
Derivative Contracts	16c	480	522
Cash Deposits	16d	9,698	8,027
Other Investment Balances	16d	13,229	10,404
Long-Term Investment Assets	16b	840	0
<b>Investment Liabilities</b>			
Derivative Contracts	16c	(752)	(441)
Other Investment Balances	16d	(5,821)	(3,3,266)
<b>Total Investments</b>		<b>2,241,865</b>	<b>2,174,178</b>
<b>Assets and Liabilities</b>			
Current Assets	17	110,040	77,612
Current Liabilities	18	(3,227)	(3,404)
<b>Net Current Assets</b>		<b>106,813</b>	<b>74,208</b>
Long-Term Assets	19	6,672	8,734
<b>Net Assets of the scheme available to fund benefits at year end</b>		<b>2,355,350</b>	<b>2,257,120</b>

## **Note 1 - Description of the fund**

This description of the Fund is a summary only. Further details are available in the Fund's 2017/18 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 2018	As at 31 March 2017
<b>Number of Contributory Employees in Scheme</b>		
Oxfordshire County Council	8,646	9,369
Other Scheduled Bodies	10,600	9,599
Admitted Bodies	764	829
	<b>20,010</b>	<b>19,797</b>
<b>Number of Pensioners and Dependants</b>		
Oxfordshire County Council	8,809	8,478
Other Scheduled Bodies	5,414	5,167
Admitted Bodies	931	867
	<b>15,154</b>	<b>14,512</b>
<b>Deferred Pensioners</b>		
Oxfordshire County Council	17,058	17,277
Other Scheduled Bodies	11,260	10,053
Admitted Bodies	1,360	1,180
	<b>29,678</b>	<b>28,510</b>

Unprocessed leavers are included as Deferred Pensioners.

Ten Admitted Bodies, joined the scheme in 2017/18. In addition, three admitted bodies left the scheme and three academies joined multi-academy trusts in 2017/18. There was no significant impact on the membership of the scheme because the Academies' members were transferred to a multi-academy trust employer 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 2018 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 12.0% to 28.4% 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 $1/80 \times$ final pensionable salary.	Each full-time year worked is worth $1/60 \times$ final pensionable salary.
Lump Sum	Automatic lump sum of $3 \times$ 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  $1/49$ th. 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 2017/18.

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 Pension Fund and detail the net assets of the Fund. 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 Fund which takes into account these obligations is dealt with in the Actuarial Statement on page 72.

## 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 2018.
  - (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 2018.
  - (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 'Changes in Market Value of Investments'.

### Foreign Currencies

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

### Contributions

3. Employee normal contributions are accounted for when deducted from pay. Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as employees' contributions, otherwise they are

accounted for in the period they are due under the Schedule of Contributions. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and recovery plan under which they are being paid 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 'Changes in Market Value of Investments'. 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 2018.

### **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.

## **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 and infrastructure investments at 31 March 2018 was £75.443m (£74.995m at 31 March 2017).

### **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 £3,638m. 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 £75.443m. There is a risk these investments are under, or overstated in the accounts.

#### Note 6 - Contributions

	2017/18 £'000	2016/17 £'000
<b>Employers</b>		
Normal	(50,903)	(47,561)
Augmentation	0	0
Deficit Funding	(21,099)	(17,620)
Costs of Early Retirement	(1,417)	(967)
	(73,419)	(66,148)
<b>Members</b>		
Normal	(21,771)	(21,429)
Additional *	(250)	(268)
	(22,021)	(21,697)
<b>Total</b>	<b>(95,440)</b>	<b>(87,845)</b>

Deficit recovery contributions are paid by employers based on the maximum 22 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	
	2017/18	2016/17	2017/18	2016/17
	£'000	£'000	£'000	£'000
Oxfordshire County Council	(28,920)	(28,343)	(8,943)	(9,139)
Scheduled Bodies	(41,098)	(34,209)	(11,872)	(11,339)
Resolution Bodies	(862)	(772)	(250)	(231)
Community Admission Bodies	(956)	(1,551)	(387)	(541)
Transferee Admission Bodies	(1,583)	(1,273)	(569)	(447)
<b>Total</b>	<b>(73,419)</b>	<b>(66,148)</b>	<b>(22,021)</b>	<b>(21,697)</b>

#### Note 7 - Transfers In

	2017/18 £'000	2016/17 £'000
Individual Transfers In from other schemes	(7,562)	(6,535)
<b>Total</b>	<b>(7,562)</b>	<b>(6,535)</b>

#### Note 8 - Other Income and Expenses

Other Income for 2017/18 of £0.506m (2016/17 £0.336m) includes £0.253m (2016/17 £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

	2017/18 £'000	2016/17 £'000
Pensions Payable	67,756	64,091
Lump Sums - Retirement Grants	13,866	11,361
Lump Sums - Death Grants	1,593	2,427
<b>Total</b>	<b>83,215</b>	<b>77,879</b>

	Pensions Payable		Lump Sums	
	2017/18 £'000	2016/17 £'000	2017/18 £'000	2016/17 £'000
Oxfordshire County Council	33,541	32,169	6,523	6,158
Scheduled Bodies	29,841	27,910	7,273	6,450
Resolution Bodies	560	528	254	138
Community Admission Bodies	3,225	3,034	682	628
Transferee Admission Bodies	589	450	727	414
<b>Total</b>	<b>67,756</b>	<b>64,091</b>	<b>15,459</b>	<b>13,788</b>

#### Note 10 - Payments to and on account of leavers

	2017/18 £'000	2016/17 £'000
Refunds of Contributions	375	297
Payments for members joining state scheme	(17)	(32)
Group Transfers Out to other schemes	1,671	6,484
Individual Transfers Out to other schemes	5,717	4,962
<b>Total</b>	<b>7,746</b>	<b>11,711</b>

#### Note 11 - Management Expenses

	2017/18 £'000	2016/17 £'000
Administrative Costs	2,013	1,223
Investment Management Expenses	8,186	7,374
Oversight & Governance Costs	726	606
<b>Total</b>	<b>10,925</b>	<b>9,203</b>

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

#### Note 12 - Investment Income

	2017/18 £'000	2016/17 £'000
Bonds	(3,979)	(3,271)
Equity Dividends	(66,460)	(21,726)
Pooled Property Investments	(3,126)	(3,096)
Pooled Investments - Unit Trusts & Other Managed Funds	(1,349)	(770)
Interest on Cash Deposits	(296)	(215)
Other - Securities Lending	(36)	(46)
Other - Underwriting Commission	0	(4)
	<b>(75,246)</b>	<b>(29,128)</b>
Irrecoverable Withholding Tax - Equities	239	258
<b>Total</b>	<b>(75,007)</b>	<b>(28,870)</b>

#### Note 13 - Investment Management Expenses

	2017/18 £'000	2016/17 £'000
Management Fees	8,129	7,306
Custody Fees	57	68
<b>Total</b>	<b>8,186</b>	<b>7,374</b>

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 2017/18.

## Note 14 - Securities Lending

The Fund operated a securities lending programme with its custodian BNP Paribas Securities Services from April 2017 to November 2017. In November 2017 the Fund changed custodian to State Street Bank and Trust Company. The Fund commenced a securities lending programme with State Street in December 2017. Collateralised lending generated income of £0.036m in 2017/18 (2016/17 £0.046m). This is included within investment income in the Pension Fund Accounts. At 31 March 2018 £18.448m (31 March 2017 £18.975m) of stock was on loan, for which the fund held £20.157m (31 March 2017 £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 2017/18, 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 £0.109m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

	2017/18 £'000	2016/17 £'000
Short Term Benefits*	93	93
Long Term/Post Retirement Benefits	16	15
<b>Total</b>	<b>109</b>	<b>108</b>

\*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 administering the Oxfordshire Pension Fund, it is a related party.

For the 12 months ended 31 March 2018, employer contributions to the Pension Fund from the County Council were £28.920m (2016/17 £28.343m). At 31 March 2018 there were receivables in respect of contributions due from the County Council of £3.232m (2016/17 £3.245m) and payables due to the County Council of £0.221m (2016/17 £0.128m) for support services.

The County Council was reimbursed £1.301m (2016/17 £1.195m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

#### **Brunel Pension Partnership Ltd (Company Number 10429110)**

Brunel Pension Partnership Ltd (BPP Ltd) was formed on the 14th October 2016 and will oversee the investment of pension fund assets for the following LGPS funds: Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire.

Each of the 9 Administering Authorities, including Oxfordshire County Council, and the Environment Agency own 10% of BPP Ltd. Pension Fund transactions with BPP Ltd are as follows:

	<b>2017/18</b>	<b>2016/17</b>
	<b>£'000</b>	<b>£'000</b>
Income	-235	0
Expenditure	840	0
Receivables	235	0
Payables	0	0

## Note 16 - Investments

	Value at 31.3.2018 £'000	Value at 31.3.2017 £'000
<b>Investment Assets</b>		
Bonds	279,802	202,883
Equities	713,313	780,002
Pooled Investments	1,069,635	1,031,626
Pooled Property Investments	161,441	144,421
Derivatives:		
- Forward Currency Contracts	480	522
Cash Deposits	9,698	8,027
Investment Income Due	5,076	4,303
Amounts Receivable for Sales	8,153	6,101
<b>Total Investment Assets</b>	<b>2,248,438</b>	<b>2,177,885</b>
<b>Investment Liabilities</b>		
Derivatives:		
- Forward Currency Contracts	(752)	(441)
Investment Expenses Due	(4,347)	(1,446)
Amounts Payable for Purchases	(1,474)	(1,820)
<b>Total Investment Liabilities</b>	<b>(6,573)</b>	<b>(3,707)</b>
<b>Net Investment Assets</b>	<b>2,241,865</b>	<b>2,174,178</b>

## Note 16a - Reconciliation of Movements in Investments and Derivatives

	Value at 1.4.2017 £'000	Purchases at Cost & Deriva- tive Payments £'000	Sales Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Cash Movement £'000	Increase in Receivables / (Payables) £'000	Value at 31.3.2018 £'000
Bonds	202,883	512,013	(431,171)	(3,923)			279,802
Equities	780,002	113,944	(159,530)	(21,103)			713,313
Pooled Investments	1,031,626	262,237	(254,340)	30,112			1,069,635
Pooled Property In- vestments	144,421	8,812	(6,461)	14,669			161,441
Long-Term Investments	0	840					840
<u>Derivative Contracts</u>							
FX	81	607,381	(609,347)	1,613			(272)
<u>Other Investment Balances</u>							
Cash Deposits	8,027	220,748	(257,860)	232	38,551		9,698
Amounts Receivable for Sales of Investments	6,101					2,052	8,153
Investment Income Due	4,303					773	5,076
Amounts Payable for Purchases of Invest- ments	(3,266)					(2,555)	(5,821)
	<b>2,174,178</b>	<b>1,725,975</b>	<b>(1,718,709)</b>	<b>21,600</b>	<b>38,551</b>	<b>270</b>	<b>2,241,865</b>

Included within the above purchases and sales figures are transaction costs of £0.310m. 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.

Purchases and sales relating to derivative contracts consist of forward foreign exchange contracts that are used for the purpose of currency hedging. Further details are contained in note 16c.

	Value at 1.4.2016 £'000	Purchases at Cost & Deriva- tive Payments £'000	Sales Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Cash Move- ment £'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 In- vestments	142,259	10,596	(12,909)	4,475			144,421
<u>Derivative Contracts</u>							
FX	-537	615,454	(607,105)	(7,731)			81
<u>Other Investment Balances</u>							
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 Invest- ments	(3,467)					201	(3,266)
	<b>1,778,877</b>	<b>1,073,593</b>	<b>(1,062,067)</b>	<b>390,036</b>	<b>(8,106)</b>	<b>1,845</b>	<b>2,174,178</b>

## Note 16b - Analysis of Investments (Excluding Derivative Contracts)

### Long-Term Investments Assets

	2017/18 £'000	2016/17 £'000
Brunel Pension Partnership Ltd	840	0
	<b>840</b>	<b>840</b>

### Bonds

	2017/18 £'000	2016/17 £'000
UK Public Sector	101,440	52,848
UK Other	0	0
Overseas Public Sector	41,106	45,331
UK Public Sector Index Linked	137,256	104,704
	<b>279,802</b>	<b>202,883</b>

### Equity Investments

	2017/18 £'000	2016/17 £'000
UK listed equities	490,007	523,881
Overseas Listed Equities:		
North America	149,110	168,498
Japan	13,952	11,630
Europe	49,614	49,646
Pacific Basin	0	3,138
Emerging Markets	10,630	23,209
	<b>713,313</b>	<b>780,002</b>

### Pooled Investment Vehicles

	2017/18 £'000	2016/17 £'000
UK Registered Managed Funds - Property	29,184	26,118
Non UK Registered Managed Funds - Property	21,536	20,609
UK Registered Managed Funds - Other	589,352	530,889
Non UK Registered Managed Funds - Other	189,157	175,378
UK Registered Property Unit Trusts	87,015	77,074
Non UK Registered Property Unit Trusts	23,706	20,620
Non UK Registered Unit Linked Insurance Fund	291,126	325,359
	<b>1,231,076</b>	<b>1,176,047</b>

### Total Investments (excluding derivative contracts)

	2017/18 £'000	2016/17 £'000
	<b>2,225,031</b>	<b>2,158,932</b>

## Note 16c - Derivative Contracts

### Objectives and policies

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

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

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

### 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	195 EUR	173 GBP		(2)	
Forward OTC	1 month	1,009 GBP	1,800 AUD	26		
Forward OTC	1 month	576 GBP	1,010 CAD	17		
Forward OTC	1 month	44,570 GBP	50,320 EUR	433		
Forward OTC	1 month	8,033 GBP	1,250,500 JPY		(352)	
Forward OTC	1 month	78 GBP	875 SEK	4		
Forward OTC	1 month	19,342 GBP	27,600 USD		(315)	
Forward OTC	1 month	11,700 USD	8,415 GBP		(83)	
Forward Currency Contracts at 31 March 2018				<b>480</b>	<b>(752)</b>	<b>(272)</b>
Prior Year Comparative						
Forward Currency contracts at 31 March 2017				<b>522</b>	<b>(441)</b>	<b>81</b>



## Note 16d - Other Investment Balances

	2017/18 £'000	2016/17 £'000
<b>Receivables</b>		
Sale of Investments	8,153	6,100
Dividend & Interest Accrued	5,007	4,246
Inland Revenue	69	54
Other	0	4
	<b>13,229</b>	<b>10,404</b>
<b>Payables</b>		
Purchase of Investments	(1,474)	(1,820)
Management Fees	(4,335)	(1,431)
Custodian Fees	(12)	(15)
	<b>(5,821)</b>	<b>(3,266)</b>
<b>Total</b>	<b>7,408</b>	<b>7,138</b>

## Cash Deposits

	2017/18 £'000	2016/17 £'000
Non-Sterling Cash Deposits	9,698	8,027
	<b>9,698</b>	<b>8,027</b>

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

	2017/18 £'000	% of To- tal Fund	2016/17 £'000	% of To- tal Fund
UBS Life Global Equities All Countries Fund	291,126	12.36	325,359	14.41
L&G World (ex-UK) Equity Index	212,755	9.03	207,026	9.17
L&G UK FTSE100 Equity Index	0	0.00	181,237	8.03
L&G UK FTSE All-Share Equity Index	182,948	7.77	0	0.00
L&G Core Plus Bond Fund	176,716	7.50	125,708	5.57

Note 17 - Current Assets

2017/18	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	3,127	3,400	0	0	1,098	7,625
Employee Contributions	307	1,124	0	0	413	1,844
Rechargeable Benefits	74	960	0	0	11	1,045
Transferred Benefits	44	911	0	0	161	1,116
Costs of Early Retirement	36	480	0	0	191	707
Inland Revenue	185	0	0	0	0	185
Other	85	103	0	0	558	746
Cash Balances					96,772	96,772
<b>Total</b>	<b>3,858</b>	<b>6,978</b>	<b>0</b>	<b>0</b>	<b>99,204</b>	<b>110,040</b>

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
<b>Total</b>	<b>3,444</b>	<b>6,510</b>	<b>3</b>	<b>0</b>	<b>67,655</b>	<b>77,612</b>

**Note 18 - Current Liabilities**

<b>2017/18</b>	<b>Central Government Bodies</b>	<b>Local Authorities</b>	<b>Public Corporations &amp; Trading Funds</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Transferred Benefits	0	(278)	0	0	(278)
Benefits Payable	0	(22)	0	(896)	(918)
Inland Revenue	(899)	0	0	0	(899)
Costs of Early Retirement	(737)	0	0	0	(737)
Staff Costs	0	(81)	0	(98)	(179)
Consultancy	(3)	(25)	0	(52)	(80)
Other	0	(104)	(10)	(22)	(136)
<b>Total</b>	<b>(1,639)</b>	<b>(510)</b>	<b>(10)</b>	<b>(1,068)</b>	<b>(3,227)</b>

<b>2016/17</b>	<b>Central Government Bodies</b>	<b>Local Authorities</b>	<b>Public Corporations &amp; Trading Funds</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
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)
<b>Total</b>	<b>(1,550)</b>	<b>(385)</b>	<b>(10)</b>	<b>(1,459)</b>	<b>(3,404)</b>

**Note 19 - Long-Term Assets**

<b>2017/18</b>	<b>Central Government Bodies</b>	<b>Local Authorities</b>	<b>NHS Bodies</b>	<b>Public Corporations &amp; Trading Funds</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Employer Contributions	6,169	0	0	0	17	6,186
Costs of Early Retirement	34	219	0	0	233	486
<b>Total</b>	<b>6,203</b>	<b>219</b>	<b>0</b>	<b>0</b>	<b>250</b>	<b>6,672</b>

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
<b>Total</b>	<b>8,168</b>	<b>299</b>	<b>0</b>	<b>0</b>	<b>267</b>	<b>8,734</b>

Long-Term assets for 2017/18 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 £2,159.549m as at 31 March 2018. The table below gives a breakdown of this sum and shows the market value of assets under management with each external manager:

Fund Manager	31/03/2018		31/03/2017	
	Market Value £'000	%	Market Value £'000	%
Baillie Gifford	417,824	19.35	411,258	19.99
Legal & General	867,755	40.18	722,543	35.13
UBS	423,662	19.62	444,117	21.59
Wellington	247,662	11.47	287,234	13.97
Insight	113,714	5.27	100,383	4.88
Adams Street Partners	40,499	1.87	41,395	2.01
Partners Group	48,433	2.24	50,011	2.43
	<b>2,159,549</b>	<b>100.00</b>	<b>2,056,941</b>	<b>100.00</b>

#### Note 21 - Top 5 Holdings

Value of the Fund's Top Five Holdings at 31 March 2018	£'000	% of Fund
HG Capital Trust	34,135	1.45
Royal Dutch Shell	19,032	0.81
Prudential Plc	18,669	0.79
UK Treasury 6% 2028	18,063	0.77
Ashtead Group	15,355	0.65

## 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 Fund 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 2018 £'000	Market Value 31 March 2017 £'000
Prudential	13,825	14,220

AVC contributions of £1.621m were paid directly to Prudential during the year (2016/17 - £1.557m).

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. The Administering Authority does not handle these monies. Instead, if employees decide to pay AVCs their employer (the member body) sends them to Prudential.

## Note 24 - Contingent Liabilities

As at 31 March 2018 the fund had outstanding capital commitments (investments) totalling £92.602m (31 March 2017 - £35.878m). 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

	2018 £'000	2017 £'000
Present Value of Funded Obligation	3,638	3,596

The movement from March 2017 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 £163m (2017 - £124m increase).

There has been a decrease in the present value of the Funded Obligation of £121m (2017 - £608m increase) reflecting changes in the financial assumptions used by the actuary as a consequence of changes in the financial markets. The key changes in financial assumptions were:

- A decrease in the assumed level of CPI and therefore pension increase to 2.4% from 2.7% (net effect a decrease in Present Value of Funded Obligation)
- A decrease in the assumed level of salary increases to 3.6% from 3.8% (net effect a decrease in Present Value of Funded Obligation)
- A reduction in the discount factor to 2.7% from 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.

	2017/18			2016/17		
	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
<b>Financial Assets</b>						
Bonds	279,802			202,882		
Equities	713,313			780,002		
Pooled Investments	1,069,635			1,031,626		
Pooled Property Investments	161,441			144,421		
Derivatives	480			522		
Cash		106,470			73,943	
Long-Term Investments	840					
Other Investment Balances	13,160			10,350		
Receivables		699			181	
	<b>2,238,671</b>	<b>107,169</b>	<b>0</b>	<b>2,169,803</b>	<b>74,124</b>	<b>0</b>
<b>Financial Liabilities</b>						
Derivatives	(752)			(441)		
Other Investment Balances	(5,821)			(3,266)		
Payables			(375)			(174)
	<b>(6,573)</b>	<b>0</b>	<b>(375)</b>	<b>(3,707)</b>	<b>0</b>	<b>(174)</b>
<b>Total</b>	<b>2,232,098</b>	<b>107,169</b>	<b>(375)</b>	<b>2,166,096</b>	<b>74,124</b>	<b>(174)</b>

## Note 27b - Net Gains and Losses on Financial Instruments

	31 March 2018 £'000	31 March 2017 £'000
<b>Financial Assets</b>		
Fair Value through Profit and Loss	21,368	388,557
Loans and Receivables	232	1,479
<b>Financial Liabilities</b>		
Fair Value through Profit and Loss	0	0
Financial Liabilities Measured at Amortised Cost	0	0
<b>Total</b>	<b>21,600</b>	<b>390,036</b>

## 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 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	925,581	1,202,455	110,633	2,238,669
Loans and Receivables	107,170	0	0	107,170
<b>Total Financial Assets</b>	<b>1,032,751</b>	<b>1,202,455</b>	<b>110,633</b>	<b>2,345,839</b>
<b>Financial Liabilities</b>				
Financial Liabilities at Fair Value through Profit and Loss	(5,821)	(751)	0	(6,572)
Financial Liabilities at Amortised Cost	(375)	0	0	(375)
<b>Total Financial Liabilities</b>	<b>(6,196)</b>	<b>(751)</b>	<b>0</b>	<b>(6,947)</b>
<b>Net Financial Assets</b>	<b>1,026,555</b>	<b>1,201,704</b>	<b>110,633</b>	<b>2,338,892</b>

Value at 31 March 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	927,044	1,136,541	106,218	2,169,803
Loans and Receivables	74,124	0	0	74,124
<b>Total Financial Assets</b>	<b>1,001,168</b>	<b>1,136,541</b>	<b>106,218</b>	<b>2,243,927</b>
<b>Financial Liabilities</b>				
Financial Liabilities at Fair Value through Profit and Loss	(3,266)	(441)	0	(3,707)
Financial Liabilities at Amortised Cost	(174)	0	0	(174)
<b>Total Financial Liabilities</b>	<b>(3,440)</b>	<b>(441)</b>	<b>0</b>	<b>(3,881)</b>
<b>Net Financial Assets</b>	<b>997,728</b>	<b>1,136,100</b>	<b>106,218</b>	<b>2,240,046</b>

#### Reconciliation of Movement in Level 3 Financial Instruments

Level 3 Investments	UK Equities £'000	Pooled Private Equity Funds £'000	Pooled Property Funds £'000	Pooled Infrastructure Funds	Long-Term Investments
<b>Market Value 31 March 2017</b>	1,949	75,495	28,774	0	0
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Purchases	0	9,793	5,890	4,062	840
Sales	0	(18,157)	(5,953)	0	0
Unrealised Gains/(Losses)	(226)	909	3,666	(416)	0
Realised	81	3,757	0	0	0



Gains/(Losses)					
<b>Market Value 31 March 2018</b>	<b>1,804</b>	<b>71,797</b>	<b>32,377</b>	<b>3,646</b>	<b>840</b>

Level 3 Investments	UK Equities £'000	Pooled Private Equity Funds £'000	Pooled Property Funds £'000
<b>Market Value 31 March 2016</b>	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
<b>Market Value 31 March 2017</b>	<b>1,949</b>	<b>75,495</b>	<b>28,774</b>

### Level 3 Sensitivities

Level 3 Investments	Valuation Range +/-	Value at 31 March 2018 £'000	Valuation on Increase £'000	Valuation on Decrease £'000
UK Equities	10%	1,804	1,984	1,624
Pooled Private Equity Funds	10%	71,797	78,977	64,617
Pooled Property Funds	3%	32,377	33,348	31,406
Pooled Infrastructure Funds	5%	3,646	3,828	3,464
Long-Term Investments	0%	840	840	840

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 Equity Funds	15%	75,495	64,171	86,819
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 2018 the Fund's exposure to credit risk predominantly related to the following investments:

Investment Category	31 March 2018	31 March 2017
	£'000	£'000
UK Government Gilts	101,440	52,848
UK Corporate Bonds	176,716	125,708
UK Index Linked Gilts	137,256	104,704
Overseas Government Bonds	41,106	45,331
Non-Sterling Cash Deposits	9,698	8,027
Cash Balances	96,772	65,916
<b>Total</b>	<b>562,988</b>	<b>402,534</b>

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 2018 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	Balance as at 31 March 2018	Rating	Balance as at 31 March 2017
		£'000		£'000
<b>Money Market Funds</b>				
Standard Life	AAA	19,650	AAA	22,500
State Street Global Advisors	AAA	80,004		0
<b>Bank Current Accounts</b>				
Lloyds TSB Plc	A+	6,548	A+	5,069
BNP Paribas		0	A+	46,374
State Street Bank & Trust Co	AA+	268		
<b>Total</b>		<b>106,470</b>		<b>73,943</b>

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 2017/18 the Pension Fund received/accrued income related to dealings with members of £103.5m (2016/17 - £94.7m) and incurred expenditure related to dealings with members of £101.9m (2016/17 - £98.8m). There were further receipts/accruals of £75.2m (2016/17 - £29.1m) in respect of investment income, against which need to be set taxes of £0.2m (2016/17 - £0.3m). The net inflow was therefore £76.6m (2016/17 - £24.7m).

The Fund received large one-off dividends from one of its equity holdings totalling £33.6m during 2017/18. Even allowing for this one-off income the 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 need to be of a scale 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 2018	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	9,698	97	(97)
Cash Balances	96,772	968	(968)
Bonds	456,518	4,565	(4,565)
<b>Total Change in Assets Available</b>	<b>562,988</b>	<b>5,630</b>	<b>(5,630)</b>

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)
<b>Total Change in Assets Available</b>	<b>402,534</b>	<b>4,025</b>	<b>(4,025)</b>

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 2018	Change in Year in the Net Assets Available to Pay Benefits	
		+10.0%	-10.0%
	£'000	£'000	£'000
Overseas Equities	233,306	22,331	(22,331)
Pooled Overseas Equities	503,881	50,388	(50,388)
Pooled Private Equity (LLPs)	63,750	6,375	(6,375)
Pooled Property	45,242	4,524	(4,524)
Infrastructure	3,646	365	(365)
Cash	9,698	970	(970)
<b>Total Change in Assets Available</b>	<b>849,523</b>	<b>84,953</b>	<b>(84,953)</b>

Currency Exposure - Asset Type	Asset Values as at 31 March 2017	Change in Year in the Net Assets Available to Pay Benefits	
		+12.9%	-12.9%
	£'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)
<b>Total Change in Assets Available</b>	<b>908,558</b>	<b>90,856</b>	<b>(90,856)</b>

### 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 2018	Percentage Change	Value on Increase	Value on Decrease
	£'000	%	£'000	£'000
UK Equities	653,148	10.0	718,463	587,833
Pooled UK Equities (Small Cap)	16,932	10.0	18,626	15,239
Global Equities	243,113	10.0	267,425	218,802
Diversified Growth Fund	113,714	3.0	117,126	110,303
Pooled Global Equities	291,126	10.0	320,239	262,013
Pooled Overseas Equities	212,755	10.0	234,031	191,480
UK Bonds	101,440	5.0	106,512	96,938
Overseas Bonds	41,106	5.0	43,161	39,050
UK Index Linked Bonds	137,256	5.0	144,119	130,394
Pooled Corporate Bonds	176,716	5.0	185,552	167,880
Infrastructure	3,646	5.0	3,828	3,463
Pooled Private Equity (LLPs)	71,797	10.0	78,976	64,617
Pooled Property	161,440	3.0	166,284	156,597
	840	0.0	840	840
Cash	106,470	0.0	106,470	106,470
<b>Total Assets Available to Pay Benefits</b>	<b>2,331,499</b>		<b>2,511,652</b>	<b>2,151,349</b>

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
<b>Total Assets Available to Pay Benefits</b>	<b>2,232,875</b>		<b>2,515,803</b>	<b>1,949,946</b>

## Note 29 – Material Post Balance Sheet Events

There are no events after the Balance Sheet date that need to be reported.

# Oxfordshire County Council Pension Fund (“the Fund”) Actuarial Statement for 2017/18

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

## Description of Funding Policy

The funding policy is set out in the Administering Authority’s Funding Strategy Statement (FSS), dated June 2017. In summary, the key funding principles are broadly as follows:

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependents’ benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 25 years if the valuation assumptions are borne out.

## Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund’s assets, which at 31 March 2016 were valued at £1,825 million, were sufficient to meet 90% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £205 million.

Individual employers’ contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund’s funding policy as set out in its FSS.



## Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2016 valuation report.

### Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

### Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	5.4%
Salary increase assumption (long term)*	3.9%
Benefit increase assumption (CPI)	2.4%

\*Salaries were assumed to increase in line with CPI until 31 March 2020, reverting to a long term rate of CPI plus 1.5% p.a. thereafter.

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the S2PA tables with a multiplier of 90%, with improvements in line with the CMI 2015 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	23.4 years	25.5 years
Future Pensioners*	25.6 years	27.8 years

\*Aged 45 at the 2016 Valuation.

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

### Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities and there have been strong asset returns, particularly during 2016/17. Both events are of broadly similar magnitude with regards to the impact on the funding position.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

Robert McInroy FFA  
For and on behalf of Hymans Robertson LLP  
30 April 2018

## SUMMARY OF BENEFITS AT MARCH 2018

### Introduction

Membership of the Local Government Pension Scheme (LGPS) secures entitlement to benefits that are determined by statute, contained within the LGPS Regulations. The regulations current for this year's report were effective from April 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](http://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 2018**

25 years membership to 31 March 2014 and then four years in the 'new scheme', 'final pay' and career average pay £15,000 as at 31 March 2018

**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 4/49 = **£1,224.49**

**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.

<b>Asset Class</b>	<b>Target Allocation (%)</b>	<b>Range (%)</b>
UK Equities	26	24 - 28
Overseas Equities	28	26 - 30
<b>Total Equities</b>	<b>54</b>	<b>50 - 58</b>
UK Gilts Corporate Bonds Index-Linked Bonds Overseas Bonds	To be specified	
<b>Total Bonds</b>	<b>21</b>	<b>19 - 23</b>
Property	8	6 - 10
Private Equity	9	6 - 11
Multi-Asset	5	4 - 6
Infrastructure	3	2 - 4
Cash	0	0 - 5
<b>Total Other Assets</b>	<b>25</b>	<b>18 - 31</b>

## 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 val-

uation 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:

#### Concentration

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.

#### Volatility

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.

#### Performance

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.

#### Illiquidity

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.

### Currency

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.

### Custody

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.

### Stock Lending

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, re-

tention 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 and effective 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 19<sup>th</sup> 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 the 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.

### Communications Policy Annex - Local Communications

	<b>Available to:</b>	<b>Method of Distribution</b>	<b>Frequency</b>
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	Prospective scheme members	Paper copies Download from County website	All Year
Membership Forms	Employers for new starters, job application packs	Email	
Provide Presentations and Talks on LGPS Matters	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
Facilitate Pensions Seminars for Prudential 'Basic LGPS scheme and AVC Talks'			
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](http://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 newsheet 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](mailto:pension.services@oxfordshire.gov.uk)

### 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, OX4 2SU

Telephone: 01865 323854  
Email: [sally.fox@oxfordshire.gov.uk](mailto:sally.fox@oxfordshire.gov.uk)

### ACCOUNTS AND INVESTMENTS

Financial Manager - Pension Fund In-  
vestments  
Corporate Services  
Oxfordshire County Council  
County Hall  
Oxford, OX1 1ND

email:  
[pension.investments@oxfordshire.gov.uk](mailto:pension.investments@oxfordshire.gov.uk)

### The Pensions Regulator

Napier House  
Trafalgar Place  
Brighton  
BN1 4DW 0345 600 1011  
[www.thepensionsregulator.gov.uk](http://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](http://www.gov.uk/find-pension-contact-details)

### BENEFICIARIES REPRESENTATIVE

c/o Pension Services  
Oxfordshire County Council  
4640 Kingsgate  
Oxford Business Park South  
Oxford  
OX4 2SU

### The Pensions Advisory Service (TPAS)

11 Belgrave Road  
London  
SW1V 1RB 0300 123 1047  
[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

### Pensions Ombudsman

11 Belgrave Road  
London  
SW1V 1RB 0207 630 2200  
[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)

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

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