Public Document Pack

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 6 September 2019 at 10.00 am

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

Yvonne Rees
Chief Executive

August 2019

Committee Officer: ***Deborah Miller***
Tel: 07920 084239; E-Mail: deborah.miller@oxfordshire.gov.uk

Membership

Chairman – Councillor Kevin Bulmer
Deputy Chairman - Councillor Nicholas Field-Johnson

County Councillors

Ian Corkin	John Sanders	Alan Thompson
Mark Lygo	Roz Smith	
Charles Mathew	Lawrie Stratford	

District Councillors (Co-optees - Voting)

Alaa Al-Yousuf	Jo Robb

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 6 December 2019***

Declarations of Interest

The duty to declare…..
Under the Localism Act 2011 it is a criminal offence to
(a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
(b) provide false or misleading information on registration, or
(c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

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

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

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

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

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

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

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

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

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

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members' conduct guidelines. http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/ or contact Glenn Watson on **07776 997946** or glenn.watson@oxfordshire.gov.uk for a hard copy of the document.

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

AGENDA

1. Apologies for Absence and Temporary Appointments

2. Declarations of Interest - see guidance note

3. Minutes (Pages 1 - 12)

To approve the minutes of the meeting held on 7 June 2019 (**PF3**) and to receive information arising from them.

4. Petitions and Public Address

5. Minutes of the Local Pension Board

10:05

A copy of the unconfirmed Minutes of the Local Pension Board will be circulated separately for information.

6. Report of the Local Pension Board (Pages 13 - 14)

10:10

This report will invite the Committee to respond to the key issues raised by the Pension Board at their most recent meeting.

The Committee is RECOMMENDED to notes the comments of the Board and:

(a) Give further consideration to the option of investing in the passive low carbon portfolio, and the value for money of active management when is considers the fundamental asset allocation report in March 2020; and

(b) Note the support for mandatory training for Committee Members alongside the introduction of named substitutes in its further consideration of the issue elsewhere on this agenda.

7. Improvement Plan (Pages 15 - 18)

10:20

This report updates the Committee on progress against the objectives and milestones set out in the Improvement Plan.

The Committee is RECOMMENDED to note the latest position with regard to the implementation of the Improvement Plan.

8. Review of the Annual Business Plan 2019-20 (Pages 19 - 24)

10:40

This report reviews the progress against the key objectives set in the business plan for the Pension Fund for the current financial year.

The Committee is RECOMMENDED to note the progress against the key service priorities included within the 2019/20 Business Plan.

9. Risk Register (Pages 25 - 30)

10:50

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

The Committee is RECOMMENDED to note the changes to the risk register and offer any further comments

10. Administration Report (Pages 31 - 38)

11:00

This report updates the Committee on those administration issues not covered under the Improvement Plan.

The Committee is RECOMMENDED to note the report.

11. 2019 Valuation (Pages 39 - 44)

11:10

This report updates the Committee on the work to date on the 2019 Valuation and the update of the Funding Strategy Statement.

The Committee is RECOMMENDED to note the latest position with regard to the 2019 Valuation and the key changes planned for the Funding Strategy Statement.

12. Annual Reports and Accounts 2018/19 (Pages 45 - 156)

11:25

The Committee are invited to note the Draft Annual Report and Accounts for 2018/19 and offer any feedback.

13. Budget Outturn 2018/19 (Pages 157 - 160)

11:30

This report sets out the outturn position against the Committee's agreed budget for 2018/19, including explanations for any material variations.

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

14. Constitution of the Pension Fund Committee (Pages 161 - 164)

11:35

This report provides further information on the options for changing the constitution of the Pension Fund Committee to ensure all members have the relevant skills and knowledge to undertake the responsibilities of the role.

The Committee is RECOMMENDED to note the content of the report and:

(a) Ask Officers to draw up a Training Policy consistent with the proposals contained in the report and summarised in paragraph 18 above;
(b) Agree to amend their Governance Policy to mandate all Members of the Committee to complete training in line with the Training Policy;
(c) Determine their approach to substitutions, being either:
- ***i. No substitutions allowed or***
- ***ii. Only named substitutes allowed where they have completed training in line with the Training Policy; and***

(d) Recommend Council via the Audit and Governance Committee to make the appropriate changes to the Terms of Reference and Constitution to formalise the new governance arrangements.

15. Overview of Past and Current Investment Position (Pages 165 - 174)

11:50

The Independent Financial Adviser will review the investment activity during the past quarter, present a summary of the Fund's position as at 30 June 2019, and highlight any key performance issues, with reference to Tables and Graphs. He will also report on the annual performance report from PIRC which compares the

Funds performance to that of its peers.

16. EXEMPT ITEMS

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

17. Overview and Outlook for Investments Markets (Pages 175 - 182)

12:00

The attached report of the Independent Financial Adviser (PF17) sets out an overview of the current and future investment scene and market developments across various regions and sectors. The report itself does not contain exempt information and is available to the public. The Independent Financial Adviser will also report orally and any information reported orally will be exempt information.

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

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.

18. Legal & General

12:10

(1) The Independent Financial Adviser will report orally on the performance and strategy of Legal & General drawing on the tables at Agenda Items 14 and 17.

(2) The representatives (Chris Lyons and Tom Carr TBC) of the Fund Manager will report and review the investments within their part of the Fund.

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

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

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

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

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

19. Report on the Main Issues arising from the Reports of the Fund Managers not represented at this meeting (Pages 183 - 186)

12:50

The Independent Financial Adviser will report on the officer meeting with Wellington and UBS, and the latest position on investments with Brunel.

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

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

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

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

20. Summary by the Independent Financial Adviser

12:55

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

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

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

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

21. Annual Review of the AVC Provision (Pages 187 - 192)

13:00

The Local Government Pension Scheme 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 Council 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 is conducted annually and this report details the findings of the review undertaken in 2019. In 2018 a full review of the Fund's AVC arrangements was undertaken by Aon Hewitt.

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 note the report and to confirm the continued use of Prudential as the Council's AVC provider.

22. Corporate Governance and Socially Responsible Investment

13:10

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

Pre-Meeting Briefing
There will be a pre-meeting briefing at County Hall on **Wednesday 4 September 2019** 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, 7 June 2019 commencing at 10.00 am and finishing at 1.40 pm

Present:

Voting Members:	Councillor Kevin Bulmer – in the Chair Councillor Nicholas Field-Johnson Councillor Mark Lygo Councillor John Sanders Councillor Roz Smith Councillor Lawrie Stratford Councillor Alan Thompson Councillor Mike Fox-Davies (In place of Councillor Charles Mathew) Councillor Dr Suzanne Bartington (In place of Councillor Ian Corkin)
District Council Representatives: (voting)	Councillor Dr Alaa Al Yousuf

Officers:

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

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

23/19 ELECTION OF CHAIRMAN FOR THE 2019-20 MUNICIPAL YEAR
(Agenda No. 1)

Councillor Kevin Bulmer was elected Chairman for the 2019/20 municipal year.

24/19 ELECTION OF DEPUTY CHAIRMAN FOR THE 2019-20 MUNICIPAL YEAR
(Agenda No. 2)

Councillor Nicholas Field-Johnson was elected Deputy Chairman for the 2019/20 municipal year.

25/19 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 3)

Councillor Mike Fox-Davies attended for Councillor Charles Mathew and Councillor Dr Suzanne Bartington for Councillor Ian Corkin.

26/19 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE
(Agenda No. 4)

Councillor Ros Smith declared a general interest on account of her being in receipt of an Oxford Brookes University pension.

27/19 MINUTES
(Agenda No. 5)

The Minutes of the meeting held on 8 March 2019 were approved and signed subject to the following amendment:

- Minute 12/19 – page 6, sentence 2 to read 'Over the Quarter, assets had depreciated by £190m, ***a drop of over 7%*** to £2.3m' (amendment in bold italics).

There were no Matters Arising.

28/19 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 6)

The Chairman had agreed to the following addresses to be made to members of the Committee prior to discussion on the item itself:

- Julia Spragg - on behalf of Fossil Free Oxfordshire – Agenda Item 13, Annex 2, The Investment Strategy Statement
- Jess Mallaghan and Xanthe Wells – pupils of Gosford Hill School – Agenda Item 13, Annex 2, The Investment Strategy Statement.

29/19 MINUTES OF THE LOCAL PENSION BOARD
(Agenda No. 7)

The unconfirmed Minutes of the Local Pension Board which met on 26 April 2019 were noted (PF7).

30/19 REPORT OF THE LOCAL PENSION BOARD
(Agenda No. 8)

Members had before them the latest report by the Independent Chairman of the Local Pension Board (PF8). Councillor Bob Johnston, a Board Member, addressed the report on the Board's behalf which invited the Committee to respond to the key issues contained within it.

RESOLVED: to

(a) note the comments of the Board in respect of the Improvement Plan, Annual Business Plan and Risk Register, and the subsequent changes made to these documents elsewhere on this Agenda;
(b) inform the Board that the question of whether to mandate training at certain training events for Committee members was to be considered at Agenda Item 13 on this Agenda; and
(c) note the comments of the Board in respect of future responsible investment statements.

31/19 IMPROVEMENT PLAN

(Agenda No. 9)

The Committee had before them the latest report which gave an update on progress against the objectives and milestones set out in the Committee's Improvement Plan, together with progress on the I Connect Project Plan (PF9). Becky Herman, Team Leader, Pensions Team, attended to give details, on the latest position regarding end of year returns and progress towards the issuing of this year's Annual Benefit Statements and to respond to questions from the Committee.

Mr Collins undertook to inform members of the Committee in the event that fines were issued to employers.

In response to a question from a member, Sally Fox confirmed that 36 scheme employers had now gone live with I Connect.

RESOLVED: to thank Becky Herman for her report and to note the latest position with regard to the implementation of the Improvement Plan.

32/19 REVIEW OF THE ANNUAL BUSINESS PLAN 2019-20

(Agenda No. 10)

The Committee had before them a report (PF10) which set out progress against the key objectives within the business plan for the pension fund for 2019/20. Members were informed that at this stage of the new financial year, a detailed budget monitoring report had not been included. However, any key issues identified since the budget had been agreed were noted within this report and full detail would be included in future quarterly reports.

RESOLVED: to

(a) note the progress against the key service priorities included within the 2019/20 Business Plan; and
(b) approve the amendment to the measures of success in respect of service Priority 5 – Improve Scheme Members Communications, as set out in paragraph 19.

33/19 RISK REGISTER
(Agenda No. 11)

The Committee considered a report (PF11) which presented the latest position on the Fund's Risk Register, including any new risks identified since the report to the last meeting.

In response to requests from the Members, Mr Collins undertook to re-introduce the directions of travel on the report, together with the introduction of a yearly overview and a rag rating system.

RESOLVED: to note the progress against the key service priorities included within the 2019/20 Business Plan.

34/19 ADMINISTRATION REPORT
(Agenda No. 12)

The Committee had before them a report (PF12) which gave an update on those administration issues which were not covered under the Improvement Plan.

During the discussion on the consultation response with regard to changing the status of HE/FE employers, Mr Collins undertook to look into whether there could be any possible impact on specific groups and include under the equality question within the consultation response.

RESOLVED: to

(a) note the report;
(b) agree the proposed temporary changes to the SLA targets; and
(c) (unanimously) agree the proposed response to the Government Consultation on Changes to the Local Valuation Cycle and the Management of Employer Risk, subject to additional wording on the equality implications, given the majority of those scheme members impacted by the proposed changes to the HE/FE employers were female.

35/19 ANNUAL REVIEW OF PENSION FUND POLICIES
(Agenda No. 13)

Prior to discussion on this item, in relation to Annex 2 – The Investment Strategy Statement - the Chairman read out a revised recommendation to the report PF13, which had been published on the Committee's Addenda prior to the meeting. This was the outcome of discussions with the Chairman, the outgoing Deputy Chairman and the Opposition Spokesperson for this Committee and was a replacement for the current recommendation (b) on the Agenda. The recommendation, as read, was as follows:

'approve the revised Investment Strategy Statement as set out in Annex 2, noting the changes as discussed in the report and

(i) ***endorse the current approach and direction of travel as set out in the Addressing Climate Change Position Statement, including:***

- ***the integration of consideration of environmental and social risks, as well as good governance and stewardship into all decision-making processes***
- ***contributing to a more sustainable and resilient financial system***
- ***ensuring all portfolios across all asset classes are carbon and climate aware***
- ***decarbonising the listed portfolios, and developing measurable objectives and targets***
- ***accessing positive climate impact investment opportunities. such as the 35% investment in renewable energy funds within the infrastructure portfolio***
- ***active engagement with the underlying companies through asset managers, engagement and voting specialists and collaborative forums with other investors***
- ***improving the transparency of reporting including carbon footprinting and fossil fuel exposure and the impacts of our engagements***

(ii) ***ask Officers to set up a Climate Change Workshop in the Autumn to discuss how to further develop the above approach and contribute to the Climate Change Policy being developed by Brunel, seeking participation from a wide range of stakeholders to ensure a balanced discussion; and***

(iii) ***note the view of Brunel that in light of the above approach, they do not consider a top down approach to divestment to be an appropriate strategy for its clients'.***

Before discussion on the above, and consideration of the wider recommendations the Chairman invited the speakers to give their addresses:

<u>Julia Spragg – on behalf of Fossil Free Oxfordshire (FFO)</u>

Julia Spragg began by stating that FFO continued to be seriously concerned about the consequences of climate change, adding that this Committee had the power to make a real difference. She cited a press report in October 2015 which stated that:

- the £2.9bn Environment Agency Pension Fund (EAPF) had become the first in the world to change its investment choices to help meet the internationally agreed target of limiting global warming to 2 degrees centigrade;
- this move would include divestment of 90% of its coal assets and 50% of its oil and gas stocks by 2020;

- the EAPF would also invest 15% of the fund in low-carbon energy, energy efficiency and other businesses that help tackle climate change by 2020 and it had already moved its £280m of global share investments to a low-carbon index;
- the EAPF's chief investment officer that said that the new policy was not a knee-jerk reaction but followed over a decade's analysis of the financial risks posed by climate change.

She stated that it was the view of FFO that the Chief Finance Officer's report at PF13 included 'a litany of reasons why it was too difficult to divest from fossil fuels…and Brunel Pension experts apparently agreed. However, the Brunel Partnership offered an active and a passive equity fund that would allow the Committee to take a step towards reducing the risk to the Pension Fund posed by climate risk.

It was the view of FFO that there was a continuing trend within the Committee to delegate more and more to the Officers whose work in the beneficiaries' interests was hugely appreciated. However, she urged the Committee not to delegate its fiduciary responsibility to the officers and 'show some leadership'. All County Council members had voted to acknowledge that there was a climate emergency and to now accept Councillor Sander's motion.

She added that the FFO believed that the evidence was very strong that moving towards lower investment in Oil and Gas companies did not result in financial jeopardy. To illustrate this she cited the 2018 annual report of the Environment Agency's Pensions Committee in which the Chairman wrote that their Investment Strategy had delivered 9.7% investment returns over the last 5 years. She understood that the comparable figure for the Oxfordshire LGPS was 8.8% and quoted the Chairman of EAPC stating:

'I am very pleased to report that we have met our climate change goals of decarbonising our equity portfolio through reducing our exposure to 'future emissions' for coal and oil and gas two years ahead of target. We have reduced both by over 90% with embedded emissions from coal reserves among active managers now reduced to zero'.

She urged the Committee to follow this example.

<u>Jess Mallaghan and Xanthe Wells – students of Gosford Hill School</u>

Both spoke about the lack of need for their mothers at the age of 26 to be concerned about threats to the climate, as they themselves would be. Both would be 26 in the year 2030 by which the Intergovernmental Panel On Climate Change (IPCC) stated that this was the year by which we must have reduced global emissions by 50%, to avoid 'a terrifying future of floods, famines, droughts, civil unrest, hunger and a breakdown of civilisation'.

They thanked the County Council and expressed relief that OCC had acknowledged a climate emergency and had committed to taking action. It had given them hope to hear that change was happening and that the political will was there to stop this world disaster. However, they expressed concern that investments were still being made into fossil fuels, asking what did acting on climate emergency really mean to the Committee? They pointed out that companies like BP and Shell continued to spend money looking for new oil and gas to dig up. They added that in 2015, BP was the 11th highest contributor to emissions taking a massive 1.53% of all global emissions and Shell was the 9th highest taking an even higher amount of 1.67%'.

It was their view that even if those companies were being more energy efficient in the ways in which they mined and processed the oil, or even if they were investing a tiny percentage of their revenue in renewables, they were still spending billions of pounds looking for oil and gas. It was their view that 'this would mean an irreversible chain reaction in 12 years, and game over for much of the life of our planet'.

They were therefore calling on the Committee, without political intention, to do its duty for future generations and to fight for a more sustainable and clean planet. They ended by urging divestment stating that 'if humanity was not secure first – what was the point of anything else?'

The Committee then considered the revised recommendation, as set out above.

Councillor Lygo spoke in favour of the revised recommendation pointing out that it was the Chairman, the outgoing Deputy Chairman and his own wish to gain a balance view from all stakeholders, including from Waltham Forest Council, who had themselves divested themselves of fossil fuels, from those Councils who had not divested, from representatives from young people, and from environment groups etc, in order for the Committee to decide on the future direction of travel, including how to monitor its progress. The Chairman agreed, adding that there was a fair degree of cross-party agreement on this.

Councillor John Sanders, spoke in favour of his motion to the Committee which was as follows:

'In the light of the recent Motion in Full Council on 2 April 2019 to acknowledge a climate emergency, the Pension Fund Committee is called upon to instruct officers to investigate the best possible way it can divest itself of all fossil fuel investments (ie. the equity or bond of any company which derives more than 50% of its total turnover from the extraction and production of fossil fuels) as soon as is reasonably practicable whilst mitigating any impact on the value of the fund.'

He stated that the revised recommendation was a good step forward, but stressed that, in his view, the Committee had a fiduciary duty of care to look to the future, asking where were the council targets for reducing carbon by 2019/21 and who was driving it? He added that UK pension funds held in excess of 90% of the value of the country's GDP and fossil fuel consumption which must be engaged with; evidence of this engagement should also be apparent too.

Following a discussion, Councillor Sanders' motion was put to the vote and was lost by 3 votes to 7.

The Committee then proceeded to discuss the Chairman, Deputy Chairman and Opposition Spokesperson’s statement as set out above. Following amendments put forward by Councillors Stratford and Bartington, the following was **AGREED** (unanimously)(amendments shown in bold italics):

(a) to approve the revised Investment Strategy Statement as set out in Annex 2, noting the changes as discussed in the report and

(iv) endorse the current approach and direction of travel as set out in the Addressing Climate Change Position Statement, including:

- the integration of consideration of environmental and social risks, as well as good governance and stewardship into all decision-making processes
- contributing to a more sustainable and resilient financial system ***in alignment with the UN Sustainable Development Goals***
- ensuring all portfolios across all asset classes are carbon and climate aware
- decarbonising the listed portfolios, and developing measurable objectives and targets
- accessing positive climate impact investment opportunities. such as the 35% investment in renewable energy funds within the infrastructure portfolio
- active engagement with the underlying companies through asset managers, engagement and voting specialists and collaborative forums with other investors
- improving the transparency of reporting including carbon footprinting and fossil fuel exposure and the impacts of our engagements

(v) ask Officers to set up a Climate Change Workshop in the Autumn ***to define timescales, milestones and reporting mechanisms for the above approach*** and to contribute to the Climate Change Policy being developed by Brunel, seeking participation from a wide range of stakeholders to ensure a balanced discussion; and

(vi) note the view of Brunel that in light of the above approach, they do not consider a top down approach to divestment to be an appropriate strategy for its clients.

(b) In relation to Annex 3 – the Governance Policy and Governance Compliance the Committee discussed the proposal put forward by the Local Pension Board at its last meeting that consideration be given by the Committee to mandating attendance by Committee members at certain training events. During discussion of this proposal, the Committee considered that a form of mandatory training was desired, however, that further thought was required and investigation carried out into this matter. It was therefore **AGREED** to refer these changes to the next meeting of Committee in September following further work;

(c) to **APPROVE** the revised policy documents as set out in Annexes 1, 4, 5 and 7, noting the changes in the documents as discussed above;

(d) **AGREE t**he delegation to the Service Manager (Pensions) the responsibility for exercising the new discretionary decisions as set out in paragraph 47 above, and the subsequent changes in the scheme of delegation to ensure it is consistent with the schedule of Administering Authority Discretions; and

(e) note that no new changes have been made to the Scheme of Delegation and the Procedure for Reporting Breaches of Law to the Pension Regulator.

36/19 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 14)

The Independent Financial Adviser reviewed the investment activity during the past quarter and presented an overview of the Fund's position as at 31 March 2019.

Mr Davies reported that during the latest quarter, the Fund had recouped £166m of the £190m depreciation in the previous quarter, giving an overall Fund value of £2.5bn at the end of March 2019. Overall the Fund's performance over 3 years was good, out-performing the benchmark by 0.5%.

RESOLVED: to receive the tables and graphs and that the information contained in them be borne in mind insofar as they related to Agenda Items16,17, 18 and 19 on the agenda.

37/19 EXEMPT ITEMS

(Agenda No. 15)

The Committee RESOLVED that the public be excluded for the duration of items 16, 17, 18, 19, 20 and 21 in the Agenda since it was likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it was considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

38/19 EXEMPT MINUTE - LOCAL PENSION BOARD - 26 APRIL 2019

(Agenda No. 16)

RESOLVED: to note the exempt Minute of the Local Pension Board meeting which was held on 26 April 2019 (PF16).

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.*

39/19 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 17)

The Committee had before them a report of the Independent Financial Adviser (PF17) 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 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 receive the report, tables and graphs and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

40/19 INSIGHT

(Agenda No. 18)

The Independent Financial Adviser reported orally on the performance and strategy of Insight drawing on the tables at Agenda items 14 and 17.

The representatives, Sherilee Mace and Matt Merritt 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 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 in funding the Pension Fund.*

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

41/19 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 19)

The Committee considered a report from the Independent Financial Adviser (PF19) on the main issues arising from the officer meeting with Legal & General, in conjunction with information contained in the tables at Agenda Item 14 and the latest position on investments with Brunel.

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

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

RESOLVED: to note the report;

42/19 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 20)

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

43/19 APPLICATIONS FOR PAYMENT OF PENSION BENEFITS

(Agenda No. 21)

The Committee considered a report which detailed requests for payment of pensions received (PF21).

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.

RESOLVED: to

(a) note the applications for payment of benefits on grounds of ill-health report and to authorise the Service Manager for Pensions to make a decision should reports be received between meetings, following consultation with the Chairman, Deputy Chairman and the Opposition Spokesperson;
(b) authorise payment of the pension to the person specified in the report, for the period 2018 - 2021; and
(c) note the write-off of salary.

44/19 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 22)

No further issues were raised.

45/19 ANNUAL PENSION FORUM

(Agenda No. 23)

The Committee noted that the next Annual Forum would be held in November 2019 on a date to be decided. The focus would be on the triennial valuation.

Members of the Committee were asked to let Sally Fox know of any items which they considered would interest school employers for the Forum Agenda.

.... in the Chair

Date of signing ....

Division(s):n/a

PENSION FUND COMMITTEE – 6 SEPTEMBER 2019

REPORT OF THE PENSION BOARD

Report by the Independent Chairman of the Pension Board

RECOMMENDATION

1. **The Committee is RECOMMENDED to notes the comments of the Board and:**

(a) Give further consideration to the option of investing in the passive low carbon portfolio, and the value for money of active management when is considers the fundamental asset allocation report in March 2020; and

(b) Note the support for mandatory training for Committee Members alongside the introduction of named substitutes in its further consideration of the issue elsewhere on this agenda.

Introduction

2. 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.

3. This report reflects the discussions of the Board members at their meeting on 12 July 2019. The Board was attended by the Independent Chairman and five of the six scheme employer and scheme member representatives. Cllr Sandy Lovatt lost his District Council seat at the May elections and therefore was no longer eligible to sit as a Scheme Employer representative on the Board. The process to appoint a replacement has been started.

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

4. The Board continued to consider the improvement plan as discussed at the June Pension Fund Committee. The key concern of the Board was the availability of key performance indicators to enable the Board to assess progress. The Board accepted that the performance against the standard operational KPI's had dropped whilst the backlog of work had been addressed and noted the Committee's decision to introduce interim targets to allow progress to restoring performance to be assessed. The Board have asked to

receive regular reports on the KPI's to enable them to fully address their responsibilities.

5. The Board considered the report received by the Pension Fund Committee on the review of the Annual Business Plan. The main focus on the Board was the development of the Brunel portfolios and the monitoring of the ESG policy. The Board again wished to inform the Committee that they believed they should look at switching assets out of the current passive portfolios to invest in the passive low carbon portfolio.

6. The Board also considered the Committee's current policy documents as reviewed at the Committee meeting in June. The Board again commented on the lack of a detailed training plan for Committee members, and their previous suggestion that this Committee should consider mandating attendance at certain training events for Committee members. The Board also noted their support for the introduction of named substitutes who would be required to receive the same training as Committee Members in order to participate in committee meetings.

7. The last item considered by the Board was a report on the investment fees paid to Fund Managers during the 2018/19 financial year, presented alongside the investment performance for the same period. The Board invited the Committee to consider a similar report in advance of their next consideration of the fundamental asset allocation in March 2020, to assess whether they believe they are getting value for money from their Fund Managers.

8. The Board also reviewed the risk register but offered no further comments. The Board also approved the Annual Report on their work, which is included within the Funds Annual Report and Accounts elsewhere on this agenda.

MARK SPILSBURY
Independent Chairman of the Pension Board

Contact Officer: Sean Collins
Tel: 07554 103465

August 2019

Division(s):n/a

PENSION FUND COMMITTEE – 6 SEPTEMBER 2019

IMPROVEMENT PLAN

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the latest position with regard to the implementation of the Improvement Plan.**

Introduction

2. At their March 2019 meeting the Committee received the final version of the Improvement Plan which had been signed off by the Pension Regulator. The Committee resolved to receive quarterly update reports on progress against the Improvement Plan, including presentations from the Team Leaders within the Pension Services Team responsible for delivering the component parts of the Plan.

3. Due to the publication requirements, this report was produced before 31 August deadline for the issuance of Annual Benefit Statements, a key deadline within the Improvement Plan. This report sets out the progress against achieving the Plan to the date of publication and a verbal update will be provided at Committee regarding final performance against the statutory deadline.

Progress against Improvement Plan Milestones

4. The first two key objectives set out in the Improvement Plan were the issuance of 100% of the Annual Benefit Statements to both active and deferred members by the statutory deadline of 31 August 2019. It was noted that performance of 98% or above was likely to be sufficient to avoid the need to provide a breach of regulation report to the Pension Regulator for the Fund as a whole, though breach reports may still be required in respect of individual scheme employers.

5. The key tasks to enable this objective to be achieved were set out in the Improvement Plan. The key requirements were timely and accurate data returns from scheme employers and sufficient staff recruited within the Pension Services Team to process the data once received. The paperwork being sent out to scheme employers was reviewed with input from employers, and training sessions were made available. There was insufficient take up on these training sessions for them to be run.

6. Despite the preparation work, 90 end of year returns received from scheme employers failed the initial validation checks, including the check that the return balanced to the contributions paid into the Fund over the course of the year. This represents just under half of the returns received (48%).

7. The delays is receiving accurate end of year returns has created problems for both Pension Services and for all scheme employers, as we had to divert resources to support those employers where corrections were required to the return, and therefore were delayed in sending out subsequent queries to all employers. This has shortened the period available to resolve the queries on the data itself, including cases where employers have previously forgotten to submit starter or leaver forms, or where pay levels have moved outside tolerance levels between years.

8. Staff from within the Benefits Team in Pension Services have been temporarily transferred to the Employers Team to support the work in resolving queries, and in most cases, employers have responded promptly to the queries. Whilst at the time of writing there is still much to be completed before the Annual Benefit Statements can be issued, we are confident that we can achieve a minimum of 98% to avoid the need of a referral back to the Pension Regulator.

9. There have been a small number of employers where responses have been delayed beyond deadlines set, and where fines have been issued under the Administration Strategy. Two employers were fined £150 for the late return of their End of Year data, where they missed both the initial deadline and a follow up deadline. Four employers were fined £75 for late responses to queries, again where they missed both an initial and follow up deadline. Two employers were fined £150 each, comprising of £75 for delays in responding to queries, and then a further £75 when Pension Services were required to re-do the work once submitted.

10. The position with respect to Edwards and Ward is still under investigation, both in respect of the quality of data submitted and the issue of those staff not entered into the LGPS at the point of TUPE.

11. Following the conclusion of the work to issue the statements by the end of August deadline, a post project review will be completed, including a questionnaire to scheme employers to determine what further lessons can be learnt from this year's exercise, to lead to further improvements in the process for the 2019/20 statements.

12. The third key objective within the Improvement Plan was to issue Pension Savings Statements to those members who may face a tax charge in respect of the accrued benefits by the statutory deadline of 6 October 2019. Achievement of this objective is dependant on receiving the same timely and accurate data needed for the issuance of the Annual Benefit Statements, with an extended period to resolve any outstanding queries. Based on the position reported on Annual Benefit Statements above, we are confident that the objective in respect of Pension Saving Statements will be met.

13. The last two key objectives were in respect of our data quality scores, where we have set targets of 98% for both Common Data and Scheme Specific Data when we report to the Pension Regulator, expected to be in November 2019. These targets were set on the basis of the definitions used in compiling our reports last year, though a key action in the Improvement Plan was to work with the Scheme Advisory Board to produce a standard set of definitions, to be used consistently across the LGPS, which measured data quality for those items required to enable us to fulfil our statutory responsibilities.

14. On 4 July 2019, the working group set up to develop a set of standardised scheme specific data issued their proposals. These have been developed in conjunctions with system suppliers, representative administering authorities, fund actuaries and the Pension Regulator. The number of data fields to be tested has been reduced from 47 to 22. Further guidance on completing the tests is expected shortly.

15. In line with the steps within the Improvement Plan, we have run an interim set of data quality checks on the current data set. This run was undertaken following the submission of the data to the Fund Actuary for the current Valuation exercise, but before completion of the resolution of the individual queries associated with the year end returns (the Actuary is happy to work with the data received and make assumptions where necessary to completion the valuation exercise).

16. The scores from the current run were:

- Common Data 95.3%
- Scheme Specific Data 96.3%

17. The scores from last year's exercise which are not directly comparable were 96.9%, and 94.6% respectively.

18. The main areas where tests failed were in national insurance numbers and address details for common data, and CARE data and contracted out data (including guaranteed minimum pension GMP data) for scheme specific data. Follow up work will now be undertaken to correct as many of these records as possible before the final run of the tests to submit data to the Pension Regulator. This includes the use of an address tracing agency to identify missing addresses. Given the delays in the GMP project resulting from changes to the timetable by the Department of Works and Pensions, it may not be possible to address all the outstanding queries in this area by the November return.

19. Indications from Heywoods who ran the tests for us are that our results are currently at the higher end in respect the tests they have run. With the further work identified to further improve our scores before submission is due to the Pension Regulator we are confident that no follow up action will be required.

20. The second set of service measures in the Improvement Plan relate to the business as usual performance measures. These are contained within the

separate Administration report, and include the interim targets agreed by the Committee to reflect the need for a phased return to the long term target levels, from the sub-standard levels achieved whilst resources had been diverted to dealing with the backlog of work and cleaning our member data.

21. Two other areas were covered within the Improvement Plan. The first related to the significant levels of risk within the Plan associated with the level of vacancies held across the various teams within Pension Services. Following a review of our job descriptions and advertising policy, we concluded a successful recruitment round and whilst there have been two further resignations from the Team, we are now working much closer to the established levels. It will take some time though for all the new staff to be fully trained, and the team to operate at full capacity.

22. The final area of the Improvement Plan is the iConnect project, which is progressing well. At the time of writing this report, 67 scheme employers have gone live with iConnect. These are mainly fairly small employers from phase 1, all the Parish and Town Councils from phase 2, and a number of smaller schools and outsourced providers from phase 3. There are a couple of the larger academy trusts who have gone live or are due to go live this month. The rest of the phase 3 employers should be live by the end of 2019.

23. We continue to work with Oxford Brookes University, our second largest employer, initially included in phase 1, and we should be testing an iConnect file in parallel to their normal monthly submission in September. Planning for the phase 4 group is well underway including Oxford City Council and the Access Group who provide payroll services to several academies. These are on target for the end of this financial year.

24. There will be a tidy up phase 5 to pick up new employers, and any that are unable to complete in the first 4 phases, e.g. one of the District Councils has asked for a delay to phase 5 to allow them to change payroll provider later this financial year. All employers should be live on iConnect in line with the 31 August 2020 target date.

25. The Project Team is continuing to develop the support tools and website information from those employers who have gone live, as well as looking at the implications for the ways of working within the Pension Services Teams to reflect the increased automation of the process.

LORNA BAXTER
Director of Finance

Contact Officer: Sean Collins
Tel: 07554 103465

August 2019

Division(s):n/a

PENSION FUND COMMITTEE – 6 SEPTEMBER 2019

BUSINESS PLAN 2019/20

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the progress against the key service priorities included within the 2019/20 Business Plan.**

Introduction

2. This report sets out the progress against the key objectives within the business plan for the Pension Fund for 2019/20, as agreed by the Committee at their March meeting.

3. The key objectives for the Oxfordshire Pension Fund are set out on the first page of the Business Plan for 2019/20 and remain consistent with those agreed for previous years. These are summarised as:
   - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pensons Regulator
   - To achieve a 100% funding level
   - To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
   - To maintain as near stable and affordable employer contribution rates as possible.

4. Part A of the plan sets out the broad service activity undertaken by the Fund. As with the key objectives, these are unchanged from previous years. The service priorities for the forthcoming financial year are then set out in more detail in Part B. These priorities do not include the business as usual activity which will continue alongside the activities included in Part B.

Service Priorities for 2019/20

5. Five key service priorities were included in Part B of the Business Plan for 2019/20. Each of these was an extension of the 2018/19 priorities, amended to reflect the progress during 2018/19. A summary of the progress against each of the 5 key priorities is as follows.

6. <u>Development of the Brunel Pension Partnership</u> – There were three key elements to the work within the Brunel Pension Partnership during 2019/20, being reporting and assurance, the transition of assets and the delivery against the business case. Each of these can be looked at in turn.

7. In respect of reporting and assurance, the key priority for 2019/20 is seen as the development of comprehensive client reports, which will provide assurances on the processes and performance of the Brunel company, as well as on the investment performance itself. This is seen as increasingly important as more assets are transition to the Brunel portfolios and Brunel takes on its full responsibility for the selection and monitoring of the underlying fund managers.

8. Brunel have developed the initial investment performance reports and these are currently made available to Officers. This Committee offered no comments on the format of the Fund specific report presented to their last meeting, and it is expected that this will become a standard agenda item as more assets transition to Brunel. A report covering all Brunel portfolios is also presented to the Client Group and to the Brunel Oversight Board.

9. The Client Group have also worked with Brunel to develop a series of reports to enable the Client Group and the Brunel Oversight Board to assess the performance of Brunel itself and gain assurance that Brunel has a series of robust policies and procedures and is acting in accordance with them. These reports have now become a standard agenda item for these meetings, and will increasingly become the main focus as the transition to business as usual is completed.

10. In respect of asset transition, Brunel have concluded the appointments to the emerging markets portfolio (though there has not been a public announcement at the time this report was written) and are planning the transition. The Investment team have also made a proposal in respect of the Fund Managers to appoint to the global high alpha portfolio and this is currently going through the formal sign off processes within Brunel and the Client Group. The transition for this portfolio is expected to conclude by the end of November.

11. Oxfordshire will transition assets to these two portfolios once both are open to investment. It was initially intended to source this transition from closing the UBS global equity portfolio. However, we have recently been informed of changes planned at Wellington, which will lead to the closure of their global equity product in which we are invested at the end of December. We will therefore source the transition to the emerging market and high alpha portfolios at Brunel from the Wellington portfolio.

12. On the Private Markets, the Brunel team continue to identify new commitments in respect of the private equity, infrastructure and secured income portfolios that Oxfordshire have allocated to. The Team remain on target to have fully committed our allocation to these portfolios by the end of March 2020, although it will take longer for the underlying Managers to call down the full funds.

13. A key development in the developing Brunel Partnership was the resignation of Dawn Turner as Chief Executive Officer of the Brunel Company, announced in July. Brunel are currently in the process of recruiting a successor to Dawn

who leaves at the end of September, and interim arrangements have been agreed to ensure a smooth transition. There are on-going discussions between shareholder representatives, members of the Oversight Board and Client Group and Brunel to ensure the arrangements going forward meet the needs of all staeholders.

14. 2019 Valuation – There is a fuller report elsewhere on today's agenda which covers progress on the 2019 Valuation and the key issues which will need to be covered in a revised Funding Strategy Statement to be presented to the December meeting of this Committee.

15. Data Quality - The third priority focusses on delivery of the Improvement Plan and ensuring all services are delivered to scheme members in accordance with our regulatory responsibilities and our service level agreements. Review on progress on this objective is covered in the Improvement Plan report elsewhere on this agenda.

16. Monitoring Compliance with the Fund's Policies - This fourth priority centres around the need to make more transparent the work of the Fund in delivering its ESG Policy as included in the Investment Strategy Statement. One of the measures of success was the availability of benchmark data and regular quarterly reporting.

17. The Brunel Investment Performance report now includes a page on responsible investment issues for each of the Brunel listed portfolios. This includes information on the carbon intensity of each portfolio, an independent assessment of the wider ESG performance of the companies within the portfolio, and a short commentary from Brunel on key issues identified.

18. Over time, the presentation of this data will be an important step in developing greater transparency about the impact of the current ESG policy and provide a benchmark against which the Committee can track questions and identify issues for follow up with Brunel and the underlying Fund Managers. Unfortunately, there have been technical issues identified in the information included in the initial reports, and Brunel are reviewing the processes for the compilation of the reports to resolve them. This information also needs to be considered alongside the voting and engagement reports being developed by Brunel to develop a full picture of the impact of the current policy.

19. The draft reports will be an important element of the Climate Change workshop that this Committee agreed to hold at its last meeting. They will enable the Committee to determine what further information they wish to receive on a regular basis, and how they wish to use the information to drive future policy.

20. Improving Scheme Member Communications - The final priority included in the 2019/20 Business Plan is the continued development of Member Self Service (MSS). This should allow scheme members access to their records to undertake amendments to their core data and view key information on their pension benefits.

21. In terms of progress, MSS is now the main means of distributing Annual Benefit Statements, pensioners P60's and their monthly payslips, letters to deferred members, retirement quotes and pension estimates. We continue to send out paper correspondence in these cases where the Member has elected to still receive all correspondence by post.

22. The next development will be the option for Members to log in and obtain estimates of their future pension benefits under a number of scenarios. This will be developed and tested over the Autumn before going live later this year.

Budget 2019/20

23. Annex 1 sets out the latest monitoring position against the budget agreed by the Committee at its March meeting. At this early stage of the year most expenditure headings are expected to be in line with budgets. The main variation is on the staffing costs within the Pension services Team where a £150,000 underspend is estimated, reflecting the levels of vacancies carried to date.

24. The other variations are in investment management fees, which in part reflect the new rates obtained by Brunel from their tendering of the new portfolios, a small overspend in Actuary fees reflecting the more detailed work they have undertaken in respect of the major scheme employers, and a small underspend on the costs of the Committee and Local Pension Board.

Training Plan

25. A Training Plan for Committee Members was not included within the Business Plan. The issue of Member training is covered elsewhere on today's agenda.

LORNA BAXTER
Director of Finance

Contact Officer: Sean Collins - Tel: 07554 103465
August 2019

2019/20 Pension Fund Budget- Q1 Update

	Budget	YTD	%	Forecast Outturn	Variance
	2019/20	2019/20		2019/20	2019/20
	£'000	£'000		£'000	£'000
Administrative Expenses					
Administrative Employee Costs	1,576	345	22%	1,426	-150
Support Services Including ICT	634	449	71%	634	0
Printing & Stationary	72	12	17%	72	0
Advisory & Consultancy Fees	160	16	10%	160	0
Other	60	4	6%	60	0
Total Administrative Expenses	**2,502**	**826**	**33%**	**2,352**	**-150**
Investment Management Expenses					
Management Fees	8,484	5	0%	8,426	-58
Custody Fees	0	0		0	0
Brunel Contract Costs	1,043	535	51%	1,043	0
Total Investment Management Expenses	**9,527**	**541**	**6%**	**9,469**	**-58**
Oversight & Governance					
Investment Employee Costs	254	47	19%	254	0
Support Services Including ICT	11	2	18%	11	0
Actuarial Fees	160	88	55%	180	20
External Audit Fees	35	0	0%	35	0
Internal Audit Fees	15	0	0%	15	0
Advisory & Consultancy Fees	95	0	0%	95	0
Committee and Board Costs	49	3	5%	40	-9
Subscriptions and Memberships	50	0	0%	50	0
Total Oversight & Governance Expenses	**669**	**141**	**21%**	**680**	**11**
Total Pension Fund Budget	**12,698**	**1,507**	**12%**	**12,501**	**-197**

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Division(s):n/a

PENSION FUND COMMITTEE – 6 SEPTEMBER 2019

RISK REGISTER

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the changes to the risk register and offer any further comments.**

Introduction

2. At their meeting on 11 March 2016, the Committee agreed that the risk register should form a standard item for each quarterly meeting. A copy of the report also goes to each meeting of the Pension Board for their review. Any comments from the Pension Board are included in their report to this meeting.

3. 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.

4. A number of the mitigation plans are directly linked to the key service priorities identified in the Annual Business Plan for 2019/20. This report should therefore be considered in conjunction with the business plan report elsewhere on this agenda.

5. At their June meeting, the Committee asked for a column indicating direction of travel for the risk and a RAG status to be reintroduced. This has been actioned for this latest risk register.

6. The Direction of Travel arrow indicates whether the overall risk rating score is increasing (the impact worsening and/or the likelihood increasing), decreasing or has stayed stable.

7. The RAG status reflects the importance of the risk at the current time, with a Red allocation indicating the risk needs urgent attention, an Amber allocation indicating that the risk needs to be kept under regular review, whereas a Green allocation indicates that no action is required in the short term. Given the long term nature of pensions work, it is possible for the highest rated risks to be scored as Green if there is mitigation action underway, and the risk is seen as long term in nature.

Comments from the Pension Board

8. At their meeting in July 2019, the Pension Board made no specific comments in respect of the latest risk register.

Latest Position on Existing Risks

9. As previously reported, the first three risks on the risk register reflect the long term risks associated with a mismatch of assets and liabilities resulting in a risk of not closing the current funding deficit and having insufficient funds to meet pension liabilities as they fall due. Mitigation of these risks is tied into the 2019 Valuation process, which is involving greater engagement with the main scheme employers than in previous valuation processes to understand any factors which may impact on the future pension liabilities, the employer's own attitude to risk and the appetite for different investment strategies to reflect difference employer circumstances. This work will reduce the likelihood of the major risks to the Fund, but the scores will not be updated until the 2019 Valuation process has been concluded.

10. Risk 6 has been shown as Amber status reflecting the increased attention to ESG issues including Climate Change both locally and nationally. The Committee though are fully aware of the risk and the Climate Change workshop agreed at the last meeting of the Committee remains the appropriate initial mitigation action, with further mitigation to be determined as the outcome of the workshop.

11. The risk score for risk 9 has been reduced from 4 to 3 reflecting the improvements seen in the data quality. This has been evidenced both by the recent Data Quality reports as covered in the Improvement Plan report elsewhere on this agenda, and the feedback from Hymans Robertson on the quality of the data recently submitted to them for the 2019 Valuation.

12. The risk score on risk 12 has been reduced from 8 to 4 and is now at target. This reflects the recent successful recruitment round and the current staffing levels and the improvements seen in the business as usual performance indicators as covered in the Administration report.

13. Finally, the status of risk 13 has been shown as Amber reflecting the recent Good Governance report presented to the Scheme Advisory Board which recommends the Government bring in statutory guidance to require all Committee members to have the same level of knowledge and understanding as Board members. There is a report elsewhere on the agenda which seeks to mitigate this risk by introducing a mandatory training policy for Committee members.

LORNA BAXTER
Director of Finance

Contact Officer: Sean Collins Tel: 07554 103465 August 2019

Risk Register

Identification of Risks:

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

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

Key to Scoring

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

Likelihood

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

RAG Status/Direction of Travel

	Risk requires urgent attention
	Risks needs to be kept under regular review
	Risk does not require any attention in short term
↑	Overall Risk Rating Score is Increasing (Higher risk)
↔	Risk Rating Score is Stable
↓	Overall Risk Rating Score is Reducing (Improving Position)

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	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 2020	4	1	4	Sept 2019	Now working with new Actuary and Major Employers on aligning Investment and Funding Strategies as part of the 2019 Valuation.
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 2020	4	1	4	Sept 2019	Actuary has developed draft long term cash forecast, and now looking at sensitivities, and income generating investment options.
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	Sept 2019	Development of reports still outstanding.
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	Sept 2019	At Target – Needs to be kept under review as responsibility for Fund Manager monitoring switches to Brunel.
5	Actual results vary 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	Under performance of pension investments due to ESG factors, including climate change.	Financial	Failure to consider long term financial impact of ESG issues	Long Term - Pension deficit not closed.	Financial Manager	ESG Policy within Investment Strategy Statement requiring ESG factors to be considered in all investment decisions.	4	2	8	↔	Improve performance monitoring information on ESG scores within current investment portfolios, to identify any policy breaches by fund managers.	June 2019	4	1	4	Sept 2019	Climate Change Workshop agreed for the Autumn to feed into Brunel's Climate Change Policy, and local review of Investment Strategy Statement and Asset Allocation.

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
							Impact	Likelihood	Score				Impact	Likelihood	Score		
7	Loss of Funds through fraud or misappropriation.	Financial	Poor Control Processes within Fund Managers and/or Custodian	Long Term - Pension deficit not closed	Financial Manage	Review of Annual Internal Controls Report from each Fund Manager. Clear separation of duties.	3	1	3	↔			3	1	3	Sept 2019	At Target – Needs to be kept under review as responsibility for Fund Manager monitoring switches to Brunel.
8	Employer Default - LGPS	Financial	Market Forces, increased contribution rates, budget reductions.	Deficit Falls to be Met By Other Employers	Pension Services Manager	All new employers set up with ceding employing under-writing deficit, or bond put in place.	3	2	6	↔			3	2	6		At Target
9	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	3	1	3	↑			3	1	3	Sept 2019	At Target - Latest Data Quality Reports indicate data quality now of good standard – also reflected in feedback from Fund Actuary on Valuation Data.
10	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	↔			3	1	3		At Target
11	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	1	4	↔			4	1	4	Sept 2019	At Target – but look for further improvement through implementation of iConnect.
12	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	1	4	↑			4	1	4	Sept 2019	At Target – Staffing Levels improved and key performance indicators showing significant improvement.
13	Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Governance	Poor Training Programme	Breach of Regulation	Service Manager	Training Review	4	2	4	↔	Greater urgency given increased attention to the issue. Training Policy developed.		4	1	4	Sept 2019	Committee to consider mandatory training.
14	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
15	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			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
							Impact	Likelihood	Score				Impact	Likelihood	Score		
16	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
17	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
18	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
19	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	Sept 2019	At Target – Need to Review in light of current Government consultation to switch HE and FE employers to Designating Bodies.

Division(s): NA

PENSION FUND COMMITTEE – 6 SEPTEMBER 2019

ADMINISTRATION REPORT

Report by the Director of Finance

RECOMMENDATIONS

1. **The Committee is RECOMMENDED to note the report.**

Introduction

2. This report is to update members on scheme administration data and issues.

Staffing

3. Since last quarter one of the recently appointed administration assistants has left the team and one of the team's experienced senior administrators has resigned and will be leaving in September. On the positive side two new administrators have been appointed and will be joining the team shortly.

4. Overall this leaves a shortfall against establishment of 4.33 FTE (160.21 hours), which is broken down across the team as detailed below, although where the vacancy sits can be fluid depending upon workloads. We are currently using temporary staff to cover part of this shortfall.

Benefits – administrators -2.89 FTE
Communications – managers - .20 FTE
Employers – administrators -.20 FTE
Systems – administrators -1.04 FTE

Workloads

5. As previously agreed temporary SLA measures are in place until January 2020, as detailed below:

Period	Original SLA measure	New SLA Measure
April – Aug 2019	95%	75%
	90%	70%
Sept – Dec 2019	95%	85%
	90%	80%
Jan 2020 onwards	95%	95%
	90%	90%

Reporting against these SLAs is still work in progress, which is reflected in statistics shown at annex 1 and 2 for both LGPS and FIRE.

6. Annex 1 shows that over the first quarter of this year, there was a steady improvement in performance, moving from 83.5% of tasks completed within the Service Level Agreement deadline in April to 94.5% in June. In turn, these figures compare to just 58% and 69% in January and February 2019 respectively. This improvement in performance has been achieved at a much quicker rate than assumed when setting the temporary performance targets above.

7. Looking at the statistics in more detail, we hit the revised 70/75% performance level across most areas in each of the first 3 months of the year, and indeed restored performance to meet the long-term 90/95% target in several areas. The main area where we failed to hit the short-term target of 70% of work completed in the standard deadline was inter fund transfers, where we fell below 70% in each of the first three months.

8. The steady improvement in performance reflects improved staffing levels, as well as the impact of the increased automation of processes through the development of iConnect and Member Self Service. Subject to no further significant resignations from the Pension Services Teams, performance across all areas should return to the standard long-term targets of 90/95% by the beginning of 2020. There are though likely to be further short-term blips on the way due to the need to switch staff from out of the Benefits Teams to support the end of year work and the issuance of the Annual Benefit Statements. We would expect to see this reflected in the figures for the next quarter, and in particular those for August where the competing pressures have been greatest.

9. Annex 2 shows the equivalent figures for the Fire Fighter Pension Schemes. The numbers involved here are much lower, which means that individual cases can skew the performance figures, and trends are much harder to determine. As with the main LGPS performance data, the figures are also impacted by the need to re-prioritise the work of the staff to support the end of year process and ensure all Annual Benefit Statements get issued by the statutory deadline of 31 August 2019. We would therefore expect performance levels for the Fire Fighters Scheme to remain fairly volatile until the later part of the year, where they should again come into line with the long-term performance targets.

Project Work

10. **Administration to Pay** – this project status is currently at red. Initial testing had identified some 31 errors which were raised with our software suppliers who then investigated and made system changes to correct. Therefore, the initial implement date of May was missed.

11. This project was then put on hold to be reviewed in September to enable resources to be diverted to support the end of year processes.

12. **GMP Reconciliation** - this project status is currently at amber. This project, which is part of a national exercise, is designed to ensure that the records held here regarding contracted out membership are in line with those at HMRC. As previously reported, the project is nearing the final stage, which will involve a comparison of the final HMRC data cut with our data, and then correcting the data held if necessary. This could involve an underpayment, or overpayment of pension benefits.

13. Unfortunately, HMRC delayed the final data cut has from June 2019 to October 2019 at the earliest. As soon as the final data cut is received, ITM (who have undertaken most of the project work on our behalf) will undertake a final comparison of the data, and we will be able to move to completion of this exercise in early 2020.

14. **Pension Software Contract** – this project status remains green. The tender process has taken place, the responses reviewed, and the preferred supplier identified. The project now in the "standstill" phase until the end of August, when the contract will be awarded.

Scheme Employers

15. CfBT Advice and Guidance went in to administration in 2017. The cessation report identified a deficit of £1,458,000 between the assets held and the discounted pension liabilities calculated on a low risk basis, for which a claim was submitted to the Liquidators. We have now received payment of £32,658.57, which represents just 2.2p for each £ owed. However, it should be noted that the assets assigned to CfBT have remained invested in line with the rest of the Fund and have therefore attracted investment returns much higher than assumed under a low risk basis. A cessation valuation calculated using the current investment risk levels estimated the total deficit for CfBT at just £17,000, which would be fully covered by the sum received from the Liquidators, leaving no outstanding deficit to fall to the remaining employers within the Fund.

16. The White Horse Federation Academy has schools in the Oxfordshire, Berkshire, Gloucestershire and Wiltshire Pension Funds. To rationalise this the Academy has recently applied for a direction order to change administering authority to Wiltshire Pension Fund. The transfer to the Wiltshire Pension Fund will take place on 01 November 2019. There are only 2 primary schools within Oxfordshire involved in the transfer, so there is no significant impact on the Fund.

Complaints

17. To date 5 complaints have been received in 2019 and there are two cases open from 2018 which are with the Pension Ombudsman waiting for a decision.

18. The number of complaints shown as a percentage of active scheme membership are:

Year	Number of Complaints	Percentage of Active Membership
2019	05	0.02%
2018	21	0.10%
2017	28	0.14%

Write Offs

19. This report provides the details of those debts written off in the last quarter. In the current period, £20.63 has been written off in respect of four cases where a member has died.

LORNA BAXTER
Director of Finance

Background papers: None

Contact Officer: Sally Fox - Tel: 01865 323854

August 2019

Benefit Adminisation Monthly SLA Statistics

Subject	SLA Target	Temporary SLA Target Apr - Aug	Apr-19			May-19			Jun-19		
			Total Number Completed	% Achieved in SLA deadline	% Achieved in Legal deadline	Total Number Completed	% Achieved in SLA deadline	% Achieved in Legal deadline	Total Number Completed	% Achieved in SLA deadline	% Achieved in Legal deadline
Deaths	**95%**	**75%**	36	91.67%		91	79.12%	TBC	58	68.97%	TBC
Retirements	**95%**	**75%**	91	84.62%		122	84.43%	100.00%	144	92.36%	100.00%
Divorce	**95%**	**75%**	9	100.00%		24	100.00%		12	91.67%	
Interfund In	**90%**	**70%**	27	62.96%		38	50.00%		81	65.43%	
Transfer In	**90%**	**70%**	19	78.95%		27	55.56%	100.00%	55	80.00%	94.74%
Interfund Out	**95%**	**75%**	30	90.00%		21	80.95%		24	87.50%	
Transfer out	**95%**	**75%**	37	94.59%		43	95.35%	100.00%	39	94.87%	100.00%
Member Estimate	**90%**	**70%**	73	79.45%		119	92.44%	100.00%	82	97.56%	100.00%
HR Estimate	**90%**	**70%**	8	87.50%		16	100.00%		13	92.31%	
Refunds	**95%**	**75%**	43	83.72%		59	62.71%		34	100.00%	
Leavers*	**90%**	**70%**	206	77.18%		492	87.80%	87.80%	580	91.55%	91.55%
Re-employments**	**90%**	**70%**	154	70.78%		125	80.00%		64	71.88%	
Assistants***	**90%**	**70%**	0	TBC	TBC	21	95.00%		191	100.00%	
Starters (PPF)	**95%**	**75%**	0	TBC	TBC	0	TBC	TBC	0	TBC	TBC
Totals / Average Overall			733	83.45%		1198	88.61%	97.56%	1377	94.51%	98.31%

* Frozen, Deferred, Concurrent

** Elect to Separate, Re-emp quote, Re-emp Actual,

*** Address, Name, Nomination, IFA Requests

SLA not met
Temp SLA met
Standard SLA met

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Monthly SLA Statistics

Subject	SLA Target	Temporary SLA Target Apr - Aug	Apr-19		May-19		Jun-19		Jul-19	
			Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline
Deaths	95%	75%	1	100.00%	0	100.00%	2	0.00%	0	100.00%
Retirements	95%	75%	1	100.00%	2	100.00%	1	100.00%	4	100.00%
Divorce	95%	75%	0	100.00%	2	100.00%	0	100.00%	0	100.00%
After retirement adjustments	90%	70%	3	0.00%	1	100.00%	2	50.00%	0	100.00%
Transfer In	90%	70%	1	0.00%	0	100.00%	1	0.00%	0	100.00%
Transfer out	95%	75%	0	100.00%	0	100.00%	1	0.00%	2	0.00%
Member Estimate	95%	75%	0	100.00%	0	100.00%	0	100.00%	0	100.00%
HR Estimate	90%	70%	0	100.00%	0	100.00%	0	100.00%	0	100.00%
Refunds	90%	70%	0	100.00%	0	100.00%	0	100.00%	0	100.00%
Leavers*	95%	75%	4	50.00%	0	100.00%	4	75.00%	1	0.00%
Member Queries	90%	70%	12	75.00%	8	87.50%	3	100.00%	5	100.00%
Member changes	90%	70%	3	0.00%	3	33.00%	6	83.00%	1	100.00%
Totals / Average Overall			25	68.75%	16	93.38%	20	67.33%	13	83.33%

* Frozen, Deferred, Concurrent

** Elect to Separate, Re-emp quote, Re-emp Actual,

*** Address, Name, Nomination, IFA Requests

SLA not met
Temp SLA met
Standard SLA met

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Division(s):n/a

PENSION FUND COMMITTEE – 6 SEPTEMBER 2019

2019 VALUATION

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the latest position with regard to the 2019 Valuation and the key changes planned for the Funding Strategy Statement.**

Introduction

2. Under the current regulatory framework, the Pension Fund is required to arrange for a Valuation of the Pension Fund every three years. The latest Valuation is based on the position as at 31 March 2019, with a requirement for the Fund Actuary to produce their report and certify the employer contribution rates for 2020/21 onwards by 31 March 2020.

3. In completing the Valuation, the Fund Actuary must have regard to the Committee's approved Funding Strategy Statement which sets out the key policies to be followed in determining the approach to the Valuation. As this is the first Valuation for Oxfordshire to be completed by Hymans Robertson, they have reviewed the current Funding Strategy Statement to bring it into line with their preferred approach to the Valuation.

4. This report provides information on the work done to date on the 2019 Valuation and discusses key changes likely to be proposed to the Funding Strategy Statement. The revised Funding Strategy Statement itself will be presented to the December meeting of this Committee via the Pension Board meeting on 25 October 2019, to be agreed for formal consultation with all scheme employers. The final Funding Strategy Statement and Valuation results will be presented to the March meeting of this Committee.

Progress against 2019 Valuation Timetable

The Hymans Robertson Approach

5. There have been two major workstreams involved in the 2019 Valuation to date. One focusses on the Valuation data and the other on the Valuation approach. In respect of the Valuation data, the full data file was submitted to Hymans Robertson in the first week of August following receipt of the end of year returns from the individual scheme employers.

6. As reported within the Improvement Plan report elsewhere on this agenda, considerable effort was required to correct the data to enable it to meet the basic validation tests applied by Hymans Robertson when receiving the data. Hymans Robertson have applied further tests to the data since receipt and are working with Pension Services to resolve some outstanding queries, but generally they have reported that the data is of good enough quality for the purposes of the Valuation, and is of a high standard in comparison to that received from other Funds. Hymans Robertson do have the right to increase the employer contribution rate for any individual scheme employer where they believe it is prudent to do so given concerns about the quality of the data.

7. In terms of approach to the Valuation, Hymans Robertson operate a risk-based framework. This more formally recognises the differences in employer risk profiles and covenant when setting employer contribution rates, ensuring a clear and auditable process. This risk-based approach looks at the likelihood of each employer being fully funded in the future under a wide range of different economic scenarios (5,000 scenarios are tested), rather than being focussed on one particular set of financial assumptions.

8. The contribution strategy therefore focuses on a suitable likelihood of achieving the funding target at the end of a specified period of time. For example, the contribution rate will be set such that in 75% of the potential economic scenarios, the employer will be fully funded in 20 years’ time.

9. The funding target itself is a reflection of a number of future assumptions including investment returns, inflation and life expectancy. The funding target will be set such that the total assets held will be sufficient to meet all future pension liabilities. Depending on the risk profile for the employer, the Actuary can vary the level of prudence assumed in the financial assumptions and therefore in the funding target.

10. Similarly, the Actuary can reduce the time horizon to reach the funding target where they have concerns over the financial covenant of a scheme employer, where the employer has a fixed term admission agreement tied to a service contract, or where they have closed membership to the LGPS or are looking to significantly reduce membership through out-sourcing, re-structuring the workforce etc.

11. The likelihood of achieving the funding target will also vary depending on the risk profile and financial covenant of the employer, with the likelihood of achieving the funding target set higher for those employers deemed to be weaker.

12. An important part of the Hymans Robertson approach is the introduction of a stabilisation concept whereby the maximum variation in future contribution rates can be set. Any stabilisation criteria will need to be tested against the risk-based model to ensure that the likelihood of reaching the funding target within the given time horizon remains within acceptable levels.

Current Position for Oxfordshire

13. Hymans Robertson have tested the approach working with the main employers in the Fund (the County, City and District Councils and Brookes University). The models (based on a roll forward of the 2016 Valuation data) have looked at the contribution rate required to ensure that each employer has a 75% chance of reaching their funding target. For the Councils the time horizon was set at 20 years, whereas for Brookes University, this was set at 15 years reflecting the slightly weaker financial covenant in that the University is not a tax raising body.

14. This work also looked at the impact of each employer making a one-off contribution to the Fund. This one-off contribution could either be viewed as a payment of contributions in advance, or an additional lump sum payment. In the case of the former, this would allow for a short-term reduction in contribution rate to assist with any cash-flow issues identified by the employer, whereas in the letter case the payment would be seen as allowing a permanent reduction in contribution rate (or a smaller increase in contribution rate, depending on the initial risk-based analysis).

15. Following this initial work, a variation to the current rates and adjustments certificate was agreed in respect of Brookes University, with the University making a one-off payment, with an immediate reduction in their contribution rate effective from 1 August 2019, in line with their new financial year.

16. Following the submission of the 2019 Valuation data at the beginning of August, Hymans Robertson have undertaken an initial run of the data to produce a whole Fund result. This suggests that there has been a significant improvement in the funding level based on better than assumed investment returns, and variations in other financial assumptions including salary increases and longevity. This though has been offset by a reduction in the assumed level of investment returns going forward.

17. These initial findings would support a general policy of maintaining employer contribution rates in line with those agreed at the 2016 Valuation. This though would not be the case for all employers within the Fund where the membership profile, risk profile or financial covenant is materially different to the Fund average.

Funding Strategy Statement

18. Officers are currently working with Hymans Robertson to draft a revised Funding Strategy Statement to reflect the new risk-based approach being taken to the 2019 Valuation. The draft document has also been expanded to produce a comprehensive document covering all aspects of employer funding, which can act as a single source of information to current and prospective scheme employers.

19. As well as setting out the principles of the risk-based approach, the draft document sets out some of the factors to be considered which would lead to

variations between employers in terms of the funding target, time horizon or level of prudence in the likelihood of achieving the funding target.

20. Specific reference is made in the draft document to the uncertainty relating to the McCloud judgement. At the present time it is not known what form the remedy to the discrimination found by the Courts will take and therefore how benefits will need to be revalued going forward. Rather than make specific allowance within the 2019 Valuation for McCloud, it is therefore suggested that the uncertainty associated with McCloud is taken into account when setting the overall level of prudence in the calculations and in particular the level of certainty required that scheme employers will reach their funding target within the agreed time horizons.

21. Hymans Robertson have also identified several other areas which they suggested are reviewed before finalising the final Funding Strategy Statement. One of these is the pooling requirements which were initially designed as part of the Fund's risk management arrangements. Smaller employers were pooled to reduce the risk that they would face an unaffordable increase in their contribution rate from changes in their membership profile, or a high cost ill-health retirement, leaving a deficit to be met by the other scheme employers.

22. Pooling the small employers reduced the risk as all employers within the pool share the same experience, with changes in one employer not having a significant impact on the membership profile of the pool itself. The risk-based approach operated by Hymans Robertson offers alternative options to pooling to address the risk. Those employers who do not want to be linked to decisions made by other employers within their pool could opt out of the pool and mitigate the risk through more prudent assumptions elsewhere.

23. A linked issue is the ability of a scheme employer to mitigate the risk of a single high cost ill-health retirement by taking out an insurance arrangement. In many ways, pooling the small employers acts in the same way as an insurance fund. If an employer therefore wished to opt out of the pool, taken out the relevant insurance policy would be a suitable way to address the additional risk.

24. Another issue that Officers are reviewing alongside Hymans Robertson is the question of an alternative investment strategy for scheme employers. This would be appropriate where one or more scheme employers wish to take some investment risk off the table and are happy to accept a higher contribution rate for lower volatility. Similarly, if the Fund wishes to reduce the overall investment risk then one or more employers may wish to retain a higher risk strategy to help close their existing funding deficit.

25. The final issue discussed to date in the development of the Funding Strategy Statement are the risks associated with climate change associated with the pension liabilities. These include the impact of increasing global temperatures of life expectancy. At present it is proposed that these risks will be reflected in the risk-based modelling rather than a specific adjustment to the liability figures.

LORNA BAXTER
Director of Finance

Contact Officer: Sean Collins
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August 2019

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OXFORDSHIRE PENSION FUND
REPORT AND ACCOUNTS 2018/19

Registered Number: PS049/20

CONTENTS

FOREWORD TO THE 2018/19 PENSION FUND REPORT AND ACCOUNTS BY THE DIRECTOR OF FINANCE

<u>Introduction</u>

The 2018/19 Report and Accounts reflect a challenging year for the Pension Fund, both in terms of working with the Pension Regulator to improve data quality and with the Brunel Pension Partnership to develop the pooling arrangements. Both areas saw good progress during the year.

It was also a year which saw increasing interest in our responsible investment policy, with a number of calls for the Fund to divest from all fossil fuel companies. The Fund maintained its position that engagement is a better tool that divestment and directed resources to work with Brunel to develop better reporting tools to evidence the impact of our engagement.

<u>Key Challenges of 2018/19</u>

As reported last year, we have been working with the Pension Regulator to improve our data quality and the processes for collecting and recording data. This followed three years where we failed to issue all the Annual Benefit Statements to scheme members by the statutory deadline of 31 August.

With the support of the Pension Regulator, we had developed an Improvement Plan with three key target areas. In respect of the first of these, we issued 97% of the required Annual Benefit Statements by the statutory deadline, a significant improvement of the previous year's figures of 0%, 50% and 77% respectively. We subsequently issued all but 16 of the outstanding statements, with these all related to a single employer who we reported to the Regulator for a breach of their statutory duties in respect of their failure to provide timely and accurate information.

The other two target areas where in respect of data quality and the backlog of work associated with scheme leavers. On the former we reported performance figures of 96.9% of all records being complete for Common Data and 94.8% for Scheme Specific Data. We are continuing the work to bring these figures up to 100%. In respect of the leaver backlog, with the help of additional resource bought in from ITM Limited, we successfully cleared over 7,500 historic records during the year.

The Pension Regulator has subsequently signed off against our case, happy with the progress we have made against the Improvement Plan, and in our ability to successful manage these issues going forward.

Developing the pooling arrangements was the other significant challenge of 2018/19. During the year though, the first new Brunel Portfolios were established, and we transitioned money across from our existing passive and UK active equity fund managers to the new managers appointed by Brunel. Brunel also took on responsibility for identifying and managing new allocations in the private markets, including allocations for Oxfordshire to the Secured Income, Private Equity and Infrastructure portfolios.

The delivery of these initial transactions allowed the first review of the assumptions set out in the business case for the development of the Brunel Pension Partnership. This review identified that the total level of investment savings could well be substantial understated, and the initial transitions were also delivered inside of the budget provision. It was though also determined that the Brunel Company was significantly under-resourced to deliver all the work assumed within the Business Case, and the Partner Funds signed off a new Business Plan and Budget for the company to ensure the full benefits of pooling could be achieved. Total savings across the partnership over the first 20 years of operation are now estimated to be over £200m more than the initial estimate of £550m included within the Business Case.

The Fund

The Fund saw a further 10% growth in the number of scheme employers during 2018/19, with the number now standing at 225 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 63,536 members as at 31 March 2019, a reduction of 2% since last year, with increases in active and pensioner members, more than offset by the reduction in deferred members.

In terms of cash-flow, whilst the trend is downwards, the Fund remains cash positive, collecting £0.5m to £1m each month more than it pays out by way of benefits. This allows the Fund to retain an investment strategy which maximises the long term returns to the Fund, without the restriction of maintaining high levels of cash or liquid assets to meet pension payments.

Investment Performance

The Fund as a whole returned 6.8% against a benchmark of 6.7%. This compares to a median performance of 6.2% measured across 64 of the LGPS Funds in England and Wales. The Fund's performance is also above median performance when measured over the last 3, 5 and 10 year periods. The main out-performance in 2018/19 came from our Private Equity Managers who achieved returns of 13.1% in the year. The main detractors were both UBS and Wellington who underperformed against their benchmark by 1.5% and 3.2% respectively on their global equity mandates, and Insight who manage the Diversified Growth Fund and returned 2.8% below their benchmark. The 6.8% returns plus positive cash flow meant the fund grew in size to £2.5bn as at 31 March 2019.

The Future

The Pension Fund Committee has set a number of objectives within its Business Plan for 2019/20. The first two of these build on the challenges within 2018/19 and cover the continued development of the Brunel Pension Partnership and the further improvements in our data quality.

For the Brunel Pension Partnership the process of developing the new portfolios and transitioning funds from the current managers continues. As more money becomes under the direct responsibility of Brunel it is also key to develop the Governance arrangements, ensuring the Oxfordshire Pension Fund and the other 9 Funds are fully capable of monitoring the performance of Brunel, gaining assurances around their policies and practices and holding them to account.

For data quality, we need to continue to build on the work completed in 2018/19, ensuring we again issue Annual Benefit Statements in line with statutory deadlines, further improve our common data and scheme specific data quality scores, and develop the performance framework for all the administration responsibilities so that the Committee and Pension Board can identify and future problems before they develop into the backlog of work experienced in respect of scheme leavers.

An associated challenge for 2019/20 is the management of the 2019 Valuation process which sets the employer contribution rates from 1 April 2020 onwards. This work will involve understanding the key risks associated with all scheme employers and developing the Funding and Investment Strategies accordingly. This will involve examining whether we need to develop alternative investment strategies for those scheme employers with lower risk appetites, or those where membership numbers are expected to significantly decline, to ensure all employers move towards a position of being fully funded, and that sufficient cash reserves are held to pay pensions as they fall due.

The final challenge for 2019/20 is to further develop our responsible investment strategy alongside our colleagues within the Brunel Pension Partnership. Key within this will be the development of the first Climate Change Policy by Brunel due to be published by the end of 2019.

This work, and the results of 2019 Valuation will then need to feed back into the fundamental review of our asset allocation due at the end of 2019/20, ensuring Brunel offer the portfolios we need to meet our financial and responsible investment requirements going forward.

Lorna Baxter
Director of Finance July 2019

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 2018/19 financial year, covering the work from the July 2018 Board meeting to their meeting on 26 April 2019.

Board Membership

David Locke resigned from the Board at the end of 2018 as due to a change of job, he was no longer representative of the scheme employers within the Fund. Lisa Hughes, the Chief Operating Officer for the River Learning Trust joined the Board with effect from the April meeting following a request for expressions of interest. Attendance at Board meetings was as follows:

Scheme Employer Representatives	Attended 13 July 2018 Meeting	Attended 26 October 2018 Meeting	Attended 18 January 2019 Meeting	Attended 26 April 2019 Meeting
Cllr Bob Johnston (Oxfordshire County Council)	No	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	n/a	n/a
Lisa Hughes (River Learning Trust)	n/a	n/a	n/a	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)	No	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.

Three members of the Pension Fund Committee each attended one meeting of the Pension Board during the year as an Observer.

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 2018/19 was in respect of employer management, and in particular the development and monitoring of the Improvement Plan looking at timely and accurate submission of data from employers to the Pension Services team, and the issuance of Annual Benefit Statements in line with the statutory deadlines. 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 discussions with the Pension Regulator and the Improvement Plan for the 2018/19 statements at each of their 4 meetings during the year.

During the year, the Board particularly focussed on

- The need to support the Pension Services team in recruiting and retaining sufficient staff skills and resources to complete the work programme
- The opportunities in future to introduce greater standardisation and automation to the process, including the implementation of i-connect
- 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, and to monitor progress against key milestones within the Improvement Plan.

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 presentation of the data and to individual 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 the skills and knowledge of the Committee and whether the risks around environmental, social and governance factors, particularly climate change were appropriately reflected in the register.

The third item which the Board considered at each of their four meetings during 2018/19 was the Committee's Annual Business Plan. Key issues identified by the Board were the need for appropriate key performance indicators, the need for more detailed monitoring of the budget during the year, and the need to ensure that the objectives of the business plan properly reflected both the statutory duties, but also the needs of the various customers of the service.

Two items appeared three times on the Board's agenda during the year. The first of these was the Board's own constitution which was reviewed at the first three meetings of the year, particularly in respect of how the agenda of meetings was determined. After considerable debate it was finally determined that no significant changes were required. The other item considered on three separate occasions during the year was the issue of cost transparency and investment fees. The Board were keen to develop an improved approach to monitoring investment fees to ensure that the Fund were getting value for money from the contracts held with fund managers.

During the year, the Board also took an interest in the development of the Brunel Pension Partnership, the approach to the 2019 Valuation, the extension of the contract for the Independent Financial Adviser, and the risks to individual Board members and whether there was a requirement to put indemnity insurance in place.

Future Work Programme

The issues around data quality will continue to be a major item on the agenda of the Pension Board for 2019/20, including reviewing the implementation and roll out of i-connect. We are currently expecting national guidance on the publication of Common and Scheme Specific Data Quality measures, which will provide a framework for the Board to measure on-going improvement.

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. This work will cover both investment performance and performance against the engagement and responsible investment policies.

A key issue for the Board during 2019/20 will be the 2019 Valuation process and results. This will include reviewing the Funding Strategy Statement and the approaches to managing employer risks within the valuation process.

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

<u>The County Council's Responsibilities</u>

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.

<u>The Responsibilities of the Chief Finance Officer</u>

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 2018/19 ('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 2019, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 29.

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 2019 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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 2018/19.

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 of the information within the Oxfordshire Pension Fund Report and Accounts 2018/19 other than the Pension Fund Accounts 2018-19 on pages 45 to 79 and our auditor's statement thereon.

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.

Kevin Suter (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
31 July 2019

SCHEME MANAGEMENT & ADVISORS

Administering Authority	Oxfordshire County Council County Hall Oxford OX1 1ND
Administrator	Director of Finance
Pension Fund Committee County Council Members 2018/19 Membership	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
Representatives of District Councils	Cllr Alaa Al-Yousuf (WODC) Cllr Bill Service (SODC)
Beneficiary Observer	Anya Grieg
Independent Investment Adviser	Peter Davies AllenbridgeEpic Investment Advisers Limited
Fund Managers	Adams Street Partners Brunel Pension Partnership Legal & General Investment Management Partners Group UBS Global Asset Management Wellington Management Insight Investment Management
Internally Managed Funds	Listed Private Equity
Actuary	Hymans Robertson
Auditor	Ernst & Young LLP
AVC Provider	Prudential Assurance Company Ltd
Custodian	State Street Bank and Trust Company
Legal Advisers	Oxfordshire County Council Legal Services
Bankers	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).[1] The scheme covers eligible employees and employees of other bodies eligible to be employers in the Scheme. A list of all those bodies with employees currently participating in the Scheme is shown on pages 13 to 19.

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 2018 - 2019 were based on the completed valuation of the Scheme's financial position as at 31 March 2016 and are shown on pages 13 to 19.

♦ Benefits

The benefits payable under the Scheme are laid down by the 2013 Regulations. Pension payments are guaranteed and any shortfall is met through the Pension Fund linked to employer contribution rates set by the fund valuation. The Scheme is a 'defined benefit scheme and provides a pension based on 1/49th of pensionable pay each year of membership with annual revaluation, adjusted in line with CPI. A Summary of Benefits is shown on pages 82 to 84.

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.

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

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

♦ Adjudication of Disagreements Procedure

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

PARTICIPATING EMPLOYERS

Scheduled Bodies	Contribution Rate: Payroll % 2018/19	Contribution Rate: Additional Monetary Amount 2018/19
Abingdon & Witney College	13.0%	£ 205,000
Abingdon Learning Trust	19.3%	-
Abingdon Town Council	21.7%	-
AcerTrust MAT	19.9%	£ 54,000
Activate Learning Education Trust	19.3%	-
Activate Learning	13.5%	£ 417,000
Adderbury Parish Council	21.7%	-
Aspirations Academy Trust	13.9%	£ 75,000
Banbury Town Council	21.7%	-
Benson Parish Council	21.7%	-
Berinsfield Parish Council	21.7%	-
Bicester Learning Academy	16.8%	£ 52,000
Bicester Town Council	21.7%	-
Blackbird Multi Academy Trust	14.4%	£ 86,000
Bloxham Parish Council	21.7%	-
Burford School	17.8%	£ 62,000
Carterton Town Council	21.7%	-
CfBT MAT	21.1%	-
Chalgrove Parish Council	21.7%	-
Cherwell District Council	14.9%	-
Chinnor Parish Council	21.7%	-
Chipping Norton Town Council	21.7%	-
Cholsey Primary School (OPEN)	19.3%	-
Community Schools Alliance Trust	14.7%	£ 84,000
Cumnor Parish Council	21.7%	-

Scheduled Bodies (cont)	Contribution Rate: Payroll % 2018/19	Contribution Rate: Additional Monetary Amount 2018/19
Didcot Town Council	21.7%	-
Dominic Barberi Multi Academy Co	15.4%	£ 107,000
Drayton Parish Council	21.7%	-
Endeavour Academy	19.3%	-
Europa School	19.3%	-
Eynsham Parish Council	21.7%	-
Eynsham Partnership	17.6%	£ 40,000
Faringdon Academy	15.3%	£ 85,000
Faringdon Town Council	21.7%	-
GEMS Didcot Primary Academy	19.3%	-
Gillots Academy	19.3%	-
GLF- William Morris	19.3%	-
Gosford Hill Academy School	19.3%	-
Henley College	17.1%	-
Henley on Thames Town Council	21.7%	-
Heyford Park Free School	19.3%	-
Kennington Parish Council	21.7%	-
Kidlington Parish Council	21.7%	-
Kingston Bagpuize with Southmoor Parish Council	21.7%	-
Ladygrove Park Primary School	19.3%	-
Langtree Academy	19.3%	-
Littlemore Parish Council	-	-
Long Hanborough Parish Council	21.7%	-
Lord Williams School	17.2%	£ 47,000

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Scheduled Bodies (cont)	Contribution Rate Payroll % 2018/19	Contribution Rate Additional Monetary Amount 2018/19
Maiden Erlegh Trust	19.3%	-
Manor School Didcot Academy Trust	15.7%	£ 17,000
Marcham Parish Council	21.7%	-
North Hinksey Parish Council	21.7%	-
Northern House School Academy Trust	19.3%	-
Old Marston Parish Council	21.7%	-
Oxford Brookes University	14.4%	£ 1,775,000
Oxford City Council	20.6%	-
Oxford Diocesan Trust	19.8%	-
Oxford Direct Services	20.6%	-
Oxfordshire County Council	19.9%	-
Propeller Academy Trust	15.1%	£ 42,000
Radcliffe Academy Trust	19.3%	-
Radley Parish Council	21.7%	-
Ramsden Parish Council	21.7%	-
Ridgeway Education Trust	16.7%	£ 60,000
Risinghurst & Sandhills Parish Council	-	-
River Learning Trust	16.5%	£ 182,000
Rotherfield Greys Parish Council	-	-
Rotherfield Peppard Parish Council	21.7%	-
Sonning Common Parish Council	21.7%	-
South Oxfordshire District Council	12.9%	793,000
St Johns Academy Trust	19.3%	-

Scheduled Bodies (cont)	Contribution Rate Payroll % 2018/19	Contribution Rate Additional Monetary Amount 2018/19
Sutton Courtenay Parish Council	21.7%	-
Thame Town Council	21.7%	-
The Gallery Trust	19.3%	-
The Merchant Taylors Oxfordshire Academy School Trust	15.1%	£ 44,000
The Mill Academy Trust	17.4%	£ 50,000
The Oxford Academy	14.1%	-
The Pope Francis MAC	16.9%	£ 36,000
Tyndale School	19.3%	-
United Learning Trust	14.3%	£ 37,500
Vale Academy Trust	16.7%	£ 102,000
Vale of the White Horse District Council	13.2%	£ 699,000
Wallingford Town Council	21.7%	-
Wantage Town Council	-	-
Warriner MAT	18.0%	£ 38,000
West Oxfordshire District Council	15.8%	-
Wheatley Parish Council	21.7%	-
Whitchurch on Thames Parish Council	-	-
White Horse Federation	19.3%	-
Willowcroft Academy Trust	19.3%	-
Witney Town Council	21.7%	-
Woodstock Town Council	21.7%	-

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Admitted Bodies	Contribution Rate: Payroll % 2018/19	Contribution Rate: Additional Monetary Amount 2018/19
1st Homecare (Oxford) Ltd	19.9%	-
A2 Dominion	18.1%	-
ABM Catering Ltd - Church Cowley St James Church of England Primary School, Oxford	19.9%	-
Adviza	-	-
Age UK Oxfordshire	-	-
Allied Healthcare	-	-
Alliance in Partnership Limited	21.0%	-
Alliance in Partnership Limited – The Cooper School (Bicester Learning Academy) catering	20.0%	-
APCOA Parking (UK) Ltd	28.4%	-
Arcadis	-	-
Aspens Services Ltd - John Hampden Primary	19.9%	-
Banbury Citizens Advice Bureau	-	-
Banbury Homes	18.1%	-
Banbury Museum Trust	16.8%	£ 14,000
Barnardos	25.3%	-
Busy Bee Cleaning Services	19.9%	-
Capita	-	-
Capita Symonds Ltd	19.9%	-
Cara Services Limited	19.3%	-

Admitted Bodies (cont)	Contribution Rate: Payroll % 2018/19	Contribution Rate: Additional Monetary Amount 2018/19
Care Outlook Ltd	19.9%	-
Carillion (AMBS) Ltd	19.9%	-
Cater Link Limited	21.1%	-
Cater Link Limited – Dominic Barberi Multi Academy Company (catering contract)	19.3%	-
Cater Link Limited – River Learning Trust (Garsington C of E Primary School) (catering contract)	19.7%	-
Cater Link Limited – River Learning Trust (New Marston Primary School (catering contract)	19.7%	-
Cater Link Limited – River Learning Trust (Tower Hill School, Witney) (catering contract)	19.7%	-
CfBT Career Service	26.0%	£ 7,000
Charter Community Housing	16.5%	-
Chartwells (Wheatley Park School)	19.3%	-
Clean Genie - St Marys Bicester	19.9%	-
Cleantec Services Ltd	21.0%	-
Community Voice	-	-
Cottsway Housing Association	-	-
Edwards and Ward (Banbury Dashwood Academy)	19.3%	-
Edwards and Ward (Benson C.E. Primary School)	19.9%	-

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	Contribution Rate Payroll % 2018/19	Contribution Rate Additional Monetary Amount 2018/19
Edwards and Ward (Fitzwaryn) - Propeller Academy Trust	19.3%	-
Edwards and Ward (Bladon C.E. Primary School)	19.9%	-
Edwards & Ward Ltd (Brightwell-cum-Sotwell CE Primary School)	19.9%	-
Edwards and Ward (Caldecott Primary School)	19.9%	
Edwards and Ward (Chilton Primary School)	19.9%	
Edwards & Ward (Hailey Primary School)	19.9%	-
Edwards & Ward (John Henry Newman Academy) ODST	19.3%	-
Edwards and Ward (New Marston Primary School)	19.9%	-
Edwards and Ward (Orchard Fields Primary School)	19.3%	-
Edwards and Ward – River Learning Trust (Rose Hill Primary School) (catering contract)	19.9%	-
Edwards & Ward (Rush Common Primary School)	19.3%	-
Edwards and Ward (South Moreton School) ODST	19.3%	-
Edwards and Ward (St Andrews C.E. Primary School)	19.9%	-
Edwards & Ward – St John's Primary School, Wallingford (OPEN)	19.3%	-
Edwards and Ward (St Nicholas C.E. Primary School)	0.0%	-
Edwards & Ward (St Nicholas Oxford)	19.9%	-

Admitted Bodies (cont)	Contribution Rate Payroll % 2018/19	Contribution Rate Additional Monetary Amount 2018/19
Edwards and Ward (Stockham Primary School)	19.9%	-
Edwards & Ward (Sutton Courtenay C of E Primary) catering contract	19.9%	-
Edwards & Ward – The Ridgeway C of E Primary School, Childrey (catering contract)	19.9%	-
Edwards and Ward (Willowcroft Community School)	-	-
Edwards & Ward (Wolvercote Primary School)	19.3%	-
Energy Kidz (John Hampden)	19.9%	-
Fresh Start Catering Ltd (Bure Park Primary School, Bicester) catering contract	19.9%	-
Fresh Start Langford Primary	19.9%	-
Fresh Start Ltd (Bloxham School contract)	19.9%	-
Fresh Start Ltd (Launton CofE Primary School)	19.9%	-
Fresh Start Ltd (St Mary's Catholic Primary School Bicester)	19.9%	-
Fusion Lifestyle	20.6%	-
Greenwich Leisure Limited	22.3%	-
Groundwork South	19.9%	-
Hayward Cleaning Services	19.9%	-
Hill End Outdoor Education Centre	25.9%	-
Home Farm Trust - South & Vale 1	19.9%	-
Home Farm Trust - South & Vale 2	19.9%	-
Indigo	-	-

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	Contribution Rate Payroll % 2018/19	Additional Monetary Amount 2018/19
Innovate Services Limited	14.4%	-
L C Housekeeping Services – Dominic Barberi MAC (Our Lady of Lourdes Catholic Primary School (cleaning contract)	19.3%	-
Nexus Community	-	-
Optalis Limited	14.1%	£ 2,000
Order of St John's Care Trust (Oxford)	19.9%	-
Oxford Active	12.3%	-
Oxford Archaelogical Unit	18.1%	-
Oxford Citizens' Housing Association	-	-
Oxford Community Work Agency	18.1%	-
Oxford Health NHS Foundation Trust	19.9%	-
Oxford Homeless Pathways	18.1%	-
Oxford Inspires	-	-
Oxfordshire LEP	19.9%	-
Oxfordshire South & Vale Citizens Advice Bureau	-	-
Oxfordshire Youth Arts Partnership	18.1%	-
PAM Wellbeing Ltd	19.9%	-
Publica	15.8%	-
Rapid Clean - Stockham Primary School	19.9%	-
Rapid Clean - Manor School Didcot Academy Trust	19.3%	-

Admitted Bodies (cont)	Payroll % 2018/19	Additional Monetary Amount 2018/19
Rapid Commercial Cleaning Ltd	19.9%	-
Rapid Commercial Cleaning Services Ltd - Clanfield C of E Primary School (cleaning contract)	19.9%	-
Reading Quest	-	-
Regency Cleaning Services Ltd - Caldecott Primary School, Abingdon	19.9%	-
Regency Cleaning Services Limited – Meadowbrook College (Radcliffe Academy Trust) cleaning contract	19.3%	-
RM Education	-	-
School Lunch Company (Appleton CE Primary School)	19.9%	-
School Lunch Company (Badgemore Community Primary School)	19.9%	-
School Lunch Company (Bishop Loveday CE Primary School)	19.9%	-
School Lunch Company (Brize Norton Primary School)	19.3%	-
School Lunch Company (Charlton on Otmoor)	19.9%	-
School Lunch Company (Chesterton CE School)	19.9%	-
School Lunch Company (Combe CE Primary School)	19.9%	-
School Lunch Company (Cumnor School)	-	-
School Lunch Company (Great Milton CofE Primary School)	19.9%	-
School Lunch Company (Hook Norton CE Primary School)	19.9%	-

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	Contribution Rate Payroll % 2018/19	Additional Monetary Amount 2018/19
School Lunch Company (John Henry Newman Academy) ODST	19.3%	
School Lunch Company (Nettlebed Community School)	19.9%	
School Lunch Company (North Hinksey CE Primary School)	19.9%	
School Lunch Company (Orchard Fields)	19.9%	
School Lunch Company (Queensway School)	19.9%	
School Lunch Company (RAF Benson)	19.9%	
School Lunch Company (Standlake CE Primary School)	19.9%	
School Lunch Company (St Christopher's CE Primary School)	19.3%	
School Lunch Company (St John Fisher Primary School)	19.3%	
School Lunch Company (St Mary's CE Infant School)	19.3%	
School Lunch Company (St Mary's Chipping Norton)	19.9%	
School Lunch Company (The Batt CE Primary School, Witney)	19.3%	
School Lunch Company – The Blake CofE Primary School, Cogges	19.3%	
School Lunch Company (The Hendreds Primary School)	19.3%	

Admitted Bodies (cont)	Payroll % 2018/19	Additional Monetary Amount 2018/19
School Lunch Company (The John Henry Newman Academy)	19.3%	
School Lunch Company (St Christopher's CofE Primary School, Cowley (ODST)	19.3%	-
School Lunch Company (St John the Evangelist CE Primary School)	19.9%	-
School Lunch Company (St Josephs Catholic Primary School)	19.3%	-
School Lunch Company (St Kenelm's C of E Primary School	19.9%	-
School Lunch Company (St Mary's CofE Infant School, Witney (Cleaning) ODST	19.3%	-
School Lunch Company (St Michael's CofE Primary School, Oxford)	19.9%	-
School Lunch Company (St Nicolas CofE Primary School, Abingdon)	19.9%	-
School Lunch Company (Tackley C of E Primary School)	19.3%	-
School Lunch Company (Tower Hill School)	19.3%	-

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Contribution Rate

Admitted Bodies (cont)	Payroll % 2018/19	Additional Monetary Amount 2018/19
School Lunch Company (Whitchurch Primary School)	-	-
School Lunch Company (Witney Community Primary School)	19.9%	-
School Lunch Company (Wroxton CofE Primary School)-ODST	19.3%	-
School Lunch Company (Wychwood CE Primary School)	19.9%	-
ServiceMaster- East Oxford	19.9%	-
Skanska Construction UK Ltd	15.6%	-
SOLL Vale	-	-
Swalcliffe Park School Trust	18.1%	-
Thames Valley Partnership	18.1%	-
The Camden Society - City 1	19.9%	-
The Camden Society - City 2	19.9%	-
The Camden Society - North	19.9%	-
The Camden Society - West 2	19.9%	-
TNS Catering Management Ltd-Lord Williams School	19.3%	-
UBICO Limited	15.8%	-
Vale Capita	-	-
Vinci	-	-
West Oxon Citizens Advice Bureau	18.1%	-
Wyclean (The Mill Academy)	21.0%	-

List of Participating Employers continues on next page…

* 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 2018/19

Councillor	08-Jun-18	14-Sep-18	07-Dec-18	08-Mar-19
County Councillors;				
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)	✓	✓	✓	✓
Councillor L Stratford (on committee since June 2018)	✓	✗	✗	✗
Councillor J Howson (on committee since May 2017)	✓	✓	✓	✓
Councillor C Mathew (on committee since May 2017)	✓	✓	✓	✓
Councillor M Lygo (on committee since May 2017)	✓	✓	✗	✗
Councillor J Sanders (on committee since May 2017)	✓	✓	✓	✓
Councillor A Thompson (on committee since May 2017)	✓	✓	✓	✗
District Councillors;				
Councillor A Al-Yousuf (on committee since June 2018)	✓	✓	✓	✓
Councillor B Service (on committee since September 2015)	✓	✓	✓	✓
Beneficiaries Observer (non-voting member);				
A Grieg (since June 2018)	✓	✓	✗	✗

Committee Members Training Received 2018/19

Councillor	Date	Training Course
County Councillors;		
Councillor K Bulmer	08-Jun-18	Local Authority Pension Fund Forum Responsible Investor Briefing
	07-Dec-18	Scheme Data Briefing
	11-Jan-19	Oxfordshire Pension Fund Forum
Councillor I Corkin	08-Jun-18	Local Authority Pension Fund Forum Responsible Investor Briefing
	10-Oct-18	LGA Fundamental Training Day 1
	13-Nov-18	LGA Fundamental Training Day 2
	05-Dec-18	LGA Fundamental Training Day 3
	07-Dec-18	Scheme Data Briefing
	11-Jan-19	Oxfordshire Pension Fund Forum
Councillor N Field-Johnson	08-Jun-18	Local Authority Pension Fund Forum Responsible Investor Briefing
	07-Dec-18	Scheme Data Briefing
Councillor L Stratford	08-Jun-18	Local Authority Pension Fund Forum Responsible Investor Briefing
Councillor J Howson	08-Jun-18	Local Authority Pension Fund Forum Responsible Investor Briefing
	22-Nov-18	CIPFA Annual LGPS Conference
	07-Dec-18	Scheme Data Briefing
Councillor C Mathew	08-Jun-18	Local Authority Pension Fund Forum Responsible Investor Briefing

	07-Dec-18	Scheme Data Briefing
	11-Jan-19	Oxfordshire Pension Fund Forum
Councillor M Lygo	08-Jun-18	Local Authority Pension Fund Forum Responsible Investor Briefing
	11-Jan-19	Oxfordshire Pension Fund Forum
Councillor J Sanders	08-Jun-18	Local Authority Pension Fund Forum Responsible Investor Briefing
	23-Oct-18	LGA Fundamental Training Day 1
	13-Nov-18	LGA Fundamental Training Day 2
	04-Dec-18	LGA Fundamental Training Day 3
	07-Dec-18	Scheme Data Briefing
	11-Jan-19	Oxfordshire Pension Fund Forum
Councillor A Thompson	08-Jun-18	Local Authority Pension Fund Forum Responsible Investor Briefing
	07-Dec-18	Scheme Data Briefing
District Councillors;		
Councillor A Al-Yousuf	08-Jun-18	Local Authority Pension Fund Forum Responsible Investor Briefing
	07-Dec-18	Scheme Data Briefing
	11-Jan-19	Oxfordshire Pension Fund Forum
	28-Feb-19 to 01-Mar-19	LGC Investment Seminar
Councillor B Service	08-Jun-18	Local Authority Pension Fund Forum Responsible Investor Briefing
	11-Jun-18	LGA Data Quality Roadshow
	22-Nov-18	CIPFA Annual LGPS Conference

	07-Dec-18	Scheme Data Briefing
	11-Jan-19	Oxfordshire Pension Fund Forum
	07-Feb-19	LAPF Strategic Investment Forum
	28-Feb-19 to 01-Mar-19	LGC Investment Seminar
Beneficiaries Observer;		
A Grieg	08-Jun-18	Local Authority Pension Fund Forum Responsible Investor Briefing

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 2018/19 the results of which have not yet been published. The Pension Administration function was also subject to an internal audit during 2018/19. 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 six 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 2019 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

Risk	Cause	Impact	Likeli-hood	Risk Score	Actions Required
Financial					
Investment strategy not aligned with pension liability profile.	Pension liabil-ities and asset attributes not understood and matched.	4	2	8	Develop cashflow model with actuary. Gain greater understanding of employer changes. Review asset allocation.
Underperformance of pension invest-ments due to ESG factors, including cli-mate change.	Failure to consider long-term financial impact of ESG issues.	4	2	8	Improve performance monitoring information on ESG scores within current investment port-folios, to identify any policy breaches by fund managers.
Administrative					
Insufficient resources to deliver respon-sibilities – LGPS and FSPS.	Budget Re-ductions.	4	2	8	Need to fill current vacancies, and develop robust performance reporting arrangements.

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
Adams Street Partners	SOC 1	30 September 2018	KPMG
Partners Group	ISAE 3402	31 December 2018	PricewaterhouseCoopers
State Street Bank & Trust Company (Custodian)	SOC 1	31 March 2019	Ernst & Young
Insight Investment Management	SSAE 18 / ISAE 3402	30 September 2018	KPMG
Legal & General Investment Management	AAF 01/06 / ISAE 3402	31 December 2018	KPMG
UBS	ISAE 3402	31 December 2018	Ernst & Young
Wellington	SOC 1 / ISAE 3402	31 October 2018	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 2018/2019 the following complaints have been received:

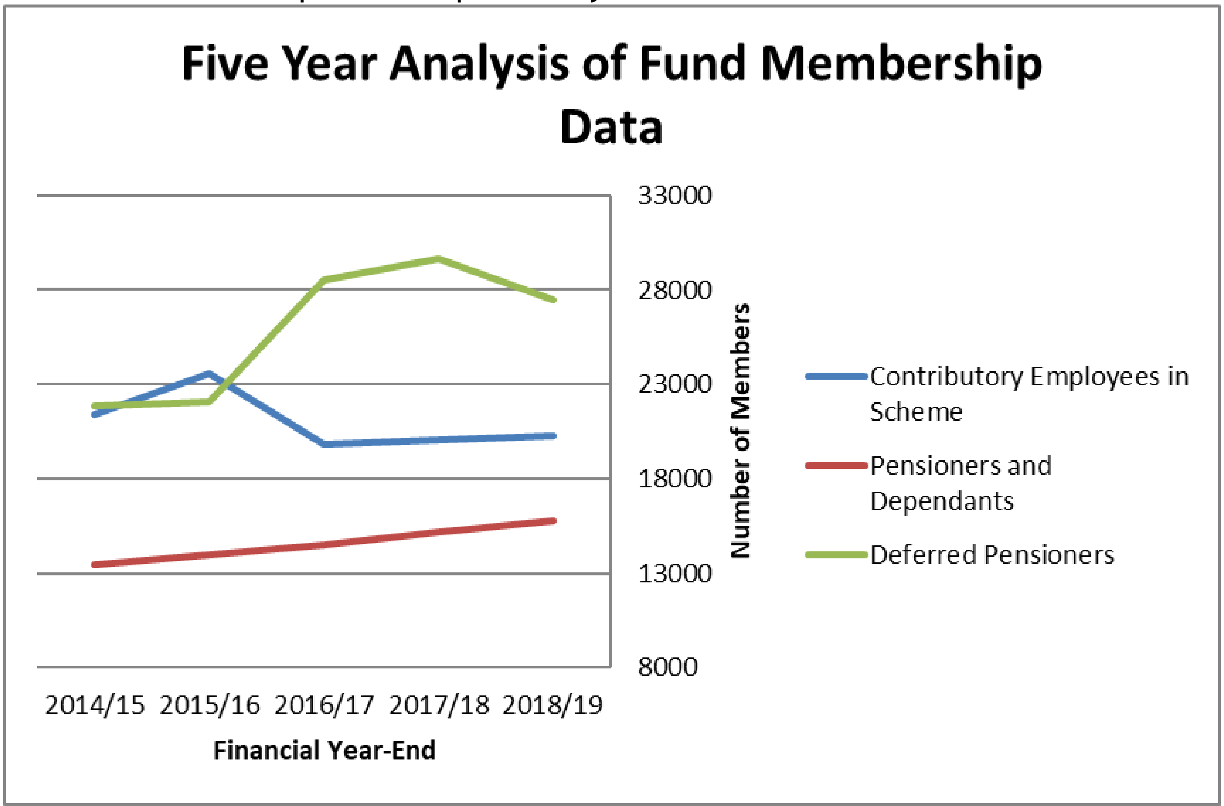
	2018/19
Number of Complaints	22
Complaints as % of Workload	0.03%

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 2019 the number of staff within Pension Services is 26.71 FTE which is a small increase against last year.

During the year staff have dealt with 71,732 tasks, which gives an average number per member of staff as 2,686 tasks. The top 10 tasks are shown in the table below:

Top 10 Case Types

Case Type	Completed 2018/19	Completed Within Target Time
Process Leaver	30,119	33%
Re-employments	15,344	41%
Frozen Refunds	6,593	N/A
Retirements	5,944	65%
Data Changes	5,641	45%
Member Estimates	2,674	59%
Transfers Out	1,743	53%
IFA Out	1,317	N/A
IFA In	1,277	N/A
Transfers In	1,080	46%

Promotion of Scheme Membership

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

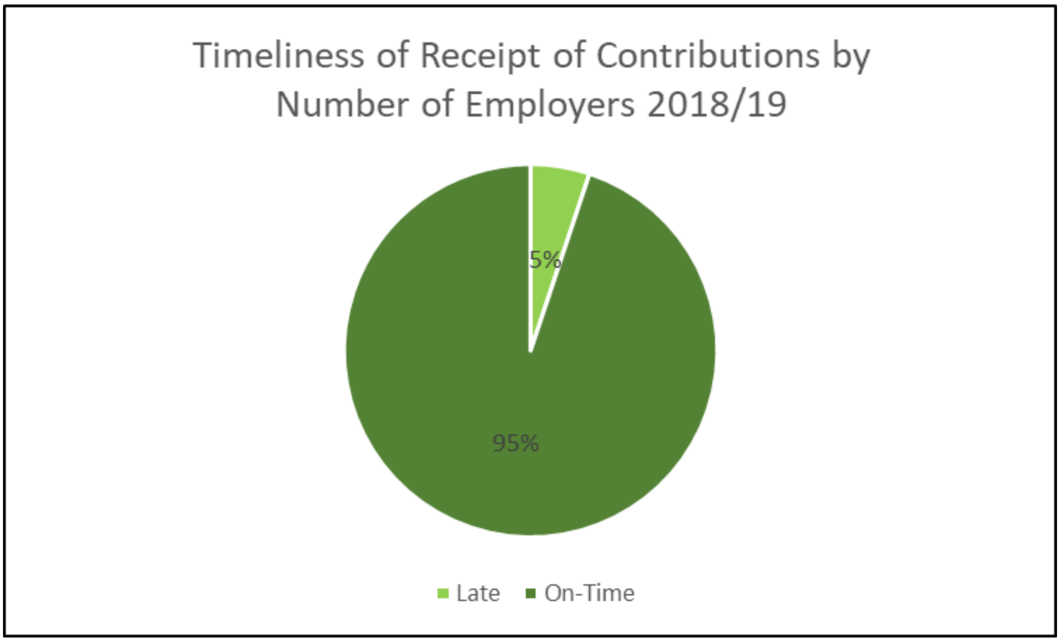
Memberships

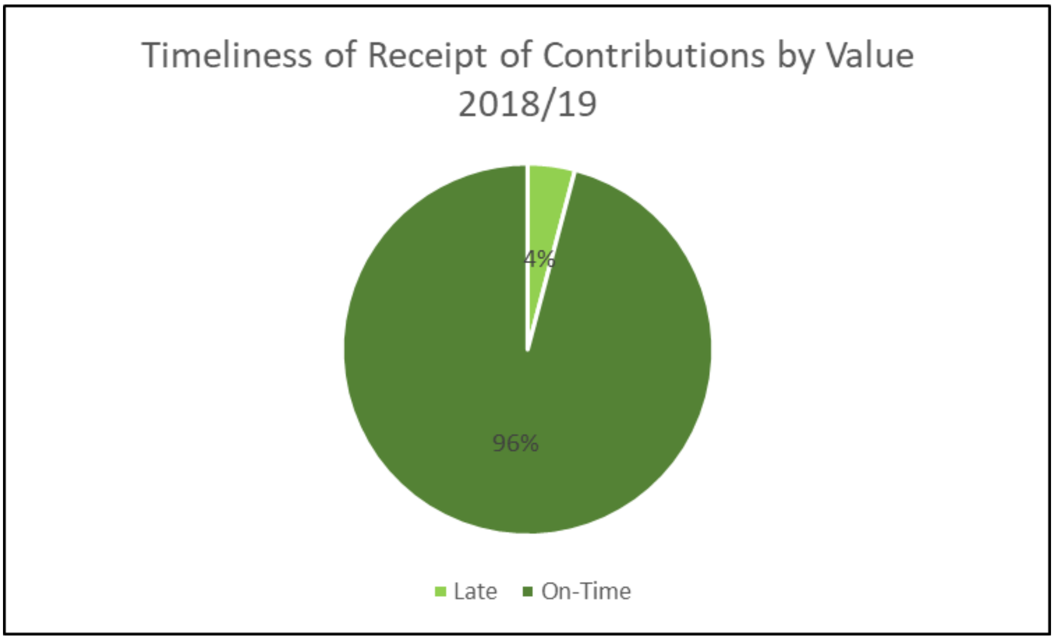
The Fund is a member of the National Association of Pension Funds, Local Authority Pension Fund Forum, and subscribes to the CIPFA Pensions Network.

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 2018/19.





The average number of days that payments were late by during 2018/19 was 21.

Budget

The below table shows budget for 2018/19:

	Budget £'000
Administrative Expenses	
Administrative Employee Costs	1,240
Support Services Including ICT	447
Printing & Stationary	51
Advisory & Consultancy Fees	30
Other	29
Total Administrative Expenses	**1,797**
Investment Management Expenses	
Management Fees	7,436
Custody Fees	75
Brunel Development Costs	75
Brunel Working/Regulatory Capital	200
Brunel Contract Costs	330
Total Investment Management Expenses	**8,116**
Oversight & Governance	
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
Total Oversight & Governance Expenses	**470**
Total Pension Fund Budget	**10,383**

The budget outturn report will be presented at the September 2019 Pension Fund Committee meeting and will be available on the Council’s website.

Pension Overpayments

Financial Year	Pension Overpayments
2018/19	222.97
2017/18	125.06
2016/17	29,341.58
2015/16*	78,422.63
2014/15	908.20

* 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.

Investment Pooling - Brunel Pension Partnership

In 2015 the Department of Communities and Local Government (as it then was) issued LGPS:
Investment Reform Criteria and Guidance which set out how the government expected funds to establish asset pooling arrangements. The objective was to deliver:

- Benefits of scale.
- Strong governance and decision making.
- Reduced costs and excellent value for money, and
- An improved capacity and capability to invest in infrastructure.

This has led to the creation of eight asset pools which have significantly changed the previous approach to investing, although it should be stressed that the responsibility for determining asset allocations and the investment strategy remain with individual pension funds.

As a result of the investment pooling agenda, the Oxfordshire Pension Fund joined with nine other LGPS administering authorities to set up the Brunel Pension Partnership. Oxfordshire County Council approved the business case for Brunel, based on estimated potential fee savings of £550 million over a 20 year period across the ten funds, of which Oxfordshire’s share was £18 million with a breakeven year of 2025. The expected costs and savings for the Oxfordshire Pension Fund, as per the original business case approved, and then submitted to Government, are set out in the following table:

	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023	2023/ 2024	2024/ 2025	2025/ 2026	2026 to 2036	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Set up costs	117	1,041										**1,158**
Ongoing Brunel Costs			430	558	577	595	614	634	655	676	8,093	**12,833**
Clients Savings			(114)	(117)	(120)	(124)	(128)	(132)	(136)	(140)	(1,648)	**(2,658)**
Transition costs			1,231	2,315	12							**3,558**
Fee savings			(191)	(504)	(920)	(1,070)	(1,235)	(1,413)	(1,513)	(1,620)	(24,618)	**(33,084)**
Net costs / (realised savings)	**117**	**1,041**	**1,357**	**2,252**	**(452)**	**(599)**	**(748)**	**(910)**	**(994)**	**(1,084)**	**(18,173)**	**(18,194)**

Following approval of the business case, the Brunel Pension Partnership Ltd was established in July 2017, as a company wholly owned by the Administering Authorities (in equal shares) that participate in the pool. The company is authorised by the Financial Conduct Authority (FCA). It is responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds' assets within defined investment portfolios. In particular, Brunel researches and selects the external managers or pooled funds needed to meet the investment objective of each portfolio.

Now that Brunel is operational, the financial performance of the pool will be monitored to ensure that Brunel is delivering on the key objectives of investment pooling. This includes reporting of the costs associated with the appointment and management of the pool company including set up costs, investment management expenses and the oversight and monitoring of Brunel by the client funds. The set up and transition costs incurred to date are set out in the following table.

	Direct £000s	Indirect £000s	Total £000s	Cumulative £000s
Set up costs:				
Recruitment	-	-	-	**18**
Legal	-	-	-	**133**
Consulting, Advisory & Procurement	-	-	-	**82**
Other support Costs e.g.IT, accommodation	-	-	-	**0**
Share Purchase / Subscription Costs	-	-	-	**840**
Other Working Capital Provided e.g. loans	-	-	-	-
Staff Costs	-	-	-	-
TOTAL SET UP COSTS	-	-	-	**1,072**
Transition Costs:				
Transition Fee	-	-	-	-
Tax	-	523	523	**523**
Other Transition Costs	-	1,739	1,739	**1,739**
TOTAL TRANSITION COSTS	-	**2,262**	**2,262**	**2,262**

The Oxfordshire Fund transitioned its first assets to Brunel in July 2018, comprising the allocation to passive equities and then transitioned further assets in November 2018 to the active UK equities portfolio. The savings achieved to date are set out in the following table.

Portfolio	Value in Original Business Case (31 March 2016) £000	Value at 31 March 2019 £000	Price Variance £000s	Quantity Variance £000	Total Saving / (Cost) £000
UK Passive Equities	146	179	42	(8)	**34**
Global Developed Passive Equities	155	252	205	(82)	**123**
UK Equity	338	438	44	(70)	**(26)**
TOTAL			**291**	**(160)**	**131**

This analysis shows the fee savings achieved for the assets that have transitioned to Brunel
portfolios against the fees charged at the time the business case for pooling was prepared in 2016.

A summary of the costs and savings to date compared to the original business case is provided in
the following table.

	2017/18				2018/19			
	Budget		Actual		Budget		Actual	
	In Year £000	Cumulative to date £000	In Year £000	Cumulative to date £000	In Year £000	Cumulative to date £000	In Year £000	Cumulative to date £000
Set up costs	1,041	1,158	1,072	1,072	0	1,158		1,072
Ongoing Brunel Costs	-	-	-	-	430	430	718	718
Clients Savings	-	-	-	-	(114)	(114)	-	-
Transition costs	-	-	-	-	1,231	1,231	2,262	2,262
Fee savings	-	-	-	-	(191)	(191)	(131)	(131)
Net costs / (realised savings)	**1,041**	**1,158**	**1,072**	**1,072**	**1,357**	**2,514**	**2,848**	**3,920**

The most significant variances from the original business case can be summarised as follows:

- Fee savings in 2018/19 are higher as a result of higher asset values due to the higher than anticipated investment returns over the last three years.
- The transition costs for 2018/19 are lower. This is partly a result of transition costs for active equity portfolios being included in 2018/19 in the original business case, whereas these assets will not now transition until 2019/20. No fee savings for the active equity portfolios had been included in the business case for 2018/19, as the transition was anticipated to be at year end. Transition costs for the passive mandates were also significantly lower than expected.
- Additional resources have been required by Brunel over and above those envisaged by the original business case, in order to deliver the service required by their clients. As a result, the ongoing overhead costs of the Brunel company are higher than originally estimated.

Investment Review 2018/19

Economic Background

In 2018 the rate of economic growth in the US improved from 2.3% to 2.9%, but in all other regions growth slowed from 2017 levels. The UK economy grew by 1.4%, the Eurozone by 1.9%, and even China's official growth rate of 6.6% represented a slowdown from previous years.

The Federal Reserve raised US interest rates by ¼% four times during 2018, and had been expected to make two more increases during 2019. In January, however, a change of policy was announced under which no rate rises are contemplated in 2019. The Bank of England raised base rate from ½% to ¾% in August – its highest level since 2009 – while the European Central Bank ended its period of quantitative easing at the end of 2018, but then re-opened a loan support programme early in 2019 in an effort to stimulate the flagging Eurozone economies.

The UK political scene has been dominated by the government's attempts to gain a parliamentary majority for its Withdrawal Agreement from the EU. After failing to gain approval, the Prime Minister has announced her resignation, and a successor will be chosen during the summer. The deadline for the UK's departure has been moved from March 29th to October 31st, but a 'no-deal' Brexit looks increasingly likely.

The US trade dispute with China has been a major concern for equity markets. After it appeared that some form of agreement might be reached, in May 2019 President Trump suddenly increased tariffs on a wide range of Chinese exports from 10% to 25%, and threatened to impose new tariffs on other goods. China has responded with its own tariffs on US foodstuffs and other items. Elsewhere, the US has withdrawn from the Iran Nuclear Agreement and imposed sanctions on Iran, called for the removal of the President of Venezuela and held talks with the leader of North Korea which have so far been unproductive. The price of oil rose strongly until September, then fell back as global growth slowed, but rose again when sanctions were imposed on supplies from Venezuela and Iran.

Market Returns

Equity markets rose by more than 10% between March and September, but then relinquished all these gains in the 4th quarter on worries about rising US bond yields and trade tensions. The easing of the Federal Reserve's interest rate policy was mainly responsible for a sharp rally from January to March 2019. The Global Equity return of 10.7% for the year was almost entirely attributable to the strong US market.

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

In the year to March 2019, the pound gained 2-4%% against the other three leading currencies, but these gains had been erased by late May because of the uncertainty surrounding Brexit. Having risen above 3% in September, the yield on 10-year US Treasury bonds then fell to 2.4% in March, on signs of moderating US inflation and the Federal Reserve's change of interest rate policy. Yields on 10-year UK and German government bonds fell by 0.35% and 0.55% respectively during the year.

Growth in UK Commercial Property slowed to 5.6% in the year, comprising a return of 14.5% from Industrial Property, 6.5% from Offices but a fall of 2.6% from Retail.

[Source: MSCI UK Monthly Index of Total Returns]

The Oxfordshire Pension Fund achieved a total return of 6.8% for the year, compared with a 6.7% return on its benchmark.

Outlook

Although equity markets have experienced a strong relief rally in 2019, they are now confronted by a slowdown in global growth, an escalating trade war between the US and China – with scope for collateral damage
 - and extreme uncertainty about the UK's future relationship with the EU. All these factors have the potential to impart negative impacts to equity markets.

Peter Davies
Senior Adviser – MJ Hudson Investment Advisers

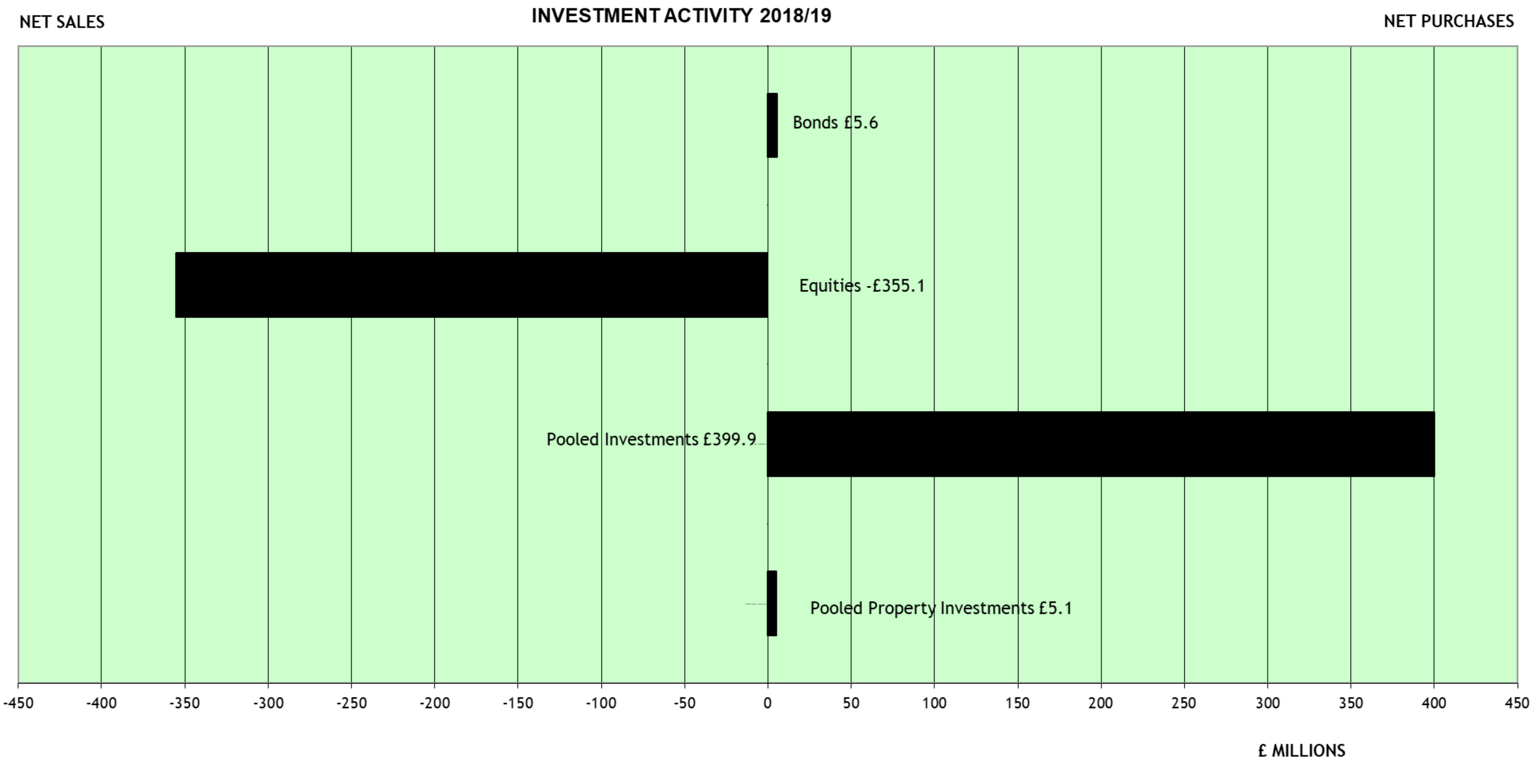
May 2019

Table showing the total returns (capital plus income) in sterling terms calculated on major indices for the year to 31 March 2019.

SECTOR		**INDEX**	**% Total Returns Year to 31.3.19**
Equities	Global	FTSE All World	10.7
	UK	FTSE All Share	6.4
	North America	FTSE AW – North America	17.5
	Japan	FTSE AW - Japan	-0.8
	Europe	FTSE AW - Europe (ex UK)	2.8
	Asia Pacific (ex Japan)	FTSE AW - Asia Pacific (ex Japan)	4.0
	Emerging Markets	FTSE AW - Emerging	1.9
Bonds	UK Government	FTSE-A Government	3.7
	UK Index-Linked	FTSE-A Index- Linked (over 5 years)	5.7
	UK Corporate Bonds	Markit iBoxx Sterling Non-Gilt All Stocks Index	3.7
	Overseas	JP Morgan Global Government (ex UK) Traded Bond Index (£)	3.0
Cash	UK	7 DAY £ LIBID INDEX	0.5
Property	UK Commercial	IPD All Balanced Funds Index	4.8

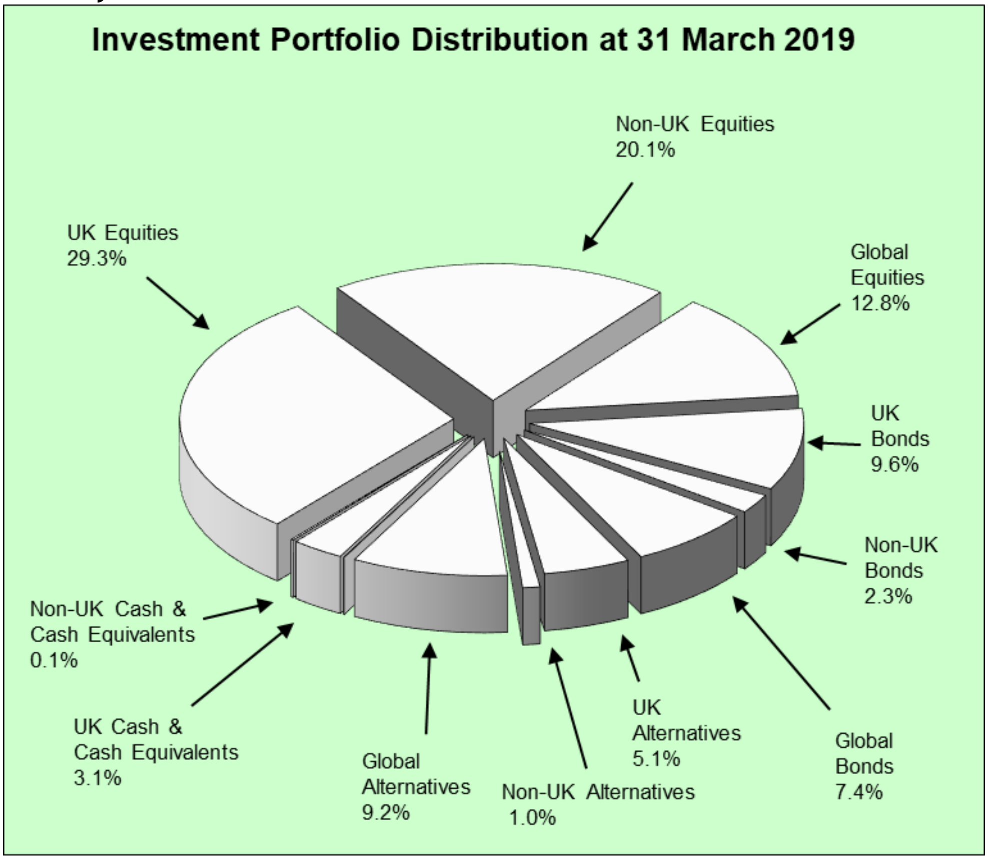
- **Investment Activity**

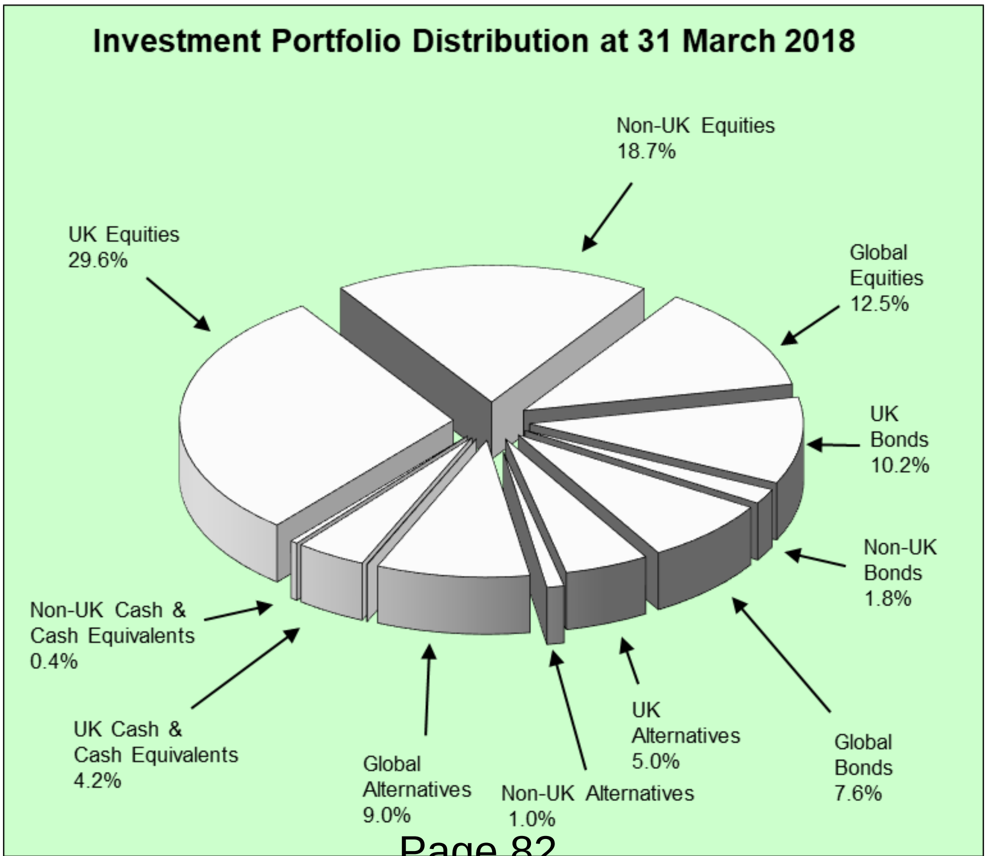
The Pension Fund invested a net £58.4 million during the year ended 31 March 2019. The amounts invested or disinvested in each principal category of asset are shown in the chart below. The large sale of equities and purchase of pooled investments is primarily a result of the UK equity portfolio moving from a segregated arrangement to a pooled fund structure with Brunel Pension Partnership. 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 2019 is shown in the chart below. A comparative chart of the position at 31 March 2018 is also shown. Changes in the asset weightings, from one year to another, are due to investment activity and market movements.

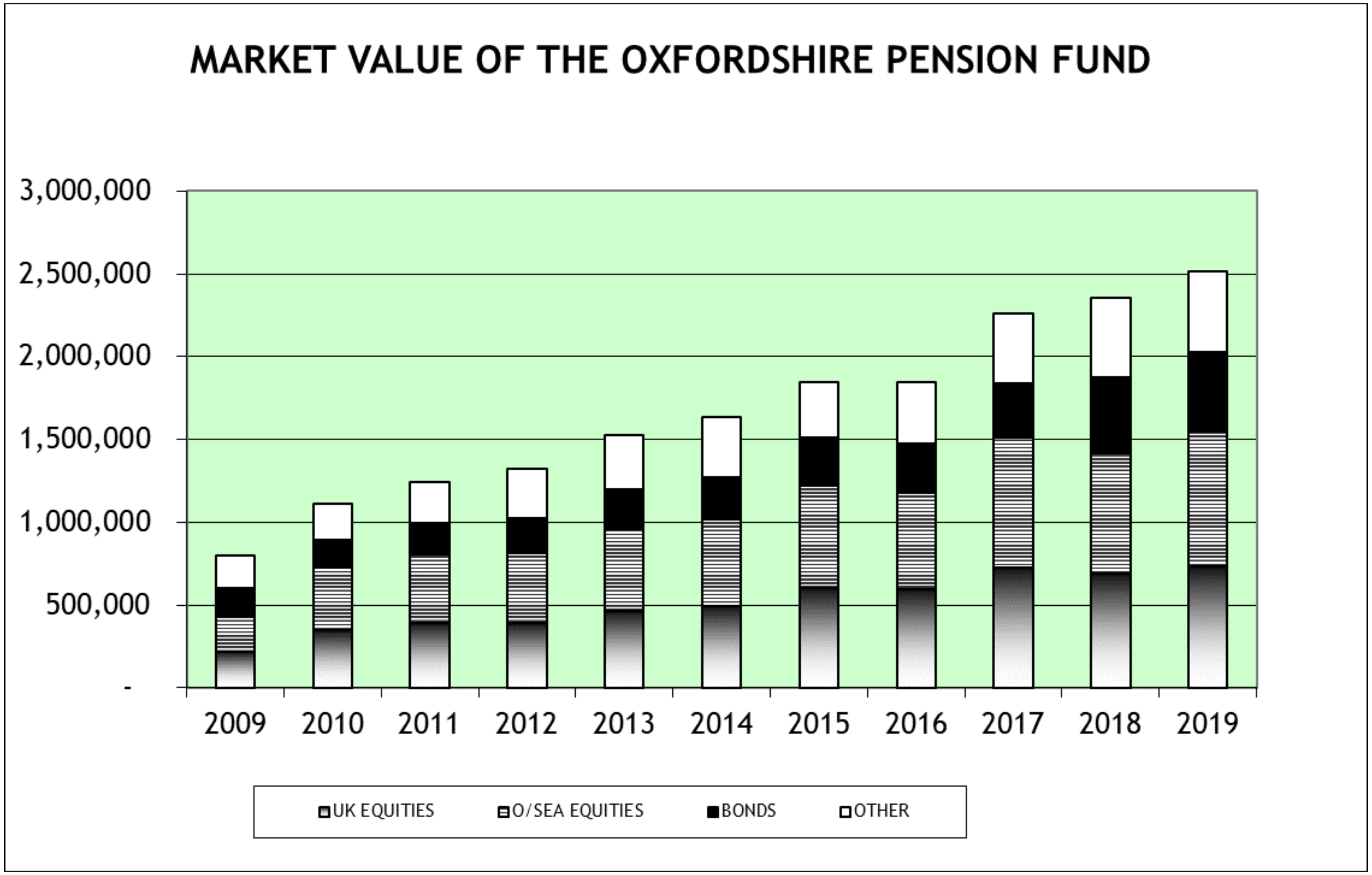




Portfolio Asset Allocation over the Ten Years to March 2019

The total assets (including accruals) of the Pension Fund have grown from £2,355 million at end of March 2009 to £2,515 million at end of March 2019 (see chart below).

Over the period the percentage in UK equities increased from 26.9% to 29.0% and bonds decreased from 21.6% to 19.1%.



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 2018/19 at the total fund level was 0.1% above benchmark with an overall return of 6.8%.

Fund Manager	Target %	One Year Ended 31 March 2019		Three Years Ended 31 March 2019		Five Years Ended 31 March 2019	
		Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %
Brunel UK Equities	2.0	-	-	-	-	-	-
Wellington Global Equities	2.0	11.1	7.9	14.6	13.2	12.0	10.5
UBS Global Equities	3.0*	11.1	9.6	15.0	15.7	12.2	10.9
Legal & General UK Equities - Passive	n/a	-	-	-	-	-	-
Legal & General Global Developed Equities - Passive	n/a	-	-	-	-	-	-
Legal & General Fixed Income	0.6	5.0	4.6	5.8	5.5	6.8	6.7
Diversified Growth Fund	3-5	0.7	1.9	0.0	4.4	-	-
UBS Property	1.0	4.8	5.1	6.1	6.4	9.1	9.6
In-House Property	Excess	4.8	6.6	6.1	10.2	9.1	10.6
In-House Private Equity	1.0	1.0	13.6	7.3	17.6	5.8	15.8
Brunel Private Equity	3.0	-	-	-	-	-	-
In-House Infrastructure	4.0	0.7	5.5	-	-	-	-

Brunel Infrastructure	4.0	-	-	-	-	-	-
Brunel Secured Income	2.0	-	-	-	-	-	-
Cash	n/a	0.8	0.7	0.5	0.4	0.5	0.4
Total Fund		**6.7**	**6.8**	**9.7**	**10.8**	**8.3**	**8.8**

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

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

% Returns per annum for the financial year ended 31 March 2019				
Actual Returns	1 year	3 years	5 years	10 years
Oxfordshire Total Fund Return	6.8	10.8	8.8	11.1
Average Returns				
PIRC LGPS Universe Median Return	6.2	10.0	8.5	10.6
Oxfordshire Benchmark	6.7	9.7	8.3	11.2

Asset Allocation

Asset Class	Actual % 31-Mar-19	Target % 31-Mar-19	Variation	Actual % 01-Apr-18	Target % 01-Apr-18	Variation
UK Equities	**27.5%**	**26.0%**	**1.5%**	**26.9%**	**26.0%**	**0.9%**
Overseas Equities	**30.6%**	**28.0%**	**2.6%**	**29.6%**	**28.0%**	**1.6%**
Total Bonds	**18.9%**	**16.0%**	**2.9%**	**19.2%**	**21.0%**	**-1.8%**
Property	6.8%	8.0%	**-1.2%**	6.9%	8.0%	**-1.1%**
Private Equity	7.2%	9.0%	**-1.8%**	7.0%	9.0%	**-2.0%**
Multi-Asset DGF	4.6%	5.0%	**-0.4%**	4.9%	5.0%	**-0.1%**
Infrastructure	0.5%	3.0%	**-2.5%**	0.2%	3.0%	**-2.8%**
Secured Income	0.1%	5.0%	**-4.9%**	-	-	**-**
Total Alternative Investments	**19.2%**	**30.0%**	**-10.8%**	**19.0%**	**25.0%**	**-4.0%**
Cash	**3.8%**	**0.0%**	**3.8%**	**5.3%**	**0.0%**	**5.3%**
	100.0%	**100.0%**		**100.0%**	**100.0%**	

Responsible Investment

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

Annual Voting Report

<u>Introduction</u>

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 2018 was presented at the 08 March 2019 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 2019

	Active	**Ceased**	**Total**
Scheduled Body	93	0	93
Admitted Body	122	26	148
Total	**215**	**26**	**241**

Fund Account for the Year Ended 31 March 2019			
	Notes	2019 £'000	2018 £'000
Contributions and Benefits			
Contributions Receivable	6	(93,726)	(95,440)
Transfers from Other Schemes	7	(9,949)	(7,562)
Other Income	8	(465)	(506)
Income Sub Total		**(104,140)**	**(103,508)**
Benefits Payable	9	88,195	83,215
Payments to and on Account of Leavers	10	10,655	7,746
Expenditure Sub Total		**98,850**	**90,961**
Net (Additions)/Withdrawals from dealings with members		**(5,290)**	**(12,547)**
Management Expenses	11	11,030	10,925
Net (Additions)/Withdrawals Including Fund Management Expenses		**5,740**	**(1,622)**
Returns on Investments			
Investment Income	12	(32,698)	(75,246)
Commission Recapture		0	(1)
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	16a	(132,586)	(21,600)
Less Taxes on Income	12	244	239
Net returns on Investments		**(165,040)**	**(96,908)**
Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		**(159,300)**	**(98,230)**
Opening Net Assets of the Scheme		2,355,350	2,257,120
Closing Net Assets of the Scheme		**2,514,650**	**2,355,350**

Net Assets as at 31 March 2019			
	Notes	**2019** **£'000**	**2018** **£'000**
Investment Assets			
Bonds	16b	296,805	279,802
Equities	16b	360,807	713,313
Pooled Investments	16b	1,581,636	1,069,635
Pooled Property Investments	16b	172,306	161,441
Derivative Contracts	16c	1,111	480
Cash Deposits	16d	3,567	9,698
Other Investment Balances	16d	7,429	13,229
Long-Term Investment Assets	16b	840	840
Investment Liabilities			
Derivative Contracts	16c	(384)	(752)
Other Investment Balances	16d	(869)	(5,821)
Total Investments		**2,423,248**	**2,241,865**
Assets and Liabilities			
Current Assets	17	91,324	110,040
Current Liabilities	18	(4,419)	(3,227)
Net Current Assets		**86,905**	**106,813**
Long-Term Assets	19	4,497	6,672
Net Assets of the scheme available to fund benefits at year end		**2,514,650**	**2,355,350**

Note 1 – Description of the fund

This description of the Fund is a summary only. Further details are available in the Fund's 2018/19 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 2019	As at 31 March 2018
Number of Contributory Employees in Scheme		
Oxfordshire County Council	8,529	8,646
Other Scheduled Bodies	11,156	10,600
Admitted Bodies	606	764
	20,291	**20,010**
Number of Pensioners and Dependants		
Oxfordshire County Council	9,095	8,809
Other Scheduled Bodies	5,710	5,414
Admitted Bodies	993	931
	15,798	**15,154**
Deferred Pensioners		
Oxfordshire County Council	16,114	17,058
Other Scheduled Bodies	9,993	11,260
Admitted Bodies	1,340	1,360
	27,447	**29,678**

Unprocessed leavers are included as Deferred Pensioners.

Thirty-six Admitted Bodies and three Scheduled Bodies joined the scheme in 2018/19. In addition, one Admitted Body left the scheme and three academies joined multi-academy trusts in 2018/19. 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 2019 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 12.2% 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 × final pensionable salary.	Each full-time year worked is worth 1/60 × final pensionable salary.
Lump Sum	Automatic lump sum of 3 × pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

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

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

Note 2 – Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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 Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 26.

The accounts have been prepared on a going concern basis.

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 where the bid price is not available, the last traded price, as at 31 March 2019.

   (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 2019.

   (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. In the majority of cases 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 2019.

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 2019 was £93.621m (£75.443m at 31 March 2018).

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 £4,134m. There is a risk that this figure is under, or overstated in Note 26 to the accounts. Sensitivities to the key assumptions are as follows: A 0.5% p.a. increase in the pension increase rate would result in an approximate 8% increase to liabilities (£345m). A 0.5% p.a. increase in the salary increase rate would result in an approximate increase to liabilities of 1% (£54m). A 0.5% decrease in the real discount rate would result in an approximate 10% increase to liabilities (£424m). A one-year increase in member life expectancy would approximately increase the liabilities by 3-5%.
Unquoted Private Equity	Unquoted private equity and infrastructure 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 and infrastructure investments included in the financial statements total £93.621m. There is a risk these investments are under, or overstated in the accounts. The Pension Fund relies on specialists to perform the valuations and does not have the in-

		formation (i.e. the assumptions that were used in each case) to produce sensitivity calculations.

Note 6 – Contributions

	2018/19 £'000	2017/18 £'000
Employers		
Normal	(53,554)	(50,903)
Augmentation	0	0
Deficit Funding	(15,821)	(21,099)
Costs of Early Retirement	(1,320)	(1,417)
	(70,695)	(73,419)
Members		
Normal	(22,709)	(21,771)
Additional *	(322)	(250)
	(23,031)	(22,021)
Total	**(93,726)**	**(95,440)**

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	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
Oxfordshire County Council	(28,652)	(28,920)	(9,360)	(8,943)
Scheduled Bodies	(33,409)	(41,098)	(11,124)	(11,872)
Resolution Bodies	(4,868)	(862)	(1,558)	(250)
Community Admission Bodies	(2,034)	(956)	(385)	(387)
Transferee Admission Bodies	(1,732)	(1,583)	(604)	(569)
Total	**(70,695)**	**(73,419)**	**(23,031)**	**(22,021)**

Note 7 - Transfers In

	2018/19 £'000	2017/18 £'000
Individual Transfers In from other schemes	(7,868)	(7,562)
Group Transfers In from other schemes	(2,081)	0
Total	**(9,949)**	**(7,562)**

Note 8 - Other Income

Other Income for 2018/19 of £0.465m (2017/18 £0.506m) includes £0.192m (2017/18 £0.253m) 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

	2018/19 £'000	2017/18 £'000
Pensions Payable	71,839	67,756
Lump Sums – Retirement Grants	13,132	13,866
Lump Sums – Death Grants	3,224	1,593
Total	**88,195**	**83,215**

	Pensions Payable		Lump Sums	
	2018/19	2017/18	2018/19	2017/18
	£'000	£'000	£'000	£'000
Oxfordshire County Council	35,222	33,541	6,980	6,523
Scheduled Bodies	31,745	29,841	7,128	7,273
Resolution Bodies	630	560	712	254
Community Admission Bodies	3,451	3,225	669	682
Transferee Admission Bodies	791	589	867	727
Total	**71,839**	**67,756**	**16,356**	**15,459**

Note 10 - Payments to and on account of leavers

	2018/19 £'000	2017/18 £'000
Refunds of Contributions	651	375
Payments for members joining state scheme	(19)	(17)
Group Transfers Out to other schemes	0	1,671
Individual Transfers Out to other schemes	10,023	5,717
Total	**10,655**	**7,746**

Note 11 – Management Expenses

	2018/19 £'000	2017/18 £'000
Administrative Costs	2,242	2,013
Investment Management Expenses	7,334	8,186
Oversight & Governance Costs	1,454	726
Total	**11,030**	**10,925**

Within oversight & governance costs are fees paid to the Pension Fund's external auditors of £0.030m (2017/18 £0.045m) for the audit of the Pension Fund's Annual Report and Accounts. No other fees were paid to the external auditors in 2018/19.

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

Note 12 – Investment Income

	2018/19 £'000	2017/18 £'000
Bonds	(3,750)	(3,979)
Equity Dividends	(25,002)	(66,460)
Pooled Property Investments	(3,331)	(3,126)
Pooled Investments – Unit Trusts & Other Managed Funds	(9)	(1,349)
Interest on Cash Deposits	(553)	(296)
Other – Securities Lending	(53)	(36)
Other – Underwriting Commission	0	0
	(32,698)	**(75,246)**
Irrecoverable Withholding Tax - Equities	**244**	**239**
Total	**(32,454)**	**(75,007)**

Note 13 – Investment Management Expenses

	2018/19 £'000	2017/18 £'000
Management Fees	7,332	8,129
Custody Fees	2	57
Total	**7,334**	**8,186**

Investment Management & Custody Fees are generally calculated on a fixed scale basis with applicable rates applied to the market value of the assets managed. See Note 3 for details of the accounting treatment of management fees.

Note 14 – Securities Lending

The Fund operated a securities lending programme with its custodian State Street Bank and Trust Company for the duration of the financial year. Collateralised lending generated income of £0.053m in 2018/19 (2017/18 £0.036m). This is included within investment income in the Pension Fund Accounts. At 31 March 2019 £5.344m (31 March 2018 £18.448m) of stock was on loan, for which the fund held £6.006m

(31 March 2018 £20.157m) 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 2018/19, 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 £0.111m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

	2018/19 £'000	**2017/18 £'000**
Short Term Benefits*	95	93
Long Term/Post Retirement Benefits	16	16
Total	**111**	**109**

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

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

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

For the 12 months ended 31 March 2019, employer contributions to the Pension Fund from the County Council were £28.652m (2017/18 £28.920m). At 31 March 2019 there were receivables in respect of contributions due from the County Council of £3.344m (2017/18 £3.232m) and payables due to the County Council of £0.025m (2017/18 £0.221m) for support services.

The County Council was reimbursed £1.441m (2017/18 £1.301m) 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 oversees 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:

	2018/19 £'000	2017/18 £'000
Income	0	(235)
Expenditure	685	840
Receivables	263	235
Payables	0	0

Note 16 – Investments

	Value at 31.3.2019 £'000	Value at 31.3.2018 £'000
Investment Assets		
Bonds	296,805	279,802
Equities	360,807	713,313
Pooled Investments	1,581,636	1,069,635
Pooled Property Investments	172,306	161,441
Derivatives:		
- Forward Currency Contracts	1,111	480
Cash Deposits	3,567	9,698
Long-Term Investments	840	840
Investment Income Due	3,966	5,076
Amounts Receivable for Sales	3,463	8,153
Total Investment Assets	**2,424,501**	**2,248,438**
Investment Liabilities		
Derivatives:		
- Forward Currency Contracts	(384)	(752)
Investment Expenses Due	(869)	(4,347)
Amounts Payable for Purchases	0	(1,474)
Total Investment Liabilities	**(1,253)**	**(6,573)**
Net Investment Assets	**2,423,248**	**2,241,865**

Note 16a – Reconciliation of Movements in Investments and Derivatives

	Value at 1.4.2018	Purchases at Cost & Derivative Payments	Sales Proceeds & Derivative Receipts	Change in Market Value	Cash Movement	Increase in Receivables / (Payables)	Value at 31.3.2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bonds	279,802	273,511	(267,925)	(11,417)			296,805
Equities	713,313	162,046	(517,135)	(2,583)			360,807
Pooled Investments	1,069,635	867,562	(467,669)	112,108			1,581,636
Pooled Property Investments	161,441	13,687	(8,571)	5,749			172,306
Long-Term Investments	840						840
<u>Derivative Contracts</u>							
FX	(272)	849,609	(849,108)	498			727
<u>Other Investment Balances</u>							
Cash Deposits	9,698	83,301	(90,322)	231	659		3,567
Amounts Receivable for Sales of Investments	8,153					(4,690)	3,463
Investment Income Due	5,076					(1,110)	3,966
Amounts Payable for Purchases of Investments	(5,821)					4,952	(869)
	2,241,865	**2,249,716**	**(2,200,730)**	**132,586**	**659**	**(848)**	**2,423,248**

Included within the above purchases and sales figures are transaction costs of £0.113m. 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.

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 1.4.2017 £'000	Purchases at Cost & Derivative Payments £'000	Sales Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Cash Movement £'000	Increase in Receivables / (Payables) £'000	Value at 31.3.2018 £'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 Investments	144,421	8,812	(6,461)	14,669			161,441
Long-Term Investments		840					840
Derivative Contracts							
FX	81	607,381	(609,347)	1,613			(272)
Other Investment Balances							
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 Investments	(3,266)					(2,555)	(5,821)
	2,174,178	**1,725,975**	**(1,718,709)**	**390,036**	**21,600**	**38,551**	**2,241,865**

Note 16b - Analysis of Investments (Excluding Derivative Contracts, Cash Deposits and Other Investment Balances)

Long-Term Investments Assets

	2018/19 £'000	2017/18 £'000
Brunel Pension Partnership Ltd	840	840
	840	**840**

Bonds

	2018/19 £'000	2017/18 £'000
UK Public Sector	90,463	101,440
UK Other	0	0
Overseas Public Sector	56,335	41,106
UK Public Sector Index Linked	150,007	137,256
	296,805	**279,802**

Equity Investments

	2018/19 £'000	2017/18 £'000
UK listed equities	112,286	490,007
Overseas Listed Equities:		
North America	166,787	149,110
Japan	9,947	13,952
Europe	49,621	49,614
Pacific Basin	0	0
Emerging Markets	22,166	10,630
	360,807	**713,313**

Pooled Investment Vehicles

	2018/19 £'000	2017/18 £'000
UK Registered Managed Funds - Property	36,649	29,184
Non UK Registered Managed Funds - Property	19,522	21,536
UK Registered Managed Funds - Other	1,053,116	589,352
Non UK Registered Managed Funds - Other	209,540	189,157
UK Registered Property Unit Trusts	90,716	87,015
Non UK Registered Property Unit Trusts	25,418	23,706
Non UK Registered Unit Linked Insurance Fund	318,981	291,126
	1,753,942	**1,231,076**

Total Investments (excluding derivative contracts)

	2018/19 £'000	2017/18 £'000
	2,412,394	2,225,031

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	3 months	25,184 GBP	29,310 EUR		-141	
Forward OTC	1 month	27,237 GBP	30,961 EUR	556	-12	
Forward OTC	1 month	9,546 EUR	100,000 SEK	101	-148	
Forward OTC	1 month	13,880 GBP	18,007 USD	97	-25	
Forward OTC	1 month	75 GBP	873 SEK	3		
Forward OTC	1 month	969 GBP	1,750 AUD	15		
Forward OTC	1 month	15,359 GBP	26,537 CAD	135	-14	
Forward OTC	1 month	8,781 GBP	1,236,500 JPY	204		
Forward OTC	1 month	6,200 EUR	5,361 GBP		-16	
Forward OTC	1 month	6,070 USD	4,682 GBP		-28	
Forward Currency Contracts at 31 March 2019				**1,111**	**-384**	**727**
Prior Year Comparative						
Forward Currency contracts at 31 March 2018				**480**	**-752**	**-272**

Note 16d – Other Investment Balances

	2018/19 £'000	2017/18 £'000
Receivables		
Sale of Investments	3,463	8,153
Dividend & Interest Accrued	3,742	5,007
Inland Revenue	224	69
Other	0	0
	7,429	**13,229**
Payables		
Purchase of Investments	0	(1,474)
Management Fees	(850)	(4,335)
Custodian Fees	(19)	(12)
	(869)	**(5,821)**
Total	**6,560**	**7,408**

Cash Deposits

	2018/19 £'000	2017/18 £'000
Non-Sterling Cash Deposits	3,567	9,698
	3,567	**9,698**

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

	2018/19 £'000	% of Total Fund	2017/18 £'000	% of Total Fund
UBS Life Global Equities All Countries Fund	318,980	12.68	291,126	12.36
L&G World (ex-UK) Equity Index	0	0.00	212,755	9.03
L&G World Developed Equity Index Fund	252,406	10.04	0	0.00
L&G UK FTSE All-Share Equity Index	179,064	7.12	182,948	7.77
L&G Core Plus Bond Fund	183,473	7.30	176,716	7.50
Brunel UK Equity Fund	438,172	17.42	0	0.00

Note 17 – Current Assets

	2018/19 £'000	2017/18 £'000
Receivables:		
Employer Contributions	7,922	7,625
Employee Contributions	1,930	1,844
Rechargeable Benefits	1,113	1,045
Transferred Benefits	1,832	1,116
Cost of Early Retirement	724	707
Inland Revenue	78	185
Other	566	746
Cash Balances	77,159	96,772
Total	**91,324**	**110,040**

Note 18 – Current Liabilities

	2018/19 £'000	2017/18 £'000
Transferred Benefits	-1,351	-278
Benefits Payable	-1,100	-918
Inland Revenue	-987	-899
Costs of Early Retirement	-808	-737
Staff Costs	-2	-179
Consultancy	-94	-80
Other	-77	-136
Total	**-4,419**	**-3,227**

Note 19 – Long-Term Assets

	2018/19 £'000	2017/18 £'000
Employer Contributions	4,189	6,186
Costs of Early Retirement	308	486
Total	**4,497**	**6,672**

Long-Term assets for 2018/19 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 £2,310.101m as at 31 March 2019. The table below gives a breakdown of this sum and shows the market value of assets under management with each external manager:

Fund Manager	31/03/2019 Market Value £'000	31/03/2019 %	31/03/2018 Market Value £'000	31/03/2018 %
Brunel Pension Partnership	877,323	37.98	417,824	19.35
Legal & General	493,564	21.36	867,755	40.18
UBS	458,305	19.84	423,662	19.62
Wellington	267,194	11.57	247,662	11.47
Insight	115,919	5.02	113,714	5.27
Adams Street Partners	49,697	2.15	40,499	1.87
Partners Group	48,099	2.08	48,433	2.24
	2,310,101	**100.00**	**2,159,549**	**100.00**

Note 21 – Top 5 Holdings

Value of the Fund's Top Five Holdings at 31 March 2019	£'000	% of Fund
HG Capital Trust Plc	40,034	1.59
Standard Life European Private Equity Trust	16,445	0.65
BMO Private Equity Trust Plc	14,144	0.56
3i Group Plc	11,278	0.45
UK Index Linked Gilt 1.25% 2055	9,539	0.38

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 2019 £'000	Market Value 31 March 2018 £'000
Prudential	13,575	13,825

AVC contributions of £1.639m were paid directly to Prudential during the year. (2017/18 - £1.621m).

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 and Capital Commitments

As at 31 March 2019 the fund had outstanding capital commitments (investments) totalling £92.894m (31 March 2018 - £92.602m). 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

	2019 £'000	2018 £'000
Present Value of Funded Obligation	4,134	3,638

The movement from March 2018 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 £153m (2018 - £163m increase).

There has been an increase in the present value of the Funded Obligation of £305m (2018 - £121m decrease) 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:

- An increase in the assumed level of CPI, and therefore pension increase, to 2.5% from 2.4% (net effect an increase in Present Value of Funded Obligation)
- An increase in the assumed level of salary increases to 3.7% from 3.6% (net effect an increase in Present Value of Funded Obligation)
- A reduction in the discount rate to 2.4% from 2.7% (net effect an increase in Present Value of Funded Obligation).

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members' benefits, which in turn will give rise to a past service cost for the Fund employers.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Oxfordshire County Council Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.92% higher as at 31 March 2019, an increase of approximately £37.9m.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

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.

		2018/19			2017/18		
		Fair Value Through Profit & Loss £'000	**Loans & Receivables £'000**	**Financial Liabilities at Amortised Cost £'000**	**Fair Value Through Profit & Loss £'000**	**Financial Assets at Amortised Cost £'000**	**Financial Liabilities at Amortised Cost £'000**
Financial Assets							
Bonds		296,805			279,802		
Equities		360,807			713,313		
Pooled Investments		1,581,636			1,069,635		

Pooled Property Investments		172,306			161,441		
Derivatives		1,111			480		
Cash			80,727			106,470	
Long-Term Investments		840			840		
Other Investment Balances		7,205			13,160		
Receivables			520			699	
		2,420,710	**81,247**	**0**	**2,238,671**	**107,169**	**0**
Financial Liabilities							
Derivatives		(384)			(752)		
Other Investment Balances		(869)			(5,821)		
Payables				(109)			(375)
		(1,253)	**0**	**(109)**	**(6,573)**	**0**	**(375)**
Total		**2,419,457**	**81,247**	**(109)**	**2,232,098**	**107,169**	**(375)**

Note 27b – Net Gains and Losses on Financial Instruments

	31 March 2019 £'000	31 March 2019 £'000
Financial Assets		
Fair Value through Profit and Loss	132,355	21,368
Loans and Receivables	0	232
Financial Assets at Amortised Cost	231	0
Financial Liabilities		
Fair Value through Profit and Loss	0	0
Financial Liabilities Measured at Amortised Cost	0	0
Total	**132,586**	**21,600**

Note 27c – 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 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	582,547	1,708,127	130,036	2,420,710
Financial Assets at Amortised Cost	81,247	0	0	81,247
Total Financial Assets	**663,794**	**1,708,127**	**130,036**	**2,501,957**
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	-869	-384	0	-1,253
Financial Liabilities at Amortised Cost	-109	0	0	-109
Total Financial Liabilities	**-978**	**-384**	**0**	**-1,362**
Net Financial Assets	**662,816**	**1,707,743**	**130,036**	**2,500,595**

Value at 31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
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
Total Financial Assets	**1,032,751**	**1,202,455**	**110,633**	**2,345,839**
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	(5,821)	(751)	0	(6,572)
Financial Liabilities at Amortised Cost	(375)	0	0	(375)

Total Financial Liabilities	**(6,196)**	**(751)**	**0**	**(6,947)**
Net Financial Assets	**1,026,555**	**1,201,704**	**110,633**	**2,338,892**

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 £'000**	**Long-Term Investments £'000**
Market Value 31 March 2018	1,804	71,797	32,377	3,646	840
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Purchases	0	11,693	4,933	9,363	0
Sales	-523	-12,946	-5,525	0	0
Unrealised Gains/(Losses)	-16	3,692	2,316	49	0
Realised Gains/(Losses)	193	6,327	16	0	0
Market Value 31 March 2019	**1,458**	**80,563**	**34,117**	**13,058**	**840**

Level 3 Investments	**UK Equities £'000**	**Pooled Private Equity Funds £'000**	**Pooled Property Funds £'000**	**Pooled Infrastructure Funds £'000**	**Long-Term Investments £'000**
Market Value 31 March 2017	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 Gains/(Losses)	81	3,757	0	0	0
Market Value 31 March 2018	**1,804**	**71,797**	**32,377**	**3,646**	**840**

Level 3 Sensitivities

Level 3 Investments	Valuation Range +/-	Value at 31 March 2019 £'000	Valuation on Increase £'000	Valuation on Decrease £'000
UK Equities	10%	1,458	1,604	1,312
Pooled Private Equity Funds	10%	80,563	88,619	72,507
Pooled Property Funds	3%	34,117	35,141	33,093
Pooled Infrastructure Funds	5%	13,058	13,711	12,405
Long-Term Investments	0%	840	840	840

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

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 policy on ensuring ESG factors are taken into account in investment decisions.

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.

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 2019 the Fund's exposure to credit risk predominantly related to the following investments:

Investment Category	**31 March 2019**	**31 March 2018**
	£'000	**£'000**
UK Government Gilts	90,463	101,440
UK Corporate Bonds	183,473	176,716
UK Index Linked Gilts	150,007	137,256
Overseas Government Bonds	56,335	41,106
Non-Sterling Cash Deposits	3,567	9,698
Cash Balances	77,159	96,772
Total	**561,004**	**562,988**

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 2019**	**Rating**	**Balance as at 31 March 2018**
		£'000		**£'000**
Money Market Funds				
Aberdeen Standard	AAA	21,000	AAA	19,650
State Street Global Advisors	AAA	57,644	AAA	80,004
Bank Current Accounts				
Lloyds Bank Plc	A+	1,950	A+	6,548
State Street Bank & Trust Co	AA+	132	AA+	268
Total		**80,726**		**106,470**

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 2018/19 the Pension Fund received/accrued income related to dealings with members of £104.1m (2017/18- £103.5m) and incurred expenditure related to dealings with members of £109.9m (2017/18 - £101.9m). There were further receipts/accruals of £32.7m (2017/18 -

£75.2m) in respect of investment income, against which need to be set taxes of £0.2m (2017/18 - £0.2m). The net inflow was therefore £26.7m (2017/18 - £76.6m).

The figures show that the Fund is still cashflow positive at the whole fund level. 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 £40m of cash in call accounts and money market funds to meet benefit payments due, drawdowns from 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 has already taken some steps in this regard including allocating to the Secured Income portfolio offered by Brunel Pension Partnership.

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. There are changes to the Scheme being consulted on that could impact on scheme membership levels although these changes would be expected to impact gradually over time. In addition, some employers are adopting models that have the potential to reduce scheme membership.

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 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 2019	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	3,567	36	-36
Cash Balances	77,159	772	-772
Bonds	480,278	4,803	-4,803
Total Change in Assets Available	**561,004**	**5,611**	**-5,611**

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
Total Change in Assets Available	**562,988**	**5,630**	**-5,630**

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 2019	Change in Year in the Net Assets Available to Pay Benefits	
		+10.0%	-10.0%
	£'000	£'000	£'000
Overseas Equities	248,521	24,852	-24,852
Pooled Global Equities	571,387	57,139	-57,139
Pooled Private Equity (LLPs)	69,957	6,996	-6,996
Pooled Property	44,940	4,494	-4,494
Infrastructure	13,058	1,306	-1,306
Cash	3,567	357	-357
Total Change in Assets Available	**951,430**	**95,144**	**-95,144**

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	223,306	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
Total Change in Assets Available	**849,523**	**84,953**	**-84,953**

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 2019 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
UK Equities	112,286	10.0	123,514	101,057
Pooled UK Equities	617,237	10.0	678,960	555,513
Global Equities	248,521	10.0	273,373	223,669
Diversified Growth Fund	115,920	3.0	119,397	112,442
Pooled Global Equities	571,387	10.0	628,526	514,248
UK Bonds	90,463	5.0	94,986	85,940
Overseas Bonds	56,335	5.0	59,152	53,518
UK Index Linked Bonds	150,007	5.0	157,508	142,507
Pooled Corporate Bonds	183,473	5.0	192,646	174,299
Infrastructure	13,057	5.0	13,711	12,405
Pooled Private Equity (LLPs)	80,562	10.0	88,619	72,507
Pooled Property	172,306	3.0	177,475	167,136
Long-Term Investments	840	0.0	840	840
Cash	80,726	0.0	80,726	80,726
Total Assets Available to Pay Benefits	**2,493,120**		**2,689,433**	**2,296,807**

Asset Type	Value as at 31 March 2018 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'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
Infrastrcture	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
Long-Term Investments	840	0.0	840	840
Cash	106,470	0.0	106,470	106,470
Total Assets Available to Pay Benefits	**2,331,499**		**2,511,652**	**2,151,349**

Note 29 - Actuarial Valuation

The contribution rates within the 2018/19 Pension Fund Accounts were determined at the actuarial valuation carried out as at 31 March 2016.

This valuation showed that the required level of contributions to be paid to the Fund by the County Council for the year ended 31 March 2018 was 19.9% of Pensionable Pay. The corresponding rates of contribution that are required from the major participating employers for this period are:

	% Pay	Additional Monetary Amounts £'000
South Oxfordshire District Council	12.9	793
West Oxfordshire District Council	15.8	468
Cherwell District Council	14.9	1,697
Oxford City Council	20.6	-
Vale of White Horse District Council	13.2	699
Oxford Brookes University	14.4	1,775

The funding policy of the scheme is set out in the Funding Strategy Statement and can be summarised as follows:-

- To enable Employer contribution rates to be kept as stable as possible and affordable for the Fund's Employers.
- To make sure the Fund is always able to meet all its liabilities as they fall due.
- To manage Employers' liabilities effectively.
- To enable the income from investments to be maximised within reasonable risk parameters.

The actuarial method used to calculate the future service contribution rate for most Employers was the Projected Unit Method with a one year control period. The Attained Age Method has been used for some Employers who do not permit new employees to join the fund. These calculations draw on the same assumptions used for the funding target.

The market value of the Fund's assets at the valuation date was £1,842m. The smoothed market value[1] of the Fund's assets at the valuation date was £1,825m representing 90% of the Fund's accrued liabilities, allowing for future pay increases. The Actuary has certified contribution rates for all Fund employers from 1 April 2017, which subject to the financial assumptions contained in the valuation, would result in the deficit being recovered over a period of no more than 22 years.

The contribution rates have been calculated using assets at their smoothed market value and financial assumptions which are consistent with the assets being taken at their smoothed market value. The main financial assumptions were as follows:

Assumptions for the 2016 Valuation	**Annual Rate %**
Pension Increases	2.4
Short-Term Pay Increases*	2.4
Long-Term Pay Increases	3.9
Discount Rate	5.4

*Short-term pay increases are for the period to 31 March 2020.

Assumptions are also made on the number of leavers, retirements and deaths. One of the important assumptions is the mortality of existing and future pensioners. Mortality rates have been based on up to date national standard tables adjusted for the recent experience of the Oxfordshire County Council Pension Fund and make allowance for an expectation of further improvements in mortality rates in the future.

[1]The smoothed market value is the six month average of the market value straddling the valuation date.

Oxfordshire County Council Pension Fund ("the Fund") Actuarial Statement for 2018/19

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'/dependants' 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 but there have been strong asset returns over the 3 years. Both events are of broadly similar magnitude with regards to the impact on the funding position.

Robert McInroy FFA
For and on behalf of Hymans Robertson LLP
24 April 2019

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

- ### 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 2019
25 years membership to 31 March 2014 and then five years in the 'new scheme', 'final pay' and career average pay £15,000 as at 31 March 2019
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 5/49 = **£1,530.61**
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.

Asset Class	**Target Allocation (%)**	**Range (%)**
UK Equities Overseas Equities	26 28	24 - 28 26 - 30
Total Equities	**54**	**50 - 58**
UK Gilts Corporate Bonds Index-Linked Bonds Overseas Bonds	To be specified	
Total Bonds	**21**	**19 - 23**

Property	8	6 - 10
Private Equity	9	7 - 11
Multi-Asset	5	4 - 6
Infrastructure	3	2 - 4
Cash	0	0 - 5
Total Other Assets	**25**	**19 - 36**

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 Man-	FTSE AW-World (ex-UK) Index	Passive

	agement		
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 re-

balancing range that is too wide may cause undesired changes in the asset allocation fundamentally altering its risk/return characteristics.
Rebalancing meetings take place on a quarterly basis where the most recent asset allocation is reviewed against the target allocations and the ranges in place. A number of factors are taken into account in the decision on whether to rebalance which includes, but is not limited to; current and forecast market dynamics, and known future investment activity at the Fund level.

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

Restrictions on Investments

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

In accordance with the regulations the Fund is not permitted to invest more than 5% of the total value of all investments of fund money in entities which are connected with the Administering Authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(d).

Risk

The overall risk for the Fund is that its assets will be insufficient to meet its liabilities. The Funding Strategy Statement, which is drawn up following the triennial actuarial valuation of the Fund, sets out how any deficit in assets compared with liabilities is to be addressed.

Underlying the overall risk, the Fund is exposed to demographic risks, regulatory risks, governance risks and financial risks (including investment risk). The measures taken by the Fund to control these risks are included in the Funding Strategy Statement and are reviewed periodically by the Committee via the Fund's risk register. Further details on the risk management process and risks faced by the Pension Fund are also included in the Annual Report and Accounts document produced by the Fund. The primary investment risk is that the Fund fails to deliver the returns anticipated in the actuarial valuation over the long term. The Committee anticipates expected market returns on a prudent basis to reduce the risk of underperforming expectations.

It is important to note that the Fund is exposed to external, market driven, fluctuations in asset prices which affect the liabilities (liabilities are estimated with reference to government bond yields) as well as the valuation of the Fund's assets. Holding a proportion of the assets in government bonds helps to mitigate the effect of falling bond yields on the liabilities to a certain extent. Further measures taken to control/mitigate investment risks are set out in more detail below:

<u>Concentration</u>
The Committee manages the risk of exposure to a single asset class by holding different categories of investments (e.g. equities, bonds, property, alternatives and cash) and by holding a diversified portfolio spread by geography, currency, investment style and market sectors. Each asset class is managed within an agreed permitted range to ensure that the Fund does not deviate too far away from the Benchmark, which has been designed to meet the required level of return with an appropriate level of exposure to risk, taking into consideration the level of correlation between the asset classes.

<u>Volatility</u>
The Benchmark contains a high proportion of equities with a commensurate high degree of volatility. The strong covenant of the major employing bodies and the current forecast cashflow position enables the Committee to take a long term perspective and to access the forecast inflation plus returns from equities.

<u>Performance</u>
Investment managers are expected to outperform the individual asset class benchmarks detailed in the overall Strategic Asset Allocation Benchmark. The Committee takes a long term approach to the evaluation of investment performance but will take steps to address persistent underperformance. Investment managers are required to implement appropriate risk management measures and to operate in such a way that the possibility of undershooting the performance target is kept within acceptable limits. The Fund Managers report on portfolio risk each quarter and are required to provide internal control reports to the Fund for review on an annual basis. A proportion of assets are invested passively to reduce the risks from manager underperformance.

<u>Illiquidity</u>
Close attention is paid to the Fund’s projected cash flows; the Fund is currently cash flow positive, in that annually there is an excess of cash paid into the Fund from contributions and investment income after pension benefits are paid out. The Fund expects to be cash flow positive for the short to medium term. Despite the significant proportion of illiquid investments in the Fund, a large proportion of the assets are held in liquid assets and can be realised quickly, in normal circumstances, in order for the Fund to pay its immediate liabilities.

<u>Currency</u>
The Fund’s liabilities are denominated in sterling which means that investing in overseas assets exposes the Fund to a degree of currency risk. The Committee regards the currency exposure associated with investing in overseas equities as part of the return on the overseas equities; the currency exposure on overseas bonds is hedged back to sterling.

<u>Custody</u>
The risk of losing economic rights to the Fund’s assets is managed by the use of a global custodian for custody of the assets. Custodian services are provided by State Street. 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).
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 is a new company which will be wholly owned by the Administering Authorities. The company has received 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 Fund Managers needed to meet the requirements of the detailed Strategic Asset Allocations. 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 has been agreed which sets 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 has also been established. This will be comprised of representatives from each of the Administering Authorities. It was 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 is 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 May 2018 and March 2020 in accordance with a timetable that will be agreed with BPP Ltd. Until such time as transitions take place, the Oxfordshire Pension Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance, working in partnership with BPP Ltd. where appropriate.

Following the completion of the transition plan outlined above, it is envisaged that all of the Oxfordshire Pension Fund's assets will be invested through BPP Ltd. However, the Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by BPP Ltd. These assets will be managed in partnership with BPP Ltd. until such time as they are liquidated, and capital is returned.

ESG Policy

The Committee recognises that environmental, social and corporate governance (ESG) issues, including climate change, can have materially significant investment implications. The Fund therefore seeks to be a responsible investor and to consider ESG risks as part of the investment process across all investments. The objective of responsible investment is to decrease investor risk and improve risk-adjusted returns. Responsible investment principles are at the foundation of the Fund's approach to stewardship and underpin the Fund's fulfilment of its fiduciary duty to scheme beneficiaries.

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

The Investment Managers report at quarterly intervals on the selection, retention and realisation of investments on the Council's behalf and on any engagement activities undertaken. These Reports/Review Meetings provide an opportunity for the Council to influence the Investment Manager's choice of investments and to review/challenge their stewardship activities but the Council is careful to preserve the Investment Manager's autonomy in pursuit of their given performance.

Just because concerns have been registered about a company's performance on ESG issues, doesn't mean our fund managers will be instructed not to invest in that company. It is then through active ownership we aim to drive change. Where engagement is not seen to be resulting in sufficient progress, and so the risk associated with a holding is increasing or not reducing sufficiently, the Fund will consider divesting.

As a passive investor, the Fund accepts that it will hold companies of varying ESG quality due to the requirement to hold all securities in the target index. The committee believes that passive investing offers a number of benefits that need to be weighed against this and requires passive managers to demonstrate effective engagement, as is the case for active managers. It is important to note that ownership of a security in a company does not signify that the Oxfordshire Pension Fund approves of all of the company's practices or its products.

The Committee is open to investing in Social Investments; investments where social impact is delivered alongside financial return. The Committee further believes that the goal of social impact is inherently compatible with generating sustainable financial returns by meeting societal needs. The Fund has made investments in this area and will continue to review whether further opportunities are available that offer an appropriate risk/return profile. Stakeholders' views are taken into account through the representation of different parties on the Pension Fund Committee, which includes a beneficiaries' representative, and the Local Pension Board, which consists of equal numbers of employer and member representatives.

The Fund will not use pension policies to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

One of the principal benefits, outlined in the Brunel Pension Partnership business case, achieved through the enhanced scale and resources as a result of pooling is the improved implementation of responsible investment and stewardship. Once established and fully operational the Brunel Company will deliver best practice standards in responsible investment and stewardship as outlined in the BPP Investment Principles.

Every portfolio under the Brunel Pension Partnership explicitly includes responsible investment and an assessment of how social, environment and corporate governance considerations may present financial risks to the delivery of the portfolio objectives. These considerations will therefore be taken into account in the selection, non-selection, retention and realisation of assets. The approach undertaken will vary in order to be the most effective in mitigating risks and enhancing investor value in relation to each portfolio and its objectives.

Policy on Exercise of Rights

As an investor with a very long-term investment horizon and expected life, the success of the Oxfordshire Pension Fund is linked to long term global economic growth and prosperity. Actions and activities that detract from the likelihood and potential of global growth are not in the long-term interests of the Fund. Since the Fund is a long-term investor, short-term gains at the expense of long-term gains are not in the best interest of the Fund. Sustainable returns over long periods are in the economic interest of the Fund.

The Fund recognises that encouraging the highest standards of corporate governance and promoting corporate responsibility by investee companies protects the financial interests of pension fund members over the long term. Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure and corporate governance, including culture and remuneration.

The Fund's commitment to actively exercising the ownership rights attached to its investments reflects the Fund's conviction that responsible asset owners should maintain oversight of the way in which the enterprises they invest in are managed and how their activities impact upon customers, clients, employees, stakeholders, and wider society.

The routes for exercising ownership influence vary across asset types and a range of activities are undertaken on the Fund's behalf by Fund Managers including engagement with senior management of companies, voting of shares, direct representation on company boards, presence on investor & advisory committees and participation in partnerships and collaborations with other investors. Where the Pension Fund invests in pooled vehicles it will seek to gain representation on investor committees if considered appropriate.

In practice the Fund's Investment Managers are delegated authority to exercise voting rights in respect of the Council's holdings. Voting decisions are fully delegated to fund managers, while recognising that the Fund maintains ultimate responsibility for ensuring that voting is undertaken in the best interests of the Fund.

The Fund will exercise its voting rights in all markets and its investment managers are required to vote at all company meetings where practicable. Market conventions in some countries may mean voting shares is not in the best interests of the Fund, for example where share-blocking is in operation.

The Fund has appointed an external company to monitor the Fund's proxy voting at the whole fund level. The Fund receives reports detailing where votes cast by Fund Managers differ to the template vote recommended by the provider. The monitoring service also includes the production of an annual report for the Fund summarising and analysing the voting activity for the Fund including at Fund Manager level. These reports are used to inform the Fund and to enable discussion with Fund Managers where appropriate.

Our approach to Stewardship, including the exercising of rights attached to investments is outlined above and is consistent with the requirements of the UK Stewardship Code. During 2017 we will develop this further by becoming signatories to the code and clearly demonstrating our position in relation to all seven principles. As part of the Brunel Pension Partnership (BPP) we are actively exploring opportunities to enhance our stewardship activities.

GOVERNANCE POLICY STATEMENT

Introduction

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

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

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

Governance of the Oxfordshire Pension Fund

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

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

Oxfordshire Pension Fund Committee – Terms of Reference

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

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

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

a) respond as appropriate to the Government on all proposed changes to the Local Government Pension Scheme
b) regularly review and approve the asset allocation for the pension fund’s investment
c) approve and maintain the fund’s Investment Strategy Statement
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) review the performance of the fund,
i) appoint an actuary, and independent financial advisor(s), for the fund
j) approve an annual report and statement of accounts for the fund
k) approve an annual budget and business plan for the investment and administration of the fund
l) consider, and if appropriate, approve applications of employers to become admitted bodies to the fund
m) consider all other relevant matters to the investment and administration of the fund.

Membership of the Committee

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

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

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

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

Operational Procedures

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

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

11. Each meeting of the Committee will be attended by the appointed independent financial advisor(s) who will provide advice on all investment matters. This advice

will include drawing to the committee’s attention, all appropriate matters associated with the performance of the individual fund managers.

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

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

Local Pension Board

14. Under the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, the Committee have established a Local Pension Board. The role of the Board is to assist the Pension Committee (in its role as Scheme Manager), to secure compliance with the Regulations and all associated legislation, and to ensure the efficient an 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 19th of each month following the month the member was paid, and escalating matters of non-compliance to the Pension Fund Committee. The Administering Authority is also responsible for the collection of final contributions once an employer ceases membership of the Fund.

Invest all surplus monies within the Fund in accordance with the relevant Regulations, and the Fund's Statement of Investment Principles.

Ensure there is sufficient cash available to meet all liabilities as they fall due.
Maintain adequate records for each individual scheme member.

Pay all benefits and transfer payments in accordance with the Regulations.

Manage the Valuation process in consultation with the Fund's Actuary, providing all membership and financial information as requested by the Actuary, and managing all necessary communication between the Actuary and the individual Scheme Employers.

Prepare and maintain all policy documents as required under the Regulations including the Funding Strategy Statement, the Statement of Investment Principles, the Communication Policy, and Governance Compliance Statement, consulting scheme employers and other stakeholders as required.

Monitor all aspects of the performance of the Fund, and in particular the funding level of the Fund.

9. The key responsibilities of individual employers are to:

Correctly deduct contributions from employee pay.

Pay all contributions due to the Fund, including both employee and employer contributions, and additional contributions in respect of the hidden costs of early retirements, promptly by their due date.

Exercise their discretion in line with the Regulatory Framework, including maintaining policies for early retirement, ill-health retirement, awarding of additional benefits etc.

Provide adequate membership records to the Administering Authority as required.
Notify the Administering Authority of all changes in membership details.

Notify the Administering Authority of all issues which may impact on future funding, or future membership of the scheme at the earliest possible date.

10. The key responsibilities of the Fund Actuary are to:

Prepare triennial valuations including setting employer contribution rates, after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement.

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

Solvency and Target Funding Levels

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

liabilities will fall to be met by a sponsoring employer, specific pool or Fund as a whole in line with unmet cessation costs.

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

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

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

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

Identification of Risks and Counter-Measures

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

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

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

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

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

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

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

Monitoring and Review

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

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

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

COMMUNICATIONS POLICY STATEMENT

Introduction

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

Purpose

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

3. 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
Pensioner credit members

4. Employing authorities, as defined within the regulations, and including Teckal companies : -

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 within the terms of Part 3 Schedule 2 of the Regulations

5. 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.

Aim

6. To assist all individual employers to fulfil their statutory role in the Oxfordshire Fund by providing regular current information and access to alternative sources.

7. To ensure that scheme members have access to scheme information, notice about proposed and actual changes and are made aware of the process to lodge questions and appeals.

8. To enable the Scheme Manager / Administering Authority to discharge 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

9. The development and introduction of the 2013 scheme was supported nationally by websites and guidance for both employers and scheme members. Our Fund communications will continue to reference these central resources as well as reference material provided by the Fund's advisors.

10. Local communication will focus on specific administration for employers and members of the Fund. The key local communications, intended audience, publication media and frequency are detailed in the annex to this policy.

11. 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. Oxfordshire Pension Fund supports those national developments financially and by active engagement with the working group, which concentrates on member communications. This fund will continue to support collaboration and development of communication media with other administering authorities.

12. The Fund maintains a website which provides access to member guides, forms and information. The fund requests that employers provide a copy of the member Brief Guide or the link to the website to all new employees on commencing employment, helping to ensure that scheme information is available within disclosure timetable to members and prospective members.

13. The Fund maintains a dedicated area of the website to provide resources and information for employers.

14. The Fund has not created a profile on any social media such as Twitter or Facebook; no requests for such access have been received and there is currently no perceived benefit for these to be created.

15. This policy reflects the introduction of Member Self Service (My Oxfordshire Pension) using a secure online web portal hosted by Aquila Heywood. (This will allow all members a) to look at generic scheme information and b) to view

and make some changes to their personal pension accounts. Access was made available to Pensioner Members from April 2017 with Deferred and Active Members to follow at a later date. This allows registered members a) to look at generic scheme information and b) to view and make some changes to their personal pension accounts. Access was/will be made available to

- Pensioner Members from April 2017
- Deferred Members from April 2018
- Active Members from May / June 2018
- All new starters joining the scheme from 1 April 2018

16. Once My Oxfordshire Pension (MOP) is in place across the entire scheme membership, we will conduct a further review of the Communications Policy to reflect format and delivery of communications material Once My Oxfordshire Pension is established across the entire scheme membership, we will introduce greater functionality, such as benefit projection facilities. We will continue to encourage registration whenever member status changes.

Review of This Policy
17. This policy was reviewed in January 2017 following feedback from members and employers, a Fund-wide consultation and with reference to the disclosure regulations. We will undertake annual reviews of the Communications Policy seeking feedback from members and employers to reflect format and delivery of material in this changing environment, once the concentration on the on line portal is fully established.

COMMUNICATION

The Pension Fund Committee approved a Communication Strategy, which sets out the fund's communication policy with all employing bodies, contributors and pensioners. The following initiatives are currently in place: -

- **Annual Report and Accounts** – The investment team circulate this document to all Oxfordshire County Council Directors and all employing bodies. It is also available on line from the website page. Copies are available for public inspection in the main Oxfordshire public libraries.
- **Summary of Report and Accounts Leaflet** – The Pension Fund Investment Manager selects sections from the main document to incorporate into an issue of Reporting Pensions for all current members. Pensioners receive the fund information with their annual newsletter.
- **Annual Pension Fund Forum** – An annual event for all employers in the fund, with an open invitation to submit topics for discussion and to send representatives. The forum is to keep employing bodies informed of topical issues and events that have occurred in the last year and also to give them the opportunity to raise any questions in relation to the Pension Fund.
- **Pensions Employer/User Group** – This is a meeting held quarterly for all employing bodies within the Oxfordshire Fund. The purpose of the group is to inform, consult and discuss LGPS matters such as changes in legislation, the results of the actuarial valuation and other policy changes. We will continue with the recently revised format of presenting on specific subjects at these meetings.
- **Employee Guide to LGPS** – presents aspects of the scheme to all members as a series of short subject leaflets. Taken together they provide a full guide for members, but individually offer broad information on specific subjects. The leaflets are available from the Oxfordshire County Council Pension Fund website or on request from Pension Services.
- **Brief Guide to the LGPS** - a reduced version of the scheme guide, with main points available for all from the website. We encourage all employers to link their starting information for new employees to this guide.
- **Reports by Beneficiaries Representative** – The beneficiaries' representative attends all Pension Fund Committee meetings as an observer. He has no voting rights but is allowed to speak with the permission of the Chairman. The Representative's report after each meeting is circulated to all employers for their staff, and is also on the pensions website pages.
- **Reporting Pensions** – a quarterly newsletter distributed, with the assistance of fund employers to scheme members and those eligible to join the fund. These pick up major changes to the LGPS and ensure that Oxfordshire County Council Pension Fund complies with the Disclosure of Information Regulations.
- **Website** – Pages for the Oxfordshire County Council Pension Fund are located on the County's public website. They offer access to administration and investment information, including Pension Fund Committee reports and minutes. Fund Employers can find detailed Administration information as an online toolkit to support their role in the fund. All members; current,

pensioners, and deferred, have dedicated sections, with links to newsletters, guides, and national websites.

- **Intranet** - is not maintained by Pension Services as it reflects the decisions and policies of the County Council as a fund employer. Their pages also provide links and access to the Pension Fund website. Other fund employers also provide information on their intra-net sites for employees.
- **Talking Pensions –** This is an informal monthly newssheet for all employers in the Oxfordshire Fund distributed to all Human Resources and Payroll contacts.
- **Annual Benefit Statements -** Pension Services issue statements to current members and to members who have left the scheme with an entitlement to pension but not to an immediate payment. Additional information to the Statement is available from the website.
- **Administration principles -** we encourage all new employers to attend a meeting to help acquaint themselves to our requirements and importantly, their responsibilities within the scheme.

USEFUL CONTACTS AND ADDRESSES

BENEFIT ADMINISTRATION

Pension Services
Oxfordshire County Council
4640 Kingsgate
Oxford Business Park South
Oxford, OX4 2SU

Telephone:
0330 024 1359
email:
pension.services@oxfordshire.gov.uk

ACCOUNTS AND INVESTMENTS

Financial Manager – Pension Fund Investments
Corporate Services
Oxfordshire County Council
County Hall
Oxford, OX1 1ND

email:
pension.investments@oxfordshire.gov.uk

BENEFICIARIES REPRESENTATIVE

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

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

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW 0345 600 1011
www.thepensionsregulator.gov.uk

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU 0800 731 0193
www.gov.uk/find-pension-contact-details

The Pensions Advisory Service (TPAS)
11 Belgrave Road
London
SW1V 1RB 0800 011 3797
www.pensionsadvisoryservice.org.uk

Pensions Ombudsman
10 South Colonnade
Canary Wharf, London
E14 4PU 0207 630 2200
www.pensions-ombudsman.org.uk

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Division(s):

PENSION FUND COMMITTEE – 06 SEPTEMBER 2019

PENSION FUND BUDGET OUTTURN REPORT FOR THE YEAR ENDED 31 MARCH 2019

Report of the Director of Finance

RECOMMENDATION

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

Introduction

2. In March 2018 the Pension Fund Committee agreed a budget in respect of the Pension Fund for the 2018/19 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.

3. Annex 1 compares the outturn figures against that budget and shows the variations for each budget line. The overall outturn position was an underspend of £1,003,000. The reasons for any material variations are explained below.

Scheme Administration Expenses

4. **Administrative Employee Costs** were underspent by a total of £166,000 which reflects the number of vacancies across the team during the year.

5. Other administrative expenses were underspent by £32,000 due to underspends on **Advisory and Consultancy Fees** of £75,000, and **Other Costs** of £12,000, partly offset by an overspend on ICT of £14,000, arising from in year system changes to meet new regulatory reporting requirements, and an overspend of £41,000 on **Printing and Stationery** due to an increased number of bulk mailouts to scheme members for address tracing and signing up for member self-service. The underspend on Advisory and Consultancy Services is partially a result of the need to suspend a number of projects so that all available resources could be prioritised to meet our regulatory responsibilities and the expectations of the Pension Regulator.

Investment Management Expenses

6. **Fund Management Fees**. Although a budgeted sum is agreed for this item it is not possible to accurately estimate the annual charges because they are

linked to the market values of the assets being managed, which continually fluctuate. Management fees for 2018/19 were £966,000 below the budgeted amount. The underspend resulted from the transition of the UK and global passive equity, and active UK Equity portfolios to Brunel where lower fees had been obtained, as well as lower than anticipated fees on private market investments.

7. Budget and actuals for management fees are based on the CIPFA guidance 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.

8. **Custody Fees** were underspent by £115,000 as the majority of these fees were paid by Brunel and included in the contract cost charged to clients.

9. **Brunel Contract Costs** were £35,000 over the budgeted sum as a result of a slight overspend against the initial Brunel budget.

Oversight & Governance Expenses

10. **Actuarial Fees** were £173,000 above the budgeted figure. Just under £100,000 of this overspend reflects prior year costs which should have been recharged to individual scheme employers. The recharges were not actioned due to other pressures of work and staff vacancies and as such we now be charged to all employers as part of future valuation costs. The remainder of the overspend reflects advance work completed by Hymans Robertson for the 2019 Valuation which was not included within the budget figure for 2018/19.

11. There was an overspend of £47,000 on **Advisory & Consultancy Fees.** Unbudgeted work included a full review of the Fund's AVC offering and ongoing support from JLT for governance support on Brunel.

LORNA BAXTER
Director of Finance

Background Papers: None

Contact Officers: Gregory Ley, Financial Manager

Sally Fox, Pensions Administration Manager

August 2019

Pension Fund Budget Outturn for the Financial Year ended 31 March 2019

	Budget £'000	Actual £'000	Variance £'000
Administrative Expenses			
Administrative Employee Costs	1,523	1,357	-166
Support Services Including ICT	608	622	14
Printing & Stationary	61	102	41
Advisory & Consultancy Fees	115	40	-75
Other	40	28	-12
Total Administrative Expenses	**2,347**	**2,149**	**-198**
Investment Management Expenses			
Management Fees	8,415	7,449	-966
Custody Fees	159	44	-115
Brunel Contract Costs	650	685	35
Total Investment Management Expenses	**9,224**	**8,178**	**-1,046**
Oversight & Governance			
Investment Employee Costs	247	248	1
Support Services Including ICT	11	13	2
Actuarial Fees	40	213	173
External Audit Fees	24	30	6
Internal Audit Fees	14	14	0
Advisory & Consultancy Fees	65	112	47
Committee and Board Costs	39	51	12
Total Oversight & Governance Expenses	**440**	**681**	**241**
Total Pension Fund Budget	**12,011**	**11,008**	**-1,003**

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Division(s):n/a

PENSION FUND COMMITTEE – 6 SEPTEMBER 2019

CONSTITUTION OF THE PENSION FUND COMMITTEE

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the content of the report and:**
   - **(a) Ask Officers to draw up a Training Policy consistent with the proposals contained in the report and summarised in paragraph 19 below;**
   - **(b) Agree to amend their Governance Policy to mandate all Members of the Committee to complete training in line with the Training Policy;**
   - **(c) Determine their approach to substitutions, being either:**
     - **i. No substitutions allowed or**
     - **ii. Only named substitutes allowed where they have completed training in line with the Training Policy; and**
   - **(d) Recommend Council via the Audit and Governance Committee to make the appropriate changes to the Terms of Reference and Constitution to formalise the new governance arrangements.**

Introduction

2. At their June 2019 meeting the Committee reviewed their previous decision to amend their Governance Policy to require all Committee Members to participate in a training programme to ensure the Committee had the necessary skills and knowledge to fulfil its responsibilities, and to remove the right for substitute members. These changes to the Policy had not been presented to full Council for endorsement and had therefore not been implemented.

3. The Committee wanted a further report to cover some of the practical implications including what would be the minimum level of training prescribed, how long would new members be given to complete the training and were there options to allow named substitutes.

Background

4. There is a legal requirement on Pension Trustees under the Pensions Act 2004 to have been trained and have knowledge of the law relating to pensions and the principles of scheme funding, investments and administration. However, members of the Pension Fund Committee do not fall under the definition of Trustees and therefore are not covered by these legal

requirements. The requirements do though apply to members of the Local Pension Board.

5. There is though, an expectation that Members of the Pension Fund Committee will seek to obtain the same level of knowledge and understanding as that required under the 2004 Act. The Governance Compliance Standards against which each Committee must assess itself includes as Principle C that all Members of the Committee are fully aware of the status, role and function they are required to perform. Currently, the Oxfordshire Pension Fund Committee have assessed themselves as partially compliant with this principle because the principle does not apply to any substitute member.

6. Since the June Committee, two national reports have been published which have relevance to this issue. Hymans Robertson have produced their Good Governance in the LGPS report as commissioned by the Scheme Advisory Board SAB). This report includes the proposal that the Ministry of Housing, Communities and Local Government in conjunction with SAB should issue statutory guidance bringing the training requirements of Pension Fund Committees in line with that required for Local Pension Boards.

7. The Hymans Robertson report also identified areas of best practice. This included Funds developing a Training Policy which set out how the training needs to the Committee would be assessed on an annual basis, and how these needs would be met.

8. The second relevant report was the annul report from the Pension Regulator following their Governance Survey of the LGPS. This report highlighted the Regulators concern that not all Funds carry out an annual assessment of the training needs of their Committee.

Practice Elsewhere

9. Other Funds within the Brunel Pension Partnership were surveyed to understand their approach to this issue. Only one of the other 9 Funds identified that training was mandated for their Committee Members. In this case the expectation is that all members complete the 3-day Fundamentals Training Course run by the Local Government Association.

10. Whilst no other Fund mandated training at present, all Funds responded to say that this was an issue they were currently reviewing. One Fund has produced a Training Policy for Committee Members which sets out the expectation that all Members receive 1 to 3 days training every year, but this is not mandated, and compliance was reported to be low.

11. Only one of the other Brunel Funds who responded to the survey currently allow substitute members to cover for absence.

Proposed Way Forward

12. The review of the background position and practice elsewhere above suggests that it is timely to be reviewing our current approach to the knowledge and understanding requirements of Committee Members. There is a risk that simply maintaining the status quo could result in challenge from the Pension Regulator and others going forward.

13. In light of the proposal from Hymans Robertson, it is suggested that this Committee develops a Training Policy to ensure that the level of knowledge and understanding of Committee Members is as a minimum in line with that of the members of the Pension Board.

14. The training policy would need to cover a minimum standard to which all Committee Members would need to reach within an agreed timescale, and then an approach to future training requirements above this minimum standard.

15. From the research two potential approaches could be taken to the minimum standard. The first is consistent with the practice currently mandated in Gloucestershire where all Committee members are required to attend the 3 day LGA Fundamentals Training Course. As this is a once a year course, it is suggested that all new members would be required to attend this course (or be enrolled to attend the next available course) within 12 months of joining the Committee.

16. An alternative option is available through the Pension Regulators website, which offers a number of Training Toolkits. The basic Trustee Toolkit consists of 5 core modules which are expected to be completed in around 75 minutes each (except for the Investment module for which it is suggested that completion is normally achieved in 135 minutes), and 4 modules specific to managing a defined benefit scheme. These latter 4 modules are suggested to take between 90 and 120 minutes to complete. Each module includes an assessment tool and a certificate to confirm completion. There is a separate set of 7 modules specific to public sector schemes which take around 1 hour each to complete, but these are focussed on the administration element of the responsibilities only and not the investment and funding side. As the toolkits are on-line and can be completed at an time suitable for the individual member, these could be completed earlier than 1 year from joining the Committee.

17. Whichever minimum standard option is taken (or indeed if both were offered as appropriate) there would also be an expectation of an internal induction event which all new members would be required to attend which would cover the policy documents specific to the Oxfordshire Pension Fund. It is suggested that this could be a half-day event.

18. In respect of continuing training, it is suggested that rather than a mandatory course for which all Members must attend, the Policy covers a minimum level of specialist or refresher training that each Member should attend. This could

be set at 2 days, alongside internal training provided before the quarterly Committee meetings. As at present, staff within the Pensions Investment Team would circulate suitable courses, including the PLSA Local Authority Conference and Seminar, and the Local Authority sessions run by the LGC. Members would also be free to select specific courses based on a specialist interest.

19. In summary all Committee Members would be expected to attend:

    (a) In their 1st year – an induction section on the Oxfordshire Pension Funds Policies, and either
        i. The 3-day LGA Fundamentals Course or
        ii. The 5 Core and 4 DB on-line modules of the Pension Regulators Trustee Toolkit
    (b) In each subsequent year – all pre-Committee training, and a minimum of 2 days external training.

20. If a mandatory Training Policy is agreed as above, the second issue to address is attendance at Committee as a substitute Member. The requirements of Pension Board Members are deemed to apply to each individual member and not the Board collectively. It would therefore not be appropriate to allow a substitute Member who had not completed a similarly level of training to the other Members of the Committee.

21. The two alternative approaches are therefore not to allow substitutes, or to have a bank of named substitutes who must also meet the requirements of the training policy.

22. In light of the size of the current Committee of 11 voting Members and the quorum which is stipulated in the Council's Constitution as a quarter of the voting Members subject to a majority of the voting Members being from the Council, it is feasible to run the Committee without substitute Members, and this would be consistent with the majority of other Brunel Pension Fund committees.

LORNA BAXTER
Director of Finance

Contact Officer: Sean Collins
Tel: 07554 103465

August 2019

Analysis of relative performance

1. PIRC has compiled detailed performance statistics for 64 of the LGPS funds, with a combined value of £193bn, for periods ending March 31st, 2019. The performance of the Oxfordshire Fund has been above median for the 1-, 3-, 5- and 10-year periods as shown in Table 1. (All returns are in % annualised)

	1 year	3 years	5 years	10 years
Oxfordshire	6.8	10.8	8.8	11.1
%-ile	(40)	(24)	(35)	(29)
Median	6.2	10.0	8.5	10.6

Table 1. Overall Fund Performance

2. The PIRC report separately analyses the performance of five asset classes – Equities, Fixed Income, Alternatives, Property and Diversified Growth. The returns for the Oxfordshire Fund, together with percentile rankings, are shown in Table 2.

	1 year	3 years	5 years	10 years	Comments
Equities	7.2	13.0	9.2	12.8	High UK allocation reduced 3- and 5-year returns
%-ile	(59)	(47)	(69)	(50)	
Fixed Income	4.5	5.5	6.7	7.4	
%-ile	(20)	(40)	(27)	(52)	
Alternatives	12.5	16.3	15.0	15.2	High PE allocation boosted returns
%-ile	(29)	(2)	(8)	(1)	
Property	5.4	6.7	9.5	8.8	
%-ile	(55)	(47)	(55)	(36)	
DGF	1.9	4.4	N/A	N/A	
%-ile	(13)	(32)			

Table 2. Asset-Class Performance

3. The Asset Allocation of the Oxfordshire Fund at March 2019 was broadly similar to that of the median LGPS fund at the asset class level, as shown in Table 3. Significant differences over recent years have been Oxfordshire's relative overweight in UK Equities – and corresponding underweight in Overseas Equities – and Oxfordshire's emphasis on Private Equity with less exposure to Infrastructure and Other Alternatives.

	Oxfordshire (%)	Universe median (%)
Equities	58 UK 27 Overseas 31	55 UK 14 Overseas 41
Fixed Income	19	19
Alternatives	8 PE 7 Infra 1 Other Alt 0	11 PE 5 Infra 3 Other Alt 3
Property	7	9
DGF	5	3
Cash	4	3

Table 3. Asset allocation at 31.3.2019

Peter Davies

Senior Adviser – MJ Hudson Investment Advisers

July 2019

TABLE 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND
OVERALL VALUATION OF FUND AS AT 30th JUNE 2019

	COMBINED PORTFOLIO 01.04.19	Brunel Pension Partnership UK Equities		Brunel Pension Partnership Passive Equities		Wellington Global Equities		Legal & General Fixed Interest		UBS Global Equities and Property		Brunel Pension Partnership Other Investments		In House Other Investments		COMBINED PORTFOLIO 30.06.19		
Investment	**Value £' 000**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Target %**
EQUITIES																		
UK Equities*	**687,981**	**451,901**	**99.8%**	**200,629**	**44.2%**	**15,910**	**5.7%**	**0**	**0.0%**	**37,054**	**7.7%**	**0**	**0.0%**	**0**	**0.0%**	**705,494**	**27.1%**	**26.0%**
Overseas Equities	**763,934**	**0**	**0.0%**	**253,106**	**55.8%**	**256,358**	**91.6%**	**0**	**0.0%**	**304,145**	**63.2%**	**0**	**0.0%**	**0**	**0.0%**	**813,609**	**31.3%**	**28.0%**
BONDS																		
UK Gilts	120,299	0	0.0%	0	**0.0%**	0	0.0%	95,380	18.9%	0	0.0%	0	0.0%	0	0.0%	95,380	3.7%	
Corporate Bonds	138,628	0	0.0%	0	**0.0%**	0	0.0%	154,469	30.6%	0	0.0%	0	0.0%	0	0.0%	154,469	5.9%	
Overseas Bonds	57,855	0	0.0%	0	**0.0%**	0	0.0%	72,646	14.4%	0	0.0%	0	0.0%	0	0.0%	72,646	2.8%	
Index-Linked	157,186	0	0.0%	0	**0.0%**	0	0.0%	172,488	34.2%	0	0.0%	0	0.0%	0	0.0%	172,488	6.6%	
Total Bonds	**473,968**	**0**	**0%**	**0**	**0.0%**	**0**	**0.0%**	**494,983**	**98.1%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**494,983**	**19.0%**	**16.0%**
ALTERNATIVE INVESTMENTS																		
Property	169,367	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	133,498	27.8%	0	0.0%	31,562	7.6%	165,060	6.3%	8.0%
Private Equity	178,077	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	3,958	33.7%	184,214	44.1%	188,172	7.3%	9.0%
Multi Asset - DGF	115,919	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	0	0.0%	119,559	28.6%	119,559	4.6%	5.0%
Infrastructure	13,058	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	4,755	40.6%	11,323	2.7%	16,078	0.6%	3.0%
Secured Income	2,939	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	2,981	25.4%	0	0.0%	2,981	0.1%	5.0%
Total Alternative Investments	**479,360**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**133,498**	**27.8%**	**11,694**	**99.7%**	**346,658**	**83.0%**	**491,850**	**18.9%**	**30.0%**
CASH	**95,172**	**872**	**0.2%**	**0**	**0.0%**	**7,554**	**2.7%**	**9,553**	**1.9%**	**6,402**	**1.3%**	**38**	**0.3%**	**71,174**	**17.0%**	**95,593**	**3.7%**	**0.0%**
TOTAL ASSETS	**2,500,415**	**452,773**	**100.0%**	**453,735**	**100.0%**	**279,822**	**100.0%**	**504,536**	**100.0%**	**481,099**	**100.0%**	**11,732**	**100.0%**	**417,832**	**100.0%**	**2,601,529**	**100.0%**	**100.0%**

% of total Fund	17.40%	17.44%	10.76%	19.39%	18.49%	0.45%	16.06%	100.00%

* During the quarter the Baillie Gifford UK Equities portfolio was transitioned in full to the Brunel UK Equities portfolio.

TABLE 2

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

Asset	Brunel Pension Partnership UK Equities	Brunel Pension Partnership Passive Equities	Wellington Global Equities	Legal & General Fixed Interest	UBS Global Equities and Property	Brunel Pension Partnership Other Investments	In House Other Investments
	Changes in Market Value						
	£000	£000	£000	£000	£000	£000	£000
EQUITIES							
UK Equities	13,729	6,449	(229)	0	850	0	0
				0	0	0	0
Overseas Equities	0	15,823	12,849	0	21,369	0	0
	0	0	0	0	0	0	0
BONDS	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
UK Gilts	0	0	0	(4,010)	0	0	0
Corporate Bonds	0	0	0	15,841	0	0	0
Overseas Bonds	0	0	0	(1,139)	0	0	0
Index-Linked Bonds	0	0	0	5,483	0	0	0
	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
ALTERNATIVE INVESTMENTS	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
Property	0	0	0	0	257	0	887
Private Equity	0	0	0	0	0	74	8,893
Multi Asset - DGF	0	0	0	0	0	0	3,640
Infrastructure	0	0	0	0	0	134	860
Secured Income	0	0	0	0	0	42	0
SUB TOTAL	13,729	22,272	12,620	16,175	22,476	250	14,280
CASH *	0	0	0	0	0	0	0
GRAND TOTAL	**13,729**	**22,272**	**12,620**	**16,175**	**22,476**	**250**	**14,280**

* 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' indi

TABLE 3

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 30th JUNE 2019

COMBINED PORTFOLIO (BY FUND MANAGER)

FUND MANAGER	% Weighting of Fund as at 30th June 2019	QUARTER ENDED 30th June 2019 RETURN %	12 MONTHS ENDED 30th June 2019 RETURN %	THREE YEARS ENDED 30th June 2019 RETURN %	FIVE YEARS ENDED 30th June 2019 RETURN %	TEN YEARS ENDED 30th June 2019 RETURN %
BRUNEL - UK EQUITIES	17.4%	3.1				
BENCHMARK		3.3				
VARIATION		**-0.2**				
WELLINGTON GLOBAL EQUITIES	10.8%	4.7	6.9	11.7	11.0	
BENCHMARK		6.3	10.3	13.8	12.8	
VARIATION		**-1.6**	**-3.4**	**-2.1**	**-1.8**	
BRUNEL - L&G UK EQUITIES - PASSIVE	7.7%	3.2	-0.1			
BENCHMARK		3.3	-0.1			
VARIATION		**-0.1**	**0.0**			
BRUNEL - L&G WORLD DEVELOPED EQUITIES - PASSIVE	9.7%	6.5	8.5			
BENCHMARK		6.5	8.5			
VARIATION		**0.0**	**0.0**			
L&G FIXED INCOME	19.4%	2.2	7.1	4.0	6.9	7.2
BENCHMARK		2.5	7.7	4.4	7.0	7.1
VARIATION		**-0.3**	**-0.6**	**-0.4**	**-0.1**	**0.1**
IN-HOUSE PROPERTY	1.2%	2.4	5.9	11.0	9.8	
BENCHMARK		0.6	3.4	6.3	8.3	
VARIATION		**1.8**	**2.5**	**4.7**	**1.5**	
PRIVATE EQUITY	7.1%	5.3	11.1	18.5	16.8	15.7
BENCHMARK		2.9	-2.0	10.0	6.4	11.5
VARIATION		**2.4**	**13.1**	**8.5**	**10.4**	**4.2**

FUND MANAGER	% Weighting of Fund as at 30th June 2019	QUARTER ENDED 30th June 2019 RETURN %	12 MONTHS ENDED 30th June 2019 RETURN %	THREE YEARS ENDED 30th June 2019 RETURN %	FIVE YEARS ENDED 30th June 2019 RETURN %	TEN YEARS ENDED 30th June 2019 RETURN %
INFRASTRUCTURE	0.4%	8.8	14.1			
BENCHMARK		1.2	4.7			
VARIATION		**7.6**	**9.4**			
UBS GLOBAL EQUITIES	13.1%	7.0	8.3	15.8	12.0	12.2
BENCHMARK		6.3	10.3	14.1	13.0	12.9
VARIATION		**0.7**	**-2.0**	**1.7**	**-1.0**	**-0.7**
UBS PROPERTY	5.4%	0.4	3.4	6.4	8.8	9.0
BENCHMARK		0.6	3.4	6.3	8.3	8.9
VARIATION		**-0.2**	**0.0**	**0.1**	**0.5**	**0.1**
INSIGHT DIVERSIFIED GROWTH FUND	4.6%	3.1	5.2	4.8		
BENCHMARK		1.2	4.7	4.1		
VARIATION		**1.9**	**0.5**	**0.7**		
IN-HOUSE CASH	2.7%	0.2	0.8	0.5	0.5	0.8
BENCHMARK		0.2	0.8	0.6	0.5	0.4
VARIATION		**0.0**	**0.0**	**-0.1**	**0.0**	**0.4**
BRUNEL - PRIVATE EQUITY	0.2%	4.6				
BENCHMARK		6.3				
VARIATION		**-1.7**				
BRUNEL - INFRASTRUCTURE	0.2%	6.3				
BENCHMARK		0.8				
VARIATION		**5.5**				
BRUNEL - SECURED INCOME	0.1%	1.4				
BENCHMARK		0.8				
VARIATION		**0.6**				
TOTAL FUND	**100.0%**	**3.9**	**5.2**	**10.5**	**9.3**	**10.8**
BENCHMARK		**3.6**	**5.2**	**9.7**	**8.6**	**10.7**
VARIATION		**0.3**	**0.0**	**0.8**	**0.7**	**0.1**

TABLE 4

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TOP 20 HOLDINGS AT 30/06/2019

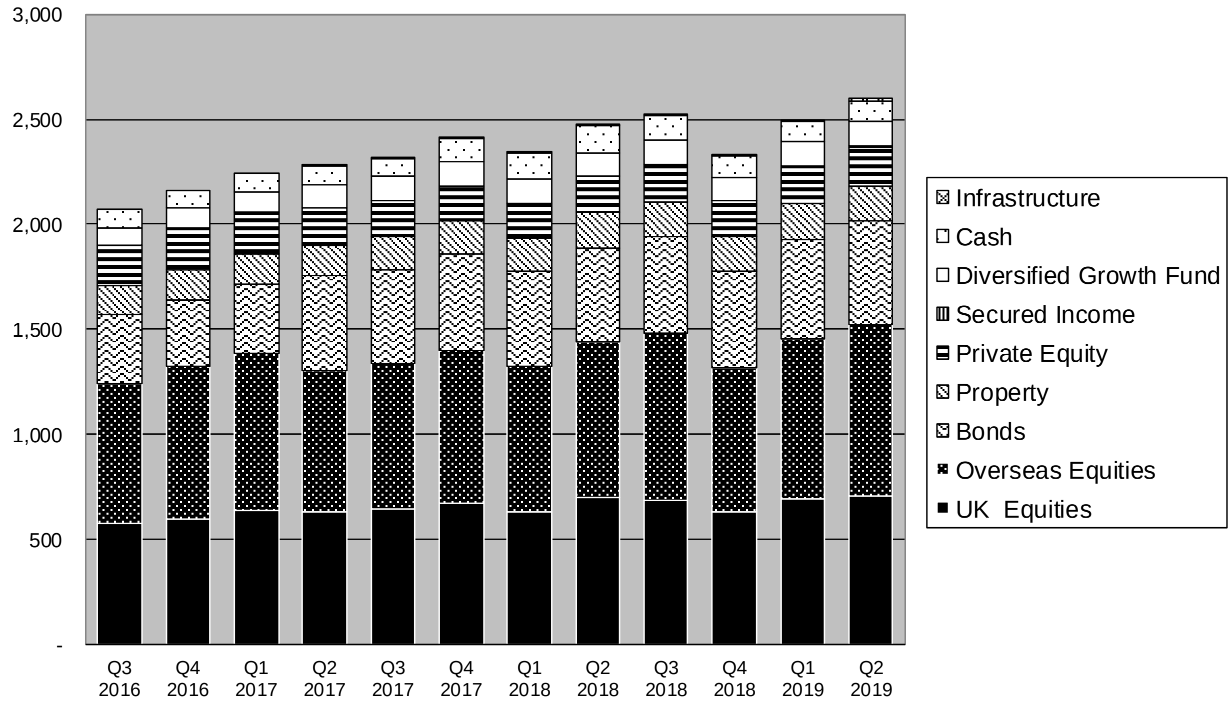
	ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
	DIRECT HOLDINGS		
1	HG CAPITAL TRUST PLC	41,581,000	1.60
2	STANDARD LIFE PRIVATE EQ ORD	15,792,939	0.61
3	BMO PRIVATE EQUITY TRUST PLC	14,684,800	0.56
4	3I GROUP PLC COMMON STOCK GBP.738636	12,751,345	0.49
5	TSY 1 1/4 2055 I/L GILT BONDS REGS 11/55 1.25	9,661,326	0.37
6	CANADIAN GOVERNMENT SR UNSECURED 06/28 2	9,301,809	0.36
7	TSY 0 1/8 2026 I/L GILT BONDS REGS 03/26 0.125	9,210,744	0.35
8	SWEDISH GOVERNMENT BONDS 05/28 0.75	8,711,571	0.33
9	TSY 0 3/8 2062 I/L GILT BONDS REGS 03/62 0.375	8,466,456	0.33
10	TSY 0 1/2 2050 I/L GILT BONDS REGS 03/50 0.5	8,342,423	0.32
11	US TREASURY N/B 05/23 1.75	8,333,329	0.32
12	BUNDESREPUB. DEUTSCHLAND BONDS REGS 02/29 0.25	8,327,596	0.32
13	TSY 0 1/8 2068 I/L GILT BONDS REGS 03/68 0.125	8,327,583	0.32
14	TSY 0 1/8 2044 I/L GILT BONDS REGS 03/44 0.125	7,946,770	0.31
15	TSY 0 5/8 2042 I/L GILT BONDS REGS 11/42 0.625	7,842,860	0.30
16	TSY 1 1/8 2037 I/L GILT BONDS REGS 11/37 1.125	7,562,875	0.29
17	ICG ENTERPRISE TRUST PLC	7,468,005	0.29
18	TSY 0 5/8 2040 I/L GILT BONDS REGS 03/40 0.625	7,418,098	0.29
19	TSY 0 3/4 2047 I/L GILT BONDS REGS 11/47 0.75	7,015,899	0.27
20	TSY 0 1/4 2052 I/L GILT BONDS REGS 03/52 0.25	6,993,846	0.27
	TOP 20 HOLDINGS MARKET VALUE *	**215,741,274**	8.30
	* Excludes investments held within Pooled Funds		
	POOLED FUNDS AT 30/06/2019		
1	FP BRUNEL UK EQUITY FUND A ACC MUTUAL FUND	451,901,415	17.37
2	UBS LIFE GLOBAL EQUITY ALL COUNTRY FUND A	341,198,790	13.12
3	L&G WORLD DEVELOPED EQUITY INDEX	268,860,647	10.33
4	LEGAL AND GENERAL TD CORE PLUS	187,872,605	7.22
5	L&G UK EQUITY INDEX	184,873,737	7.11
	TOTAL POOLED FUNDS MARKET VALUE	**1,434,707,194**	55.15
	TOTAL FUND MARKET VALUE	**2,601,529,416**	

GRAPH 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

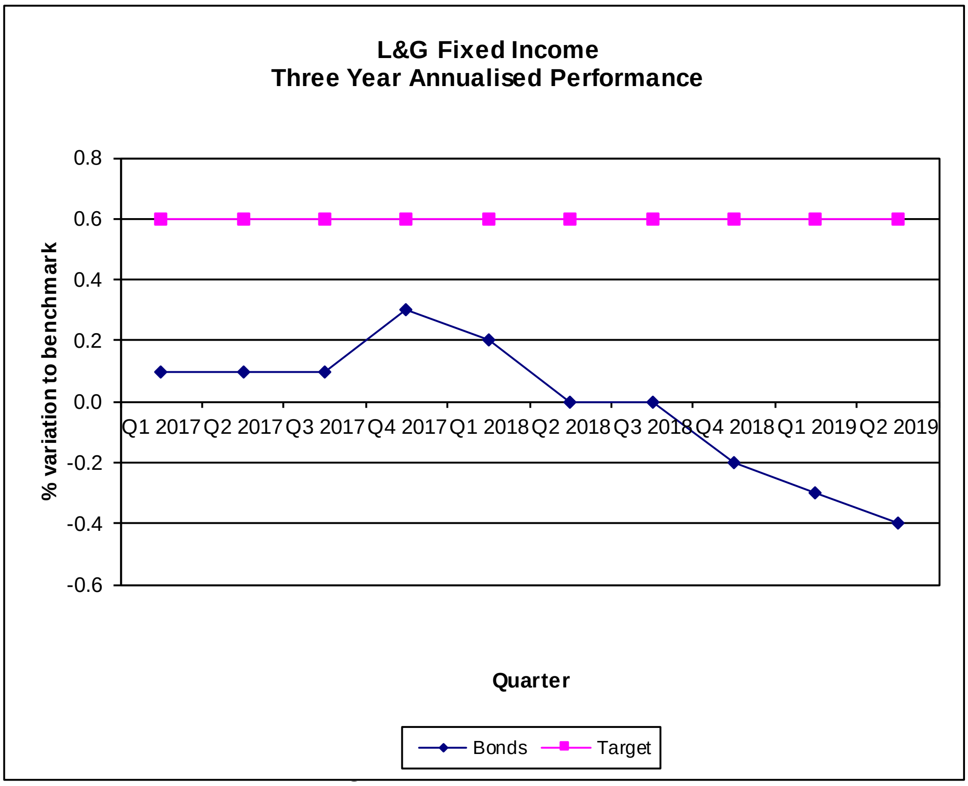
MARKET VALUE OF TOTAL FUND

TOTAL FUND MARKET VALUE BY ASSET CLASS



OXFORDSHIRE COUNTY COUNCIL PENSION FUND

GRAPH 2



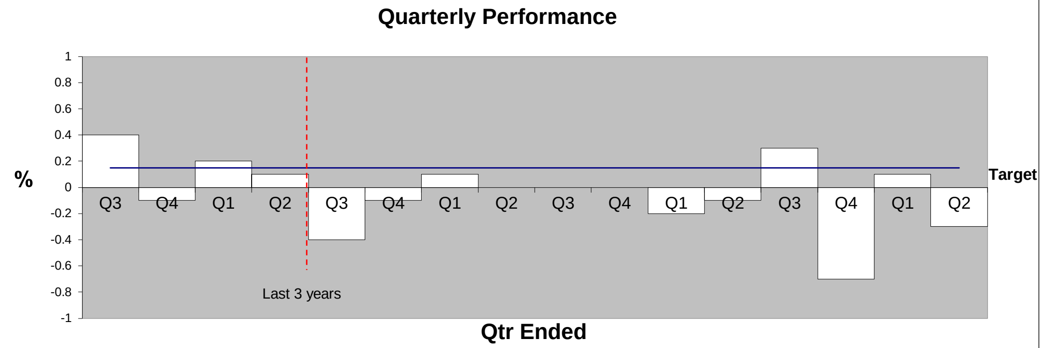
L&G Fixed Income Three Year Annualised Performance

	Bonds	Target
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
Q3 2018	0.0	0.6
Q4 2018	-0.2	0.6
Q1 2019	-0.3	0.6
Q2 2019	-0.4	0.6

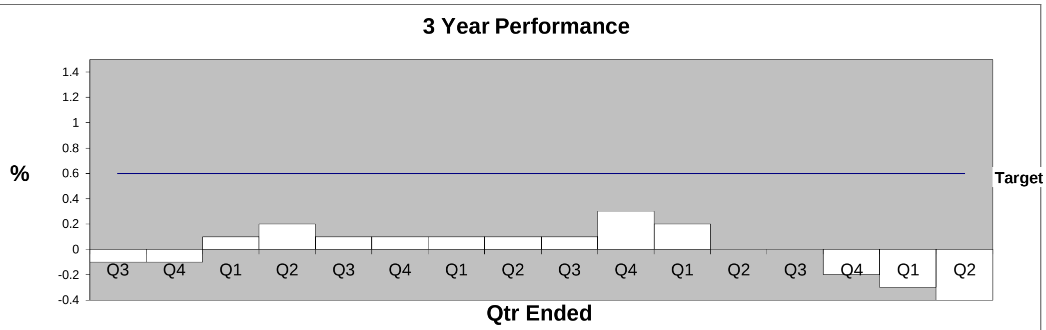
PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 3

2015	2016	2017	2018	2019



Performance	2.3	-1.2	4.8	6.7	5.5	-3.0	1.7	-0.7	-0.2	2.5	-0.5	-0.2	-0.9	1.1	4.6	2.2
	1.9	-1.1	4.6	6.6	5.9	-2.9	1.6	-0.7	-0.2	2.5	-0.3	-0.1	-1.2	1.8	4.5	2.5
Relative Return	**0.4**	**-0.1**	**0.2**	**0.1**	**-0.4**	**-0.1**	**0.1**	**0.0**	**0.0**	**0.0**	**-0.2**	**-0.1**	**0.3**	**-0.7**	**0.1**	**-0.3**



Performance	5.8	4.6	5.1	9.1	10.7	9.8	9.4	8.6	7.2	6.1	4.9	5.9	4.8	5.6	5.5	4.0
Benchmark	5.9	4.7	5.0	8.9	10.6	9.7	9.3	8.5	7.1	5.8	4.7	5.9	4.8	5.8	5.8	4.4
Relative Return	**-0.1**	**-0.1**	**0.1**	**0.2**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.3**	**0.2**	**0.0**	**0.0**	**-0.2**	**-0.3**	**-0.4**

Target Returns

Rolling annual target of 0.60% above benchmark

Top 10 holdings at 30/06/2019

	Holding	Value £	% of portfolio
1	TSY 1 1/4 2055 I/L GILT BONDS REGS 11/55 1.25	9,661,326	1.91
2	CANADIAN GOVERNMENT SR UNSECURED 06/28 2	9,301,809	1.84
3	TSY 0 1/8 2026 I/L GILT BONDS REGS 03/26 0.125	9,210,744	1.83
4	SWEDISH GOVERNMENT BONDS 05/28 0.75	8,711,571	1.73
5	TSY 0 3/8 2062 I/L GILT BONDS REGS 03/62 0.375	8,466,456	1.68
6	TSY 0 1/2 2050 I/L GILT BONDS REGS 03/50 0.5	8,342,423	1.65
7	US TREASURY N/B 05/23 1.75	8,333,329	1.65
8	BUNDESREPUB. DEUTSCHLAND BONDS REGS 02/29 0.25	8,327,596	1.65
9	TSY 0 1/8 2068 I/L GILT BONDS REGS 03/68 0.125	8,327,583	1.65
10	TSY 0 1/8 2044 I/L GILT BONDS REGS 03/44 0.125	7,946,770	1.58
	Top 10 Holdings Market Value	86,629,607	17.17
	Total Legal & General Market Value	504,536,000	

Legal & General

Top 10 holdings excludes investments held within pooled funds.

MJ HUDSON
Allenbridge

This document is directed only at the Oxfordshire Pension Fund on the basis of our investment advisory agreement. No liability is admitted to any other user of this report and if you are not the named recipient you should not seek to rely upon it. Notwithstanding any provisions in the FCA Rules this report is focussed on performance over the prior quarter at your request. You are reminded that investment performance should generally be assessed over a much longer period of time.

OXFORDSHIRE COUNCIL PENSION FUND – 6 SEPTEMBER 2019

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

Economy

1. The growth rate of the US economy in Q2 slowed to 2.2%, and China's to 6.2% (both annualised), while Japan, Europe and the UK all recorded growth close to 2%. On July 31st the Federal Reserve cut the US interest rate by ¼% to the 2 – 2 ¼% range – the first cut in over 10 years. Further cuts could be made later in the year depending on the progress of the economy and inflation. (In the table below the bracketed figures show the forecasts made in May)

Consensus real growth (%)						**Consumer prices latest (%)**
	2015	**2016**	**2017**	**2018**	**2019E**	
UK	+2.3	+2.0	+1.6	+1.4	+1.3(+1.0)	+2.0(CPI)
USA	+2.4	+1.6	+2.3	+2.9	+2.2(+2.2)	+ 1.6
Eurozone	+1.5	+1.6	+2.3	+1.9	+1.2(+1.3)	+ 1.3
Japan	+0.6	+0.9	+1.7	+0.7	+1.0(+1.0)	+ 0.7
China	+6.9	+6.7	+6.8	+6.6	+6.2(+6.3)	+ 2.7

[Source of estimates: Economist Intelligence Unit, July 27th, 2019]

2. Having failed on three occasions to gain parliamentary approval for the Withdrawal Agreement from the EU, Theresa May announced on June 7th that she would be standing down as Prime Minister once a successor had been chosen by the Conservative party. Boris Johnson became Prime Minister on July 24th, and chose a Cabinet fully committed to his policy of achieving Brexit by October 31st 'do or die'.

3. The increased tariffs imposed by the US on Chinese imports came into force in May and were reciprocated by China raising tariffs on $60bn of US imports. Tensions between the two countries eased at the end of June when it was announced that trade talks would resume and the US lifted its ban on US companies supplying Huawei.

4. The situation in Iran has become an increasing cause of concern. In May Iran said it would stop adhering to some of its nuclear energy commitments under the 2015 Accord (from which the US had withdrawn), and after an unmanned US drone had been shot down by Iran in June, the US pulled back at the last minute from launching retaliatory air attacks. In July the UK impounded an Iranian oil tanker carrying oil to Syria, and Iran responded by harassing British-

flagged ships in the Persian Gulf, and then seizing the Stena Impero on July 19th.

5. In Hong Kong in early June, massive demonstrations were mounted in protest at the proposed Extradition Law, which was later shelved. However, marches have continued to take place each weekend, accompanied by other protesters breaking into government buildings and defacing symbols of China's authority.

Markets

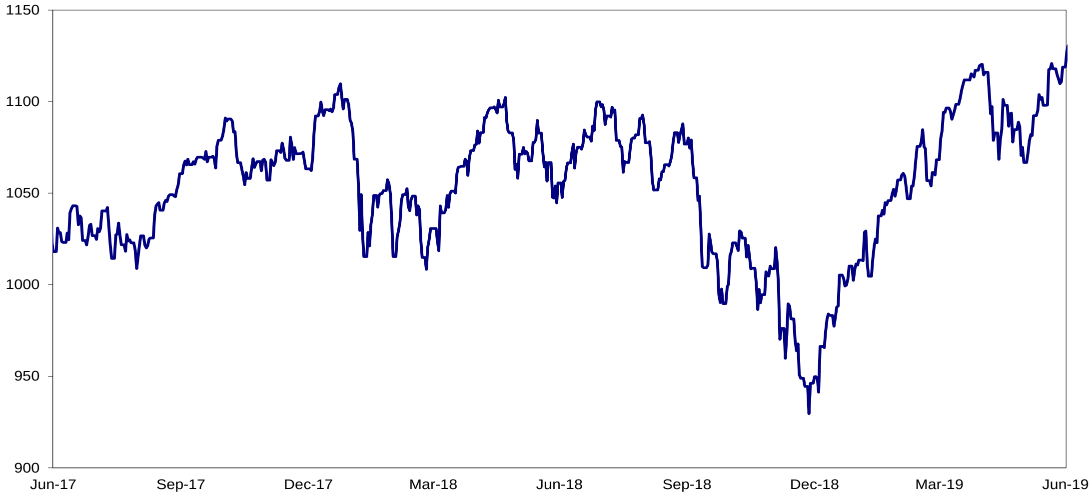
Equities

6. Equity markets advanced strongly for the second successive quarter – the All-World Index has risen by almost 15% in the first half of 2019. Markets responded to the monetary easing in all regions, and to the (temporary) improvement in US-China relations. The relative weakness of the UK over the past three years is highlighted in the table, while Continental European Equities have rebounded sharply in 2019.

	Capital return (in £, %) to 30.6.19			
Weight %	Region	**3 months**	**12 months**	**36 months**
100.0	FTSE All-World Index	**+5.3**	**+7.3**	**+37.4**
56.9	FTSE All-World North America	+6.3	+11.8	+46.4
7.7	FTSE All-World Japan	+2.7	-3.5	+25.5
12.6	FTSE All-World Asia Pac ex Japan	+2.3	+1.9	+31.4
14.7	FTSE All-World Europe (ex-UK)	+6.9	+5.1	+30.9
5.2	FTSE All-World UK	+2.0	-3.0	**+13.7**
10.4	FTSE All-World Emerging Markets	+2.6	+5.0	+30.6

[Source: FTSE All-World Review, June 2019]

FTSE World Europe ex UK



7. All sectors – other than Oil & Gas – registered steady gains during the quarter.

	Capital return (in £, %) to 30.6.19		
Weight %	**Industry Group**	**3 months**	**12 months**
3.3	Utilities	+4.1	+15.0
10.8	Health Care	+3.0	+11.5
15.8	Technology	+5.7	+11.1
11.5	Consumer Services	+6.9	+10.1
13.0	Industrials	+7.0	+9.2
2.8	Telecommunications	+4.3	+7.6
100.0	**FTSE All-World**	**+5.3**	**+7.3**
21.5	Financials	+6.6	+6.5
11.1	Consumer Goods	+4.8	+4.5
4.3	Basic Materials	+4.6	+0.2
5.9	Oil & Gas	+0.5	-6.5

[Source: FTSE All-World Review, June 2019]

8. After a uniform rise across the market during the quarter, the mid- and small-cap sectors of the UK market continue to out-perform the large-cap sector over one and three years.

(Capital only %, to 30.6.19)	3 months	12 months	36 months
FTSE 100	**+2.0**	**-2.8**	**+14.2**
FTSE 250	**+1.8**	**-6.6**	**+19.6**
FTSE Small Cap	**+1.9**	**-5.2**	**+24.6**
FTSE All-Share	**+2.0**	**-3.5**	**+15.4**

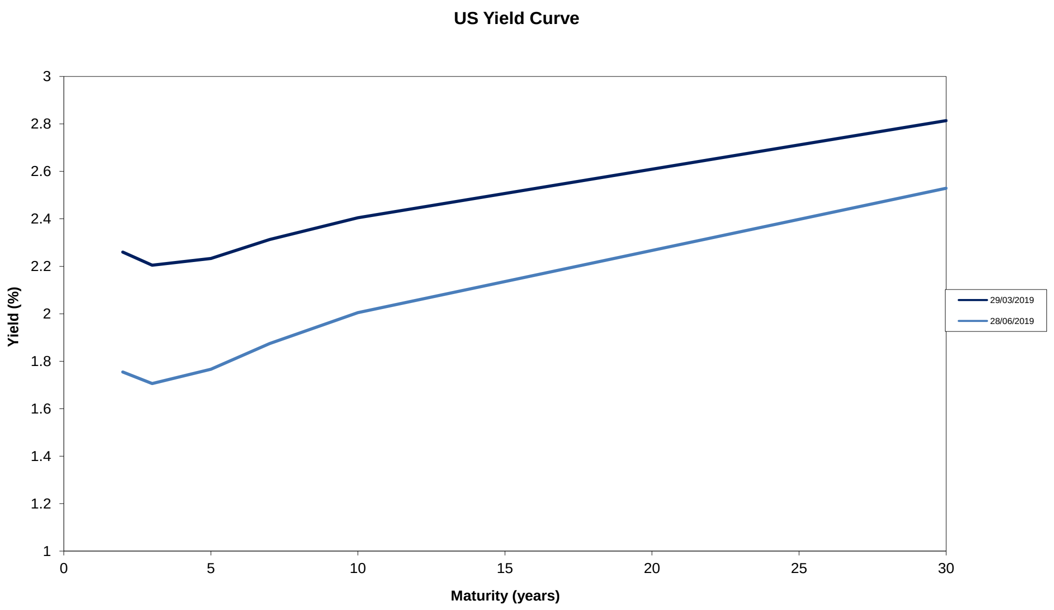
[Source: Financial Times]

Bonds

9. Bond prices continued their first-quarter rise, as it became accepted that interest rates in the US and elsewhere were on a downward path. Yields on US Government bonds at all durations have fallen significantly during the quarter.

10-year government bond yields (%)	Dec 2016	Dec 2017	Dec 2018	Mar 2019	June 2019
US	2.46	2.43	2.68	2.42	2.01
UK	1.24	1.23	1.14	1.00	0.83
Germany	0.11	0.43	0.24	-0.07	-0.33
Japan	0.04	0.05	-0.01	-0.10	-0.17

[Source: Financial Times]

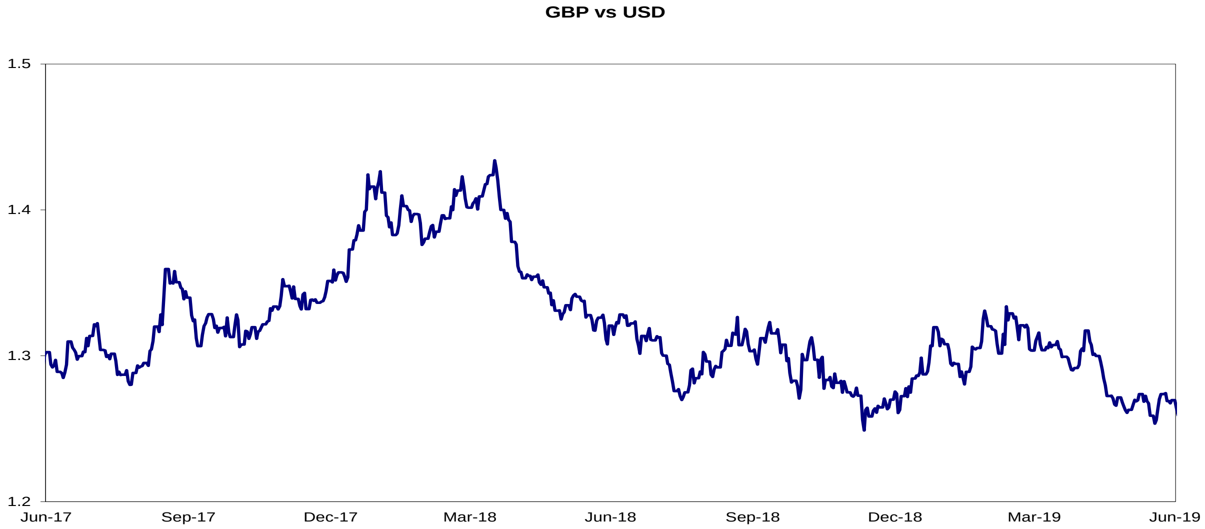


Internal

Currencies

10. Sterling weakened in May and June on political uncertainty, and fell by a further 4% against the dollar in July as the prospect of a no-deal Brexit became more likely under the new government.

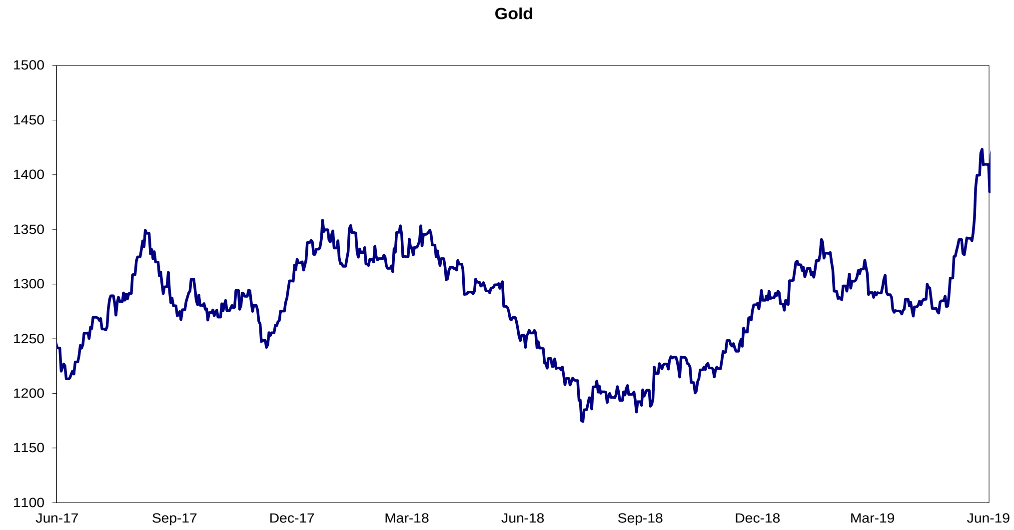
				£ move (%)	
	30.6.18	**31.3.19**	**30.6.19**	**3m**	**12m**
$ per £	1.320	1.303	1.273	-2.3	-3.6
€ per £	1.131	1.161	1.118	-3.7	-1.1
Y per £	146.2	144.2	137.1	-4.9	-6.2



Commodities

11. The oil price rose to $75/barrel in late-April when the US ended sanctions waivers on Iranian oil imports to India, China, Japan, S. Korea and Turkey, but later fell back to the mid $60's range. Gold reached its highest price for over five years.

($)	**30.6.18**	**31.3.19**	**30.6.19**	**3m (%)**	**12m**
Gold	**1251.6**	**1295.1**	**1402.5**	**+8.3**	**+12.1**
Brent crude	**79.2**	**67.6**	**64.4**	**-4.7**	**-18.7**



Property

12. Following a similar pattern to that of the previous quarter, UK property values eased, so that it was only the income element which produced a positive total return. The woes of the retail sector became more widespread, as several big names announced store closures and negotiated for rent reductions from landlords. The 12-month total return of 4.0% is similar to that on the All Stock Gilt Index (+4.9%) and ahead of the All-Share Index (+0.6%).

	3-month (%)	12-month
All Property	**+ 0.6**	**+ 4.0**
Retail	**- 0.9**	**- 3.9**
Office	**0.9**	**+ 5.8**
Industrial	**+ 1.7**	**+10.8**

[MSCI UK Monthly Index of total returns, June 2019]

Outlook

13. From a UK perspective the progress of the Brexit negotiations before the deadline of October 31st overshadows all else, with the prospect of an early General Election a real possibility if parliament refuses to permit a no-deal exit. The outlook for UK equities, and for sterling, is unsettling under almost any scenario.

14. Elsewhere the situation with Iran, the US-China trade talks and China's possible reaction to the demonstrations in Hong Kong all have the potential to disturb equity markets. In such circumstances, however, government bonds are likely to be in demand because of their 'safe haven' status.

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August 1st, 2019

[Graphs supplied by Legal & General Investment Management]

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