

OXFORDSHIRE PENSION FUND
REPORT AND ACCOUNTS 2011/12
Registered Number: PS049/20

CONTENTS	
	Page
Foreword by the Assistant Chief Executive & Chief Finance Officer	2
Statement of Responsibilities for the Pension Fund	4
Members, Managers and Advisers	5
How the Scheme Operates	6
Participating Employers and their Contribution Rates	8
Investment Review	10
Investment Benchmark and Performance	16
Pension Fund Accounts 2011-12	18
Auditor's Report	56
Actuarial Statement	57
Summary of Benefits	59
Statement of Investment Principles	62
Other Governance and Financial Statements	68
Communication	69
Useful Contacts and Addresses	71

FOREWORD TO THE 2011/12 PENSION FUND REPORT AND ACCOUNTS BY THE ASSISTANT CHIEF EXECUTIVE & CHIEF FINANCE OFFICER

Introduction

As I seem to have been saying for a number of years now, I am writing this foreword at a time when public sector pensions are at the top of the political agenda. In particular, we have just received the proposals for the new look Local Government Pension Scheme which have been jointly put forward for consultation by the employers and the unions. Subject to the consultation, it is hoped to have regulations in place by March 2013, and a new scheme in place by 1 April 2014.

As well as the new scheme we have been working this year on meeting the challenges presented by the financial turmoil in the world markets, and in particular in the Eurozone. Finding the correct balance in terms of investment return and investment risk has become increasingly challenging as growth declines in many parts of the world, and the rush to safe-haven government bonds sends prices soaring and returns plummeting.

Locally, we have also spent the year running the tender process to appoint a new Fund Manager to run a £150m global equity mandate. Having appointed Wellington early in 2012, we are now in the process of completing the legal work around the contract, and will be transferring funds to them shortly.

This report provides key information on the Fund over the last year, including the audited accounts, information on the Fund's investments and the performance of our Fund Managers, and the key strategy documents which drive the governance of the Fund.

Background

The Oxfordshire Pension Fund is administered by Oxfordshire County Council. There are over 100 employers within the Fund, although at the current time only 81 had active members. This is a significant increase since last year when the equivalent figure was 68, reflecting the changing nature of public service delivery, with each new Academy and each new service provider following an outsourcing of previous Council provided services, forming a new employer within the Fund. Whilst numbers of employers are rising, numbers of active members are declining as a result of the reductions in public expenditure. In total the number of active members has fallen by 1.3% to 18,582, whilst numbers of pensioners and deferred members have both risen to 11,683 and 21,805 respectively.

Investment Performance and Asset Allocation

Investment Performance over the last year was driven by the wider economic issues of low growth and investors switching to safe havens of government bonds in the US, UK and Germany. Overall, the Fund showed an investment return of 3.4%, against a benchmark of 3.5%. Within this though there were marked variations with an increase in the value of our index linked gilts of 22.7%, and of 12.9% in our UK gilts, whilst the investment return on our overseas equities was negative at -2.8%, and hedge funds returned -1.2%.

Baillie Gifford continued to outperform strongly, beating their benchmark in 2011/12 by 4.6%, leading to average 3 year outperformance of 3.1%. The Fund's overall performance over a 3 year period was dragged down by the poor performance by Alliance Bernstein in the final 2 years of their mandate, leading to an average return of 15.4% per year for the Fund as a whole over the last three years, compared to a benchmark of 16.4%.

The asset allocation remained largely unchanged over the year, with the main change being the switch from active to passive management for the global equity mandate (£100m on a permanent basis, £150m on a temporary basis until we can transfer resources to Wellington).

Looking forward though, the reduction in active scheme members and the increase in pensions in payment as a result of the reductions in public expenditure and the drive to out-source increasing levels of service provision, is accelerating the day when the Fund matures, and cash payments out begin to exceed contributions received. Whilst the accounts show the net additions of dealing with members rising from £26.9m to £30.8m, it should be noted that the contributions include a one off sum of £21m in respect of the former Magistrates Courts Service, suggesting the net cash increase has in fact dropped to around £10m. If this downward trend in net cash received continues, the Pension Fund Committee will need to review its strategic asset allocation to ensure there is a reliable flow of investment income to fund all pension benefits payable.

The Future

The proposed changes to the Local Government Pension Scheme to be effective from 1 April 2014 are designed to secure the long term sustainability and affordability of the Scheme. Key challenges over the next year therefore are to review the proposals against this objective, and ensure we are in a position to explain the new scheme to employees to maximise scheme membership, and administer the new arrangements. The scale of the change including the switch from a final salary to a career average scheme, a normal retirement age linked to the state pension age, a new accrual rate of $1/49^{\text{th}}$ compared to the current $1/60^{\text{th}}$, the introduction of an option to pay half the normal contribution rate in return for half the benefits plus a number of transitional arrangements means this will be no simple challenge.

Whilst preparing for the new scheme, there will also be the challenge of the increasing maturity of the scheme membership, finding good investment opportunities during the different economic climate, and the implementation of the new global equity mandate with Wellington.

With all this going on, I already can see a repeat of my opening line in next year's foreword. We look forward to the challenge.

Sue Scane
Assistant Chief Executive & Chief Finance Officer

June 2012

Statement of Responsibilities for the Pension Fund

The County Council's Responsibilities

The County Council is required to:

- ◆ make arrangements for the proper administration of the financial affairs of the Pension Fund and to ensure that one of its officers has the responsibility for the administration of those affairs. For the County Council, that officer is the Assistant Chief Executive & Chief Finance Officer;
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

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

The Responsibilities of the Assistant Chief Executive & Chief Finance Officer

The Assistant Chief Executive & 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 2011/12 ('the Code of Practice').

In preparing this Statement of Accounts, the Assistant Chief Executive & 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 Assistant Chief Executive & 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.

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

<i>Administering Authority</i>	Oxfordshire County Council PO Box 12 County Hall Oxford OX1 1TH
<i>Administrator</i>	Assistant Chief Executive & Chief Finance Officer
<i>Pension Fund Committee County Council Members 2011/12 Membership</i>	Cllr David Harvey (Chairman) Cllr Bill Service (Deputy Chairman) Cllr Jean Fooks Cllr Stewart Lilly Cllr Don Seale (to May 2012) Cllr Charles Shouler Cllr Roy Darke Cllr Sandy Lovatt (from May 2012)
<i>Representatives of District Councils</i>	Cllr Richard Langridge (WODC) Cllr Jerry Patterson (VOWHDC)
<i>Beneficiary Observer</i>	Neil Browning (UNISON) 2011/12 Paul Gerrish (from June 2012)
<i>Independent Investment Adviser</i>	Peter Davies
<i>Fund Managers</i>	Adams Street Partners Alliance Bernstein (to May 2011) Baillie Gifford Legal & General Investment Management Partners Group UBS Global Asset Management UBS Wealth Management
<i>Actuary</i>	Graeme Muir FFA and Alison Hamilton FFA Barnett Waddingham LLP
<i>Auditor</i>	The Audit Commission
<i>AVC Provider</i>	Prudential Assurance Company Ltd
<i>Corporate Governance & Socially Responsible Investment Service</i>	ISS
<i>Custodian</i>	BNY Mellon
<i>Performance Management</i>	WM Performance Services

MEMBERS, MANAGERS & ADVISORS

HOW THE SCHEME OPERATES

◆ Legal Framework

The Local Government Pension Scheme is a statutory, funded final salary pension scheme. It is “contracted-out” of the state scheme and is termed a defined benefit scheme. The operation of the Oxfordshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2007 [as amended] (effective from April 2008). 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 be employers in the Scheme. A recent scheme amendment enables the Academy Schools to be a full employer in the scheme in their own right. A list of all those bodies with employees currently participating in the Scheme is shown on pages 8 to 9.

This defined benefit scheme provides benefits related to salary for its members and the benefits are unaffected by the investment return achieved on the Scheme’s assets. Pensions paid to retired employees, their dependents, and deferred benefits are subject to mandatory increases in accordance with annual pension increase legislation. The amount is determined by the Secretary of State and although previously based on the Retail Price Index (RPI), the pensions increase payable in April 2011 was based on the Consumer Price Index (CPI).

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 7.5% of whole time equivalent pensionable earnings.

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

Contribution rates for 2011-12 were based on the completed valuation of the Scheme’s financial position as at 31 March 2010 and are shown on pages 8 to 9. The next actuarial valuation, taking place in 2013 will coincide with the introduction of major scheme changes to reflect the outcome of the Hutton Report and required government savings, which should be operational from April 2014.

◆ Benefits

The benefits payable under the Scheme are laid down by the 2007 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 ‘final salary’ scheme and provides a pension as a proportion of final salary according to the length of service. A Summary of Benefits is shown on pages 59 to 61.

Overriding legislation

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

The limits an individual can build up in a year and a lifetime are due to change next year (2011-2012) this will bring additional reporting timetables to the fund administration.

◆ **Internal Dispute 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 Nominated Person. For information please contact the Pension Services Manager.

PARTICIPATING EMPLOYERS

Scheduled Bodies	Contribution Rate		Scheduled Bodies (cont)	Contribution Rate	
	Payroll %	Additional Monetary Amount		Payroll %	Additional Monetary Amount
	2011/12	2011/12		2011/12	2011/12
Abingdon Town Council	15.1	£11,800	North Oxfordshire Academy	13.1	£33,000
Abingdon & Witney College	14.4	£74,000	Old Marston Parish Council	15.1	£300
Banbury Town Council	15.1	£8,000	Oxford Brookes University	18.5	-
Bartholomew School Academy	19.3	-	Oxford City Council	20.2	-
Benson Parish Council	15.1	£600	Oxford & Cherwell College	13.9	£73,000
Berinsfield Parish Council	15.1	£200	Oxfordshire County Council	19.3	-
Bicester Town Council	15.1	£8,000	Oxford Spires Academy	14.5	£32,700
Carterton Town Council	15.1	£3,300	Radley Parish Council	*	-
Cherwell District Council	13.9	£910,000	Risinghurst & Sandhills Parish Council	*	-
Chalgrove Parish Council	*	-	Rotherfield Greys Parish Council	15.1	£100
Chinnor Parish Council	15.1	£1,800	Rotherfield Peppard Parish Council	15.1	£100
Chipping Norton School Academy	19.3	-	Rush Common School Academy	19.3	-
Chipping Norton Town Council	15.1	£1,300	South Oxfordshire District Council	13.3	£295,000
Cumnor Parish Council	15.1	£400	Sutton Courtenay Parish Council	15.1	£600
Didcot Town Council	15.1	£9,000	Thame Town Council	15.1	£12,200
Eynsham Parish Council	15.1	£400	The Oxford Academy	14.9	£36,000
Faringdon Town Council	15.1	£1,300	Vale of White Horse District Council	14.5	£520,000
Gillots School Academy	19.3	-	Wallingford School Academy	19.3	-
Hanwell Fields Academy	19.3	-	Wallingford Town Council	15.1	£7,000
Henley College	14.6	£54,000	Wantage Town Council	*	-
Henley-on-Thames Town Council	15.1	£9,700	West Oxfordshire District Council	14.4	£430,000
Kidlington Parish Council	15.1	£7,100	Wheatley Parish Council	15.1	£400
King Alfred's Academy	19.3	-	Whitchurch Parish Council	*	-
Littlemore Parish Council	*	-	Witney Town Council	15.1	£12,400
Marcham Parish Council	15.1	£300	Woodstock Town Council	15.1	£1,000
North Hinksey Parish Council	*	-			

List of Participating Employers continues on next page...

PARTICIPATING EMPLOYERS (continued)

Admitted Bodies	<u>Contribution Rate</u>		Admitted Bodies (cont)	<u>Contribution Rate</u>	
	Payroll %	Additional Monetary Amount		Payroll %	Additional Monetary Amount
	2011/12	2011/12		2011/12	2011/12
A2 Dominion	13.7	£54,000	Order of St John's Care Trust	19.3	-
Abingdon Citizens' Advice Bureau	13.7	£1,000	Oxford Archaeological Unit	13.7	£118,000
ACE Centre Advisory Trust	13.7	£16,000	Oxford Citizens' Housing Association	19.3	-
Allied Healthcare	19.3	-	Oxford Community Work Agency	13.7	£7,000
Atkins Global	14.6	-	Oxford Health NHS Foundation Trust	19.3	-
Banbury Citizens Advice Bureau	13.7	£2,000	Oxford Homeless Pathways	13.7	£14,000
Banbury Homes	13.7	£3,000	Oxford Inspires	13.1	£5,000
Barnardos	19.3	-	Oxfordshire Community Foundation	13.7	£1,000
CAPITA (Vale)	14.1	£17,000	Oxfordshire Council for Voluntary Action	13.7	£3,000
CfBT Career Service	16.2	£9,000	Oxfordshire Youth Arts Partnership	13.7	£3,000
Charter Community Housing	15.1	£79,000	RM Education	12.0	£1,400
Community Voice	19.3	-	SOLL Vale	15.8	£7,000
Connexions	19.3	-	Sovereign Vale	21.1	-
Cottsway Housing Association	14.1	£231,000	Stonham Services	13.7	£3,000
Elmore Community Services	13.7	£3,000	Swalcliffe Park School Trust	13.7	£41,000
Fusion Lifestyle	20.2	-	Thames Valley Partnership	13.7	£6,000
Leonard Cheshire Disability	19.3	-	United Sustainable Energy Authority	14.8	£7,000
Nexus Community	14.4	-	West Oxon Citizens' Advice Bureau	13.7	£5,000
NORCAP	13.7	£5,000			

* No active members at the date of the last valuation (31 March 2010). A contribution rate will be advised by the actuary at the date an active member joins the fund.

Economic Background

Forecasts that GDP growth in 2011 would match the levels recorded during the previous year's recovery proved to be too optimistic. Growth of 1.7% in the United States compared poorly with the 2.9% figure recorded in 2010, while outcomes in the UK (+0.9%) and the Eurozone (+1.5%) were also disappointing. Japan's economy was understandably affected by the devastation of the tsunami, and China's growth rate slowed from 10% to 9%. Current forecasts for 2012 suggest there will be improved growth in the US and Japan, but UK and Europe could contract and even China may grow at less than 9%.

The shadow overhanging markets during most of the period has been the prospect of default by Greece and the fear that it might leave the Eurozone. In July 2011 a second bailout for Greece was agreed, subject to austerity measures in Greece and a severe write-down of privately-held Greek debt. While these terms appeared to have been settled in February 2012, the inconclusive result of the Greek elections in May has reawakened fears that Greece will reject the terms of the bailout and depart the Eurozone. Yields on sovereign bonds in Italy and Spain relative to Germany have risen sharply, reflecting fears of 'contagion' from Greece.

The European Central Bank had cut interest rates to 1% in December and it then launched a 'long-term refinancing operation' (LTRO) under which European banks were able to borrow at just 1% for three years with generous terms on collateral. Some €1trn had been advanced under this facility by the end of March.

Market Returns

Equity markets fell by 15 - 20% in the third quarter of 2011, on a mixture of fears about sovereign debt defaults, the downgrading of the US credit rating and civil disorder in several European capitals (including London). Monetary operations by the US Federal Reserve and the Bank of England in the autumn, followed by the ECB's rate cut and LTRO programme, restored confidence to equity markets, with the banking sector notably strong. Equities in Continental Europe, Asia-Pacific and Emerging Markets, however, still registered losses for the year to March. Prices of government bonds in the 'safe havens' of US, UK and Germany soared as investors retreated from peripheral markets.

The Oxfordshire County Council Fund achieved a total return of 3.4% for the year, which was fractionally below its benchmark return of 3.5%.

Outlook

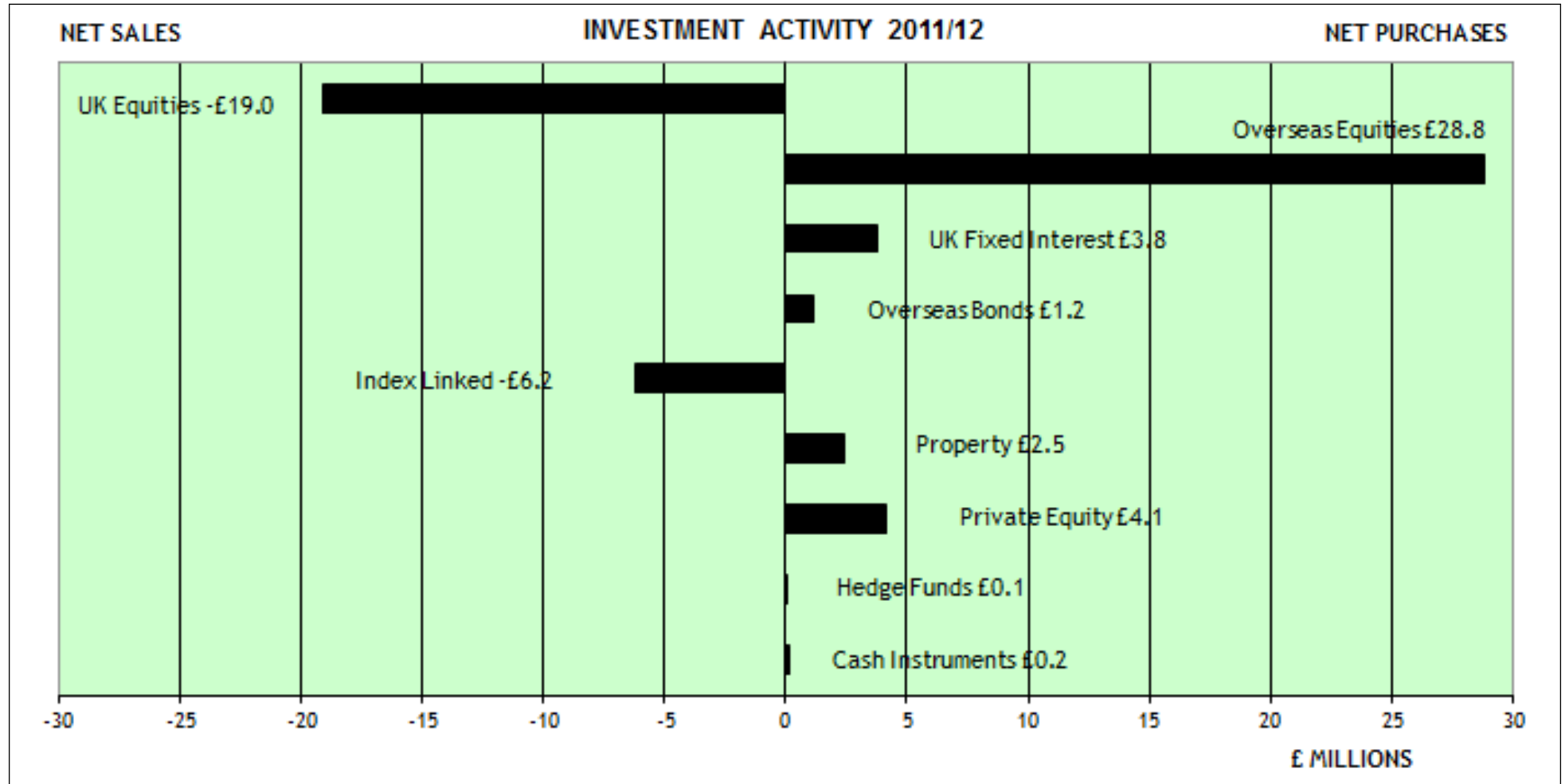
The continuing nervousness of equity markets has been underlined by the reaction to the outcome of the Greek election in May. Although the election of President Hollande in France may temper the austerity measures being imposed throughout Europe, economic growth in the region is likely to remain well below trend this year and next. With 10-year bonds in 'safe haven' sovereign debt offering unprecedentedly low yields, it is hard to see any attractions in buying such bonds at present levels. If there is a resolution to the Greek crisis which is not damaging to the remainder of the European economy, there is scope for a recovery in equity markets over the medium term. The US Presidential Election in November will loom large over markets, although it is too early to predict either the result or the consequences of the vote.

Table showing the total returns (capital plus income) in sterling terms calculated on major indices for the year to 31 March 2012.

SECTOR		INDEX	% Total Returns Year to 31.3.12
Equities	Global	FTSE All World	-0.2
	UK	FTSE Actuaries All Share	1.4
	North America	FTSE North American Developed	6.9
	Japan	FTSE Japan Developed	0.9
	Europe	FTSE Europe (ex UK) Developed	-11.2
	Asia Pacific (ex Japan)	FTSE Asia Pacific (ex Japan) Developed	-5.1
	Emerging Markets	FTSE Emerging Markets	-8.6
Bonds	UK Government	FTSE Government UK Gilts All Stocks	14.5
	UK Index-Linked	FTSE Government Index- Linked (over 5 years)	21.1
	UK Corporate Bonds	iBoxx Sterling Non-Gilt All Stocks Index	8.8
	Overseas	JP Morgan Traded WXUK	5.4
Cash	UK	7 DAY £ LIBID INDEX	0.5
Property	UK Commercial	IPD (HSBC) All Balanced Funds Index	5.7

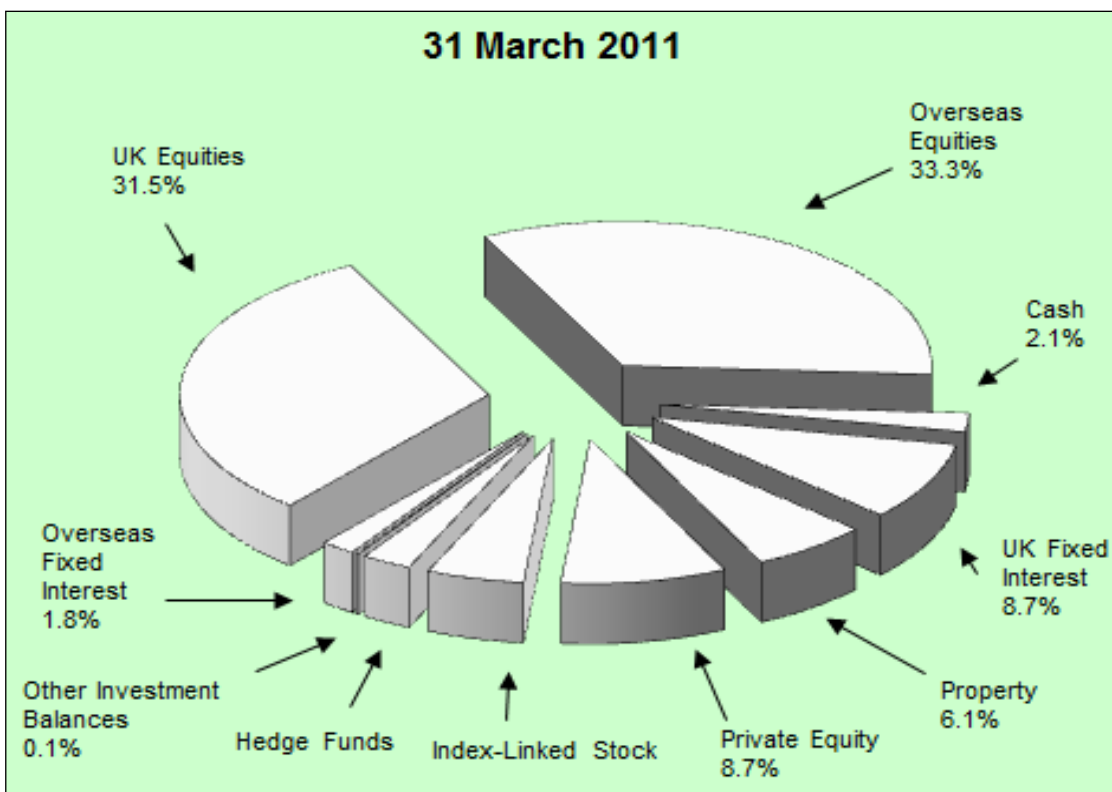
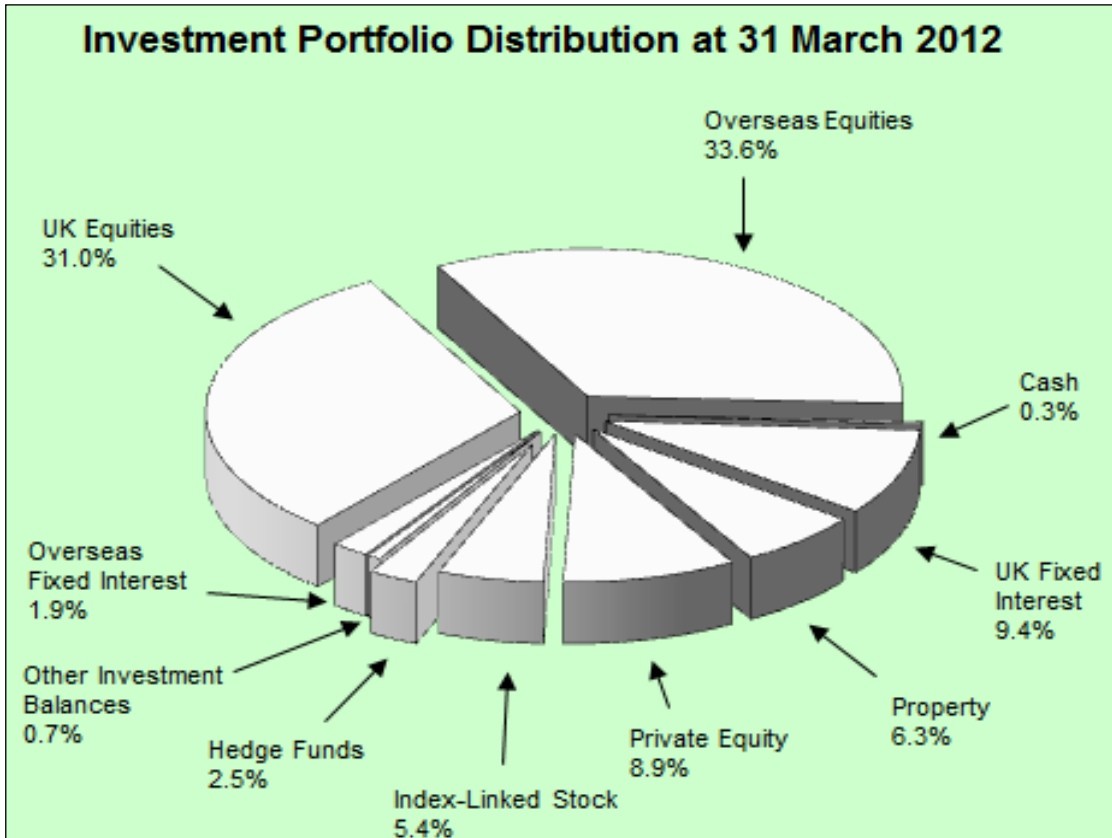
- **Investment Activity**

The Pension Fund invested a net £15 million during the year ended 31 March 2012. The amounts invested or disinvested in each principal category of asset are shown in the chart below.

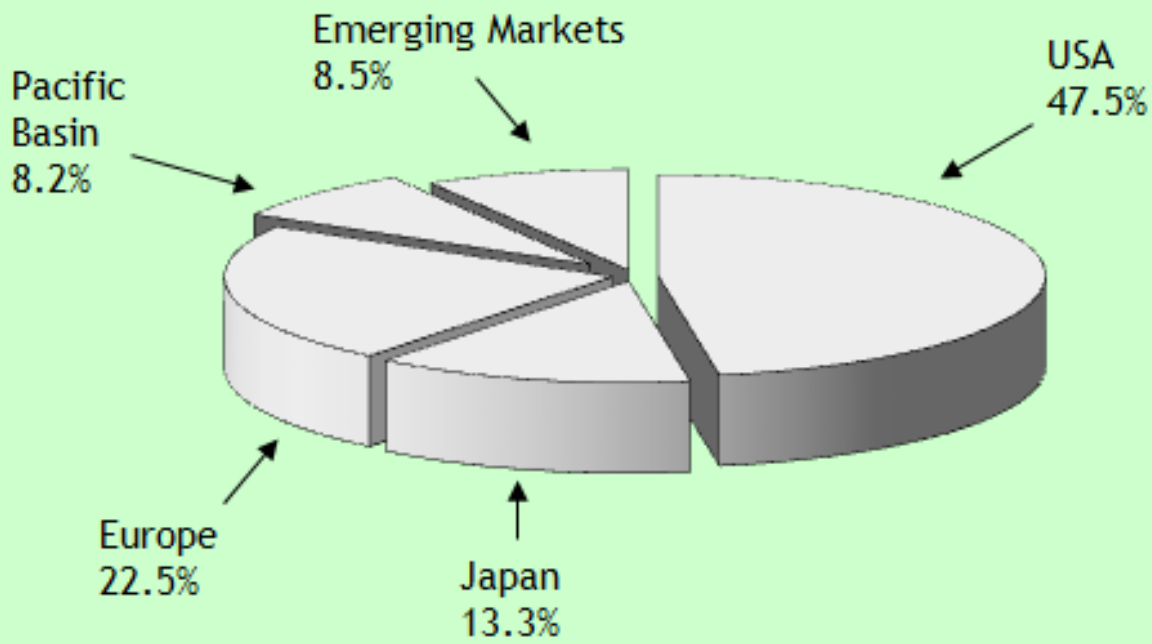


Portfolio Distribution

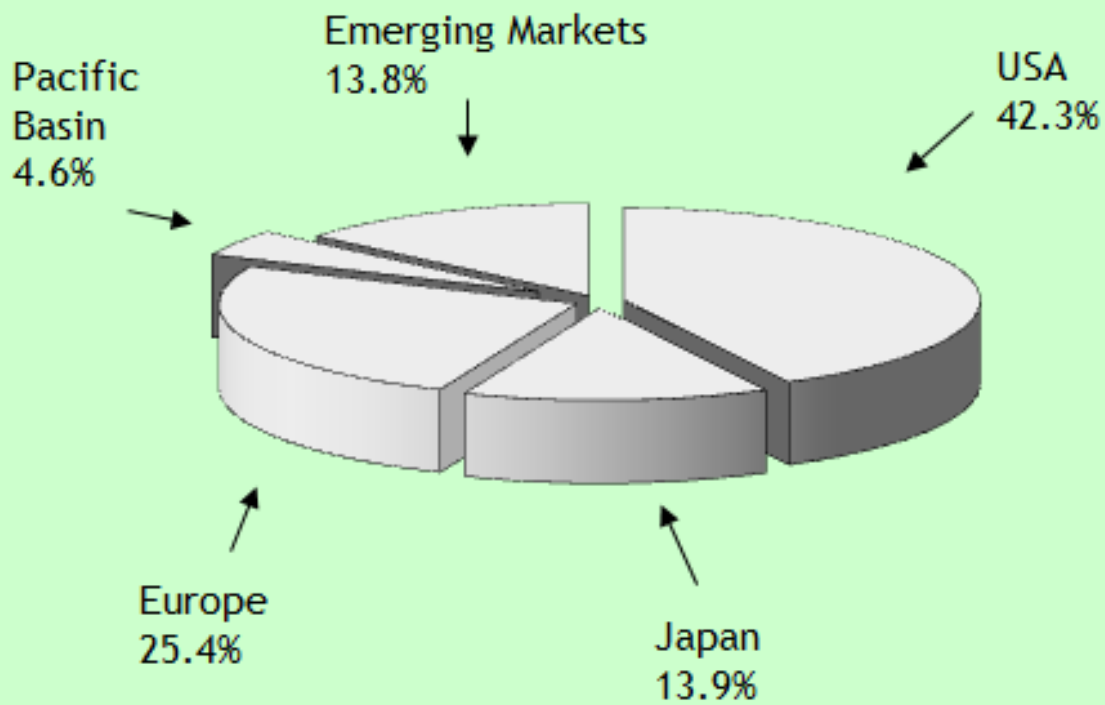
The distribution of the Pension Fund amongst the principal categories of assets as at 31 March 2012 is shown in the chart below. A comparative chart of the position at 31 March 2011 is also shown. The two further charts show the distribution of overseas investments at 31 March 2012 and 31 March 2011. Changes in the asset weightings, from one year to another, are due to investment activity and market movements.



Overseas Investment Distribution at 31 March 2012



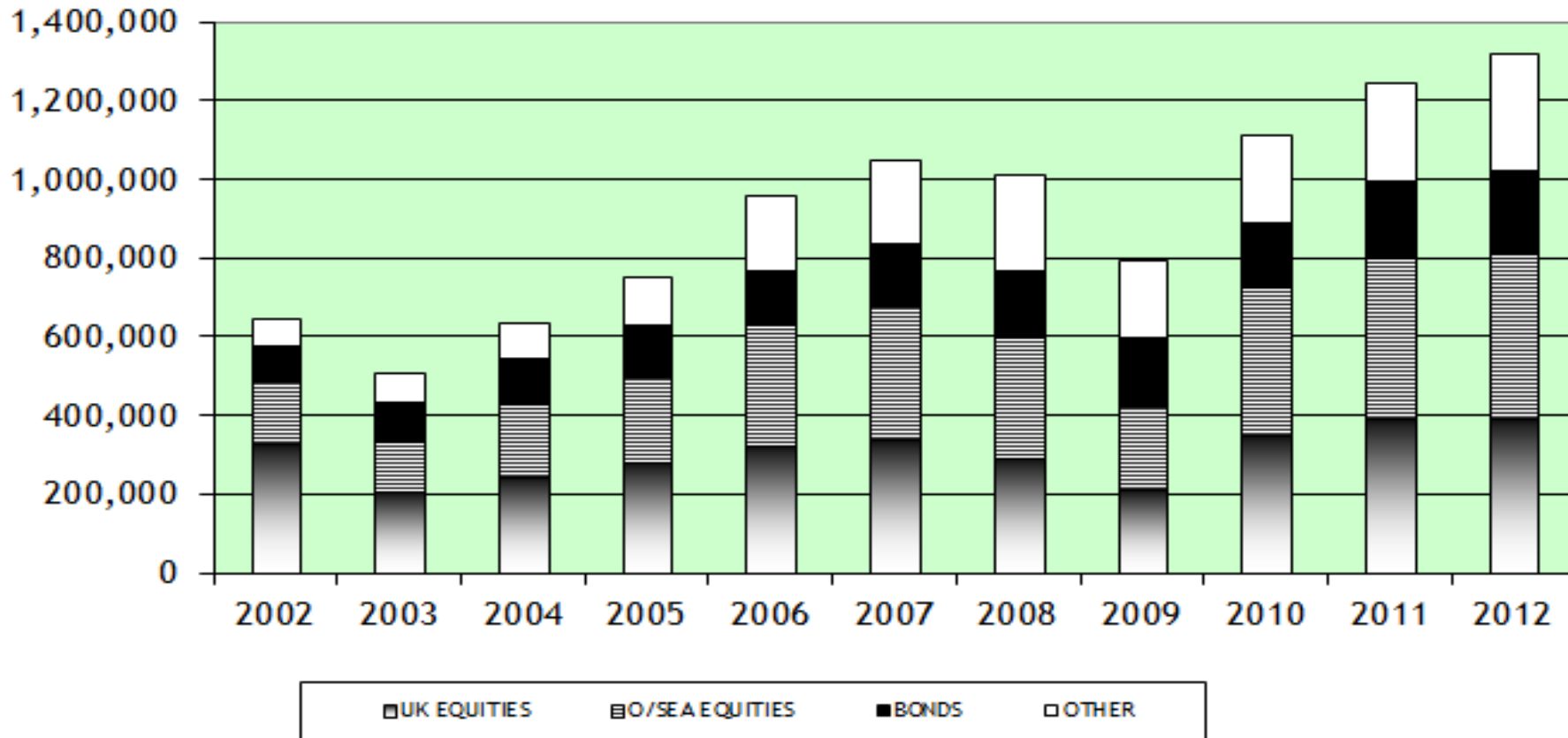
31 March 2011



Portfolio Asset Allocation over the Ten Years to March 2012

The total assets of the Pension Fund have grown from £646 million at end of March 2002 to £1,320 million at end of March 2012 (see chart below). Over the period the percentage in UK equities decreased from 51.0% to 29.5% whilst bonds increased from 14.3% to 16.0%

MARKET VALUE OF THE OXFORDSHIRE PENSION FUND



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

◆ Investment Benchmark and Performance

In March 2011, the Pension Fund Committee agreed to terminate the active global equity mandate held by Alliance Bernstein. £100m from this mandate was permanently placed with Legal & General to manage on a passive basis, with the remaining £150m placed with Legal & General to manage temporarily on a passive basis whilst a new active global equity manager was appointed. There were no other significant changes to the strategic asset allocation during 2011/12. During the year officers meet quarterly to consider the allocation of assets, rebalancing where appropriate after consultation with the Independent Financial Adviser and the Chairman of the Committee. This built on the process and flexibilities of allowable ranges previously introduced into the asset allocation strategy.

The Fund uses WM Performance Services to independently measure investment performance. Investment performance returns for all of the Oxfordshire Pension Fund's managers and at the total fund level are reported quarterly to the Pension Fund Committee. A representative from the WM Company also gives an annual presentation to the Committee each August. The table below provides details of the Pension Fund's one and three year investment returns, on an annualised basis, for each asset class.

The tables indicate that performance in 2011/12 fell just below benchmark (3.4% return compared to a benchmark of 3.5%). The table shows the range of returns across the different asset classes, and the volatility between returns over 1 and 3 years. Performance over 3 years was 1% below benchmark, a significant element of which relates to the poor performance of Alliance Bernstein before their mandate was removed.

Asset	Strategic Asset Allocation Benchmark %	One Year Ended 31 March 2012		Three Years Ended 31 March 2012	
		Benchmark Return %	Oxfordshire Total Fund %	Benchmark Return %	Oxfordshire Total Fund %
UK Equities	28.8	1.4	4.6	18.8	20.9
Overseas Equities	12.2	-0.3	-2.8	17.1	16.6
* Global Equities	22	-0.2	-0.5	17.1	17.3
UK Gilts	3	14.5	12.9	6.6	6.3
Index Linked Gilts	5	21.1	22.7	12.6	13.8
Overseas Bonds	2	7.1	6.1	4.1	4.5
Corporate Bonds	6	8.8	10.0	11.4	12.6
Property	8	6.2	5.9	9.0	10.0
Private Equity	10	0.1	1.2	24.6	21.2
Hedge Funds	3	3.9	-1.2	3.8	5.9
† Cash	0	-	0.4	-	0.1
Total Fund	100	3.5	3.4	16.4	15.4

* The Global Equity benchmarks have assumed a 10% allocation to UK Equities. In practice the actual allocation will continuously fluctuate.

† Cash includes cash held by Fund Managers

The performance of the 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 three year rolling period. No figures are provided for the two new Legal & General passive funds, as the mandates were held for less than one year. Whilst Wellington were appointed as the new active global equity manager, no funds were transferred to them during 2011/12 whilst the new contract arrangements were finalised.

Fund Manager	Target %	One Year Ended 31 March 2012		Three Years Ended 31 March 2012	
		Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %
Baillie Gifford UK Equities	1.3	1.4	6.0	18.8	21.9
UBS Overseas Equities	1.0	-2.7	-2.8	15.6	16.5
Legal & General UK Equities - Passive	n/a	1.2	1.3	17.8	18.1
Legal & General Ex UK Equities - Passive	n/a	-	-	-	-
Legal & General In UK Equities - Passive	n/a	-	-	-	-
Legal & General Fixed Income	0.4	13.5	13.8	10.0	10.7
UBS Property	1.0	6.2	5.2	9.0	8.5
Partners Grp Property	Excess	6.2	15.7	-	-
Private equity	1.0	0.1	1.2	24.6	21.2
UBS Hedge Funds	Excess	3.9	-1.1	3.8	5.9
Cash	n/a	0.5	0.8	0.4	1.4
Total Fund		3.5	3.4	16.4	15.4

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 2012				
Actual Returns	1 year	3 years	5 years	10 years
Oxfordshire Total Fund Return	3.4	15.4	2.1	4.9
Average Returns and other Comparators				
WM Local Authority Average Return	2.6	14.5	3.2	5.7
Oxfordshire Benchmark	3.5	16.4	3.4	5.8
Retail Price Index	3.6	4.5	3.3	3.3
Average Earnings	0.1	2.9	2.5	3.8

*The five and ten year benchmark figures are a composite of the current customised benchmark and the previously used peer group benchmark.

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012	2011 (Restated)
		£'000	£'000
Contributions and Benefits			
Contributions Receivable	7	(102,349)	(86,120)
Transfers from Other Schemes	8	(6,725)	(7,293)
Income Sub Total		(109,074)	(93,413)
Benefits Payable	9	68,041	58,874
Payments to and on Account of Leavers	10	6,132	6,118
Administrative Expenses Borne by the Scheme	11	4,108	1,509
Expenditure Sub Total		78,281	66,501
Net Additions From Dealings with Members		(30,793)	(26,912)
Returns on Investments			
Investment Income	12	(21,855)	(22,949)
Commission Recapture		0	(3)
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	16a	(21,534)	(85,891)
Less Investment Management Expenses	13	2,159	2,777
Less Taxes on Income	12	135	287
Net Returns on Investments		(41,095)	(105,779)
Net Increase in the Net Assets Available for Benefits During the Year		(71,888)	(132,691)
Opening Net Assets of the Scheme		1,248,106	1,115,415
Closing Net Assets of the Scheme		1,319,994	1,248,106

NET ASSETS AS AT 31 MARCH 2012				
	Notes	2012	2011 (Restated)	2010 (Restated)
		£'000	£'000	£'000
Investment Assets				
Fixed Interest Securities	16b	142,416	130,276	114,276
Index Linked Securities	16b	68,246	62,860	53,033
Equities	16b	231,167	443,438	395,823
Pooled Investments	16b	652,936	420,125	376,623
Pooled Property Investments	16b	78,731	75,241	59,001
Private Equity	16b	72,736	76,979	61,912
Derivative Contracts	16c	932	43	192
Cash Deposits	16d	3,172	5,875	3,710
Other Investment Balances	16d	10,687	5,792	5,812
Investment Liabilities				
Derivative Contracts	16c	(20)	(1,000)	(750)
Other Investment Balances	16d	(3,215)	(3,290)	(4,847)
Total Investments		1,257,788	1,216,339	1,064,785
Assets and Liabilities				
Current Assets	17	47,212	31,991	50,538
Current Liabilities	18	(1,471)	(1,850)	(2,122)
Net Current Assets		45,741	30,141	48,416
Long-Term Assets	19	16,465	1,626	2,214
Net Assets of the Scheme available to fund benefits at year-end		1,319,994	1,248,106	1,115,415

The 2010/11 accounts have been restated to reflect changes in accounting policy in relation to contributions and cash (see note 3).

Note 1 - Description of the fund

This description of the fund is a summary only. Further details are available in the Fund's 2011/12 Annual Report and in the underlying statutes.

General

The Oxfordshire County Council Local Government Pension Fund is a statutory, funded final salary pension scheme. It is "contracted-out" of the state scheme and is termed a defined benefit scheme. Oxfordshire County Council is the administering body for this pension fund. The scheme is principally governed by the Superannuation Act 1972. The fund is administered in accordance with Local Government Pension Scheme Regulations. 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.

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

There were no changes to the asset allocation of the fund during 2011/12, although the fund did determine to move the full global equities allocation of approximately £250m from active to passive management. Approximately £150m of the funds moved to passive management were placed in a transition fund and are to be transferred to a newly appointed active global equities manager in 2012/13.

Membership

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 in certain circumstances. 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:

	2011-12	2010-11
Number of Contributory Employees in Scheme		
Oxfordshire County Council	12,599	13,145
Other Scheduled Bodies	5,241	4,817
Admitted Bodies	742	868
	18,582	18,830
Number of Pensioners and Dependants		
Oxfordshire County Council	6,863	6,320
Other Scheduled Bodies	4,244	4,036
Admitted Bodies	576	496
	11,683	10,852
Deferred Pensioners		
Oxfordshire County Council	12,214	10,996
Other Scheduled Bodies	5,207	4,904
Admitted Bodies	803	772
	18,224	16,672

Eight Scheduled Bodies, of which seven are Academies and one is a Parish Council, plus two Admitted Bodies joined the scheme in 2011/12. There was no significant impact on the membership of the scheme because the majority of the new bodies are Academies, who previously came under the County Council as a Scheduled Body meaning the members in these bodies already existed in the scheme, and the other new bodies are 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 2012 rates ranged from 5.5% to 7.5% of whole time equivalent pensionable earnings.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years.

Benefits

The benefits payable under the Scheme are laid down by the Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007 and are summarised in the table below. 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 'final salary' scheme and provides a pension as a proportion of final salary according to the length of service.

The scheme also provides a range of other benefits including early retirement, disability pensions and death benefits.

Benefits are index-linked in order to keep pace with inflation. The Government announced in June 2010 that the basis of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1 April 2011.

	Service Pre 1 April 2008	Service Post 31 March 2008
Pension	Each full-time year worked is worth $1/80 \times$ final pensionable salary.	Each full-time year worked is worth $1/60 \times$ final pensionable salary.
Lump Sum	Automatic lump sum of $3 \times$ salary. 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.

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 2011/12.

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 16.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after the year-end. The actuarial position of the scheme which takes into account these obligations is dealt with in the Actuarial Statement on page 57.

Note 3 - Summary of Significant Accounting Policies

Investments

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

- (a) The majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, as at 31 March 2012.
- (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 2012.
- (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.

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.

All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Foreign Currencies

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

Contributions

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

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 at his triennial valuations of the Fund's assets and liabilities determines the employers' rate for contributions. 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 which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within 'Change in Market Value'. Foreign income has been translated into sterling at the date of the transaction. Income due at the year-end was translated into sterling at the rate ruling at 31 March 2012.

Investment Management and Scheme Administration

6. A proportion of relevant County Council officers' salaries, including salary oncosts, 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.

Changes in Accounting Policy

8. Cash Balances were previously shown as investment assets. In the 2011-12 accounts cash deposits are split between investments and current assets.

Previously, employer contributions were recognised in the accounts, in the year in which payment was due. Employer contributions owed for pension strain costs payable in the financial year were treated as receivables. In line with new CIPFA guidance, the full cost of pension strain arising from early retirement has been recognised in the financial year in which the liability has arisen. The change in accounting policy has resulted in the cash receivable in future years being recognised in long-term receivables. Prior period adjustments as shown in note 30.

Note 4 - Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

Determining the fair value of unquoted private equity investments is highly subjective in nature. Unquoted private equity investments are valued by the investment managers using various valuation techniques and this involves the use of significant judgements by the managers. The value of unquoted private equity investments at 31 March 2012 was £39.450m (£30.307m at 31 March 2011).

Pension Fund Liability

The pension fund liability is calculated every three years by the funds 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 Statement of Accounts contains figures that are estimates based on assumptions made by the Fund. These estimates are based on the information available at the time of producing the accounts. There is a risk that actual results could be materially different from the assumptions and estimates used.

The items in the net assets statement at 31 March 2012 for which there is a significant chance of material adjustment in the following financial year are as follows:

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 £2,084m. There is a risk that this figure is under- or overstated in the accounts.
Unquoted Private Equity	Unquoted private equity investments are valued at fair value using recognised valuation techniques. Due to the assumptions involved in this process there is a degree of estimation involved in the valuation.	Unquoted private equity investments included in the financial statements total £39.450m. There is a risk these investments are under- or overstated in the accounts.
Fund of Funds Hedge Funds	Fund of Funds Hedge Funds investments are valued based on the sum of the fair values provided by the administrators of the underlying funds plus adjustments that Directors of the fund of funds deem appropriate. As these investments are not publicly listed there is a degree of estimation involved in the valuation.	The total value for Fund of Funds Hedge Funds included in the financial statements is £31.688m. There is a risk that these investments could be under- or overstated in the accounts.

Note 6 - Events After the Balance Sheet Date

There have been no events since 31 March 2012, and up to the date when these accounts were signed, which require any adjustments to these accounts.

Note 7 - Contributions

	2011/12 £'000	2010/11 £'000
Employers		
Normal	(41,769)	(44,593)
Augmentation	(26)	0
Deficit Funding	(37,858)	(18,907)
Costs of Early Retirement	(3,527)	(2,440)
	(83,180)	(65,940)
Members		
Normal	(18,694)	(19,650)
Additional *	(475)	(530)
	(19,169)	(20,180)
Total	(102,349)	(86,120)

Deficit funding contributions are being paid by the employers into the scheme in accordance with a 25 year recovery plan, with the exception of one employer who has a 12 year recovery plan.

*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	
	2011/12	2010/11	2011/12	2010/11
	£'000	£'000	£'000	£'000
Oxfordshire County Council	(35,662)	(35,633)	(10,907)	(11,779)
Scheduled Bodies	(43,015)	(20,846)	(6,900)	(6,886)
Resolution Bodies	(530)	(552)	(196)	(188)
Community Admission Bodies	(3,131)	(7,051)	(954)	(1,028)
Transferee Admission Bodies	(842)	(1,858)	(212)	(299)
Total	(83,180)	(65,940)	(19,169)	(20,180)

Note 8 - Transfers In

	2011/12 £'000	2010/11 £'000
Group Transfers In from other schemes	(131)	0
Individual Transfers In from other schemes	(6,594)	(7,293)
Total	(6,725)	(7,293)

Note 9 - Benefits

	2011/12 £'000	2010/11 £'000
Pensions Payable	47,843	43,812
Lump Sums - Retirement Grants	18,513	13,034
Lump Sums - Death Grants	1,685	2,028
Total	68,041	58,874

	Pensions Payable		Lump Sums	
	2011/12 £'000	2010/11 £'000	2011/12 £'000	2010/11 £'000
Oxfordshire County Council	23,599	21,428	11,873	7,945
Scheduled Bodies	21,698	20,193	6,429	5,822
Resolution Bodies	399	370	44	109
Community Admission Bodies	1,656	1,491	1,108	667
Transferee Admission Bodies	491	330	744	519
Total	47,843	43,812	20,198	15,062

Note 10 - Payments to and on account of leavers

	2011/12 £'000	2010/11 £'000
Refunds of Contributions	18	44
Payments for members joining state scheme	(4)	(3)
Group Transfers Out to other schemes	0	0
Individual Transfers Out to other schemes	6,118	6,077
Total	6,132	6,118

Note 11 - Administrative Expenses

	2011/12 £'000	2010/11 £'000
Employee Costs		
- Administrative	727	768
- Investment	184	176
Support Services Including ICT	52	55
Actuarial Fees	35	66
External Audit Fees	24	50
Internal Audit Fees	14	14
Printing & Stationary	28	33
Advisory & Consultancy Fees	56	146
Long-Term Receivable Adjustment*	2,748	0
Other	240	201
Total	4,108	1,509

*The long-term receivable adjustment reflects the difference between the cash payments due and the value of these payments on a discounted cash-flow basis in relation to transfers to Magistrates' Courts (see note 19).

Note 12 - Investment Income

	2011/12 £'000	2010/11 £'000
Fixed Interest Securities	(6,258)	(5,514)
Index Linked Securities	(2,119)	(2,516)
Equity Dividends	(9,081)	(11,670)
Pooled Property Investments	(2,913)	(2,159)
Pooled Investments - Unit Trusts & Other		
Managed Funds	(364)	(353)
Interest on Cash Deposits	(241)	(289)
Private Equity Income	(832)	(286)
Other - Securities Lending	(47)	(162)
	(21,855)	(22,949)
Irrecoverable Withholding Tax - Equities	135	287
Total	(21,720)	(22,662)

Note 13 - Investment Management Expenses

	2011/12 £'000	2010/11 £'000
Management Fees	2,104	2,705
Custody Fees	42	56
Performance Monitoring Service	13	16
	2,159	2,777

Investment Manager & Custody Fees are mostly calculated on a fixed sliding scale basis and are applied to the market value of the assets managed. There has been a reduction in custody fees compared to the previous year due to the transfer of the active global equities mandate to passive management.

Note 14 - Securities Lending

In April 2004 the Fund introduced an arrangement with its custodian BNY Mellon to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Lending is limited to a maximum of 25% of the aggregate market value of the Fund. Collateralised lending generated income of £0.047m in 2011/12 (2010/11 £0.163m). This is included within investment income in the Pension Fund Account. At 31 March 2012 £31.920m of stock (2% of the Fund) was on loan, for which the Fund was in receipt of £33.521m worth of collateral. Collateral consists of acceptable securities and government and supranational debt. One of the reasons for the fall in stock lending income was a reduction in the availability of stocks following the transfer of the active global equity mandate to passive management.

Note 15 - Related Party Transactions

The Pension Fund is required to disclose material transactions with related parties - 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, Insurance & Money Management) are the key management personnel involved with the Pension Fund. The Committee consists of seven County Councillors, two District Councillors and a beneficiary observer. Members of the Pension Fund Committee are detailed in the Pension Fund Report and Accounts. An amount of £0.060m was paid to Oxfordshire County Council in respect of the key management personnel services provided during the financial year.

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

For the 12 months ended 31 March 2012, employer contributions to the Pension Fund from the County Council were £35.662m (2010/11 £35.633m). At 31 March 2012 there were receivables in respect of contributions due from the County Council of £2.584m and payables due to the County Council of £0.019m for support services.

The County Council was reimbursed £1.035m (2010/11 £1.051m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

Note 16 - Investments

	Value at 31.3.2012 £'000	Value at 31.3.2011 £'000
Investment Assets		
Fixed Interest Securities	142,416	130,276
Index Linked Securities	68,246	62,860
Equities	231,167	443,438
Pooled Investments	652,936	420,125
Pooled Property Investments	78,731	75,241
Private Equity	72,736	76,979
Derivatives:		
- Futures	0	28
- Forward Currency Contracts	932	15
Cash Deposits	3,172	5,875
Investment Income Due	3,977	4,046
Amounts Receivable for Sales	6,710	1,746
Total Investment Assets	1,261,023	1,220,629
Investment Liabilities		
Derivatives:		
- Futures	0	0
- Forward Currency Contracts	(20)	(1,000)
Investment Expenses Due	(630)	(649)
Amounts Payable for Purchases	(2,585)	(2,641)
Total Investment Liabilities	(3,235)	(4,290)
Net Investment Assets	1,257,788	1,216,339

Note 16a - Reconciliation of Movements in Investments and Derivatives

	Value at 1.4.2011	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 31.3.2012 £'000
Fixed Interest Securities	130,276	250,385	(245,422)	7,177			142,416
Index Linked Securities	62,860	144,562	(150,766)	11,590			68,246
Equities	443,438	24,327	(241,264)	4,666			231,167
Pooled Investments	420,125	518,547	(285,719)	(17)			652,936
Pooled Property Investments	75,241	4,797	(2,339)	1,032			78,731
Private Equity	76,979	2,357	(4,330)	(2,270)			72,736
<u>Derivative Contracts</u>							
Futures	28		(59)	31			0
FX	(985)	2,454	(2,073)	1,516			912
<u>Other Investment Balances</u>							
Cash Deposits	5,875	42,809	(42,633)	(2,191)	(688)		3,172
Amounts Receivable for Sales of Investments	1,746					4,964	6,710
Investment Income Due	4,046					(69)	3,977
Amounts Payable for Purchases of Investments	(3,290)					75	(3,215)
	1,216,339	990,238	(974,605)	21,534	(688)	4,970	1,257,788

	Value at 1.4.2010	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 31.3.2011 £'000
Fixed Interest Securities	114,276	252,846	(237,802)	956			130,276
Index Linked Securities	53,033	178,944	(171,326)	2,209			62,860
Equities	395,823	169,660	(152,390)	30,345			443,438
Pooled Investments	376,623	29,454	(19,292)	33,340			420,125
Pooled Property Investments	59,001	13,732	(1,411)	3,919			75,241
Private Equity	61,912	1,410	(1,307)	14,964			76,979
<u>Derivative Contracts</u>							
Futures	14	61	(207)	160			28

FX	(572)	2,921	(3,691)	357			(985)
<u>Other Investment Balances</u>							
Cash Deposits	3,710	89,227	(89,091)	(359)	2,388		5,875
Amounts Receivable for Sales of Investments	1,992					(246)	1,746
Investment Income Due	3,820					226	4,046
Amounts Payable for Purchases of Investments	(4,847)					1,557	(3,290)
	1,064,785	738,255	(676,517)	85,891	2,388	1,537	1,216,339

Included within the above purchases and sales figures are transaction costs of £0.543m. 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.

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

Fixed Interest Securities

	2011/12 £'000	2010/11 £'000
UK Public Sector	57,939	36,345
UK Other	60,423	71,713
Overseas Public Sector	24,054	22,218
	142,416	130,276

Index Linked Securities

	2011/12 £'000	2010/11 £'000
UK Public Sector Index Linked	68,246	62,860
	68,246	62,860

Equity Investments

	2011/12 £'000	2010/11 £'000
UK listed equities	231,167	247,026
Overseas Listed Equities:		
USA	0	108,120
Japan	0	21,073
Europe	0	47,332
Pacific Basin	0	3,692
Emerging Markets	0	16,195
	231,167	443,438

Pooled Investment Vehicles

	2011/12 £'000	2010/11 £'000
UK Registered Managed Funds - Property	18,286	17,439
Non UK Registered Managed Funds - Property	15,660	13,438
UK Registered Managed Funds - Other	400,972	142,951
Non UK Registered Managed Funds - Other	84,578	106,007
UK Registered Property Unit Trusts	39,582	41,632
Non UK Registered Property Unit Trusts	5,203	2,732
Non UK Registered Unit Linked Insurance Fund	167,386	171,167
	731,667	495,366

Private Equity

	2011/12 £'000	2010/11 £'000
Listed Investments	72,727	76,970
Unlisted Investments	9	9
	72,736	76,979

Total Investments (excluding derivative contracts)

	2011/12 £'000	2010/11 £'000
	1,246,232	1,208,919

Note 16c - Derivative Contracts

Objectives and policies

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

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

Futures -index based futures contracts, with an underlying economic value broadly equivalent to cash held, were bought to avoid cash held being 'out of the market'.

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.

Futures

The scheme had no exchange traded overseas stock index futures outstanding at the year-end as these were only undertaken within the active global equities portfolio which was transferred to passive management during 2011/12.

Type	Expires	Economic Exposure £'000	Asset Value 2010/11 £'000	Economic Exposure £'000	Asset Value 2011/12 £'000
Overseas Equity	Less than one year	1,236	28	0	0

For 2011/12 £0.000m is included within cash balances in respect of initial and variation margins arising on open contracts at the year-end.

Hedge Funds

IFRS accounting requires that the Fund discloses information on fair value hedges, cash flow hedges and hedges of net investments in foreign operations. The Fund has exposure to such hedges through its £31.688m investment in a Fund of Funds Hedge Fund. As the Fund has no direct ownership in these hedge arrangements, with all decisions made by the Fund Managers rather than the Oxfordshire Pension Fund, the hedge disclosure requirements are deemed not to apply.

Forward Foreign Exchange (FX)

The scheme had open FX contracts at the year-end as follows:

Contract	Settlement Date	Currency Bought	Currency Sold	Asset value at year-end £'000	Liability value at year-end £'000	Net Forward Currency Contracts £'000
		'000	'000	£'000	£'000	£'000
Forward OTC	2 months	138 GBP	206 AUD	5	0	
Forward OTC	2 months	451 GBP	716 CAD	4	0	
Forward OTC	2 months	94 GBP	1,010 SEK	0	(1)	
Forward OTC	2 months	5,688 GBP	6,830 EUR	0	(6)	
Forward OTC	2 months	8,791 GBP	13,930 USD	71	0	
Forward OTC	2 months	10,256 GBP	1,236,000 JPY	852	0	

Forward OTC	2 months	670 GBP	88,876 JPY	0	(6)	
Forward OTC	2 months	343 EUR	3,050 SEK	0	(1)	
Forward OTC	3 months	15,290 GBP	18,335 EUR	0	(6)	
Forward Currency Contracts at 31 March 2012				932	(20)	912
Prior Year Comparative						
Forward Currency Contracts at 31 March 2011				15	(1,000)	(985)

Note 16d - Other Investment Balances

	2011/12 £'000	2010/11 £'000
Receivables		
Sale of Investments	6,710	1,746
Dividend & Interest Accrued	3,865	3,976
Inland Revenue	105	59
Other	7	11
	10,687	5,792
Payables		
Purchase of Investments	(2,585)	(2,641)
Management Fees	(625)	(632)
Custodian Fees	(5)	(17)
	(3,215)	(3,290)
Total	7,472	2,502

Cash Deposits

	2011/12 £'000	2010/11 £'000
Non-Sterling Cash Deposits	3,172	2,772
Sterling Cash Deposits	0	3
Loans	0	3,100
	3,172	5,875

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

	2011/12 £'000	% of Total Fund	2010/11 £'000	% of Total Fund
UBS Global Optimal Thirds	167,386	12.68	171,167	13.71
L&G World Equity Index	154,443	11.70	0	0
L&G UK FTSE100 Equity Index	130,835	9.91	129,291	10.36
L&G World (ex-UK) Equity Index	100,139	7.59	0	0

Note 17 - Current Assets

2011/12	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	2,122	4,283	1	4	233	6,643
Employee Contributions	0	1,446	0	2	77	1,525
Transferred Benefits	0	176	0	0	0	176
Costs of Early Retirement	0	1,097	0	13	254	1,364
Inland Revenue	60	0	0	0	0	60
Other	46	151	0	14	18	229
Cash Balances	0	0	0	0	37,215	37,215
Total	2,228	7,153	1	33	37,797	47,212

2010/11	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	3,449	1,743	2	1,023	317	6,534
Employee Contributions	0	614	0	10	99	723
Transferred Benefits	0	824	0	0	46	870
Costs of Early Retirement	0	1,561	0	0	148	1,709
Other	47	110	0	108	8	273
Cash Balances	0	0	0	0	21,882	21,882
Total	3,496	4,852	2	1,141	22,500	31,991

Note 18 - Current Liabilities

2011/12	Central Government Bodies £'000	Local Authorities £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Transferred Benefits	0	(112)	0	(183)	(295)
Benefits Payable	0	(209)	0	(22)	(231)
Inland Revenue	(665)	0	0	0	(665)
Costs of Early Retirement	(201)	0	0	0	(201)

Staff Costs	0	(31)	0	0	(31)
Consultancy	0	0	(9)	0	(9)
Other	(1)	(7)	(6)	(25)	(39)
Total	(867)	(359)	(15)	(230)	(1,471)

2010/11	Central Government Bodies £'000	Local Authorities £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Transferred Benefits	(16)	(214)	0	(4)	(234)
Inland Revenue	(614)	0	0	0	(614)
Costs of Early Retirement	(201)	0	0	0	(201)
Staff Costs	0	(691)	0	0	(691)
Consultancy	0	(36)	(49)	(2)	(87)
Other	(1)	(20)	(1)	(1)	(23)
Total	(832)	(961)	(50)	(7)	(1,850)

Note 19 - Long-Term Assets

2011/12	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Employer Contributions	14,806	0	0	0	0	14,806
Costs of Early Retirement	0	1,274	0	11	374	1,659
Total	14,806	1,274	0	11	374	16,465

2010/11	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Employer Contributions	0	0	0	0	0	0
Costs of Early Retirement	0	1,420	0	1	205	1,626
Total	0	1,420	0	1	205	1,626

Long-Term assets for 2011/12 include deferred receivables in relation to the transfer of staff to Magistrates' Courts for which the payment of £21.860m due is to be received in ten equal annual instalments.

Note 20 - Assets under External Management

The market value of assets under external fund management amounted to £1,194.133m as at 31 March 2012. The table that follows gives a breakdown of this sum:

	2011/12		2010/11	
	Market Value £'000	%	Market Value £'000	%
Alliance Bernstein	117	0.01	255,996	22.41
Baillie Gifford	253,802	21.26	240,021	21.01
Legal & General	606,360	50.78	323,136	28.28
UBS	290,216	24.30	290,964	25.47
Adams Street Partners	13,888	1.16	10,399	0.91
Partners Group	29,750	2.49	21,922	1.92
	1,194,133	100.00	1,142,438	100.00

Note 21 - Top 5 Holdings

Value of the Fund's Top Five Holdings	£'000	% of Fund
Electra Investment Trust	17,448	1.32
HG Capital Trust	16,062	1.22
BG Group PLC	13,697	1.04
Treasury Stk 5.0% 07-Mar-2025	12,425	0.94
British American Tobacco	12,065	0.91

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.

However, the Scheme cannot reclaim certain amounts of withholding taxes relating to overseas investment income which are suffered in the country of origin.

Note 23 - Additional Voluntary Contributions

	2011/12 £'000	2010/11 £'000

Value of AVC Fund at beginning of year	15,028	15,144
Employee contributions	1,711	1,338
Investment income and change in market value	796	739
Benefits paid and transfers out	(3,006)	(2,183)
Management Fees	(12)	(9)
Value of AVC Fund at end of year	14,517	15,029

The funds are invested as follows:-

	2011/12 £'000	2010/11 £'000
BGI Aquila UK Equity Index Fund	12	9
Blackrock Aquila (50:50) Global Equity Index Fund	8	2
Deposit Fund	664	544
Prudential Cash Fund	157	112
Prudential Corporate Bond Fund	54	22
Prudential Discretionary Fund	292	304
Prudential Fixed Interest Fund	63	53
Prudential Global Equity Fund	71	61
Prudential Index Linked Fund	118	70
Prudential International Equity Fund	111	139
Prudential Pre-Retirement Fund	34	7
Prudential Property Fund	84	74
Prudential Retirement Protection Fund	271	177
Prudential Socially Responsible Fund	83	79
Prudential UK Equity (Active) Fund	96	88
Prudential UK Equity (Passive) Fund	299	269
With Profits Cash Accumulation Fund	12,100	13,019
Total	14,517	15,029

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 Fund relies on individual contributors to check that deductions made on their behalf are accurately reflected in the statements provided by the Prudential. A summary of the information provided by the Prudential is shown in the tables above.

Note 24 - Contingent Liabilities and Contractual Commitments

There are three contingent liabilities to note:

- 1) Westminster College. An estimated bulk transfer payment of £0.6m is due to Oxfordshire County Council Pension Fund. The date for settling this balance has yet to be agreed.
- 2) The Museums, Libraries and Archive (MLA) Council. Staff from MLA Oxfordshire County Council transferred to the MLA Council on 6 April 2009 and 31 March 2010. Actuaries are currently working on the calculation of the payments to be made to the Premium section of the Principal Civil Service Pension Scheme in relation to the transfer of past service rights.

- 3) The Pension Fund received a Final Determination from the Pension Ombudsman, in which he has instructed the Administering Authority to pay compensation to a complainant as a result of mal-administration. The final level of compensation is contingent on the circumstances of the complainant over the next 12 years, though the maximum payment has been calculated as approximately £220,000 plus pensions increase.

As at 31 March 2012 the fund had outstanding capital commitments (investments) totalling £48.825m (31 March 2011 - £42.652m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity 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 - Contingent Assets

Two Admitted Body employers in the Oxfordshire County Council Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations to the fund. These bonds are drawn in favour of the pension fund and payment of the bond will only be triggered in an event of default by the employer.

Note 26 - Actuarial Present Value of Promised Retirement Benefits

	2012 £'000	2011 £'000
Present Value of Funded Obligation	2,083,843	1,684,758

The 2011 figure has been amended since the published 2010/11 accounts due to an adjustment for early retirements.

Present Value of Funded Obligation consists of £1,683,817,000 (2011 - £1,385,023,000) in respect of Vested Obligation and £400,026,000 (2011 - £299,735,000) in respect of Non-Vested Obligation. The movement from March 2011 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 £94,843,000 (2011 - £140,399,000).

There has been a further increase in the present value of the Funded Obligation of £304,242,000 (2011 - reduction of £197,023,000) reflecting a change in the actuarial assumptions as a consequence of changes in the financial markets. The key changes in financial assumptions were:

A reduction in the assumed level of CPI and therefore pension increase from 2.7% to 2.5% (net effect a reduction in Present Value of Funded Obligation)

A reduction in the assumed level of pay increases from 5.0% to 4.7% (net effect a reduction in Present Value of Funded Obligations)

A reduction in the discount factor from 5.5% to 4.6% (net effect an increase in Present Value of Funded Obligations).

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.

	2011/12			2010/11		
	Fair Value Through Profit &	Loans & Receivables	Financial Liabilities at	Fair Value Through Profit &	Loans & Receivables	Financial Liabilities at

	Loss £'000	£'000	Amortised Cost £'000	Loss £'000	£'000	Amortised Cost £'000
Financial Assets						
Fixed Interest Securities	142,416			130,276		
Index Linked Securities	68,246			62,860		
Equities	231,167			443,438		
Pooled Investments	652,936			420,125		
Pooled Property Investments	78,731			75,241		
Private Equity	72,736			76,979		
Derivatives	932			43		
Cash		40,387			27,757	
Other Investment Balances	10,582			5,733		
Receivables		72			27	
	1,257,746	40,459	0	1,214,695	27,784	0
Financial Liabilities						
Derivatives	(20)			(1,000)		
Other Investment Balances	(3,215)			(3,290)		
Payables			(58)			(20)
	(3,235)	0	(58)	(4,290)	0	(20)
Total	1,254,511	40,459	(58)	1,210,405	27,784	(20)

Note 27b - Fair Value of Financial Instruments and Liabilities

The carrying values (cost) of the financial assets and liabilities compared with their fair values are summarised below by instrument class.

	2012		2011	
	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000
Financial Assets - Current Loans & Receivables	40,459	40,459	27,784	27,784

Financial Assets at fair value through profit or loss	1,257,746	1,257,746	1,214,695	1,214,695
	1,298,205	1,298,205	1,242,479	1,242,479
<u>Financial Liabilities - Current</u>				
Amortised Cost	(58)	(58)	(20)	(20)
Financial Liabilities at fair value through profit or loss	(3,235)	(3,235)	(4,290)	(4,290)
	(3,293)	(3,293)	(4,310)	(4,310)
Total	1,294,912	1,294,912	1,238,169	1,238,169

The Fair Value of operational receivables and payables, cash and short-term deposits, is assumed to be equal to the carrying value (cost).

Note 27c - Net Gains and Losses on Financial Instruments

	31 March 2012 £'000	31 March 2011 £'000
<u>Financial Assets</u>		
Fair Value Through Profit and Loss	22,209	85,893
Loans and Receivables	(2,191)	(359)
Financial Liabilities Measured at Amortised Cost	0	0
<u>Financial Liabilities</u>		
Fair Value Through Profit and Loss	1,516	357
Loans and Receivables	0	0
Financial Liabilities Measured at Amortised Cost	0	0
Total	21,534	85,891

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

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

Level 1

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

Level 2

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

Level 3

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

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 fund investments. Fund of funds hedge fund investments are included within Level 3 of the hierarchy as the fair value is based on the sum of the fair values of the underlying funds, which are unlisted, as provided by the fund administrators and is subject to adjustments by the Directors of the fund of funds as deemed appropriate. 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.

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.

Values at 31 March 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value Through Profit and Loss	403,222	766,546	87,978	1,257,746
Loans and Receivables	19,001	21,458	0	40,459
Total Financial Assets	422,223	788,004	87,978	1,298,205
Financial Liabilities				
Financial Liabilities at Fair Value Through Profit and Loss	(3,215)	(20)	0	(3,235)
Financial Liabilities at Amortised Cost	(58)	0	0	(58)
Total Financial Liabilities	(3,273)	(20)	0	(3,293)
Net Financial Assets	418,950	787,984	87,978	1,294,912

Values at 31 March 2011	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value Through Profit and Loss	582,847	555,012	76,836	1,214,695
Loans and Receivables	13,928	13,856	0	27,784
Total Financial Assets	596,775	568,868	76,836	1,242,479
Financial Liabilities				
Financial Liabilities at Fair Value Through Profit and Loss	(3,290)	(1,000)	0	(4,290)
Financial Liabilities at Amortised Cost	(20)	0	0	(20)
Total Financial Liabilities	(3,310)	(1,000)	0	(4,310)

Net Financial Assets	593,465	567,868	76,836	1,238,169
-----------------------------	----------------	----------------	---------------	------------------

Purchases and sales represent £7.028m of the movement in assets classified under Level 3 of the hierarchy between 2010/11 and 2011/12. The remaining movement is made up of £1.333m of realised profits and £2.781m from the movement in fair value estimated using valuation techniques.

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 tri-annual Fund Valuation which reviews the assets and liabilities of the Fund, and resets employer contribution rates to target a 100% Funding Level. The 2010 Valuation estimated that the current Funding Level is only 79%, but set contribution rates to address the deficit over the next 25 years.
- The Statement of Investment Principles 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 Statement of Investment Principles.
- 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 Statement of Investment Principles 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. 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 groups, 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.
- Restrictions on investments in line with the LGPS Investment Management Regulations, which set limits for total exposure to different investment classes, investment types etc.

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. Management of these risks is a key element of the Government's current review of all public sector pension schemes. The

recent proposals agreed by the employers and unions subject to wider consultation link normal retirement age to future estimates of life expectancy to bring stability to the length of time benefits are in payment, introduce career average revalued earnings schemes to avoid the sudden hike possible in final benefits under a final salary scheme, and confirm indexation under CPI.

The Actuary when completing the 2010 Valuation undertook sensitivity analysis calculations to look at the impact on potential liabilities and the funding level. A variation of 0.5% per annum in the discount rate would move the calculated funding level from 79% down to 73% or up to 85%. A change in mortality rates of 10% per annum would lead to a reduction in the funding level to 77% or an increase to 81%.

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

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

Credit Risk

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

At 31 March 2012 the Fund's exposure to credit risk was therefore limited to the following investments:

Investment Category	31 March 2012	31 March 2011
	£'000	£'000
UK Government Gilts	57,939	36,345
UK Corporate Bonds	60,423	71,713
UK Index Linked Gilts	68,246	62,860
Overseas Government Bonds	24,054	22,218
Non-Sterling Cash Deposits	3,172	2,772
Sterling Cash Deposits	0	3
Cash Balances	37,755	21,882

Short Term Loans	0	3,100
Total	251,589	220,893

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 restricting the investments to investment grade bonds. Corporate Bonds as at 31 March 2012 had a minimum rating of BBB, and were diversified across companies from a broad range of sectors. Cash held in Sterling at 31 March 2012 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	Balance as at 31 March 2012 £'000	Rating	Balance as at 31 March 2011 £'000
Money Market Funds				
Deutsche Managed Sterling Fund	AAA	19,016	AAA	0
Ignis Asset Management	AAA	543	AAA	0
Standard Life GBP Fund	AAA	0	AAA	11,638
Bank Deposit Accounts				
Royal Bank of Scotland Plc	A	8,497	AA-	5,715
Euroclear Bank S.A.	AA+	397	AA+	108
UBS AG	A	4	A+	21
Santander UK Plc	A	0	AA-	3,228
Merrill Lynch & Co	A	0	A+	280
Bank Current Accounts				
Lloyds TSB Plc	A	9,298	AA-	892
Total		37,755		21,882

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 2011/12 the Pension Fund received/accrued contributions of £109.0m (2010/11 - £93.4m) and paid out benefits of £78.3m (2010/11 - £66.5m). There were further receipts/accruals of £21.9m (2010/11 - £22.9) in respect of investment income, against which need to be set investment management fees of £2.2m (2010/11 - £2.8m) and taxes of £0.2m (2010/11 - £0.3m). The net inflow was therefore £50.2m (2010/11 - £46.7m).

The figures reflect those of previous years and indicate significant levels of flexibility around the levels of cash available to meet liabilities as they are due. A cash flow forecast is maintained for the Fund to understand and manage the timing of the Fund's cash flows. On a daily basis, the Fund holds a minimum of £10m of cash in call accounts and money market funds to meet benefit payments due, drawdowns from the private equity fund managers, and other payments due from the Fund.

For the Fund to be required to liquidate assets at financial loss would therefore require 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.

There are risks in this area going forward as a result of the scale of the reductions in public expenditure, and the forthcoming changes to the local government pension scheme. 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.

The risks associated with the reform of the LGPS are largely in respect of the contributions receivable (benefits in payment are unlikely to be significantly impacted in the short term, and are likely to reduce in the longer term). These risks are seen to have reduced in light of the specific proposals now issued for consultation. The fact that no staff on salaries below £43,000 will see an increase in their contribution rate has reduced the risk of widespread opt out, though the risk still remains. Similarly, confirmation of the retention of the Fair Deal provisions reduces the sudden loss of significant contributions on the outsourcing of services, though this remains a longer term risk to the on-going liquidity of the Fund. The new element of risk introduced by the proposals relates to the introduction of an option to pay 50% of your contribution for 50% of your future benefits. If this option sees a significant take up, this will impact on current contributions received.

However, as noted above, for the Fund to reach a position where it is forced to sell assets and therefore face a potential financial loss (as well as to forego future investment returns which have been assumed to meet pension liabilities in the future), the net movement in cash would be equivalent to a reduction in contributions received in the region of 50% or an increase in benefits payable in the region of 70%. Movements of this scale are deemed highly unlikely. The Pension Fund will seek to mitigate these risks through advice to the Government on the impact of any proposals for change, as well as 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 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, and 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 2012 £'000	Change in Year in the Net Assets Available to Pay Benefits	
		+1% £'000	-1% £'000
Cash and Cash Equivalents	3,172	32	(32)
Cash Balances	37,215	372	(372)
Fixed Interest Securities	210,662	2,107	(2,107)
Total Change in Assets Available	251,049	2,511	(2,511)

Asset Type	Carrying amount as at 31 March 2011 £'000	Change in Year in the Net Assets Available to Pay Benefits	
		+1% £'000	-1% £'000
Cash and Cash Equivalents	5,875	59	(59)
Cash Balances	21,882	219	(219)
Fixed Interest Securities	193,136	1,931	(1,931)
Total Change in Assets Available	220,893	2,209	(2,209)

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).

Based on the Fund's exposure to various currencies at 31 March 2012 and data on the level of volatility associated with these currencies provided by the Fund's performance monitoring service provider it has been determined that the likely volatility associated with exchange

rate movements is 9.6%. This is based on a one standard deviation movement in the foreign exchange data over a 36 month period.

This analysis assumes that all other variables remain constant.

The table below shows the impact a 9.6% weakening/strengthening of the pound against the various currencies would have on the assets available to pay benefits:

Currency Exposure - Asset Type	Asset Value as at 31 March 2012 £'000	Change in Year in the Net Assets Available to Pay Benefits	
		+9.6% £'000	-9.6% £'000
Overseas Bonds	24,054	2,309	(2,309)
Private Equity	6,395	614	(614)
Pooled Private Equity (LLPs)	37,620	3,612	(3,612)
Pooled Property	6,019	578	(578)
Cash	3,172	304	(304)
Total Change in Assets Available	77,260	7,417	(7,417)

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.

Based on an analysis of historical data by the Fund's performance monitoring service provider, movements in market price that are reasonably possible have been determined. This is based on a one standard deviation movement in historical price data over a 36 month

period. These 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 2012 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
UK Equities	389,943	14.1	444,925	334,961
Pooled Global Equities	142,056	16.6	165,638	118,475
Pooled Overseas Equities	280,975	17.4	329,865	232,085
UK Bonds	118,362	4.7	123,926	112,800
Overseas Bonds	24,054	2.5	24,655	23,452
UK Index Linked Bonds	68,246	7.7	73,501	62,991
Pooled Hedge Funds	31,688	3.7	32,860	30,515
Private Equity	72,736	15.4	83,937	61,535
Pooled Private Equity (LLPs)	39,441	18.7	46,816	32,065
Pooled Property	78,731	5.2	82,825	74,637
Cash	40,387	0.0	40,387	40,387
Total Assets Available to Pay Benefits	1,286,619		1,449,335	1,123,903

Note 29 - Prior Period Adjustments

The tables below detail the impact of the changes in accounting policy that were adopted in the current financial year in relation to cash and contributions as described in note 3, on the Fund Account and Net Asset Statement.

Restated Fund Account	As Reported 31 March 2011 £'000	Cash Treatment Adjustment £'000	Contributions Adjustment £'000	Restated 31 March 2011 £'000
Contributions and Benefits				
Contributions Receivable	(86,635)		515	(86,120)

Transfers from Other Schemes	(7,293)			(7,293)
Income Sub Total	(93,928)		515	(93,413)
Benefits Payable	58,874			58,874
Payments to and on account of Leavers	6,118			6,118
Administrative Expenses Borne by the Scheme	1,134			1,134
Expenditure Sub Total	66,126			66,126
Net Additions From Dealings With Members	(27,802)		515	(27,287)
Returns on Investments				
Investment Income	(22,949)			(22,949)
Commission Recapture	(3)			(3)
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	(85,891)			(85,891)
Less Investment Management Expenses	3,152			3,152
Less Taxes on Income	287			287
Net Returns on Investments	(105,404)			(105,404)
Net Increase in the Net Assets Available for Benefits During the Year	(133,206)		515	(132,691)
Opening Net Assets of the Scheme	1,111,621		3,794	1,115,415
Closing Net Assets of the Scheme	1,244,827		3,279	1,248,106

Restated Net Asset Statement	As Reported 31 March 2010	Cash Treatment Adjustment	Contributions Adjustment	Restated 31 March 2010
	£'000	£'000	£'000	£'000
Investment Assets				
Fixed Interest Securities	114,276			114,276
Index Linked Securities	53,033			53,033
Equities	395,823			395,823
Pooled Investments	376,623			376,623
Pooled Property Investments	59,001			59,001
Private Equity	61,912			61,912

Derivative Contracts	192			192
Cash Deposits	49,001	(45,291)		3,710
Other Investment Balances	5,812			5,812
Investment Liabilities				
Derivative Contracts	(750)			(750)
Other Investment Balances	(4,847)			(4,847)
Total Investments	1,110,076	(45,291)		1,064,785
Current Assets and Liabilities				
Current Assets	3,667	45,291	1,580	50,538
Current Liabilities	(2,122)			(2,122)
Net Current Assets	1,545	45,291	1,580	48,416
Long-Term Assets	0		2,214	2,214
Net Assets of the Scheme Available to Fund Benefits at Year End	1,111,621	0	3,794	1,115,415

Restated Net Asset Statement	As Reported 31 March 2011	Cash Treatment Adjustment	Contributions Adjustment	Restated 31 March 2011
	£'000	£'000	£'000	£'000
Investment Assets				
Fixed Interest Securities	130,276			130,276
Index Linked Securities	62,860			62,860
Equities	443,438			443,438
Pooled Investments	420,125			420,125
Pooled Property Investments	75,241			75,241
Private Equity	76,979			76,979
Derivative Contracts	43			43

Cash Deposits	27,757	(21,882)		5,875
Other Investment Balances	5,792			5,792
Investment Liabilities				
Derivative Contracts	(1,000)			(1,000)
Other Investment Balances	(3,290)			(3,290)
Total Investments	1,238,221	(21,882)		1,216,339
Current Assets and Liabilities				
Current Assets	8,456	21,882	1,653	31,991
Current Liabilities	(1,850)			(1,850)
Net Current Assets	6,606	21,882	1,653	30,141
Long-Term Assets	0		1,626	1,626
Net Assets of the Scheme Available to Fund Benefits at Year End	1,244,827	0	3,279	1,248,106

Independent auditor's report to the members of Oxfordshire County Council
To be included on completion of audit

Oxfordshire County Council Pension Fund

Actuary's Statement as at 31 March 2012

Introduction

The last full triennial valuation of the Oxfordshire County Council Pension fund was carried out as at 31 March 2010 in accordance with the Funding Strategy Statement of the fund. The results were published in the triennial valuation report dated March 2011.

2010 Valuation Results

The results of the fund were as follows

- The Oxfordshire County Council Pension fund had a funding level of 79%, i.e. the assets amounted to 79% of the liability promises made as at that valuation date. This corresponded to a deficit of £287.1m at that time.
- The overall contribution rate was set at 19.0% of payroll assuming the funding level was to be restored over a 25 year period.
- The common contribution rate was set at 14.4% of payroll and individual employers paid additional contributions reflecting their own experience in the fund.
- The funding level of the fund had increased since the 2007 triennial valuation level of 78%.

Valuation method

The contribution rates were calculated using the Projected Unit Method or the Attained Age Method. Employers remaining open to new entrants were valued on the Projected Unit Method, whereas the employers who did not allow new entrants to join were valued using the Attained Age method.

Contribution Rates

The contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet

- The additional annual accrual of benefits allowing for future pay increases and increases to pension in payment when these fall due
- plus an amount to reflect each participating employer's notional share of value of the Fund's assets compared with 100% of their liabilities in the Fund in respect of service to the valuation date.

Barnett Waddingham
Public Sector Consulting

Key Financial Assumptions

The liabilities were valued allowing for expected future investment returns and increases to benefits as determined by market levels at the valuation date as follows;

Rate of return on investments	6.7% per annum
Rate of increases in pay	5.0% per annum

Rate of Increases to pensions in payment	3.0% per annum

Asset valuation

To be consistent with the assumptions used to value the liabilities the assets were valued at their smooth market value spanning the date of valuation.

Post Valuation Events - Changes in market conditions

Since March 2010, investment returns have been close to the assumptions made at the 2010 valuation. Liabilities will have increased slightly due to a slight decrease in the real discount rate underlying the valuation funding model.

Overall we expect the financial position of the fund will be similar to that at the last triennial valuation.

The next actuarial valuation is due as at 31 March 2013 and the resulting contribution rates required by the employers will take effect from 1 April 2014. We will continue to monitor the financial position of the Fund.

Alison Hamilton FFA

Partner

29 August 2012

SUMMARY OF BENEFITS AT MARCH 2012

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 2008. 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/pensions

• 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 membership to an active member, award additional pension for a member, agreement to early or flexible retirement on request

of the member and setting up a shared cost AVC scheme.

- **Retirement**

Although the scheme retirement age is 65 for men and women, membership of the scheme continues when employment continues after age 65. All pensions **must** be paid before the 75th birthday.

Scheme benefits can be taken after leaving employment from age 60, but the benefit payable may be reduced. Alternatively when retirement is deferred until after age 65, the benefit will be increased.

The regulations confirm 'normal retirement age' to be 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 increased to 55 from April 2008 but is only permitted with the employer's approval.

Flexible retirement options, now from 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 now 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 3 months. 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 the standard calculation is 1/60 of final years' pensionable pay for each year of membership.

Example - retirement in 2013

25 years membership, final pay £15,000

Annual Pension.

20 years x 1/80 x £15,000 = **£3,750**

5 years x 1/60 x £15,000 = **£1,250**

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.

- **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 can buy units of additional pension for the member or the member and the dependants. Each unit buys £250 of annual pension (to a maximum of £5000). Members apply to Pension Services for quotations, although an online ready-reckoner is on our website.

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. Scheme members are recommended to keep their 'expression of wish' nominations current.

- **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.

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

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

A co-habiting partner must be nominated and couple's declaration must be held on the pension record to show that they qualify under the LGPS rules.

Once in payment a pension for the surviving partner is payable for their lifetime.

- **Leaving the Scheme**

With less than 3 months membership leavers can choose between a refund of their contributions, or a transfer to an approved scheme. Taking a refund could affect any other benefits held in the LGPS.

Entitlement to a deferred benefit exists when membership is of at least 3 months duration. The deferred benefit remains

within this fund until retirement or an earlier transfer to an approved scheme.

- **Early Retirement**

Most early retirements, where employer decisions release an unreduced benefit incur a cost to the pension fund. Employers are advised of these costs to enable them to make informed decisions about the early release of benefit. The Pension Fund recoups the cost direct from employers who agree early retirements.

◆ STATEMENT OF INVESTMENT PRINCIPLES

1 Introduction

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

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

2 Overall Responsibility

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

The review and monitoring of investment performance and fund administration is delegated to the County Council's Pension Fund Committee. The Assistant Chief Executive & Chief Finance Officer has delegated powers for investing the Oxfordshire Pension Fund in accordance with the policies determined by the Pension Fund Committee. The Committee is comprised of seven 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 Assistant Chief Executive & Chief Finance Officer and the Fund's Independent Financial Adviser. The Committee members are not trustees, although they have similar responsibilities.

3 Investment Objectives and Strategy

Investment Objectives

The investment objectives are:

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

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

Risk

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

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

- retaining a proportion of investments in bonds to reflect potential changes in liabilities;
- investing a proportion of the fund passively to limit the impact of

- poor performance by investment managers;
- diversification of investments, including investing in alternative assets with a low degree of correlation;
- use of a number of different investment managers to spread the risk of poor performance.

- diversification of investment styles, e.g. growth and value

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

Strategic asset allocation

In September 2009 the Pension Fund Committee agreed a customised benchmark for the strategic allocation of assets. This was most recently endorsed in March 2011 and is set out in the table below:

Asset Class	Target asset allocation %	Range %
<u>UK Equities</u>		
- passively managed	10	
- actively managed	21	
Total UK Equities	31	29-33
<u>Overseas Equities</u>		
- passively managed	8	
- actively managed	24	
Total Overseas Equities	32	30 -34
Total Equities	63	59 - 67
UK Gilts	3	
Index Linked Gilts	5	
Overseas Bonds	2	
Corporate Bonds	6	
Total Bonds & Index Linked	16	14 - 18
Property	8	5 - 9
Private Equity	10	6 - 11
Hedge Funds	3	2 - 4
Cash	0	0 - 5
Total Other Assets	21	
Total All Assets	100	

4 Management of the Assets

Following a fundamental review of the management of the Funds assets in 2003, the Committee decided to switch from investment managers with a balanced mandate to a specialist management structure. As part of this review the Committee, advised by the Independent Financial Adviser, took over responsibility for strategic asset allocation. Once every three years, following the actuarial valuation, there is a fundamental review of how the assets are managed. The last such review was undertaken in March 2011. The assets are currently managed as set out in the following table.

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

Target performance is based on rolling 3-year periods

Legal & General have been given control ranges for each of the four sub categories of bonds & index linked. UBS Global Asset Management have been given control ranges for overseas equities relating to investment in their Global Pooled Fund and emerging markets. These ranges have been drawn up to ensure the Fund's investments remain well diversified.

Restrictions on Investment

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

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

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

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

The Council has determined to increase its limits as follows:

- to increase the limit on the proportion of the Fund that may be invested in unit linked contracts of insurance

- the limit on this investment has been increased to 35%
- this increase has been agreed to allow the Council to effectively manage the transition between the Fund Managers for the global equity element of its portfolio. During the transition, the Funds will be held by a single manager in a passive fund. As the money is in a passive fund there is no additional risk associated with manager decision, as the manager is required to follow the market.
- The increase has been agreed for a period not exceeding 2 years.
- The increase was reviewed after 1 year, and it was agreed to maintain the increase in the limit for the full two years until 5 May 2013, to enable the completion of the transition to the new global equity manager.
- The decision to increase the limit has been made in accordance with the Regulations.

Realisation of Investments

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

Monitoring and review

The individual manager's performance, current activity and transactions are monitored quarterly by the Pension Fund Committee. Investment management performance of the Fund is reviewed annually upon receipt of the annual

report prepared by WM Performance Services.

5 Social, Environmental & Ethically Responsible Investment

The Council'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. However, the Council requires its Investment Managers to monitor and assess the social, environmental and ethical considerations, which may impact on the reputation of a particular company when selecting and retaining investments, and to engage with companies on these issues where appropriate. The Council believes that the operation of such a policy will ensure the sustainability of a company's earnings and hence its merits as an investment; it will also assess the company's sensitivity to its various stakeholders.

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

6 Exercise of Rights attached to Investments

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

In practice its Investment Managers are delegated authority to exercise voting rights in respect of the Council's holdings. They have been instructed to vote in accordance with the guidance set by RiskMetric Group. However, in exceptional circumstances managers may vote differently from the RiskMetric Group guidance, if in their judgement this would be in the best interests of the fund. Where managers take a contrary view to the RiskMetric Group they must obtain permission from officers to vote differently and officers must report this to the Pension Fund Committee.

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

7 Custody & Stock Lending

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

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

The Council allows the custodian to lend stock and share the proceeds with the Council. This is done to generate

income for the Fund and to minimise the cost of custody. To minimise risk of loss the counterparty is required to provide suitable collateral to the custodian.

8 Compliance

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

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

9 Review of this Statement

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

OTHER GOVERNANCE AND FINANCIAL STATEMENTS

In addition to the statement of Investment Principles, the regulations now require the Pension Fund Report to include a reference to the Funding Strategy Statement, the Governance Compliance Statement and the Communications Policy. These documents are available in full on the OCC website at http://www.oxfordshire.gov.uk/howthe_pensionfundismanaged. Detailed below is a summary.

- **Funding Strategy Statement**

This is a key document in driving the tri-annual Valuation process, and sets out the Pension Fund's approach to ensuring the long term financial position of the Fund. 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 employers' pension liabilities are best met going forward.

- To support the regulatory requirement in relation to the desirability of maintaining as nearly constant employer contribution rates as possible.
- To take a prudent longer-term view of funding the Fund's liabilities.

The document sets out the aims and purposes of the Fund, the key responsibilities of stakeholders of the Fund, definitions of solvency, and the approach to allowing deficits to be recovered over periods of time, the approach to grouping employers for Valuation purposes, the approach to risks and the links to the investment principles.

- **The Governance Compliance Statement**

The Governance Compliance Statement - All Pension funds must publish a Governance Policy and a Governance Compliance Statement which sets out the extent to which this Governance Policy matches best practice guidance. The Governance Policy covers how the Administering Authority delegated its powers, the frequency of meetings, the terms of reference, structure and operating procedures in relation to the use of delegated powers, and the representation of scheme employers, and members within the arrangements. The current Governance Compliance

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** - This is circulated to all Oxfordshire County Council Directors, all employing bodies and copies are available for public inspection in the main Oxfordshire public libraries.

Statement indicates that the Oxfordshire Fund is fully compliant in respect of most of the best practice statements, and partially compliant in the remaining three. These three relate to the fact that not all key scheme employers have representation on the Pension Fund Committee, the fact that there is no restriction on who can substitute for a Committee Member in terms of a minimum level of training on Pension fund matters, and the absence of a formal annual training plan for Committee Members, including a log of all training undertaken.

- **The Communications Policy**

The Communications Policy sets out the approach of the Pension Fund to ensuring all key stakeholders and scheme members are briefed on Pension Fund issues. The Policy sets out that the Administering Authority seeks to fully brief all Scheme employers, such that they in turn can brief individual scheme members. The Administering Authority does not regard itself as solely responsible for communicating directly with all scheme members. Key elements of the Communication Policy include the development of the Website, the production of regular newsletters, and the holding of regular Pension User Group Meetings, and the annual Pension Forum.

- **Summary of Report and Accounts Leaflet** - Sections selected by the Pension Fund Investment Manager are incorporated into an issue of Reporting Pensions, and circulated for active members and for all pensioners within the annual pension notice. These booklets are both available from the website or on request from the Pension Services Team
- **Annual Pension Fund Forum** - This is held each autumn and all employing bodies are invited to submit topics

for discussion and to send representatives. The purpose of 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 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 pension matters such as changes in legislation, the results of the actuarial valuation and other policy changes. In the forthcoming year we will be offering specific subjects for training for the many new employers joining the fund. linked to the User Group.
- **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.
- **Short Guide to the LGPS** - a reduced version of the scheme guide, with main points, for all employers to give to all employees on starting employment.
- **Reports by Beneficiaries Observer** - The beneficiaries' observer 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 Observer will send a written report of each meeting attended and circulate it to all employing bodies for their staff, and post it to 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** - Recently revamped, the 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 Administration information written specifically for them, as a toolkit to support their role in the fund. All members; current, pensioners, deferred, have dedicated sections, with links to newsletters and guides.
- **Intranet** - is not maintained by Pension Services as it reflects the decisions and policies of the County Council specifically for their employees. As a fund employer it provides links and access to the pensions newsletters and reports, many available in alternative media. Other fund employers also provide information on their intra-net sites for employees.
- **Talking Pensions** - This is an informal monthly newsheet for all employers in the Oxfordshire Fund distributed to all Human Resources and Payroll contacts.
- **Annual Benefit Statements** - Pension services issue statements to current and deferred beneficiaries of the scheme. Providing links to additional information on the website or on request to the team.
- **Administration principles** - we encourage all new employers to attend a meeting to help acquaint them to our requirements and their responsibilities within the scheme

USEFUL CONTACTS AND ADDRESSES

BENEFIT ADMINISTRATION

Pension Services
Oxfordshire County Council
Unipart House
Garsington Road
Oxford, OX4 2GQ

Telephone:
01865 797133 or 01865 797125
email:
pension.services@oxfordshire.gov.uk

SPECIFIED PERSON FOR INTERNAL DISPUTE RESOLUTION PROCEDURE

Disputes to be sent to:-

Pensions Services Manager
Oxfordshire County Council
Unipart House
Garsington Road
Oxford, OX4 2GQ

Telephone: 01865 797111
Email: sally.fox@oxfordshire.gov.uk

ACCOUNTS AND INVESTMENTS

Principal Financial Manager
(Treasury Management & Pensions
Investment)
Financial Services
Oxfordshire County Council
County Hall
Oxford, OX1 1ND

Telephone 01865 328001

email:
pension.investments@oxfordshire.gov.uk

The Pensions Regulator

Napier House
Trafalgar Place
Brighton
East Sussex
BN1 4DW 0870 606 3636

The Registrar of Occupational and Personal Pension Schemes

PO Box 1NN
Newcastle upon Tyne
NE99 1NN

The Pensions Advisory Service (TPAS)

11 Belgrave Road
London
SW1V 1RB 0845 601 2923

BENEFICIARIES OBSERVER

c/o Pension Services
Oxfordshire County Council
Unipart House
Garsington Road
Oxford
OX4 2GQ

Pensions Ombudsman

11 Belgrave Road
London
SW1V 1RB 0207 834 9144