

THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS: FUND ACCOUNT

Fund Account for the Year Ended 31 March 2015		Reclassification	
	Notes	2014	2015
		£'000	£'000
Contributions and Benefits			
Contributions Receivable	6	-80,620	-86,556
Transfers from Other Schemes	7	-5,211	-3,113
Other Income	8	-476	-423
Income Sub Total		-86,307	-90,092
Benefits Payable	9	70,139	72,230
Payments to and on Account of Leavers	10	4,384	4,011
Management Expenses	11	5,080	5,434
Other Expenses	8	0	337
Expenditure Sub Total		79,603	82,012
Net Additions from dealings with members		-6,704	-8,080
Returns on Investments			
Investment Income	12	-23,288	-23,564
Commission Recapture		-1	-2
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	16a	-77,626	-182,703
Less Taxes on Income	12	156	81
Net returns on Investments		-100,759	-206,188
Net Increase in the Net Assets Available for Benefits During the Year		-107,463	-214,268
Opening Net Assets of the Scheme		1,523,748	1,631,211
Closing Net Assets of the Scheme		1,631,211	1,845,479

The latest guidance on the presentation of management costs has been adopted; as such Investment Management Expenses of £3.611m and Administrative Expenses Borne by the Scheme of £1.469m have been combined under the new line of Management Expenses for the year ended 31 March 2014. Further details are included in Note 3.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Net Assets as at 31 March 2015	Reclassification		
	Notes	2014 £'000	2015 £'000
Investment Assets			
Fixed Interest Securities	16b	74,957	87,748
Index Linked Securities	16b	80,201	92,133
Equities	16b	590,179	643,335
Pooled Investments	16b	703,652	839,010
Pooled Property Investments	16b	97,287	111,462
Derivative Contracts	16c	100	1,598
Cash Deposits	16d	10,285	7,332
Other Investment Balances	16d	5,593	7,008
Investment Liabilities			
Derivative Contracts	16c	-111	-393
Other Investment Balances	16d	-2,288	-4,249
Total Investments		1,559,855	1,784,984
Assets and Liabilities			
Current Assets	17	58,816	50,191
Current Liabilities	18	-1,701	-2,005
Net Current Assets		57,115	48,186
Long-Term Assets	19	14,241	12,309
Net Assets of the scheme available to fund benefits at year end		1,631,211	1,845,479

Following a review of the classification of investments it was decided that the Fund's holdings in listed private equity companies should be classified under equities rather than private equity. The £91.435m listed under private equity for the financial year ended 31 March 2014 consisted entirely of listed private equity holdings and has been included within the equities category. Further details are included in 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 2014/15 Annual Report and in the underlying statutes.

General

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

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

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

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

Membership

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

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

Organisations participating in the Oxfordshire County Council Pension Fund include:

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

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

be when a service is transferred from a scheme employer and is to allow continuing membership for staff still involved in the delivery of the service transferred.

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

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

	As at 31 March 2014	As at 31 March 2015
Number of Contributory Employees in Scheme		
Oxfordshire County Council	11,434	10,801
Other Scheduled Bodies	7,956	9,527
Admitted Bodies	1,193	1,061
	20,583	21,389
Number of Pensioners and Dependants		
Oxfordshire County Council	7,556	7,874
Other Scheduled Bodies	4,635	4,833
Admitted Bodies	713	758
	12,904	13,465
Deferred Pensioners		
Oxfordshire County Council	13,076	14,002
Other Scheduled Bodies	6,164	6,914
Admitted Bodies	871	942
	20,111	21,858

Six Scheduled Bodies, all of which are Academies, plus eight Admitted Bodies joined the scheme in 2014/15. There was no significant impact on the membership of the scheme because the Academies' members were previously in the scheme as County Council employees and the other new bodies all transferred from an existing scheme employer.

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 2015 rates ranged from 5.5% to 12.5% of pensionable pay.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The latest actuarial valuation took place in 2013 and determined the contribution rates to take effect from 01 April 2014. Employer contribution rates currently range from 12.0% to 24.6% of pensionable pay.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Benefits

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

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

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

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

Note 2 – Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after the year-end. The actuarial position of the scheme which takes into account these obligations is dealt with in the Actuarial Statement on page 35.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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 2015.
 - (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 2015.
 - (e) Fixed Interest stocks are valued on a 'clean' basis (i.e. the value of interest accruing from the previous interest payment date to the valuation date has been included within the amount receivable for accrued income).
 - (f) Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using market quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.
 - (g) Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
 - (h) All gains and losses arising on derivative contracts are reported within 'Change in Market Value'.

Foreign Currencies

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

Contributions

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

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and recovery plan under which they are being paid or on receipt if earlier than the due date.

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

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

Benefits, Refunds of Contributions and Transfer Values

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

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

Investment Income

5. Dividends and interest have been accounted for on an accruals basis. Dividends from quoted securities are accounted for when the security is declared ex-div. Interest is accrued on a daily basis. Investment income is reported net of attributable tax credits but gross of withholding taxes. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within 'Change in Market Value'. Foreign income has been translated into sterling at the date of the transaction. Income due at the year-end was translated into sterling at the rate ruling at 31 March 2015.

Investment Management and Scheme Administration

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

Expenses

7. Expenses are accounted for on an accruals basis.

Cash

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

Changes in Accounting Policy

9. The fund holds a number of investments in listed private equity companies. These holdings have previously been classified under investments as private equity. However, it has been determined that it would be more appropriate to include these holdings under equities as the investment is in a company that undertakes private equity related activities rather than an investment in a specific fund that makes private equity investments. In addition, this is consistent with the treatment of other equity investments as the fund does not split out any other categories from within equities, for example retail stocks.

In June 2014 the Chartered Institute of Public Finance & Accountancy issued a document titled Accounting for Local Government Pension Scheme Management Costs. This document aims to establish best practice in the disclosure of scheme management costs in the LGPS. Although the document is not statutory or required to be complied with by the Code, the fund has adopted the presentation of management costs in line with the guidance.

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 2015 was £64.433m (£51.602m at 31 March 2014). All of the unquoted private equity investments at 31 March 2015 are included within the pooled investments category in the net assets statement, as was the case at 31 March 2014.

Pension Fund Liability

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

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

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

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

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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 £2,941m. There is a risk that this figure is under, or overstated in note 26 to the accounts.
Unquoted Private Equity	Unquoted private equity investments are valued at fair value using recognised valuation techniques. Due to the assumptions involved in this process there is a degree of estimation involved in the valuation.	Unquoted private equity investments included in the financial statements total £64.433m. There is a risk these investments are under, or overstated in the accounts.
Fund of Funds Hedge Funds	Fund of Funds Hedge Fund 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 £0.503m. There is a risk that these investments could be under, or overstated in the accounts.

Note 6 – Contributions

	2013/14 £'000	2014/15 £'000
Employers		
Normal	-43,131	-45,611
Augmentation	-18	0
Deficit Funding	-17,216	-19,446
Costs of Early Retirement	-825	-451
	-61,190	-65,508
Members		
Normal	-19,047	-20,692
Additional *	-383	-356
	-19,430	-21,048
Total	-80,620	-86,556

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

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

*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	
	2013/14	2014/15	2013/14	2014/15
	£'000	£'000	£'000	£'000
Oxfordshire County Council	-30,690	-30,817	-9,552	-9,837
Scheduled Bodies	-26,016	-30,859	-8,521	-9,909
Resolution Bodies	-595	-756	-211	-231
Community Admission Bodies	-2,334	-1,682	-695	-609
Transferee Admission Bodies	-1,555	-1,394	-451	-462
Total	-61,190	-65,508	-19,430	-21,048

Note 7 – Transfers In

	2013/14 £'000	2014/15 £'000
Individual Transfers In from other schemes	-5,211	-3,113
Total	-5,211	-3,113

Note 8 – Other Income and Expenses

Other Income for 2014/15 of £0.423m reflects the interest resulting from the unwinding of the discount for the long-term receivable recognised for transfers to Magistrates' Courts. The long-term receivable was calculated on a discounted cash flow basis. This resulted in a charge to the fund account in the year the long-term receivable was originally recognised representing the value of the discount. The discount is being written down over a ten year period. Further information regarding the deferred asset is included in Note 19.

Other Expenses for 2014/15 of £0.337m consists of a debt write-off where a scheme employer went into administration.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 9 – Benefits

	2013/14 £'000	2014/15 £'000
Pensions Payable	55,992	59,484
Lump Sums – Retirement Grants	13,124	11,088
Lump Sums – Death Grants	1,023	1,658
Total	70,139	72,230

	Pensions Payable		Lump Sums	
	2013/14 £'000	2014/15 £'000	2013/14 £'000	2014/15 £'000
Oxfordshire County Council	27,833	29,578	6,685	6,247
Scheduled Bodies	24,900	26,342	5,779	5,441
Resolution Bodies	474	488	199	50
Community Admission Bodies	1,988	2,182	880	434
Transferee Admission Bodies	797	894	604	574
Total	55,992	59,484	14,147	12,746

Note 10 – Payment to and on account of leavers

	2013/14 £'000	2014/15 £'000
Refunds of Contributions	5	117
Payments for members joining state scheme	-4	0
Individual Transfers Out to other schemes	4,383	3,894
Total	4,384	4,011

Note 11 – Management Expenses

	2013/14 £'000	2014/15 £'000
Administrative Costs	1,096	1,292
Investment Management Expenses	3,562	3,744
Oversight & Governance Costs	422	398
Total	5,080	5,434

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

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 12 – Investment Income

	2013/14 £'000 Reclassification	2014/15 £'000
Fixed Interest Securities	-2,194	-2,371
Index Linked Securities	-1,473	-782
Equity Dividends	-16,007	-16,859
Pooled Property Investments	-2,767	-3,162
Pooled Investments – Unit Trusts & Other Managed Funds	-613	-113
Interest on Cash Deposits	-219	-254
Other – Securities Lending	-15	-23
	-23,288	-23,564
Irrecoverable Withholding Tax - Equities	156	81
Total	-23,132	-23,483

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity income of £1.333m is now included under the equities line.

Note 13 – Investment Management Expenses

	2013/14 £'000	2014/15 £'000
Management Fees	3,485	3,675
Custody Fees	77	69
Total	3,562	3,744

Investment Manager & Custody Fees are generally calculated on a fixed scale basis with applicable rates applied to the market value of the assets managed.

Note 14 – Securities Lending

In January 2014 the Fund introduced an arrangement with its custodian BNP Paribas to lend eligible securities from within its portfolio to third parties in return for collateral. Lending is limited to a maximum of 25% of the aggregate market value of the Fund. Collateralised lending generated income of £0.023m in 2014/15 (2013/14 £0.015m). This is included within investment income in the Pension Fund Accounts. At 31 March 2015 £3.911m of stock was on loan, for which the fund held £3.995m worth of collateral. Collateral consists of acceptable securities and government and supranational debt.

Note 15 – Related Party Transactions

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

Members of the Pension Fund Committee and the post of Service Manager (Pensions, Insurance & Money Management) are the key management personnel involved with the

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Pension Fund. During 2014/15, the Committee consisted of nine County Councillors, two District Councillors and a beneficiary observer. Members of the Pension Fund Committee are disclosed in the Pension Fund Report and Accounts. An amount of £0.060m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

	2013/14 £'000	2014/15 £'000
Short Term Benefits	48*	51*
Long Term/Post Retirement Benefits	9	9
Total	57	60

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

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

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

For the 12 months ended 31 March 2015, employer contributions to the Pension Fund from the County Council were £30.816m (2013/14 £30.690m). At 31 March 2015 there were receivables in respect of contributions due from the County Council of £3.282m (2013/14 £2.378m) and payables due to the County Council of £0.066m (2013/14 £0.058m) for support services.

The County Council was reimbursed £ 1.042m (2013/14 £0.960m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

Note 16 – Investments

During 2014/15 the fund sold the majority of its investments in hedge funds and used the resulting funds to make a new investment in a diversified growth fund. The decision to disinvest from hedge funds and move in to a diversified growth fund was made as part the fundamental review looking at the fund's asset allocation which was considered by the Pension Fund Committee in March 2014.

As noted in the fund accounts listed private equity has been moved to the equities category and as such 2013/14 figures have been adjusted accordingly.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

	Value at 31 March 2014 £'000 Reclassification	Value at 31 March 2015 £'000
Investment Assets		
Fixed Interest Securities	74,957	87,748
Index Linked Securities	80,201	92,133
Equities	590,179	643,335
Pooled Investments	703,652	839,010
Pooled Property Investments	97,287	111,462
Derivatives:		
- Forward Currency Contracts	100	1,598
Cash Deposits	10,285	7,332
Investment Income Due	3,233	3,918
Amounts Receivable for Sales	2,360	3,090
Total Investment Assets	1,562,254	1,789,626
Investment Liabilities		
Derivatives:		
- Forward Currency Contracts	-111	-393
Management Expenses Due	-1,143	-930
Amounts Payable for Purchases	-1,145	-3,319
Total Investment Liabilities	-2,399	-4,642
Net Investment Assets	1,559,855	1,784,984

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity assets of £91.435m are now included under the equities line.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 16a – Reconciliation of Movements in Investments and Derivatives

	Value at 1 April 2014 Reclassification	Purchases at Cost & Derivative Payments	Sales Proceeds & Derivative Receipts	Change in Market Value	Cash Movement	Increase in Receivables / (Payables)	Value at 31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	74,957	98,661	-91,655	5,785			87,748
Index Linked Securities	80,201	41,394	-45,526	16,064			92,133
Equities	590,179	101,381	-101,388	53,163			643,335
Pooled Investments	703,652	112,976	-73,526	95,908			839,010
Pooled Property Investments	97,287	11,229	-5,789	8,735			111,462
<u>Derivative Contracts</u>							
FX	-11	720	-2,513	3,009			1,205
<u>Other Investment Balances</u>							
Cash Deposits	10,285	64,501	-68,822	39	1,329		7,332
Amounts Receivable for Sales of Investments	2,360					730	3,090
Investment Income Due	3,233					685	3,918
Amounts Payable for Purchases of Investments	-2,288					-1,961	-4,249
Total	1,559,855	430,862	-389,219	182,703	1,329	-546	1,784,984

Included within the above purchases and sales figures are transaction costs of £0.328m. 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.

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity assets of £91.435m are now included under the equities line.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

	Value at 1 April 2013 Reclassification	Purchases at Cost & Derivative Payments Reclassification	Sales Proceeds & Derivative Receipts Reclassification	Change in Market Value Reclassification	Cash Movement	Increase in Receivables / (Payables)	Value at 31 March 2014 Reclassification
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	65,628	90,327	-76,142	-4,856			74,957
Index Linked Securities	77,416	19,715	-12,189	-4,741			80,201
Equities	546,370	120,406	-106,970	30,373			590,179
Pooled Investments	676,896	19,036	-39,046	46,766			703,652
Pooled Property Investments	86,589	9,370	-6,068	7,396			97,287
<u>Derivative Contracts</u>							
FX	758	178,181	-183,149	4,199			-11
<u>Other Investment Balances</u>							
Cash Deposits	8,995	34,889	-41,793	-1,510	9,704		10,285
Amounts Receivable for Sales of Investments	1,286					1,074	2,360
Investment Income Due	2,961					272	3,233
Amounts Payable for Purchases of Investments	-5,742					3,454	-2,288
Total	1,461,157	471,924	-465,357	77,627	9,704	4,800	1,559,855

As a result of the decision to reclassify listed private equity under the equities category the 2012/13 private equity assets of £90.881, purchases of £0.043m, sales of £5.199m, and change in market value of £4.199m are all now included under the equities line.

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

Fixed Interest Securities

	2013/14 £'000	2014/15 £'000
UK Public Sector	39,387	46,394
UK Other	3,731	4,420
Overseas Public Sector	31,839	36,934
Total	74,957	87,748

Index Linked Securities

	2013/14 £'000	2014/15 £'000
UK Public Sector Index Linked	80,201	92,133
Total	80,201	92,133

Equity Investments

	2013/14 £'000 Reclassification	2014/15 £'000
UK listed equities	421,026	436,277
Overseas Listed Equities:		
North America	95,587	126,281
Japan	19,035	23,702
Europe	32,732	43,193
Pacific Basin	0	749
Emerging Markets	21,799	13,133
Total	590,179	643,335

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 figure for UK Listed Equities has been increased by £86.442m, North American Equities have been increased by £3.013m and European Equities have been increased by £1.980m.

Pooled Investment Vehicles

	2013/14 £'000	2014/15 £'000
UK Registered Managed Funds – Property	20,045	23,207
Non UK Registered Managed Funds – Property	23,867	14,742
UK Registered Managed Funds – Other	393,933	433,063
Non UK Registered Managed Funds – Other	104,364	149,158
UK Registered Property Unit Trusts	48,269	64,070
Non UK Registered Property Unit Trusts	5,107	9,443
Non UK Registered Unit Linked Insurance Fund	205,354	256,789
Total	800,939	950,472

Total Investments (excluding derivative contracts)

	2013/14 £'000	2014/15 £'000
	1,546,276	1,773,688

Note 16c – Derivative Contracts

Objectives and policies

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

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

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

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 £0.503m 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.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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			
Forward OTC	1 month	13,946 GBP	21,100 USD		-269	
Forward OTC	1 month	130 GBP	1,240 DKK	10		
Forward OTC	1 month	498 GBP	929 AUD	20		
Forward OTC	1 month	17,410 GBP	22,300 EUR	1,272		
Forward OTC	1 month	7,831 GBP	1,404,000 JPY		-57	
Forward OTC	1 month	383 GBP	693 CAD	14		
Forward OTC	1 month	78 GBP	960 SEK	4		
Forward OTC	1 month	275 EUR	207 GBP		-8	
Forward OTC	1 month	604 USD	397 GBP	10		
Forward OTC	1 month	443 GBP	591 EUR	16		
Forward OTC	1 month	812 GBP	1,238 USD		-22	
Forward OTC	1 month	789 GBP	1,060 EUR	22		
Forward OTC	1 month	195 GBP	298 USD		-5	
Forward OTC	1 month	317 GBP	431 EUR	5		
Forward OTC	1 month	260 GBP	356 EUR	2		
Forward OTC	1 month	22,620 JPY	170 EUR	4		
Forward OTC	1 month	432 USD	282 GBP	9		
Forward OTC	6 months	9,356 GBP	12,870 EUR	11		
Forward OTC	1 month	546 GBP	755 EUR			
Forward OTC	3 months	5,186 EUR	3,710 EUR	47		
Forward OTC	1 month	66 GBP	92 EUR			
Forward OTC	1 month	4,950 USD	6,323 AUD	83		
Forward OTC	1 month	1,886 EUR	1,389 GBP		-24	
Forward OTC	1 month	472 GBP	703 EUR		-2	
Forward OTC	1 month	2,489 USD	3,165 AUD	49		
Forward OTC	1 month	946 GBP	1,292 EUR	11		
Forward OTC	1 month	3,810 AUD	2,904 USD	9	-6	
Forward Currency Contracts at 31 March 2015				1,598	-393	1,205
Prior Year Comparative						
Forward Currency contracts at 31 March 2014				100	-111	-11

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 16d – Other Investment Balances

	2013/14 £'000	2014/15 £'000
<u>Receivables</u>		
Sale of Investments	2,360	3,090
Dividend & Interest Accrued	3,182	3,895
Inland Revenue	51	19
Other	0	4
	5,593	7,008
<u>Payables</u>		
Purchase of Investments	-1,146	-3,318
Management Fees	-1,104	-921
Custodian Fees	-38	-10
	-2,288	-4,249
Total	3,305	2,759

Cash Deposits

	2013/14 £'000	2014/15 £'000
Non-Sterling Cash Deposits	10,285	7,332
Total	10,285	7,332

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

	2013/14 £'000	% of Total Fund	2014/15 £'000	% of Total Fund
UBS Life Global Equities All Countries Fund	0	0.00	256,789	13.91
UBS Global Optimal Thirds	205,354	12.59	0	0.00
L&G UK FTSE100 Equity Index	145,112	8.90	154,479	8.37
L&G World (ex-UK) Equity Index	137,950	8.46	154,278	8.36
L&G Core Plus Bond Fund	96,388	5.91	109,953	5.96

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 17 – Current Assets

2014/15	Central Gov't Bodies	Local Authorities	NHS Bodies	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Receivables:						
Employer Contributions	2,798	3,585	19	0	934	7,336
Employee Contributions	211	1,166	6	0	348	1,731
Rechargeable Benefits	60	942	0	3	17	1,022
Transferred Benefits	0	0	29	0	438	467
Costs of Early Retirement	19	260	0	0	162	441
Inland Revenue	63	0	0	0	0	63
Other	0	0	0	0	100	100
Cash Balances					39,031	39,031
Total	3,151	5,953	54	3	41,030	50,191

2013/14	Central Gov't Bodies	Local Authorities	NHS Bodies	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Receivables:						
Employer Contributions	2,695	3,435	19	0	1,440	7,589
Employee Contributions	161	1,119	6	0	333	1,619
Transferred Benefits	0	94	0	0	74	168
Costs of Early Retirement	11	515	0	2	287	815
Inland Revenue	146	0	0	0	0	146
Other	41	100	0	12	42	195
Cash Balances	0	0	0	0	48,284	48,284
Total	3,054	5,263	25	14	50,460	58,816

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 18 – Current Liabilities

2014/15	Central Government Bodies	Local Authorities	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000
Transferred Benefits	0	0	0	-193	-193
Benefits Payable	0	0	0	-348	-348
Inland Revenue	-849	0	0	0	-849
Costs of Early Retirement	-390	0	0	0	-390
Staff Costs	0	-59	0	0	-59
Consultancy	0	0	-4	0	-4
Other	0	-11	0	-151	-162
Total	-1,239	-70	-4	-692	-2,005

2013/14	Central Government Bodies	Local Authorities	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000
Transferred Benefits	-7	-166	0	0	-173
Benefits Payable	-11	-169	0	-20	-200
Inland Revenue	-829	0	0	0	-829
Costs of Early Retirement	-391	0	0	0	-391
Staff Costs	0	-58	0	0	-58
Consultancy	0	0	0	-25	-25
Other	-3	-6	0	-16	-25
Total	-1,241	-399	0	-61	-1,701

Note 19 – Long-Term Assets

2014/15	Central Government Bodies	Local Authorities	NHS Bodies	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Employer Contributions	11,795	0	0	0	27	11,822
Costs of Early Retirement	42	278	0	0	167	487
Total	11,837	278	0	0	194	12,309

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

2013/14	Central Government Bodies	Local Authorities	NHS Bodies	Public Corporations & Trading Funds	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Employer Contributions	13,558	0	0	0	31	13,589
Costs of Early Retirement	31	335	0	0	286	652
Total	13,589	335	0	0	317	14,241

Long-Term assets for 2014/15 include deferred receivables in relation to the transfer of staff to Magistrates' Courts for which a payment of £21.860m is due to be received in ten equal annual instalments, in line with the national agreement reached between Actuaries on behalf of Pension Funds, and the Government Actuary Department on behalf of the Government.

Note 20 - Assets under External Management

The market value of assets under external fund management amounted to £1,697.975m as at 31 March 2015. The table below gives a breakdown of this sum and shows the market value of assets under management with each external manager:

Fund Manager	31/03/2014		31/03/2015	
	Market Value £'000	%	Market Value £'000	%
Baillie Gifford	337,925	22.89	349,700	20.59
Legal & General	538,938	36.51	602,093	35.46
UBS	345,989	23.44	359,077	21.15
Wellington	190,821	12.93	226,635	13.35
Insight	0	0.00	84,221	4.96
Adams Street Partners	21,496	1.46	30,918	1.82
Partners Group	40,856	2.77	45,331	2.67
Total	1,476,025	100.00	1,697,975	100.00

Note 21 – Top 5 Holdings

Value of the Fund's Top Five Holdings at 31 March 2015	£'000	% of Fund
Electra Investment Trust	30,057	1.63
HG Capital Trust	21,893	1.19
British American Tobacco	16,284	0.88
Ashtead Group Plc	13,881	0.75
Prudential Plc	12,904	0.70

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

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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

Note 23 – Additional Voluntary Contributions

	Market Value 31 March 2014 £'000	Market Value 31 March 2015 £'000
Prudential	14,077	14,387

AVC contributions of £1.460m were paid directly to Prudential during the year. (2013/14 - £1.554m).

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

Note 24 – Contingent Liabilities

There are two contingencies to note:

1. The Museums, Libraries and Archive (MLA) Council. Staff from three of the regional MLA employers who were previous members of the Oxfordshire County Council Pension Fund transferred to the MLA Council on 6 April 2009 and 31 March 2010. Actuaries are currently working on the calculation of the payments to be made to the Premium section of the Principal Civil Service Pension Scheme in relation to the transfer of past service rights.
2. 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 nine years, though the maximum payment has been calculated as approximately £0.180m plus pensions increase.

As at 31 March 2015 the fund had outstanding capital commitments (investments) totalling £46.511m (31 March 2014 - £57.783m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the pooled investments and pooled property fund elements of the investment portfolio. The amounts 'called' by these funds are irregular in both size and timing from the date of the original commitment due to the nature of the investments.

Note 25 – Statement of Investment Principles

Oxfordshire County Council Pension Fund has a statement of investment principles (SIP). This is published in the Pension Fund Annual Report and Accounts which is circulated to all scheme employers and is also available on the Council’s internet.

Note 26 - Actuarial Present Value of Promised Retirement Benefits

	2014 £'000	2015 £'000
Present Value of Funded Obligation	2,478,689	2,940,743

Present Value of Funded Obligation consists of £2,848.943m (2014 – £2,202.628m) in respect of Vested Obligation and £91.800m (2014 – £276.061m) in respect of Non-Vested Obligation. The movement from March 2014 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 £121.930m (2014 - £126.304m).

There has been a further increase in the present value of the Funded Obligation of £340.124m (2014 - £47.419m) reflecting a change in the actuarial assumptions as a consequence of changes in the financial markets. The key changes in financial assumptions were:

- A decrease in the assumed level of CPI and therefore pension increase from 2.8% to 2.4% (net effect a decrease in Present Value of Funded Obligation)
- A reduction in the assumed level of pay increases from 4.6% to 4.2% (net effect a reduction in Present Value of Funded Obligations)
- A reduction in the discount factor from 4.4% to 3.3% (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.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

	2013/14			2014/15		
	Fair Value through Profit & Loss £'000 Reclassification	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000	Fair Value through Profit & Loss £'000	Loans & Receivables £'000	Financial Liabilities at Amortised Cost £'000
Financial Assets						
Fixed Interest Securities	74,957			87,748		
Index Linked Securities	80,201			92,133		
Equities	590,179			643,335		
Pooled Investments	703,652			839,010		
Pooled Property Investments	97,287			111,462		
Derivatives	100			1,598		
Cash		58,569			46,363	
Other Investment Balances	5,542			6,990		
Receivables		30			90	
	1,551,918	58,599	0	1,782,276	46,453	0
Financial Liabilities						
Derivatives	-111			-393		
Other Investment Balances	-2,288			-4,249		
Payables			-101			-219
	-2,399	0	-101	-4,642	0	-219
Total	1,549,519	58,599	-101	1,777,634	46,453	-219

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity assets of £91.435m are now included under the equities line.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Note 27b – Fair Value of Financial Instruments and Liabilities

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

	2014		2015	
	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000
Financial Assets - Current				
Loans & Receivables	58,599	58,599	46,453	46,453
Financial Assets at fair value through profit or loss	1,486,804	1,486,804	1,703,100	1,703,100
	1,545,403	1,545,403	1,749,553	1,749,553
Financial Assets – Long Term				
Financial Assets at fair value through profit or loss	65,114	65,114	79,176	79,176
Financial Liabilities – Current				
Amortised Cost	-101	-101	-219	-219
Financial Liabilities at fair value through profit or loss	-2,399	-2,399	-4,642	-4,642
	-2,500	-2,500	-4,861	-4,861
Total	1,608,017	1,608,017	1,823,868	1,823,868

The Fair Value of operational debtors and creditors, cash and short-term deposits, is assumed to be equal to the carrying value.

Note 27c – Net Gains and Losses on Financial Instruments

	31 March 2014 £'000	31 March 2015 £'000
Financial Assets		
Fair Value through Profit and Loss	74,938	179,655
Loans and Receivables	-1,510	39
Financial Liabilities		
Fair Value through Profit and Loss	4,199	3,009
Financial Liabilities Measured at Amortised Cost	0	0
Total	77,627	182,703

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.

Value at 31 March 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	775,271	918,622	88,382	1,782,275
Loans and Receivables	46,453	0	0	46,453
Total Financial Assets	821,725	918,622	88,382	1,828,728
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	-4,249	-393	0	-4,641
Financial Liabilities at Amortised Cost	-219	0	0	-219
Total Financial Liabilities	-4,467	-393	0	-4,860
Net Financial Assets	817,257	918,229	88,382	1,823,868

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Value at 31 March 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	670,974	772,132	108,812	1,551,918
Loans and Receivables	58,599	0	0	58,599
Total Financial Assets	729,573	772,132	108,812	1,610,517
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	-2,288	-111	0	-2,399
Financial Liabilities at Amortised Cost	-101	0	0	-101
Total Financial Liabilities	-2,389	-111	0	-2,500
Net Financial Assets	727,184	772,021	108,812	1,608,017

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 2013 Valuation estimated that the current Funding Level is only 82%, 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).

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

- Ensuring a diversification amongst asset classes, and in particular an allocation to alternative asset classes for which performance has historically not correlated to equity performance.
- Ensuring a diversification of Fund Managers and investment styles (e.g. some with a growth philosophy, some with a value philosophy) to mitigate the risk of poor manager performance impacting on asset values.
- 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. Recently, changes to the scheme have been made with the aim of making the scheme more sustainable including; linking the normal retirement age to future estimates of life expectancy to bring stability to the length of time benefits are in payment, a change in the calculation of benefits to career average revalued earnings to avoid the sudden hike possible in final benefits possible under a final salary scheme, and a switch in the basis of indexation to CPI which is generally lower than the RPI alternative.

The Actuary when completing the 2013 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 82% down to 76% or up to 90%. A change in the CPI assumption of 0.5% per annum would lead to a reduction in the funding level to 76% or an increase to 89%.

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

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

Credit Risk

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

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

At 31 March 2015 the Fund's exposure to credit risk predominantly related to the following investments:

Investment Category	31 March 2014	31 March 2015
	£'000	£'000
UK Government Gilts	39,388	46,394
UK Corporate Bonds	100,119	114,373
UK Index Linked Gilts	80,201	92,133
Overseas Government Bonds	31,839	36,934
Non-Sterling Cash Deposits	10,285	7,332
Cash Balances	48,284	39,031
Total	310,116	336,197

The Pension Fund manages the credit risk by ensuring a diversification of investments both in terms of product and in terms of redemption dates, whilst limiting investments made to sub-investment grade bonds to those made through pooled funds. Corporate Bonds are held through a pooled fund vehicle and up to 15% of holdings can be invested in sub-investment grade bonds. Cash held in sterling at 31 March 2015 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	Balance as at 31 March 2014	Rating	Balance as at 31 March 2015
		£'000		£'000
Money Market Funds				
Ignis Asset Management	AAA	12,450	AAA	5,504
Bank Deposit Accounts				
Royal Bank of Scotland Plc	A	3		0
Santander UK Plc	A	4		0
Bank Current Accounts				
Lloyds TSB Plc	A	6,098	A	5,126
BNP Paribas	A+	29,729	A+	28,401
Total		48,284		39,031

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

Liquidity Risk

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

During 2014/15 the Pension Fund received/accrued income related to dealings with members of £90.1m (2013/14 - £86.3m) and incurred expenditure related to dealings with members of £82.0m (2013/14 - £79.6m). There were further receipts/accruals of £23.6m

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

(2013/14 - £23.3m) in respect of investment income, against which need to be set taxes of £0.1m (2013/14 - £0.2m). The net inflow was therefore £31.6m (2013/14 - £29.8m).

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

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

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

However, as noted above, for the Fund to reach a position where it is forced to sell assets and therefore face a potential financial loss, (as well as to forego future investment returns which have been assumed to meet pension liabilities in the future), the net movement in cash would be equivalent to a reduction in contributions received 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 likely to be many years into the future before any assets will be required to be realised, during which time market risk will have the opportunity to even itself out.

Market risk is generally managed through diversification of investments within the portfolio in terms of asset types, geographical and industry sectors, and individual securities.

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

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

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 2015	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	7,332	73	-73
Cash Balances	39,031	390	-390
Fixed Interest Securities	289,834	2,898	-2,898
Total Change in Assets Available	336,197	3,361	-3,361

Asset Type	Carrying Amount as at 31 March 2014	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	10,285	103	-103
Cash Balances	48,284	483	-483
Fixed Interest Securities	251,546	2,515	-2,515
Total Change in Assets Available	310,115	3,101	-3,101

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 2015 and data on the level of volatility associated with these currencies it has been determined that the likely volatility associated with exchange rate movements is 10.8%. This is based on the one year implied volatility of the currency pairs to which the fund has exposure.

This analysis assumes that all other variables remain constant.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

The table below shows the impact a 10.8% weakening/strengthening of the pound against the various currencies would have on the assets available to pay benefits:

Currency Exposure - Asset Type	Asset Values as at 31 March 2015	Change in Year in the Net Assets Available to Pay Benefits	
		+10.8%	-10.8%
	£'000	£'000	£'000
Overseas Equities	207,058	22,321	-22,321
Pooled Overseas Equities	411,066	44,313	-44,313
Pooled Private Equity (LLPs)	61,508	6,631	-6,631
Pooled Property	24,185	2,607	-2,607
Cash	7,332	790	-790
Total Change in Assets Available	711,149	76,662	-76,662

Currency Exposure - Asset Type	Asset Values as at 31 March 2014 Reclassification	Change in Year in the Net Assets Available to Pay Benefits			
		+7.6%		-7.6%	
	£'000	£'000 Reclassification	£'000 Restated	£'000 Reclassification	£'000 Restated
Overseas Equities	169,153	181,941	12,788	156,364	-12,788
Pooled Overseas Equities	360,670	387,938	27,268	333,403	-27,268
Pooled Private Equity (LLPs)	48,840	52,533	3,693	45,148	-3,693
Pooled Property	28,974	31,164	2,190	26,783	-2,190
Cash	10,285	11,062	777	9,507	-777
Total Change in Assets Available	617,922	664,638	46,716	571,205	-46,716

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity assets subject to currency risk of £4.993m are now included under the equities line.

The change in year in net assets available to pay benefits figures for 2013/14 have been restated as in the published 2013/14 accounts they incorrectly showed the total value of assets after applying the percentage change rather than the change in value after applying the percentage change.

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.

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

Based on an analysis of historical data, 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 one year 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 2015 £'000	Percentage Change %	Value Increase £'000	Value Decrease £'000
UK Equities	570,090	11.9	637,928	502,249
Pooled UK Equities (Small Cap)	14,353	7.4	15,410	13,297
Global Equities	227,725	9.5	249,336	206,114
Diversified Growth Fund	84,221	3.5	87,161	81,282
Pooled Global Equities	256,789	10.9	284,687	228,891
Pooled Overseas Equities	154,278	9.1	168,256	140,301
UK Bonds	50,814	5.4	53,579	48,050
Overseas Bonds	36,934	6.2	39,209	34,659
UK Index Linked Bonds	92,133	8.9	100,360	83,905
Pooled Corporate Bonds	109,953	4.3	114,682	105,224
Pooled Hedge Funds	503	3.5	521	485
Pooled Private Equity (LLPs)	64,433	7.4	69,201	59,665
Pooled Property	111,462	1.6	113,221	109,703
Cash	46,366	0.0	46,375	46,357
Total Assets Available to Pay Benefits	1,820,054	8.8	1,979,926	1,660,182

Asset Type	Value as at 31 March 2014 £'000 Reclassification	Percentage Change % Reclassification	Value Increase £'000 Reclassification	Value Decrease £'000 Reclassification
UK Equities	542,935	11.6	605,645	480,226
Pooled UK Equities (Small Cap)	14,483	8.3	15,680	13,285
Global Equities	192,355	9.7	210,937	173,734
Emerging Markets Equities	17,365	13	19,626	15,104
Pooled Overseas Equities	205,354	11.4	228,847	181,862
Pooled World Equities	137,951	9.4	150,918	124,983
UK Bonds	43,119	5.1	45,331	40,907
Overseas Bonds	31,839	6.0	33,746	29,932
UK Index Linked Bonds	80,201	9.3	87,620	72,782
Pooled Corporate Bonds	96,388	4.6	100,816	91,960
Pooled Hedge Funds	35,397	2.8	36,381	34,413
Pooled Private Equity (LLPs)	51,602	8.3	55,870	47,335
Pooled Property	97,287	2.5	99,720	94,855
Cash	58,569	0.0	58,569	58,569
Total Assets Available to Pay Benefits	1,604,845	9.0	1,749,346	1,459,947

NOTES TO THE LOCAL GOVERNMENT PENSION FUND ACCOUNTS

As a result of the decision to reclassify listed private equity under the equities category the 2013/14 private equity assets of £91.435m are now included under the equities line.

Actuarial Valuation

The contribution rates within the 2014/15 Pension Fund Accounts were determined at the actuarial valuation carried out as at 31 March 2013.

This valuation showed that the required level of contributions to be paid to the Fund by the County Council for the year ended 31 March 2015 was 19.9% of Pensionable Pay. The corresponding rates of contribution that are required from the major participating employers for this period are:

	% Pay	Additional Monetary Amounts £'000
South Oxfordshire District Council	12.3	693
West Oxfordshire District Council	14.4	1,363
Cherwell District Council	13.7	1,459
Oxford City Council	20.6	-
Vale of White Horse District Council	13.1	648
Oxford Brookes University	14.1	1,492

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

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

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

The market value of the Fund's assets at the valuation date was £1,523.7m. The smoothed market value¹ of the Fund's assets at the valuation date was £1,510.1m representing 82% of the Fund's accrued liabilities, allowing for future pay increases. The Actuary has certified contribution rates for all Fund employers from 1 April 2014, which subject to the financial assumptions contained in the valuation, would result in the deficit being recovered over a period of no more than 25 years.

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

LOCAL GOVERNMENT PENSION FUND ACTUARIAL VALUATION

Assumptions for the 2013 Valuation	Annual Rate %
Inflation	3.5
Pension Increases	2.7
Short-Term Pay Increases*	2.7
Long-Term Pay Increases	4.5
Discount Rates for Periods	5.8

*Short-term pay increases are for the two year period to 31 March 2015.

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

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