

**OXFORDSHIRE PENSION FUND**  
**REPORT AND ACCOUNTS 2018/19**  
Registered Number: PS049/20

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

## Introduction

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

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

## Key Challenges of 2018/19

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

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

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

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

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

The delivery of these initial transactions allowed the first review of the assumptions set out in the business case for the development of the Brunel Pension Partnership. This review identified that the total level of investment savings could well be substantial understated, and the initial transitions were also delivered inside of the budget provision. It was though

also determined that the Brunel Company was significantly under-resourced to deliver all the work assumed within the Business Case, and the Partner Funds signed off a new Business Plan and Budget for the company to ensure the full benefits of pooling could be achieved. Total savings across the partnership over the first 20 years of operation are now estimated to be over £200m more than the initial estimate of £550m included within the Business Case.

## The Fund

The Fund saw a further 10% growth in the number of scheme employers during 2018/19, with the number now standing at 225 employers. The increase reflects the changing nature of public service delivery, and in particular the growth of academy schools and the out-sourcing of services. The Fund had a total of 63,536 members as at 31 March 2019, a reduction of 2% since last year, with increases in active and pensioner members, more than offset by the reduction in deferred members.

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

## Investment Performance

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

## The Future

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

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

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

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

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

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

Lorna Baxter  
Director of Finance

July 2019

## THE OXFORDSHIRE PENSION FUND LOCAL PENSION BOARD

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

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

Under the constitution of the Board, an annual report on the work of the Board should be produced by the Board for inclusion in the Fund's own annual report; and it should be presented to the Pension Fund Committee within 6 months following the end of the municipal year. This report meets that requirement for the 2018/19 financial year, covering the work from the July 2018 Board meeting to their meeting on 26 April 2019.

### Board Membership

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

Scheme Employer Representatives	Attended 13 July 2018 Meeting	Attended 26 October 2018 Meeting	Attended 18 January 2019 Meeting	Attended 26 April 2019 Meeting
Cllr Bob Johnston (Oxfordshire County Council)	No	Yes	Yes	Yes
Cllr Sandy Lovatt (Vale of White Horse District Council)	n/a	Yes	Yes	Yes
David Locke (Oxford Diocesan Schools Trust)	Yes	Yes	n/a	n/a
Lisa Hughes (River Learning Trust)	n/a	n/a	n/a	Yes
Scheme Member Representatives				
Stephen Davis (Oxford City Council & Unite)	Yes	Yes	Yes	Yes
Alistair Bastin (Oxfordshire County Council & Unison)	Yes	Yes	Yes	Yes
Sarah Pritchard (Brookes University)	No	Yes	Yes	Yes

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

sions for the Oxfordshire Fund remains as Independent Chairman of the Gloucestershire Local Pension Board.

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

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

## **Work Programme**

The main area of focus for the Pension Board throughout 2018/19 was in respect of employer management, and in particular the development and monitoring of the Improvement Plan looking at timely and accurate submission of data from employers to the Pension Services team, and the issuance of Annual Benefit Statements in line with the statutory deadlines. The Board received up to date reports on the latest position on the submission of data, issuance of annual benefit statements, proposed changes to the process, the discussions with the Pension Regulator and the Improvement Plan for the 2018/19 statements at each of their 4 meetings during the year.

During the year, the Board particularly focussed on

- The need to support the Pension Services team in recruiting and retaining sufficient staff skills and resources to complete the work programme
- The opportunities in future to introduce greater standardisation and automation to the process, including the implementation of i-connect
- The need for national benchmark data on the key administration responsibilities to allow individual funds to consider their performance in comparison to other similar Funds, and to monitor progress against key milestones within the Improvement Plan.

At each of their meetings, the Board also reviewed the Risk Register papers presented to the meetings of the Pension Fund Committee and offered a number of challenges to the presentation of the data and to individual risk scores, as well as identifying areas which they did not believe were adequately covered in the risk register. The Board had a particular focus around the risks associated with the skills and knowledge of the Committee and whether the risks around environmental, social and governance factors, particularly climate change were appropriately reflected in the register.

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

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

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

### **Future Work Programme**

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

The Board will also be keen to review the new governance arrangements being developed to enable the Pension Fund Committee to hold the Brunel Company to account. This work will cover both investment performance and performance against the engagement and responsible investment policies.

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

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

# Statement of Responsibilities for the Pension Fund

## The County Council's Responsibilities

The County Council is required to:

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

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

## The Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Pension Fund's accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ('the Code of Practice').

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

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

The Chief Finance Officer has also:

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

LORNA BAXTER  
Director of Finance



## **INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF OXFORDSHIRE PENSION FUND ON THE PENSION FUND FINANCIAL STATEMENTS**

### **Opinion**

We have examined the pension fund financial statements for the year ended 31 March 2019, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 29.

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Oxfordshire County Council for the year ended 31 March 2019 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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

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

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Oxfordshire County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of the information within the Oxfordshire Pension Fund Report and Accounts 2018/19 other than the Pension Fund Accounts 2018-19 on pages 45 to 79 and our auditor's statement thereon.

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

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

## SCHEME MANAGEMENT & ADVISORS

<b><i>Administering Authority</i></b>	Oxfordshire County Council County Hall Oxford OX1 1ND
<b><i>Administrator</i></b>	Director of Finance
<b><i>Pension Fund Committee County Council Members 2018/19 Membership</i></b>	Cllr Kevin Bulmer (Chairman) Cllr Ian Corkin (Deputy Chairman) Cllr Nicholas Field-Johnson Cllr John Howson Cllr Mark Lygo Cllr Charles Mathew Cllr John Sanders Cllr Lawrie Stratford Cllr Alan Thompson
<b><i>Representatives of District Councils</i></b>	Cllr Alaa Al-Yousuf (WODC) Cllr Bill Service (SODC)
<b><i>Beneficiary Observer</i></b>	Anya Grieg
<b><i>Independent Investment Adviser</i></b>	Peter Davies AllenbridgeEpic Investment Advisers Limited
<b><i>Fund Managers</i></b>	Adams Street Partners Brunel Pension Partnership Legal & General Investment Management Partners Group UBS Global Asset Management Wellington Management Insight Investment Management
<b><i>Internally Managed Funds</i></b>	Listed Private Equity
<b><i>Actuary</i></b>	Hymans Robertson
<b><i>Auditor</i></b>	Ernst & Young LLP
<b><i>AVC Provider</i></b>	Prudential Assurance Company Ltd
<b><i>Custodian</i></b>	State Street Bank and Trust Company
<b><i>Legal Advisers</i></b>	Oxfordshire County Council Legal Services
<b><i>Bankers</i></b>	Lloyds Bank Plc

## HOW THE SCHEME OPERATES

### ◆ Legal Framework

The Local Government Pension Scheme is a statutory, funded defined benefit pension scheme. The operation of the Oxfordshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 [as amended] (effective from April 2014).<sup>1</sup> The scheme covers eligible employees and employees of other bodies eligible to be employers in the Scheme. A list of all those bodies with employees currently participating in the Scheme is shown on pages 13 to 19.

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

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

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

### ◆ Contributions

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The surplus

of contributions and investment income over benefits being paid is invested.

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

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The contribution rate reflects an employer experience, the fund deficit or surplus and is the rate at which employers need to contribute to achieve a 100% funding level projected over 22 years.

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

### ◆ Benefits

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

### Overriding legislation

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

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

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

#### ◆ **Adjudication of Disagreements Procedure**

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

## PARTICIPATING EMPLOYERS

Scheduled Bodies	<u>Contribution Rate</u>		Scheduled Bodies (cont)	<u>Contribution Rate</u>	
	Payroll %	Additional Monetary Amount		Payroll %	Additional Monetary Amount
	2018/19	2018/19		2018/19	2018/19
Abingdon & Witney College	13.0%	£ 205,000	Didcot Town Council	21.7%	-
Abingdon Learning Trust	19.3%	-	Dominic Barberi Multi Academy Co	15.4%	£ 107,000
Abingdon Town Council	21.7%	-	Drayton Parish Council	21.7%	-
AcerTrust MAT	19.9%	£ 54,000	Endeavour Academy	19.3%	-
Activate Learning Education Trust	19.3%	-	Europa School	19.3%	-
Activate Learning	13.5%	£ 417,000	Eynsham Parish Council	21.7%	-
Adderbury Parish Council	21.7%	-	Eynsham Partnership	17.6%	£ 40,000
Aspirations Academy Trust	13.9%	£ 75,000	Faringdon Academy	15.3%	£ 85,000
Banbury Town Council	21.7%	-	Faringdon Town Council	21.7%	-
Benson Parish Council	21.7%	-	GEMS Didcot Primary Academy	19.3%	-
Berinsfield Parish Council	21.7%	-	Gillots Academy	19.3%	-
Bicester Learning Academy	16.8%	£ 52,000	GLF- William Morris	19.3%	-
Bicester Town Council	21.7%	-	Gosford Hill Academy School	19.3%	-
Blackbird Multi Academy Trust	14.4%	£ 86,000	Henley College	17.1%	-
Bloxham Parish Council	21.7%	-	Henley on Thames Town Council	21.7%	-
Burford School	17.8%	£ 62,000	Heyford Park Free School	19.3%	-
Carterton Town Council	21.7%	-	Kennington Parish Council	21.7%	-
CfBT MAT	21.1%	-	Kidlington Parish Council	21.7%	-
Chalgrove Parish Council	21.7%	-	Kingston Bagpuize with Southmoor		
Cherwell District Council	14.9%	-	Parish Council	21.7%	-
Chinnor Parish Council	21.7%	-	Ladygrove Park Primary School	19.3%	-
Chipping Norton Town Council	21.7%	-	Langtree Academy	19.3%	-
Cholsey Primary School (OPEN)	19.3%	-	Littlemore Parish Council	-	-
Community Schools Alliance Trust	14.7%	£ 84,000	Long Hanborough Parish Council	21.7%	-
Cumnor Parish Council	21.7%	-	Lord Williams School	17.2%	£ 47,000

List of Participating Employers continues on next page...

## PARTICIPATING EMPLOYERS

Scheduled Bodies (cont)	<u>Contribution Rate</u>		Scheduled Bodies (cont)	<u>Contribution Rate</u>	
	Payroll %	Additional Monetary Amount		Payroll %	Additional Monetary Amount
	2018/19	2018/19		2018/19	2018/19
Maiden Erlegh Trust	19.3%	-	Sutton Courtenay Parish Council	21.7%	-
Manor School Didcot Academy Trust	15.7%	£ 17,000	Thame Town Council	21.7%	-
Marcham Parish Council	21.7%	-	The Gallery Trust	19.3%	-
North Hinksey Parish Council	21.7%	-	The Merchant Taylors Oxfordshire Academy School Trust	15.1%	£ 44,000
Northern House School Academy Trust	19.3%	-	The Mill Academy Trust	17.4%	£ 50,000
Old Marston Parish Council	21.7%	-	The Oxford Academy	14.1%	-
Oxford Brookes University	14.4%	£ 1,775,000	The Pope Francis MAC	16.9%	£ 36,000
Oxford City Council	20.6%	-	Tyndale School	19.3%	-
Oxford Diocesan Trust	19.8%	-	United Learning Trust	14.3%	£ 37,500
Oxford Direct Services	20.6%	-	Vale Academy Trust	16.7%	£ 102,000
Oxfordshire County Council	19.9%	-	Vale of the White Horse District Council	13.2%	£ 699,000
Propeller Academy Trust	15.1%	£ 42,000	Wallingford Town Council	21.7%	-
Radcliffe Academy Trust	19.3%	-	Wantage Town Council	-	-
Radley Parish Council	21.7%	-	Warriner MAT	18.0%	£ 38,000
Ramsden Parish Council	21.7%	-	West Oxfordshire District Council	15.8%	-
Ridgeway Education Trust	16.7%	£ 60,000	Wheatley Parish Council	21.7%	-
Risinghurst & Sandhills Parish Council	-	-	Whitchurch on Thames Parish Council	-	-
River Learning Trust	16.5%	£ 182,000	White Horse Federation	19.3%	-
Rotherfield Greys Parish Council	-	-	Willowcroft Academy Trust	19.3%	-
Rotherfield Peppard Parish Council	21.7%	-	Witney Town Council	21.7%	-
Sonning Common Parish Council	21.7%	-	Woodstock Town Council	21.7%	-
South Oxfordshire District Council	12.9%	793,000			
St Johns Academy Trust	19.3%	-			

List of Participating Employers continues on next page...

## PARTICIPATING EMPLOYERS

Admitted Bodies	<u>Contribution Rate</u>		Admitted Bodies (cont)	<u>Contribution Rate</u>	
	Payroll %	Additional Monetary Amount		Payroll %	Additional Monetary Amount
	2018/19	2018/19		2018/19	2018/19
1st Homecare (Oxford) Ltd	19.9%	-	Care Outlook Ltd	19.9%	-
A2 Dominion	18.1%	-	Carillion (AMBS) Ltd	19.9%	-
ABM Catering Ltd - Church Cowley St James			Cater Link Limited	21.1%	-
Church of England Primary School, Oxford	19.9%	-	Cater Link Limited - Dominic Barberi Multi		
Adviza	-	-	Academy Company (catering contract)	19.3%	-
Age UK Oxfordshire	-	-	Cater Link Limited - River Learning Trust (Garsington C of E Primary School) (catering contract)	19.7%	-
Allied Healthcare	-	-	Cater Link Limited - River Learning Trust (New Marston Primary School) (catering contract)	19.7%	-
Alliance in Partnership Limited	21.0%	-	Cater Link Limited - River Learning Trust (Tower Hill School, Witney) (catering contract)	19.7%	-
Alliance in Partnership Limited - The Cooper School (Bicester Learning Academy) catering	20.0%	-	CfBT Career Service	26.0%	£ 7,000
APCOA Parking (UK) Ltd	28.4%	-	Charter Community Housing	16.5%	-
Arcadis	-	-	Chartwells (Wheatley Park School)	19.3%	-
Aspens Services Ltd - John Hampden Primary	19.9%	-	Clean Genie - St Marys Bicester	19.9%	-
Banbury Citizens Advice Bureau	-	-	Cleantec Services Ltd	21.0%	-
Banbury Homes	18.1%	-	Community Voice	-	-
Banbury Museum Trust	16.8%	£ 14,000	Cottsway Housing Association	-	-
Barnardos	25.3%	-	Edwards and Ward (Banbury Dashwood Academy)	19.3%	-
Busy Bee Cleaning Services	19.9%	-	Edwards and Ward (Benson C.E. Primary School)	19.9%	-
Capita	-	-			
Capita Symonds Ltd	19.9%	-			
Cara Services Limited	19.3%	-			

List of Participating Employers continues on next page...

## PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	<u>Contribution Rate</u>		Admitted Bodies (cont)	<u>Contribution Rate</u>	
	Payroll %	Additional Monetary Amount		Payroll %	Additional Monetary Amount
	2018/19	2018/19		2018/19	2018/19
Edwards and Ward (Fitzwaryn) - Propeller Academy Trust	19.3%	-	Edwards and Ward (Stockham Primary School)	19.9%	-
Edwards and Ward (Bladon C.E. Primary School)	19.9%	-	Edwards & Ward (Sutton Courtenay C of E Primary) catering contract	19.9%	-
Edwards & Ward Ltd (Brightwell-cum-Sotwell CE Primary School)	19.9%	-	Edwards & Ward - The Ridgeway C of E Primary School, Childrey (catering contract)	19.9%	-
Edwards and Ward (Caldecott Primary School)	19.9%	-	Edwards and Ward (Willowcroft Community School)	-	-
Edwards and Ward (Chilton Primary School)	19.9%	-	Edwards & Ward (Wolvercote Primary School)	19.3%	-
Edwards & Ward (Hailey Primary School)	19.9%	-	Energy Kidz (John Hampden)	19.9%	-
Edwards & Ward (John Henry Newman Academy) ODST	19.3%	-	Fresh Start Catering Ltd (Bure Park Primary School, Bicester) catering contract	19.9%	-
Edwards and Ward (New Marston Primary School)	19.9%	-	Fresh Start Langford Primary	19.9%	-
Edwards and Ward (Orchard Fields Primary School)	19.3%	-	Fresh Start Ltd (Bloxham School contract)	19.9%	-
Edwards and Ward - River Learning Trust (Rose Hill Primary School) (catering contract)	19.9%	-	Fresh Start Ltd (Launton CofE Primary School)	19.9%	-
Edwards & Ward (Rush Common Primary School)	19.3%	-	Fresh Start Ltd (St Mary's Catholic Primary School Bicester)	19.9%	-
Edwards and Ward (South Moreton School) ODST	19.3%	-	Fusion Lifestyle	20.6%	-
Edwards and Ward (St Andrews C.E. Primary School)	19.9%	-	Greenwich Leisure Limited	22.3%	-
Edwards & Ward - St John's Primary School, Wallingford (OPEN)	19.3%	-	Groundwork South	19.9%	-
Edwards and Ward (St Nicholas C.E. Primary School)	0.0%	-	Hayward Cleaning Services	19.9%	-
Edwards & Ward (St Nicholas Oxford)	19.9%	-	Hill End Outdoor Education Centre	25.9%	-
			Home Farm Trust - South & Vale 1	19.9%	-
			Home Farm Trust - South & Vale 2	19.9%	-
			Indigo	-	-

List of Participating Employers continues on next page...



## PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	<u>Contribution Rate</u>		Admitted Bodies (cont)		
	Payroll %	Additional Monetary Amount			
	2018/19	2018/19		Payroll %	Additional Monetary Amount
				2018/19	2018/19
Innovate Services Limited	14.4%	-	Rapid Commercial Cleaning Ltd	19.9%	-
L C Housekeeping Services - Dominic Barberi MAC (Our Lady of Lourdes Catholic Primary School (cleaning contract)	19.3%	-	Rapid Commercial Cleaning Services Ltd - Clanfield C of E Primary School (cleaning contract)	19.9%	-
Nexus Community	-	-	Reading Quest	-	-
Optalis Limited	14.1%	£ 2,000	Regency Cleaning Services Ltd - Caldecott Primary School, Abingdon	19.9%	-
Order of St John's Care Trust (Oxford)	19.9%	-	Regency Cleaning Services Limited - Meadowbrook College (Radcliffe Academy Trust) cleaning contract	19.3%	-
Oxford Active	12.3%	-	RM Education	-	-
Oxford Archaeological Unit	18.1%	-	School Lunch Company (Appleton CE Primary School)	19.9%	-
Oxford Citizens' Housing Association	-	-	School Lunch Company (Badgemore Community Primary School)	19.9%	-
Oxford Community Work Agency	18.1%	-	School Lunch Company (Bishop Loveday CE Primary School)	19.9%	-
Oxford Health NHS Foundation Trust	19.9%	-	School Lunch Company (Brize Norton Primary School)	19.9%	-
Oxford Homeless Pathways	18.1%	-	School Lunch Company (Charlton on Otmoor)	19.9%	-
Oxford Inspires	-	-	School Lunch Company (Chesterton CE School)	19.9%	-
Oxfordshire LEP	19.9%	-	School Lunch Company (Combe CE Primary School)	19.9%	-
Oxfordshire South & Vale Citizens Advice Bureau	-	-	School Lunch Company (Cumnor School)	-	-
Oxfordshire Youth Arts Partnership	18.1%	-	School Lunch Company (Great Milton CofE Primary School)	19.9%	-
PAM Wellbeing Ltd	19.9%	-	School Lunch Company (Hook Norton CE Primary School)	19.9%	-
Publica	15.8%	-			
Rapid Clean - Stockham Primary School	19.9%	-			
Rapid Clean - Manor School Didcot Academy Trust	19.3%	-			

List of Participating Employers continues on next page...

## PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	<u>Contribution Rate</u>		Admitted Bodies (cont)	Payroll %	Additional Monetary Amount
	Payroll %	Additional Monetary Amount			
	2018/19	2018/19		2018/19	2018/19
School Lunch Company (John Henry Newman Academy) ODST	19.3%		School Lunch Company (The John Henry Newman Academy)	19.3%	
School Lunch Company (Nettlebed Community School)	19.9%		School Lunch Company (St Christopher's CofE Primary School, Cowley (ODST))	19.3%	-
School Lunch Company (North Hinksey CE Primary School)	19.9%		School Lunch Company (St John the Evangelist CE Primary School)	19.9%	-
School Lunch Company (Orchard Fields)	19.9%		School Lunch Company (St Josephs Catholic Primary School)	19.3%	-
School Lunch Company (Queensway School)	19.9%		School Lunch Company (St Kenelm's C of E Primary School)	19.9%	-
School Lunch Company (RAF Benson)	19.9%		School Lunch Company (St Mary's CofE Infant School, Witney (Cleaning) ODST)	19.3%	-
School Lunch Company (Standlake CE Primary School)	19.9%		School Lunch Company (St Michael's CofE Primary School, Oxford)	19.9%	-
School Lunch Company (St Christopher's CE Primary School)	19.3%		School Lunch Company (St Nicolas CofE Primary School, Abingdon)	19.9%	-
School Lunch Company (St John Fisher Primary School)	19.3%		School Lunch Company (Tackley C of E Primary School)	19.3%	-
School Lunch Company (St Mary's CE Infant School)	19.3%		School Lunch Company (Tower Hill School)	19.3%	-
School Lunch Company (St Mary's Chipping Norton)	19.9%				
School Lunch Company (The Batt CE Primary School, Witney)	19.3%				
School Lunch Company - The Blake CofE Primary School, Cogges	19.3%				
School Lunch Company (The Hendreds Primary School)	19.3%				

List of Participating Employers continues on next page...

## PARTICIPATING EMPLOYERS

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

List of Participating Employers continues on next page...

\* No active members at the date of the last valuation (31 March 2016). A contribution rate will be advised by the actuary at the date an active member joins the fund.

## Governance

### Conflicts of Interest

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

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

### Pension Fund Committee

#### Committee Membership and Attendance 2018/19

<u>Councillor</u>	<u>08-Jun-18</u>	<u>14-Sep-18</u>	<u>07-Dec-18</u>	<u>08-Mar-19</u>
<b>County Councillors;</b>				
Councillor K Bulmer (on committee since May 2017)	✓	✓	✓	✓
Councillor I Corkin (on committee since May 2017)	✓	✓	✓	✓
Councillor N Field-Johnson (on committee since May 2017)	✓	✓	✓	✓
Councillor L Stratford (on committee since June 2018)	✓	x	x	x
Councillor J Howson (on committee since May 2017)	✓	✓	✓	✓
Councillor C Mathew (on committee since May 2017)	✓	✓	✓	✓
Councillor M Lygo (on committee since May 2017)	✓	✓	x	x
Councillor J Sanders (on committee since May 2017)	✓	✓	✓	✓
Councillor A Thompson (on committee since May 2017)	✓	✓	✓	x
<b>District Councillors;</b>				
Councillor A Al-Yousuf (on committee since June 2018)	✓	✓	✓	✓
Councillor B Service (on committee since September 2015)	✓	✓	✓	✓
<b>Beneficiaries Observer (non-voting member);</b>				
A Grieg (since June 2018)	✓	✓	x	x

## Committee Members Training Received 2018/19

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

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

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

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

## Risk Management

### Internal Risk Management

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

The Council's Internal Audit function undertook a review of the Pension Investments function in 2018/19 the results of which have not yet been published. The Pension Administration function was also subject to an internal audit during 2018/19. The overall conclusion was 'A' (There is generally a good system of internal control in place and the majority of risks are being effectively managed. However, some action is required to improve controls). There were six management actions resulting from the audit findings which are being addressed.

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

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

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

A key tool for the management of risk is the risk register. The register incorporates an assessment of the impact and likelihood of identified risks to give a risk score,

assigns a target risk score, as well as the actions required to achieve the target score. The risk register is kept under review by the Chief Finance Officer and is presented to the Committee on a quarterly basis. The risk register is also regularly reviewed by the Oxfordshire Local Pension Board.

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

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

Risks are analysed between:

- Financial
- Administrative
- Governance

Each element is independently assessed on a scale of 1-5 (5 being the highest risk). These scores are then multiplied to give an overall score. The risk register lists the risks identified, the consequence of each risk occurring, the score assigned to each risk, the target score for each risk and the measures in place to address the risk. This process identifies the risks with the highest scores, and those furthest away from their targets, which are then closely monitored.

The table below details the highest scoring risks from the most recent version of the risk register for the Fund (a copy of the full risk register is available in the Pension Fund Committee papers for March 2019 which is on the Council's public website).

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



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

<b>Risk</b>	<b>Cause</b>	<b>Impact</b>	<b>Likelihood</b>	<b>Risk Score</b>	<b>Actions Required</b>
<b>Financial</b>					
Investment strategy not aligned with pension liability profile.	Pension liabilities and asset attributes not understood and matched.	4	2	8	Develop cashflow model with actuary. Gain greater understanding of employer changes. Review asset allocation.
Underperformance of pension investments due to ESG factors, including climate change.	Failure to consider long-term financial impact of ESG issues.	4	2	8	Improve performance monitoring information on ESG scores within current investment portfolios, to identify any policy breaches by fund managers.
<b>Administrative</b>					
Insufficient resources to deliver responsibilities - LGPS and FSPS.	Budget Reductions.	4	2	8	Need to fill current vacancies, and develop robust performance reporting arrangements.

## Third Party Risk Management

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

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

The following reports were received and reviewed:

Company	Report Type	Reporting Period End	Auditor
Adams Street Partners	SOC 1	30 September 2018	KPMG
Partners Group	ISAE 3402	31 December 2018	PricewaterhouseCoopers
State Street Bank & Trust Company (Custodian)	SOC 1	31 March 2019	Ernst & Young
Insight Investment Management	SSAE 18 / ISAE 3402	30 September 2018	KPMG
Legal & General Investment Management	AAF 01/06 / ISAE 3402	31 December 2018	KPMG
UBS	ISAE 3402	31 December 2018	Ernst & Young
Wellington	SOC 1 / ISAE 3402	31 October 2018	PricewaterhouseCoopers

The pension investment team analyse and reconcile valuation information provided by the custodian to that of the investment manager and follow up any significant variations. The custodian also undertakes a monthly reconciliation between its records and those of funds managers and is required to investigate and report the reasons for any significant variances.

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

## Scheme Administration and Administration Performance

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

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

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

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

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

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

- Stage 1 - depending upon nature of complaint the Appointed Person from either the fund or scheme employer will review and provide a written determination to the points raised.
- Stage 2 - should the member be unhappy with the decision made at stage 1 they have the right to ask for the Appointed Person at stage 2 to review their case.
- If, after this second independent review the member remains unhappy with the outcome they can then refer their case to the Pension Ombudsman.

During 2018/2019 the following complaints have been received:

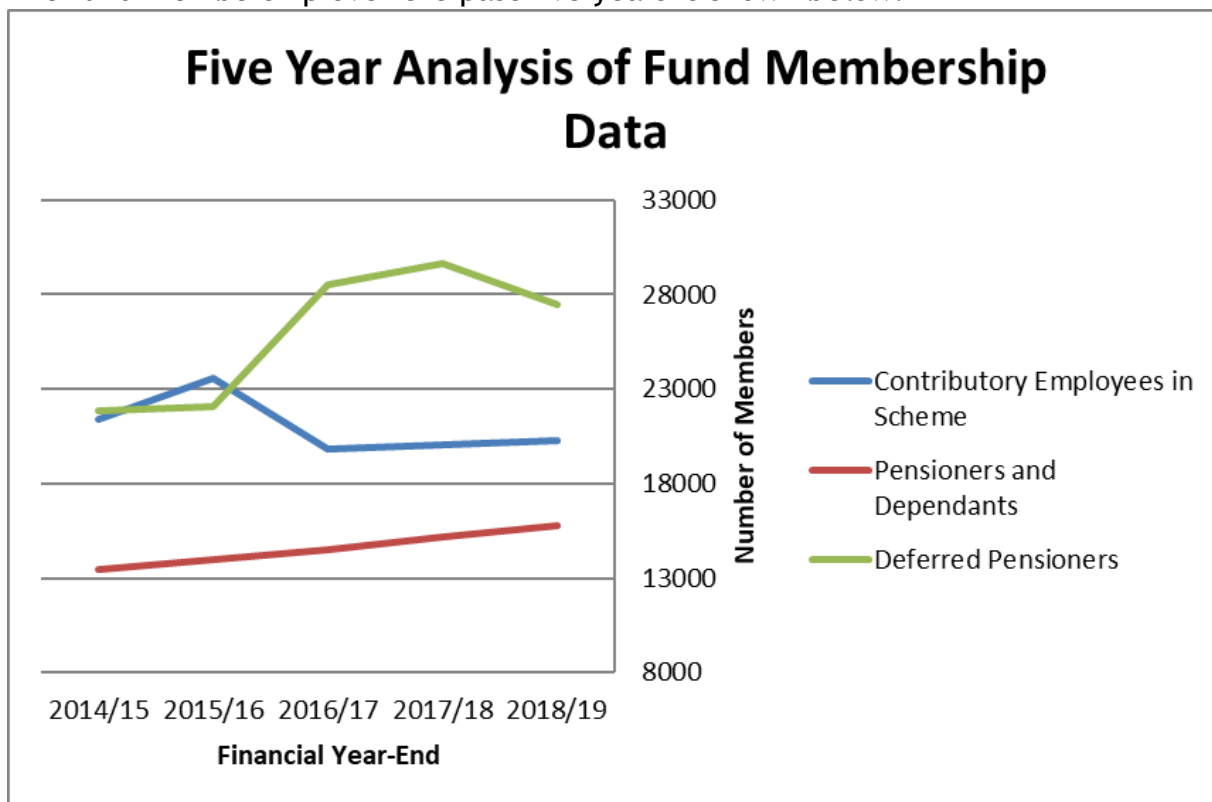
	<b>2018/19</b>
Number of Complaints	22
Complaints as % of Workload	0.03%

The Regulations - Under the framework of overarching pension regulations The Local Government Pension Scheme is governed by statutory regulations which are the responsibility of the Ministry of Housing, Communities and Local Government.

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

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

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



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

As at 31 March 2019 the number of staff within Pension Services is 26.71 FTE which is a small increase against last year.

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

#### Top 10 Case Types

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

## Promotion of Scheme Membership

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

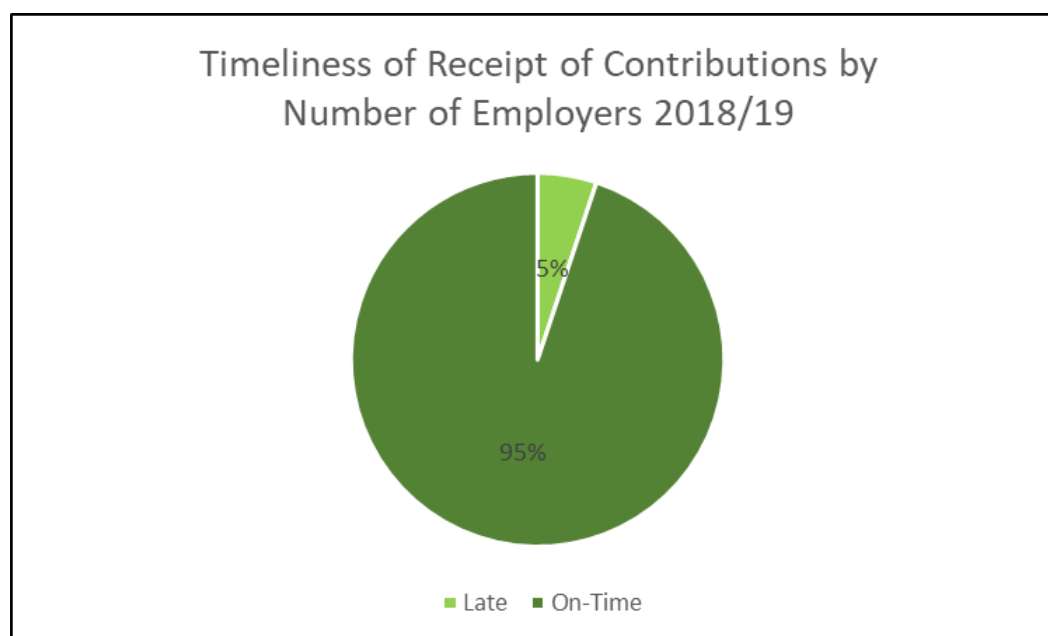
## Memberships

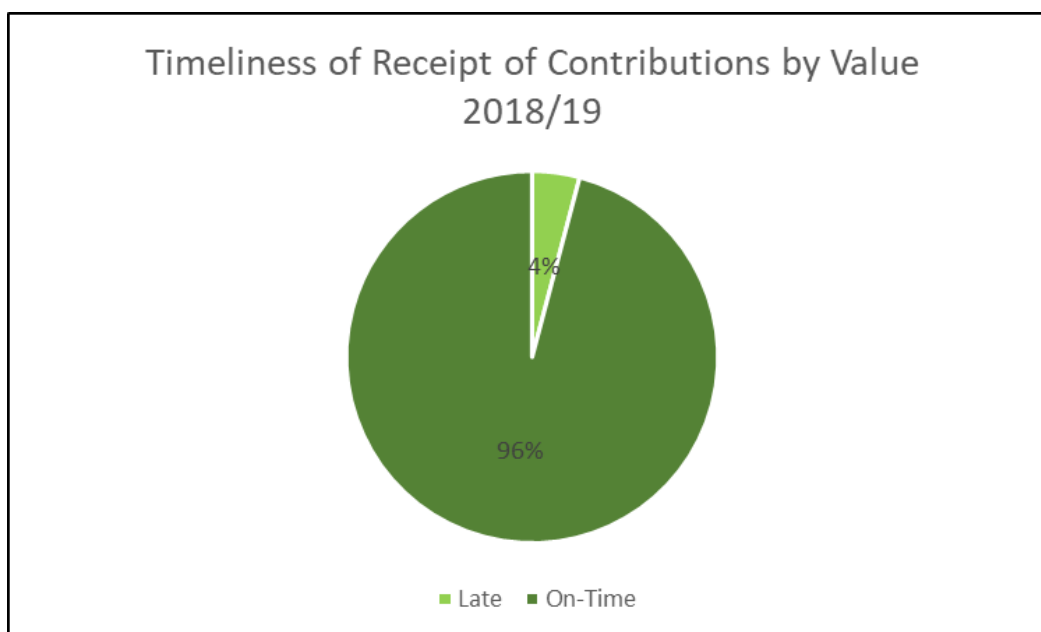
The Fund is a member of the National Association of Pension Funds, Local Authority Pension Fund Forum, and subscribes to the CIPFA Pensions Network.

## Financial Performance

### Contributions

Payment of contributions from employers is monitored on a monthly basis as they fall due. Reconciliations are undertaken between contributions received and those expected with any discrepancies followed up with the employer. Late payments are immediately followed up with employers to request payment. If contribution payments are repeatedly late the issue is escalated and a letter is sent to employers. Fines are also issued in accordance with the Administration Strategy. The graphs below illustrate the timeliness of the receipt of contributions from employers during 2018/19.





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

### Budget

The below table shows budget for 2018/19:

	Budget £'000
<b>Administrative Expenses</b>	
Administrative Employee Costs	1,240
Support Services Including ICT	447
Printing & Stationery	51
Advisory & Consultancy Fees	30
Other	29
<b>Total Administrative Expenses</b>	<b>1,797</b>
<b>Investment Management Expenses</b>	
Management Fees	7,436
Custody Fees	75
Brunel Development Costs	75
Brunel Working/Regulatory Capital	200
Brunel Contract Costs	330
<b>Total Investment Management Expenses</b>	<b>8,116</b>
<b>Oversight &amp; Governance</b>	
Investment Employee Costs	240
Support Services Including ICT	40
Actuarial Fees	40
External Audit Fees	24
Internal Audit Fees	14
Advisory & Consultancy Fees	64
Committee and Board Costs	48
<b>Total Oversight &amp; Governance Expenses</b>	<b>470</b>
<b>Total Pension Fund Budget</b>	<b>10,383</b>

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

### Pension Overpayments

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

\* Figure is higher due to results of the National Fraud Initiative data matching exercise.

The Fund participates in the National Fraud Initiative data matching exercise which takes place every two years. This process matches data between different records to identify discrepancies that should be investigated further.

### Investment Pooling - Brunel Pension Partnership

In 2015 the Department of Communities and Local Government (as it then was) issued LGPS:

Investment Reform Criteria and Guidance which set out how the government expected funds to establish asset pooling arrangements. The objective was to deliver:

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

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

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

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



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

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

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

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

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

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

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

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

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

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

## Investment Review 2018/19

### Economic Background

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

The Federal Reserve raised US interest rates by ¼% four times during 2018, and had been expected to make two more increases during 2019. In January, however, a change

of policy was announced under which no rate rises are contemplated in 2019. The Bank of England raised base rate from ½% to ¾% in August - its highest level since 2009 - while the European Central Bank ended its period of quantitative easing at the end of 2018, but then re-opened a loan support programme early in 2019 in an effort to stimulate the flagging Eurozone economies.

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

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

## Market Returns

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

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

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

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

[Source: MSCI UK Monthly Index of Total Returns]

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

## Outlook

Although equity markets have experienced a strong relief rally in 2019, they are now confronted by a slowdown in global growth, an escalating trade war between the US and China - with scope for collateral damage

- and extreme uncertainty about the UK's future relationship with the EU. All these factors have the potential to impart negative impacts to equity markets.

Peter Davies  
Senior Adviser - MJ Hudson Investment Advisers

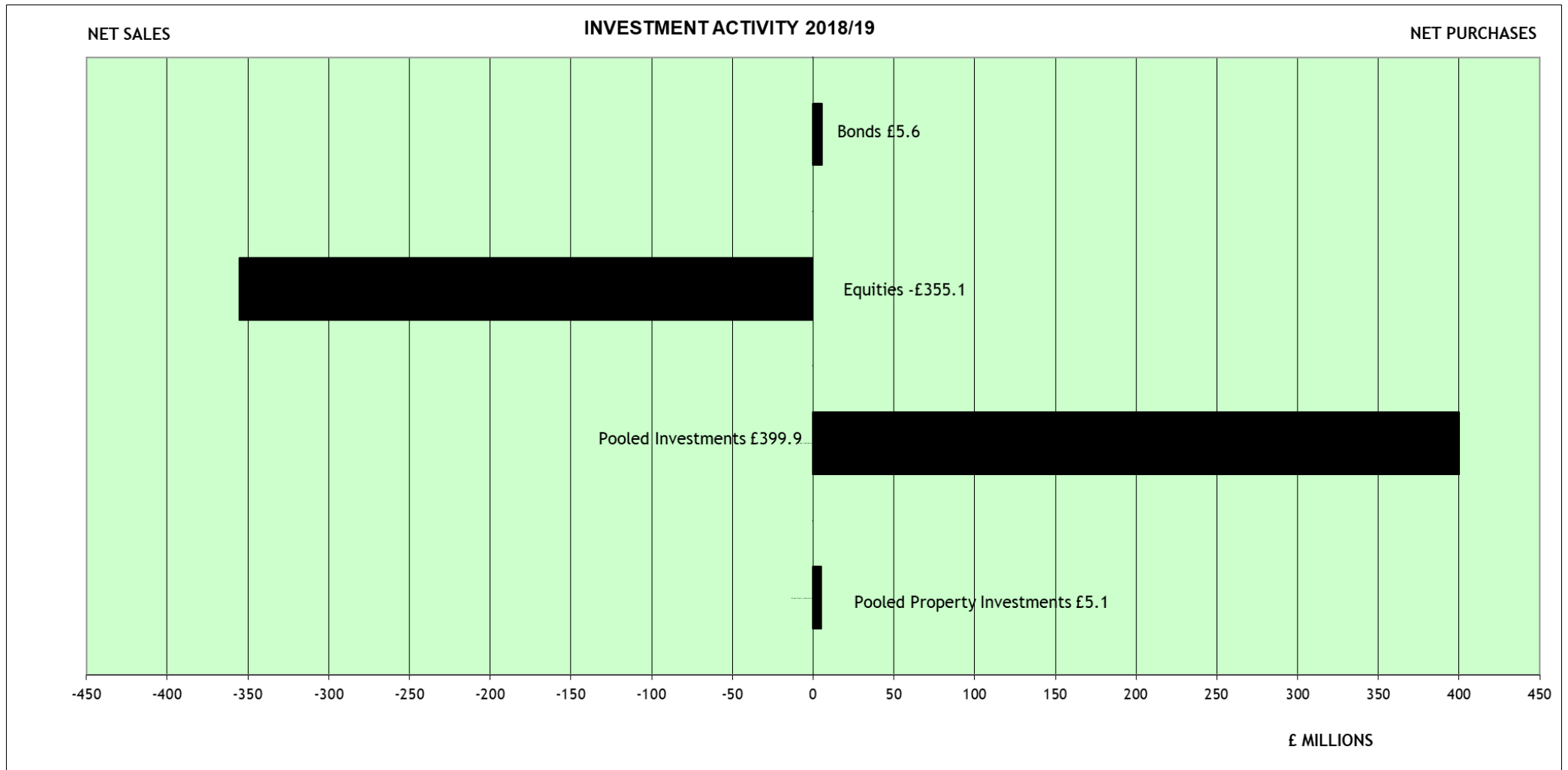
May 2019

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

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

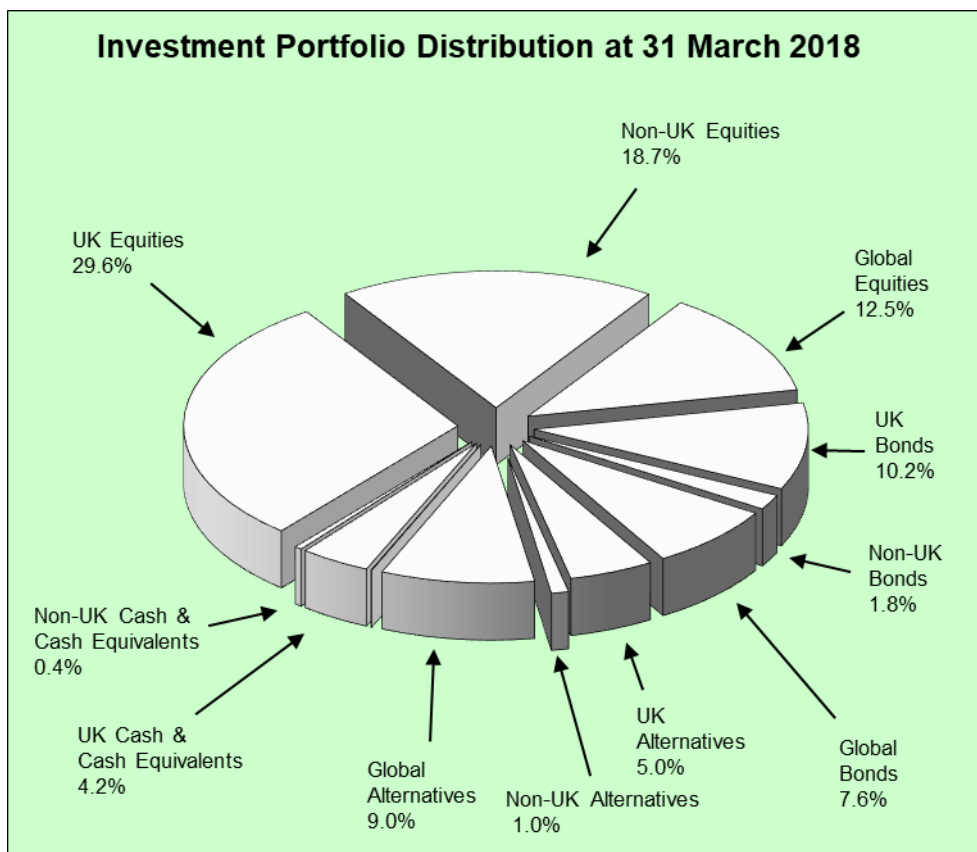
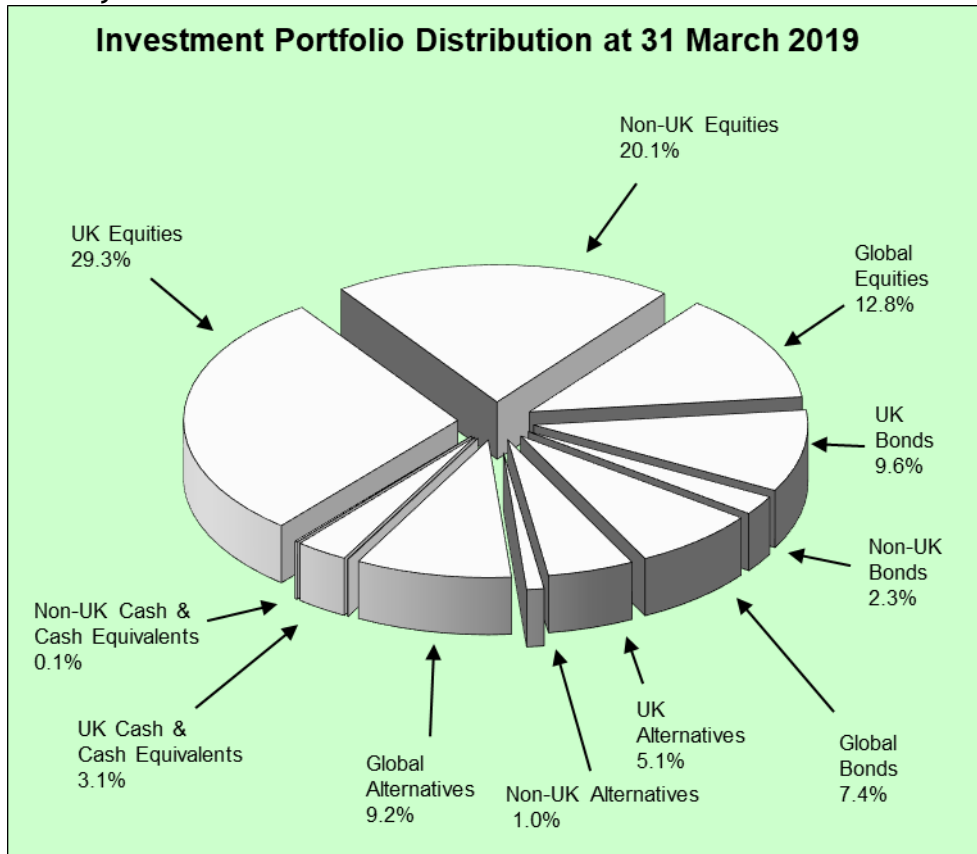
- **Investment Activity**

The Pension Fund invested a net £58.4 million during the year ended 31 March 2019. The amounts invested or disinvested in each principal category of asset are shown in the chart below. The large sale of equities and purchase of pooled investments is primarily a result of the UK equity portfolio moving from a segregated arrangement to a pooled fund structure with Brunel Pension Partnership. Derivatives are not included in the chart.



## Portfolio Distribution

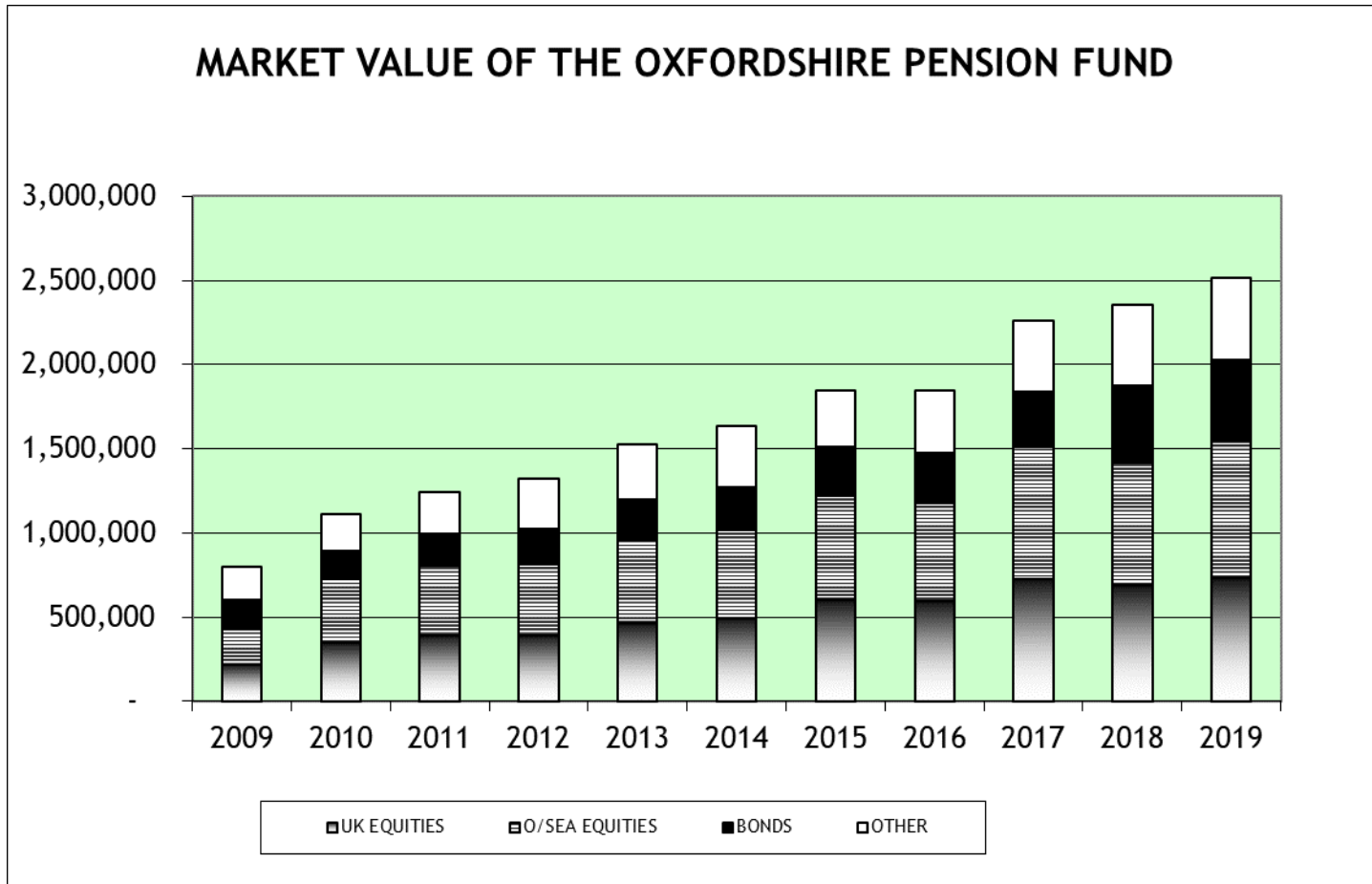
The distribution of the Pension Fund amongst the principal categories of assets as at 31 March 2019 is shown in the chart below. A comparative chart of the position at 31 March 2018 is also shown. Changes in the asset weightings, from one year to another, are due to investment activity and market movements.



### Portfolio Asset Allocation over the Ten Years to March 2019

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

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



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

## ◆ Investment Benchmark and Performance

The performance of the individual Fund Managers against their benchmark is shown in the following table. Each Fund Manager is given a different target to outperform their benchmark over a rolling three-year period. The table indicates that performance in 2018/19 at the total fund level was 0.1% above benchmark with an overall return of 6.8%.

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



Brunel Infrastructure	4.0	-	-	-	-	-	-
Brunel Secured In- come	2.0	-	-	-	-	-	-
Cash	n/a	0.8	0.7	0.5	0.4	0.5	0.4
<b>Total Fund</b>		<b>6.7</b>	<b>6.8</b>	<b>9.7</b>	<b>10.8</b>	<b>8.3</b>	<b>8.8</b>

\* - Being phased in. Target was 1% above benchmark until June 2014.

Cash held by Fund Managers is included within total Fund Manager performance.

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

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

## Asset Allocation

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

## Responsible Investment

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

## Annual Voting Report

### Introduction

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

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

The Oxfordshire County Council Pension Fund's voting policy is set out in its Investment Strategy Statement which states that in practice the Fund's Investment Managers are delegated authority to exercise voting rights in respect of the Council's holdings. Voting decisions are fully delegated to fund managers, while recognising that the Fund maintains ultimate responsibility for ensuring that voting is undertaken in the best interests of the Fund. An annual voting report is produced and presented to the Pension Fund Committee which compares voting activity against a best practice template. The report for the year ending 31 July 2018 was presented at the 08 March 2019 Committee meeting. A copy of the report is available in the papers for the relevant meeting on the Council's website (<http://mycouncil.oxfordshire.gov.uk/ieListMeetings.aspx?CId=140&Year=0>).

## Other Material

### Employer Discretions

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

### Specific Requirements

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

#### Employer Bodies Summary as at 31 March 2019

	<b>Active</b>	<b>Ceased</b>	<b>Total</b>
Scheduled Body	93	0	93
Admitted Body	122	26	148
<b>Total</b>	<b>215</b>	<b>26</b>	<b>241</b>

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

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

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

This description of the Fund is a summary only. Further details are available in the Fund's 2018/19 Annual Report and in the underlying statutes.

### **General**

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

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

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

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

### **Membership**

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

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

Organisations participating in the Oxfordshire County Council Pension Fund include:

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

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

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

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

	As at 31 March 2019	As at 31 March 2018
<b>Number of Contributory Employees in Scheme</b>		
Oxfordshire County Council	8,529	8,646
Other Scheduled Bodies	11,156	10,600
Admitted Bodies	606	764
	<b>20,291</b>	<b>20,010</b>
<b>Number of Pensioners and Dependants</b>		
Oxfordshire County Council	9,095	8,809
Other Scheduled Bodies	5,710	5,414
Admitted Bodies	993	931
	<b>15,798</b>	<b>15,154</b>
<b>Deferred Pensioners</b>		
Oxfordshire County Council	16,114	17,058
Other Scheduled Bodies	9,993	11,260
Admitted Bodies	1,340	1,360
	<b>27,447</b>	<b>29,678</b>

Unprocessed leavers are included as Deferred Pensioners.

Thirty-six Admitted Bodies and three Scheduled Bodies joined the scheme in 2018/19. In addition, one Admitted Body left the scheme and three academies joined multi-academy trusts in 2018/19. There was no significant impact on the membership of the scheme because the Academies' members were transferred to a multi-academy trust employer and the other new bodies all transferred from an existing scheme employer or were small.

### Funding

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The contribution from employees is prescribed by statute, and for the year ending 31 March 2019 rates ranged from 5.5% to 12.5% of pensionable pay.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The latest actuarial valuation took place in 2016



and determined the contribution rates to take effect from 01 April 2017. Employer contribution rates currently range from 12.2% to 28.4% of pensionable pay.

### Benefits

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

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

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

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

### Note 2 - Basis of Preparation

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

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

The accounts summarise the transactions of the Pension Fund and detail the net assets of the Fund. The accounts do not take account of the obligation to pay future benefits which fall due after the year-end. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 26.

The accounts have been prepared on a going concern basis.

## Note 3 - Summary of Significant Accounting Policies

### Investments

1. Investments are shown in the accounts at market value, which has been determined as follows:
  - (a) The majority of listed investments are stated at the bid price or where the bid price is not available, the last traded price, as at 31 March 2019.
  - (b) Unlisted securities are included at fair value, estimated by having regard to the latest dealings, professional valuations, asset values and other appropriate financial information.
  - (c) Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.
  - (d) Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2019.
  - (e) Fixed Interest stocks are valued on a 'clean' basis (i.e. the value of interest accruing from the previous interest payment date to the valuation date has been included within the amount receivable for accrued income).
  - (f) Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using market quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.
  - (g) Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
  - (h) All gains and losses arising on derivative contracts are reported within 'Changes in Market Value of Investments'.

### Foreign Currencies

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

### Contributions

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

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

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

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

### **Benefits, Refunds of Contributions and Transfer Values**

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

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

### **Investment Income**

5. Dividends and interest have been accounted for on an accruals basis. Dividends from quoted securities are accounted for when the security is declared ex-div. Interest is accrued on a daily basis. Investment income is reported net of attributable tax credits but gross of withholding taxes. Irrecoverable withholding taxes are reported separately as a tax charge. In the majority of cases investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within 'Changes in Market Value of Investments'. Foreign income has been translated into sterling at the date of the transaction. Income due at the year-end was translated into sterling at the rate ruling at 31 March 2019.

### **Investment Management and Scheme Administration**

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

## **Expenses**

7. Expenses are accounted for on an accruals basis.

## **Cash**

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

## **Listed Private Equity**

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

## **Management Fees**

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

## **Note 4 - Critical Judgements in Applying Accounting Policies**

### **Unquoted Private Equity Investments**

Determining the fair value of unquoted private equity investments is highly subjective in nature. Unquoted private equity investments are valued by the investment managers using various valuation techniques and this involves the use of significant judgements by the managers. The value of unquoted private equity and infrastructure investments at 31 March 2019 was £93.621m (£75.443m at 31 March 2018).

### **Pension Fund Liability**

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

## **Note 5 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

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

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

Item	Uncertainties	Potential Impact
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. The fund engages an actuarial firm to provide expert advice on the assumptions to be applied.	<p>The actuarial present value of promised retirement benefits included in the financial statements is £4,134m. There is a risk that this figure is under, or overstated in Note 26 to the accounts.</p> <p>Sensitivities to the key assumptions are as follows:</p> <p>A 0.5% p.a. increase in the pension increase rate would result in an approximate 8% increase to liabilities (£345m).</p> <p>A 0.5% p.a. increase in the salary increase rate would result in an approximate increase to liabilities of 1% (£54m).</p> <p>A 0.5% decrease in the real discount rate would result in an approximate 10% increase to liabilities (£424m).</p> <p>A one-year increase in member life expectancy would approximately increase the liabilities by 3-5%.</p>
Unquoted Private Equity	Unquoted private equity and infrastructure investments are valued at fair value using recognised valuation techniques. Due to the assumptions involved in this process there is a degree of estimation involved in the valuation.	Unquoted private equity and infrastructure investments included in the financial statements total £93.621m. There is a risk these investments are under, or overstated in the accounts. The Pension Fund relies on specialists to perform the valuations and does not have the in-

		formation (i.e. the assumptions that were used in each case) to produce sensitivity calculations.
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## Note 6 - Contributions

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

Deficit recovery contributions are paid by employers based on the maximum 22 year recovery period set out in the Funding Strategy Statement. Where appropriate, the Actuary has shortened the recovery period for some employers to maintain as near stable contribution rates for those employers, in line with the Regulations.

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

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

## Note 7 - Transfers In

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

## Note 8 - Other Income

Other Income for 2018/19 of £0.465m (2017/18 £0.506m) includes £0.192m (2017/18 £0.253m) reflecting the interest resulting from the unwinding of the discount for the long-term receivable recognised for transfers to Magistrates' Courts. The long-term receivable was calculated on a discounted cash flow basis. This resulted in a charge to the fund account in the year the long-term receivable was originally recognised representing the value of the discount. The discount is being written down over a ten-year period. Further information regarding the deferred asset is included in Note 19.

## Note 9 - Benefits

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

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

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

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

## Note 11 - Management Expenses

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

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

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

## Note 12 - Investment Income

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

## Note 13 - Investment Management Expenses

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

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

## Note 14 - Securities Lending

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



(31 March 2018 £20.157m) worth of collateral. Collateral consists of acceptable securities and government and supranational debt.

#### Note 15 - Related Party Transactions

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

Members of the Pension Fund Committee and the post of Service Manager (Pensions) are the key management personnel involved with the Pension Fund. During 2018/19, the Committee consisted of nine County Councillors, two District Councillors and a beneficiary observer. Members of the Pension Fund Committee are disclosed in the Pension Fund Report and Accounts. An amount of £0.111m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

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

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

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

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

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

The County Council was reimbursed £1.441m (2017/18 £1.301m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

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

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

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

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

#### Note 16 - Investments

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

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

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

Included within the above purchases and sales figures are transaction costs of £0.113m. Costs are also borne by the scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

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

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

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

	Value at 1.4.2017 £'000	Purchases at Cost & Deriva- tive Payments £'000	Sales Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Cash Move- ment £'000	Increase in Receivables / (Payables) £'000	Value at 31.3.2018 £'000
Bonds	202,883	512,013	(431,171)	(3,923)			279,802
Equities	780,002	113,944	(159,530)	(21,103)			713,313
Pooled Investments	1,031,626	262,237	(254,340)	30,112			1,069,635
Pooled Property In- vestments	144,421	8,812	(6,461)	14,669			161,441
Long-Term Investments		840					840
<u>Derivative Contracts</u>							
FX	81	607,381	(609,347)	1,613			(272)
<u>Other Investment Balances</u>							
Cash Deposits	8,027	220,748	(257,860)	232	38,551		9,698
Amounts Receivable for Sales of Investments	6,101					2,052	8,153
Investment Income Due	4,303					773	5,076
Amounts Payable for Purchases of Invest- ments	(3,266)					(2,555)	(5,821)
	<b>2,174,178</b>	<b>1,725,975</b>	<b>(1,718,709)</b>	<b>390,036</b>	<b>21,600</b>	<b>38,551</b>	<b>2,241,865</b>

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

**Long-Term Investments Assets**

	2018/19 £'000	2017/18 £'000
Brunel Pension Partnership Ltd	840	840
	<b>840</b>	<b>840</b>

**Bonds**

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

**Equity Investments**

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

**Pooled Investment Vehicles**

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

**Total Investments (excluding derivative contracts)**

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

## Note 16c - Derivative Contracts

### Objectives and policies

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

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

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

### Forward Foreign Exchange (FX)

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

Contract	Settlement Date	Currency Bought '000	Currency Sold '000	Asset value At year end £'000	Liability value at year end £'000	Net Forward currency Contracts £'000
Forward OTC	3 months	25,184 GBP	29,310 EUR		-141	
Forward OTC	1 month	27,237 GBP	30,961 EUR	556	-12	
Forward OTC	1 month	9,546 EUR	100,000 SEK	101	-148	
Forward OTC	1 month	13,880 GBP	18,007 USD	97	-25	
Forward OTC	1 month	75 GBP	873 SEK	3		
Forward OTC	1 month	969 GBP	1,750 AUD	15		
Forward OTC	1 month	15,359 GBP	26,537 CAD	135	-14	
Forward OTC	1 month	8,781 GBP	1,236,500 JPY	204		
Forward OTC	1 month	6,200 EUR	5,361 GBP		-16	
Forward OTC	1 month	6,070 USD	4,682 GBP		-28	
Forward Currency Contracts at 31 March 2019				<b>1,111</b>	<b>-384</b>	<b>727</b>
Prior Year Comparative						
Forward Currency contracts at 31 March 2018				<b>480</b>	<b>-752</b>	<b>-272</b>

## Note 16d - Other Investment Balances

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

## Cash Deposits

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

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

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

## Note 17 - Current Assets

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

## Note 18 - Current Liabilities

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

## Note 19 - Long-Term Assets

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

Long-Term assets for 2018/19 include deferred receivables in relation to the transfer of staff to Magistrates' Courts for which a payment of £21.860m is due to be received in ten equal annual instalments, in line with the national agreement reached between Actuaries on behalf of Pension Funds, and the Government Actuary Department on behalf of the Government.

## Note 20 - Assets under External Management

The market value of assets under external fund management amounted to £2,310.101m as at 31 March 2019. The table below gives a breakdown of this sum and shows the market value of assets under management with each external manager:



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

### Note 21 - Top 5 Holdings

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

### Note 22 - Taxation

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

### Note 23 - Additional Voluntary Contributions

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

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

The AVC provider to the Fund is the Prudential. The assets of these investments are held separately from the Fund. The AVC provider secures additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year. The Administering Authority does not handle these monies. Instead, if employees decide to pay AVCs their employer (the member body) sends them to Prudential.

## Note 24 - Contingent Liabilities and Capital Commitments

As at 31 March 2019 the fund had outstanding capital commitments (investments) totalling £92.894m (31 March 2018 - £92.602m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the pooled investments and pooled property fund elements of the investment portfolio. The amounts 'called' by these funds are irregular in both size and timing from the date of the original commitment due to the nature of the investments.

## Note 25 - Investment Strategy Statement

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

## Note 26 - Actuarial Present Value of Promised Retirement Benefits

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

The movement from March 2018 can in part be explained by the normal changes over the year as new benefits are accrued and previous benefits paid out. This explains an increase in the present value of the Funded Obligation of £153m (2018 - £163m increase).

There has been an increase in the present value of the Funded Obligation of £305m (2018 - £121m decrease) reflecting changes in the financial assumptions used by the actuary as a consequence of changes in the financial markets. The key changes in financial assumptions were:

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

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

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

members would see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members' benefits, which in turn will give rise to a past service cost for the Fund employers.

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

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

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

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

## Note 27 - Financial Instruments

### Note 27a - Classification of Financial Instruments

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

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

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

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

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

#### Note 27c - Valuation of Financial Instruments Carried at Fair Value

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

##### Level 1

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

##### Level 2

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

### Level 3

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

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

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

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

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

Value at 31 March 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	582,547	1,708,127	130,036	2,420,710
Financial Assets at Amortised Cost	81,247	0	0	81,247
<b>Total Financial Assets</b>	<b>663,794</b>	<b>1,708,127</b>	<b>130,036</b>	<b>2,501,957</b>
<b>Financial Liabilities</b>				
Financial Liabilities at Fair Value through Profit and Loss	-869	-384	0	-1,253
Financial Liabilities at Amortised Cost	-109	0	0	-109
<b>Total Financial Liabilities</b>	<b>-978</b>	<b>-384</b>	<b>0</b>	<b>-1,362</b>
<b>Net Financial Assets</b>	<b>662,816</b>	<b>1,707,743</b>	<b>130,036</b>	<b>2,500,595</b>

Value at 31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	925,581	1,202,455	110,633	2,238,669
Loans and Receivables	107,170	0	0	107,170
<b>Total Financial Assets</b>	<b>1,032,751</b>	<b>1,202,455</b>	<b>110,633</b>	<b>2,345,839</b>
<b>Financial Liabilities</b>				
Financial Liabilities at Fair Value through Profit and Loss	(5,821)	(751)	0	(6,572)
Financial Liabilities at Amortised Cost	(375)	0	0	(375)

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

### Reconciliation of Movement in Level 3 Financial Instruments

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

<b>Level 3 Investments</b>	<b>UK Equities £'000</b>	<b>Pooled Private Equity Funds £'000</b>	<b>Pooled Property Funds £'000</b>	<b>Pooled Infra- structure Funds £'000</b>	<b>Long-Term Investments £'000</b>
<b>Market Value 31 March 2017</b>	1,949	75,495	28,774	0	0
Transfers In	0	0	0	0	0
Transfers Out	0	0	0	0	0
Purchases	0	9,793	5,890	4,062	840
Sales	0	-18,157	-5,953	0	0
Unrealised Gains/(Losses)	-226	909	3,666	-416	0
Realised Gains/(Losses)	81	3,757	0	0	0
<b>Market Value 31 March 2018</b>	<b>1,804</b>	<b>71,797</b>	<b>32,377</b>	<b>3,646</b>	<b>840</b>

## Level 3 Sensitivities

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

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

### Note 28 - Risk

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

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

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

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

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

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

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

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

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



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

At 31 March 2019 the Fund's exposure to credit risk predominantly related to the following investments:

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

The Pension Fund manages the credit risk by ensuring a diversification of investments both in terms of product and in terms of redemption dates, whilst limiting investments made to sub-investment grade bonds to those made through pooled funds. Corporate Bonds are held through a pooled fund vehicle and up to 15% of holdings can be invested in sub-investment grade bonds. Cash held in sterling at 31 March 2018 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

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

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

### Liquidity Risk

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

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

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

The figures show that the Fund is still cashflow positive at the whole fund level. A cash flow forecast is maintained for the Fund to understand and manage the timing of the Fund's cash flows. On a daily basis, the Fund holds a minimum of £40m of cash in call accounts and money market funds to meet benefit payments due, drawdowns from fund managers, and other payments due from the Fund. The Fund has also looked at longer-term cashflow forecasts to gain a greater understanding of when the balance of pension payments and contributions may become negative so as to consider how this may affect the Fund's investment strategy in the future. The Fund has already taken some steps in this regard including allocating to the Secured Income portfolio offered by Brunel Pension Partnership.

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

There are risks in this area going forward as a result of continuing reductions in public expenditure, and the resulting impact on active scheme membership. The reductions in public sector expenditure will impact on the liquidity of the Pension Fund both in terms of a reduction in contributions receivable as the workforce shrinks, as well as an increase in benefits payable as staff above the age of 55 are made redundant and become entitled to early payment of their pension. There are changes to the Scheme being consulted on that could impact on scheme membership levels although these changes would be expected to impact gradually over time. In addition, some employers are adopting models that have the potential to reduce scheme membership.

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

## **Market Risk**

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

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

Whilst widespread recession will drive down the value of the Fund's assets and therefore funding level in the short term, this will have no direct bearing on the long-term position of the Fund, nor the contribution rates for individual employers. Under the LGPS Regulations,

the Fund Actuary is required to maintain as near stable contribution rate as possible, and as such the Valuation is based on long term assumptions about asset values, with all short-term movements smoothed to reflect the long-term trends.

### Interest Rate Risk

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

Asset Type	Carrying Amount as at 31 March 2019	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	3,567	36	-36
Cash Balances	77,159	772	-772
Bonds	480,278	4,803	-4,803
<b>Total Change in Assets Available</b>	<b>561,004</b>	<b>5,611</b>	<b>-5,611</b>

Asset Type	Carrying Amount as at 31 March 2018	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	9,698	97	-97
Cash Balances	96,772	968	-968
Bonds	456,518	4,565	-4,565
<b>Total Change in Assets Available</b>	<b>562,988</b>	<b>5,630</b>	<b>-5,630</b>

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

### Currency Risk

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

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

This analysis assumes that all other variables remain constant.

Currency Exposure - Asset Type	Asset Values as at 31 March 2019	Change in Year in the Net Assets Available to Pay Benefits	
		+10.0%	-10.0%
	£'000	£'000	£'000
Overseas Equities	248,521	24,852	-24,852
Pooled Global Equities	571,387	57,139	-57,139
Pooled Private Equity (LLPs)	69,957	6,996	-6,996
Pooled Property	44,940	4,494	-4,494
Infrastructure	13,058	1,306	-1,306
Cash	3,567	357	-357
<b>Total Change in Assets Available</b>	<b>951,430</b>	<b>95,144</b>	<b>-95,144</b>

Currency Exposure - Asset Type	Asset Values as at 31 March 2018	Change in Year in the Net Assets Available to Pay Benefits	
		+10.0%	-10.0%
	£'000	£'000	£'000
Overseas Equities	223,306	22,331	-22,331
Pooled Overseas Equities	503,881	50,388	-50,388
Pooled Private Equity (LLPs)	63,750	6,375	-6,375
Pooled Property	45,242	4,524	-4,524
Infrastructure	3,646	365	-365
Cash	9,698	970	-970
<b>Total Change in Assets Available</b>	<b>849,523</b>	<b>84,953</b>	<b>-84,953</b>

### Other Price Risk

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

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

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

Asset Type	Value as at 31 March 2019 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
UK Equities	112,286	10.0	123,514	101,057
Pooled UK Equities	617,237	10.0	678,960	555,513
Global Equities	248,521	10.0	273,373	223,669
Diversified Growth Fund	115,920	3.0	119,397	112,442
Pooled Global Equities	571,387	10.0	628,526	514,248
UK Bonds	90,463	5.0	94,986	85,940
Overseas Bonds	56,335	5.0	59,152	53,518
UK Index Linked Bonds	150,007	5.0	157,508	142,507
Pooled Corporate Bonds	183,473	5.0	192,646	174,299
Infrastructure	13,057	5.0	13,711	12,405
Pooled Private Equity (LLPs)	80,562	10.0	88,619	72,507
Pooled Property	172,306	3.0	177,475	167,136
Long-Term Investments	840	0.0	840	840
Cash	80,726	0.0	80,726	80,726
<b>Total Assets Available to Pay Benefits</b>	<b>2,493,120</b>		<b>2,689,433</b>	<b>2,296,807</b>

Asset Type	Value as at 31 March 2018 £'000	Percentage Change %	Value on Increase £'000	Value on Decrease £'000
UK Equities	653,148	10.0	718,463	587,833
Pooled UK Equities (Small Cap)	16,932	10.0	18,626	15,239
Global Equities	243,113	10.0	267,425	218,802
Diversified Growth Fund	113,714	3.0	117,126	110,303
Pooled Global Equities	291,126	10.0	320,239	262,013
Pooled Overseas Equities	212,755	10.0	234,031	191,480
UK Bonds	101,440	5.0	106,512	96,938
Overseas Bonds	41,106	5.0	43,161	39,050
UK Index Linked Bonds	137,256	5.0	144,119	130,394
Pooled Corporate Bonds	176,716	5.0	185,552	167,880
Infrastructure	3,646	5.0	3,828	3,463
Pooled Private Equity (LLPs)	71,797	10.0	78,976	64,617
Pooled Property	161,440	3.0	166,284	156,597
Long-Term Investments	840	0.0	840	840
Cash	106,470	0.0	106,470	106,470
<b>Total Assets Available to Pay Benefits</b>	<b>2,331,499</b>		<b>2,511,652</b>	<b>2,151,349</b>

## Note 29 - Actuarial Valuation

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

This valuation showed that the required level of contributions to be paid to the Fund by the County Council for the year ended 31 March 2018 was 19.9% of Pensionable Pay. The corre-

sponding rates of contribution that are required from the major participating employers for this period are:

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

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

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

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

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

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

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

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

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

<sup>1</sup>The smoothed market value is the six month average of the market value straddling the valuation date.

# Oxfordshire County Council Pension Fund (“the Fund”) Actuarial Statement for 2018/19

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

## Description of Funding Policy

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

- to ensure the long-term solvency of the Fund using a prudent long term view. This will ensure that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
  - to ensure that employer contribution rates are reasonably stable where appropriate;
  - to minimise the long-term cash contributions which employers need to pay to the Fund by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (this will also minimise the costs to be borne by Council Tax payers);
  - to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
  - to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.
- The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 25 years if the valuation assumptions are borne out.

## Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme

Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund’s assets, which at 31 March

2016 were valued at £1,825 million, were sufficient to meet 90% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £205 million.

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

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

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



## Method

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

## Assumptions

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

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

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

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

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

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

\*Aged 45 at the 2016 Valuation.

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

## Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities but there have been strong asset returns over the 3 years. Both events are of broadly similar magnitude with regards to the impact on the funding position.

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

## SUMMARY OF BENEFITS AT MARCH 2019

### Introduction

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

[www.oxfordshire.gov.uk/lgpsmembersguide](http://www.oxfordshire.gov.uk/lgpsmembersguide)

- **Employers' Discretion**

The regulations require each employer within the Oxfordshire Fund to determine their own local policy in specific areas. These policy statements have to be published and kept under review.

The specific areas include how employers will exercise discretionary powers to, award additional pension for a member, agreement to flexible retirement on request of the member, setting up a shared cost AVC scheme, and waiving the reduction to a pension which is being paid early.

- **Retirement**

The 2014 scheme reintroduced the 2 year vesting period to qualify for any benefit other than that following a death in service. The scheme retirement age is linked to State Pension Age (SPA) for men and women, membership of the scheme continues when employment continues after SPA. All pensions contributions must cease before the 75th birthday.

Scheme benefits can be taken voluntarily after leaving employment from age 55, but the benefit payable will be reduced. Alternatively when retirement is deferred until after SPA, the benefit will be increased.

The regulations confirm 'normal retirement age' to be the personal state retirement age but not before age 65, but protection is offered to those members who previously had the entitlement for earlier retirement with an unreduced benefit. The protections offered are limited according to the age of the member and may not apply on the whole of their membership.

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

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

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

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

- **Benefits**

A retirement benefit, whether payable immediately or deferred, consists of an annual retirement pension and lump sum retirement grant for membership to 31 March 2008 and an annual retirement pension on membership from April 2008 (see below). However there is an option for members to convert pension to lump sum retirement grant. The minimum period of membership to qualify for re-

retirement benefits is 2 years. The standard pension calculation, for membership to 31 March 2008, is 1/80 of final years' pensionable pay for each year of membership and the retirement grant is 3/80 of final year's pensionable pay for each year of membership. From 1 April 2008 to 31 March 2014 the standard calculation is 1/60 of final years' pensionable pay for each year of membership. From April 2014 the standard calculation is pay x 1/49 for the year with annual pension revaluation. NB Where members choose to pay into the 50/50 section of the scheme their accrual for that period will be pay x 1/98 and not 1/49 as shown.

**Example - retirement in 2019**

25 years membership to 31 March 2014 and then five years in the 'new scheme', 'final pay' and career average pay £15,000 as at 31 March 2019

**Annual Pension**

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

5 years x 1/60 x £15,000 = **£1,250**

£15,000 x 5/49 = **£1,530.61**

**Retirement Grant**

20 years x 3/80 x £15,000 = **£11,250**

Members can choose at retirement to exchange pension for a larger retirement grant lump sum. AVC funds can also be used to provide a larger tax free lump sum. This combined lump sum can be up to 25 percent of the member's individual total pension fund value.

There are differences for elected members: Final pay is derived from career average pay and the benefit calculation remains for the time being as 1/80 for annual pension and 3/80 retirement grant. Elected members can only remain in the LGPS for their current period of office, and is not available for newly elected councillors.

**• Liability to pay future benefits**

The Pension Fund financial statements provide information about the financial position, performance and financial arrangements of the Fund. They are intended to show the results of the stew-

ardship and management, that is the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end. The only items that are required to be excluded by regulations are liabilities to pay pensions and other benefits in the future, which are reported upon in the actuary's statement.

**• Increasing Benefits**

Scheme members have several options as to how they increase their benefits, additional contributions to the LGPS or by contributing to the group AVC scheme arranged with the Prudential.

Additional Regular contributions (ARC's) to the LGPS to buy additional pension and set up before 1 April 2014 may continue but opening a new ARC is not possible.

Additional Pension Contributions (APC) gives members the opportunity to buy additional pension of up to £6,675. Payment can be made by a one off, or regular monthly payments.

Prudential AVCs. A member's additional contributions are invested by the Prudential to enable an annuity to be bought at retirement either from the Prudential, on the open market or as a top up pension with the LGPS. In certain protected circumstances the AVC value may also be used to buy additional LGPS membership

Members may also make their own arrangements using a stakeholder pension or an FSAVC.

**• Death**

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

• Pensions are due to the eligible survivors: partners and /or children. The

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

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

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

## ◆ INVESTMENT STRATEGY STATEMENT

### Introduction

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

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

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

### Governance Overview

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

The Director of Finance has delegated powers for investing the Oxfordshire Pension Fund in accordance with the policies determined by the Pension Fund Committee. The Committee is comprised of nine County Councillors plus two District Council representatives. A beneficiaries' representative attends Committee meetings as a non-voting member.

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

### Investment Objectives

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

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

## Asset Allocation

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

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

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

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

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

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

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

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

## Investment Implementation

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

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

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

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

The assets are currently managed as set out in the following table.

Asset Class	Investment Manager	Benchmark	Annual Target
UK Equities	Baillie Gifford	FTSE All-Share	+1.25%
	Legal & General Investment Management	FTSE 100	Passive
Overseas Equities	Legal & General Investment Man-	FTSE AW-World (ex-UK) Index	Passive

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

Target performance is based on rolling 3-year periods

## Rebalancing

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

The Fund has set ranges for the different assets included in the asset allocation, these are not hard limits but there would need to be a clear rationale for maintaining an allocation outside the ranges for any significant length of time. The fund takes a pragmatic approach to rebalancing and is cognisant that rebalancing latitude is important and can significantly affect the performance of the portfolio. Blind adherence to narrow ranges increases transaction costs without a documented increase in performance. While a re-



balancing range that is too wide may cause undesired changes in the asset allocation fundamentally altering its risk/return characteristics.

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

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

### **Restrictions on Investments**

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

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

### **Risk**

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

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

It is important to note that the Fund is exposed to external, market driven, fluctuations in asset prices which affect the liabilities (liabilities are estimated with reference to government bond yields) as well as the valuation of the Fund's assets. Holding a proportion of the assets in government bonds helps to mitigate the effect of falling bond yields

on the liabilities to a certain extent. Further measures taken to control/mitigate investment risks are set out in more detail below:

### Concentration

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

### Volatility

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

### Performance

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

### Illiquidity

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

### Currency

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

### Custody

The risk of losing economic rights to the Fund's assets is managed by the use of a global custodian for custody of the assets. Custodian services are provided by State Street. In accordance with normal practice, the Scheme's share certificates are registered in the name of the custodian's own nominee company with designation for the Scheme. Officers receive and review internal control reports produced by the custodian. The custodian regularly reconciles their records with the investment manager records, providing a regular report to officers which they in turn review.

### Stock Lending

The Council allows the Custodian to lend stock and share the proceeds with the Council. This is done to generate income for the Fund and to minimise the cost of custody. To minimise risk of loss the counterparty is required to provide suitable collateral to the Custodian. The levels of collateral and the list of eligible counterparties have been agreed by the Fund. The Committee will ensure that robust controls are in place to protect the security of the Fund's assets before entering into any stock lending arrangements.

### **Pooling**

The Oxfordshire Pension Fund is working with nine other administering authorities to pool investment assets through the Brunel Pension Partnership Ltd. (BPP Ltd).

The Oxfordshire Pension Fund, through the Pension Committee, will retain the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by BPP Ltd.

The Brunel Pension Partnership Ltd is a new company which will be wholly owned by the Administering Authorities. The company has received authorisation from the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme. It will be responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds' assets within defined outcome focused investment portfolios. In particular it will research and select the Fund Managers needed to meet the requirements of the detailed Strategic Asset Allocations. The Oxfordshire Pension Fund will be a client of BPP Ltd and as a client will have the right to expect certain standards and quality of service. A detailed service agreement has been agreed which sets out the duties and responsibilities of BPP Ltd, and the rights of the Oxfordshire Pension Fund as a client. It includes a duty of care of BPP to act in its clients' interests.

An Oversight Board has also been established. This will be comprised of representatives from each of the Administering Authorities. It was set up by them according to an agreed constitution and terms of reference. Acting for the Administering Authorities, it will have ultimate responsibility for ensuring that BPP Ltd delivers the services required to achieve investment pooling. It will therefore have a monitoring and oversight function. Subject to its terms of reference it will be able to consider relevant matters on behalf of the Administering Authorities, but will not have delegated powers to take decisions requiring shareholder approval. These will be remitted back to each Administering Authority individually.

The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities but will also draw on Administering Authorities finance and legal officers from time to time. It will have a primary role in reviewing the implementation of pooling by BPP Ltd, and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

The proposed arrangements for asset pooling for the Brunel pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Regular reports have been made to Government on progress towards the pooling of investment assets, and

the Minister for Local Government has confirmed that the pool should proceed as set out in the proposals made.

Oxfordshire County Council has approved the full business case for the Brunel Pension Partnership. It is anticipated that investment assets will be transitioned across from the Oxfordshire Pension Fund's existing investment managers to the portfolios managed by BPP Ltd between May 2018 and March 2020 in accordance with a timetable that will be agreed with BPP Ltd. Until such time as transitions take place, the Oxfordshire Pension Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance, working in partnership with BPP Ltd. where appropriate.

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

## **ESG Policy**

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

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

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

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

As a passive investor, the Fund accepts that it will hold companies of varying ESG quality due to the requirement to hold all securities in the target index. The committee be-

believes that passive investing offers a number of benefits that need to be weighed against this and requires passive managers to demonstrate effective engagement, as is the case for active managers. It is important to note that ownership of a security in a company does not signify that the Oxfordshire Pension Fund approves of all of the company's practices or its products.

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

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

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

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

### **Policy on Exercise of Rights**

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

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

The Fund's commitment to actively exercising the ownership rights attached to its investments reflects the Fund's conviction that responsible asset owners should maintain

oversight of the way in which the enterprises they invest in are managed and how their activities impact upon customers, clients, employees, stakeholders, and wider society.

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

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

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

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

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

# GOVERNANCE POLICY STATEMENT

## Introduction

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

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

Whether the Administering Authority delegates its functions in relation to maintaining a pension fund to a committee, sub-committee or officer of the Authority;

The frequency of any committee/sub-committee meetings;

The terms of reference, structure and operational procedures in relation to the use of the delegated powers; and

Whether the Committee includes representatives of scheme employers, and scheme members, and if so, whether they have voting rights.

## Governance of the Oxfordshire Pension Fund

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

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

## Oxfordshire Pension Fund Committee - Terms of Reference

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

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

The functions under the Fireman's Pension Scheme specified in Paragraph 2 in Section H of Schedule 1 to the Functions Regulations.

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

- a) respond as appropriate to the Government on all proposed changes to the Local Government Pension Scheme
- b) regularly review and approve the asset allocation for the pension fund's investment
- c) approve and maintain the fund's Investment Strategy Statement
- d) approve and maintain the fund's Funding Strategy Statement
- e) approve and maintain the fund's Governance Policy Statement

- f) approve and maintain the fund's Communications Policy Statement
- g) review the performance of the fund,
- i) appoint an actuary, and independent financial advisor(s), for the fund
- j) approve an annual report and statement of accounts for the fund
- k) approve an annual budget and business plan for the investment and administration of the fund
- l) consider, and if appropriate, approve applications of employers to become admitted bodies to the fund
- m) consider all other relevant matters to the investment and administration of the fund.

### **Membership of the Committee**

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

9 County Councillors

2 Representatives of the City and District Councils of Oxfordshire.

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

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

### **Operational Procedures**

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

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

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



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

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

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

### **Local Pension Board**

14. Under the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, the Committee have established a Local Pension Board. The role of the Board is to assist the Pension Committee (in its role as Scheme Manager), to secure compliance with the Regulations and all associated legislation, and to ensure the efficient and effective governance and administration of the scheme.

15. The Board has been established with 3 employer representatives, 3 scheme member representatives and a non-voting independent chairman.

16. The Board will meet on a quarterly basis, or more frequently as required. The full constitution of the Board is available on the Pension Fund's website.

### **Informal Governance Arrangements**

17. As well as the formal governance arrangements as set out above, the Pension Fund Committee will hold an Annual Forum to which all scheme employers are invited. This Forum will cover a review of investment performance, as well as any other items relevant at that time.

18. The Committee will also hold ad hoc communication and consultation meetings to which all employers will be invited, and issue ad hoc communication and consultation documents to all employers, where it is deemed appropriate to obtain the views of all employers, before undertaking the responsibilities as set out above.

# FUNDING STRATEGY STATEMENT

## Introduction

1. The Oxfordshire Pension Fund is administered by Oxfordshire County Council under the relevant Local Government Pension Scheme Regulations. Under regulation 58 of the Local Government Pension Scheme Regulations 2013, the Administering Authority must publish and keep under a review a Funding Strategy Statement. The Regulations further stipulate that this statement must be prepared with due reference to the relevant CIPFA guidance as published in 2004 (as revised in 2012).

2. This current version of the Funding Strategy Statement for the Oxfordshire Pension Fund was approved by the Pension Fund Committee at its meeting on 10 June 2016. This statement replaces all previous versions of the Funding Strategy Statement, and is based on the initial version agreed in 2005, plus the changes agreed at the Pension Fund Committee meetings on 19 March 2010 and 8 March 2013 following a full consultation exercise with the scheme employers.

3. The Funding Strategy Statement will be subject to further review to allow for the impact of changes to the Local Government Pension Scheme itself, as well as the changing nature of membership of the Fund and the growing maturity of the Fund. Any change will only be made after full consultation with all scheme employers.

## Purpose of the Funding Strategy Statement

4. The three main purposes of this Funding Strategy Statement are to:

Establish a clear and transparent strategy, specific to the Fund, which will identify how employer pension liabilities are best met going forward.

Support the regulatory requirement in relation to the desirability of maintaining as nearly constant employer contribution rates as possible.

Take a prudent longer-term view of the funding of the Fund's liabilities.

## Aims and Purpose of the Pension Fund

5. The aims of the Pension Fund are to:

Enable employer contribution rates to be kept as near stable as possible, at a reasonable cost to the scheme employers and taxpayers, whilst ensuring the overall solvency of the Fund. The Administering Authority recognises a number of conflicting aspects within this aim, and is responsible for managing the balance between such conflicts. Balance needs to be struck between investing in higher risk assets which over the long term reduce the cost to scheme employers and the tax-payer, against investing in low risk assets which will reduce short term fluctuations in contribution levels required. Similarly a balance needs to be struck between maintaining stable contribution rates and raising rates to ensure solvency.

Ensure there are sufficient resources available to meet all pension liabilities as they fall due. This includes ensuring sufficient liquid resources to meet regular

pension payments, transfer payments out of the Fund, lump sum payments on retirement etc. as well as meeting any drawdown calls on the Fund's investments. It is the Administering Authority's policy that all payments are met in the first instance from incoming employer and employee contributions to avoid the expense of dis-investing assets. At the present time the annual contributions to the Fund significantly exceed the payments out, so facilitating this aim. The Fund also retains a working balance of cash to ensure sufficient resources are available to manage the irregular nature of the payments out of the Fund.

Manage the individual employer liabilities effectively. This is undertaken by receiving regular advice from the actuary, and ensuring employers are separately billed in respect of ad hoc liabilities outside those taken into account as part of the tri-annual valuation e.g. hidden costs associated with early retirements.

Maximise the income from investments within reasonable risk parameters. As noted above, the achievement of this aim needs to be balanced against the need to maintain as near stable employer contribution rates. To minimise risk, all investments are made within the restrictions imposed by the Management and Investment of Funds Regulations, alongside a number of Fund specific restrictions to ensure a diversification of investment classes, and individual assets. The Fund cannot restrict investments solely on social or ethical grounds. The Fund's principal concern is to invest in the best financial interests of its employing bodies and beneficiaries. Investment Managers should monitor and assess the social, environmental and ethical considerations which may impact on the reputation of a particular company, as well as the company's sensitivities to its various stakeholders. Investment Managers should engage with companies on these issues where appropriate. Such a policy should ensure the sustainability of a company's earnings, and hence its merits as an investment.

6. The purpose of the Fund is to:

Pay out monies in respect of pension benefits, transfer values and the costs of scheme administration and investments; and

Receive monies in respect of contributions, transfer values and investment income.

### **Responsibilities of Key Parties**

7. The effective management of the Pension Fund relies on all interested parties fully exercising their duties and responsibilities. The key parties involved are the Administering Authority, the individual employers within the Fund, and the Fund's Actuary.

8. The key responsibilities of the Administering Authority are to:

Collect of all contributions due to the Fund. This includes making sure all employers within the Fund are aware of the requirement under the Pensions Act that all contributions are paid over by the 19th of each month following the month the member was paid, and escalating matters of non-compliance to the Pension Fund Committee. The Administering Authority is also responsible for the collection of final contributions once an employer ceases membership of the Fund.

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

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

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

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

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

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

9. The key responsibilities of individual employers are to:

Correctly deduct contributions from employee pay.

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

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

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

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

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

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

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

## Solvency and Target Funding Levels

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Identification of Risks and Counter-Measures**

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

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

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

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



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

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

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

#### **Monitoring and Review**

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

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

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

# COMMUNICATIONS POLICY STATEMENT

## Introduction

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

## Purpose

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

3. The policy applies, in the context of LGPS administration, to members as defined in Schedule 1 of the principal regulations and, in turn, by section 124(1) of the Pensions Act 1995 to include:

Active members

Deferred members, and

Pensioner members

Pensioner credit members

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

Statutory Scheduled Bodies such as the County and District Councils, Colleges of Further Education and Oxford Brookes University; Academies

Designating Bodies being the Town and Parish Councils

Admission Bodies, where the Pension Fund Committee have granted scheme admission within the terms of Part 3 Schedule 2 of the Regulations

5. The Regulations require the policy statement is prepared, written and published, and for these purposes publish means being accessible on the publically available pensions website.

## Aim

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

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

8. To enable the Scheme Manager / Administering Authority to discharge their respective responsibilities in accordance with the Local Government Pension Scheme Regulations 2013 (as amended); The Occupational and Personal Pension Schemes (Disclosure of Information Regulations 2013 (as amended) and The Pension Regulator Guidance.

### **Communication Policy**

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

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

11. This emphasis does not materially alter this policy but will affect the content of local communications. The continuing encouragement to use the national websites will avoid duplication of development. Oxfordshire Pension Fund supports those national developments financially and by active engagement with the working group, which concentrates on member communications. This fund will continue to support collaboration and development of communication media with other administering authorities.

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

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

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

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

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

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

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

#### **Review of This Policy**

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

## COMMUNICATION

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

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

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

- **Intranet** - is not maintained by Pension Services as it reflects the decisions and policies of the County Council as a fund employer. Their pages also provide links and access to the Pension Fund website. Other fund employers also provide information on their intra-net sites for employees.
- **Talking Pensions** - This is an informal monthly newsheet for all employers in the Oxfordshire Fund

distributed to all Human Resources and Payroll contacts.

- **Annual Benefit Statements** - Pension Services issue statements to current members and to members who have left the scheme with an entitlement to pension but not to an immediate payment. Additional information to the Statement is available from the website.
- **Administration principles** - we encourage all new employers to attend a meeting to help acquaint themselves to our requirements and importantly, their responsibilities within the scheme.

## USEFUL CONTACTS AND ADDRESSES

### BENEFIT ADMINISTRATION

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

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

### SPECIFIED PERSON FOR ADJUDICATION OF DISPUTES PROCEDURE

Disputes to be sent to:-

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

Telephone: 01865 323854  
Email: sally.fox@oxfordshire.gov.uk

### ACCOUNTS AND INVESTMENTS

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

email:  
pension.investments@oxfordshire.gov.uk

### The Pensions Regulator

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

### Pension Tracing Service

The Pension Service 9  
Mail Handling Site A  
Wolverhampton  
WV98 1LU 0800 731 0193  
[www.gov.uk/find-pension-contact-  
details](http://www.gov.uk/find-pension-contact-details)

### BENEFICIARIES REPRESENTATIVE

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

### The Pensions Advisory Service (TPAS)

11 Belgrave Road  
London  
SW1V 1RB 0800 011 3797  
[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

### Pensions Ombudsman

10 South Colonnade  
Canary Wharf, London  
E14 4PU 0207 630 2200  
[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)