

Oxfordshire Pension Fund

Local Investment Policy

Introduction

The Pension Fund has developed this Policy to assist with the implementation of the Fund's target allocation to Local Investment stated in its Investment Strategy Statement.

The Policy has regard to The Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 and the associated guidance on preparing and maintaining an investment strategy statement.

The Fund will seek to work in partnership with its Asset Pool, Local Authorities and Strategic Authority, once operational, to identify and develop local investment opportunities. The development of Local Growth Plans and ensuring that these bring about investable opportunities is expected to form a key pillar of the approach to local investment. The Fund will also seek to work with other local bodies such as universities who are likely to offer a potential pipeline of investment opportunities.

The Fund sees its role as facilitating and developing a local investment ecosystem that leads to investments delivering appropriate risk adjusted returns to the Fund and measurable positive impacts to the local area. The Fund will work to ensure appropriate governance structures are put in place for local investing to manage potential conflicts of interest and make sure investments are subject to rigorous due diligence.

Local Investment Characteristics

It is anticipated that local investment opportunities will primarily sit across private markets; private equity (including venture), infrastructure, SME lending, and property. The fund expects to invest across these asset classes rather than to focus local investments on a particular asset class. The Asset Pool will be expected to have due consideration to the Fund's Strategic Asset Allocation in implementing its local investment approach to ensure target allocations and associated ranges are adhered to, whilst the Pension Fund is also expected to take account of advice from the Pool in setting its local investment approach.

The Pension Fund expects returns on local investments to be consistent with the risk/return profile for the relevant asset class. For example, a local infrastructure investment would be expected to display risk/return characteristics that fit with the investment objectives of the Fund's Investment Pool's general infrastructure portfolio. The Fund does not propose to accept a lower expected return for local investments.

In setting a target for local investments the Fund will consider the inherent concentration risk in targeting a specific geographic region.

Local Investment Definition

The geographic definition of local investments under the Pensions Act is unclear. However, under the government's guidance on preparing and maintaining an investment strategy statement for the LGPS local investment cannot be defined as UK wide.

The Fund defines local investment as the combined geography of the partner funds within its Asset Pool. Within this definition the Fund will seek to maximise the proportion of the Fund's local investment target allocation that is deployed, or has measurable benefits, to the geography of Oxfordshire or surrounding areas. However, the Fund recognises that not all investment opportunities will be of an appropriate scale or offer the appropriate risk-return profile that meets the Fund's investment objectives.

This definition is consistent with the feedback the Fund has received from members via survey.

The adopted definition is intended to enable the Fund's Asset Pool to develop an effective model for local investment that works from a scale and practicality perspective. As the approach to local investment becomes more mature and embedded alternative structures or more targeted allocations may become possible.

Impact & Reporting

The Fund seeks for its local investments to have positive impacts, including on economic growth, environmental benefits, or social impacts. The Pension Fund has already taken deliberate steps into local investment including through venture capital, affordable housing, and renewable infrastructure.

Monitoring and reporting will be key to demonstrate that local investment is effective in delivering the expected risk/return characteristics and positive local impacts that it targets.

The Fund will work with its asset pool to develop a reporting framework that captures local impacts and enables the effectiveness of the local investment approach to be assessed. It is expected that reporting will be produced at least annually.

This Policy is expected to be reviewed alongside the Fund's Investment Strategy or at earlier intervals as appropriate.

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