OXFORDSHIRE PENSION FUND

REPORT AND ACCOUNTS

2013-2014

Registered number PS049/20

OXFORDSHIRE COUNTY COUNCIL

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Foreword by the Chief Finance Officer

Introduction

The focus on public sector pensions continued throughout 2013/14, and it was another busy year for the Oxfordshire Local Government Pension Scheme (LGPS) Fund. The major work centred on preparation for the implementation of the New Look Scheme from 1 April 2014. The new scheme design included the switch from final salary to career average salary benefits, the introduction of a new 50:50 option and changes to the employee contribution bands and contribution rates. The changes in both payroll and pension systems; employer and administering authority processes and information returns;' as well as the widespread communications to employers and scheme members became more challenging with the late publication from the Government of the transitional arrangements for current scheme members. To date the effort seems to have paid off and the implementation of the new arrangements has gone fairly smoothly.

In addition to the implementation of the new scheme, 2013/14 was also a Valuation year. This involved working with employers and the Fund Actuary to review the current and projected scheme assets and liabilities and agree employer contribution rates for the next three years. Overall, the funding level has improved with assets now covering 82% of the liabilities compared to 79% three years ago. The improvement stems from better than expected investment performance over the three years, as well as lower than assumed pay increases. For employers though, the average contribution rate has increased from 19% to 19.3% of pensionable pay, reflecting a reduction in expected investment returns going forward as well as a lower pay base on which to recover past deficits.

There was limited movement in the asset allocation during 2013/14 but the year did end with a fundamental asset allocation review. Key decisions taken were to end the allocation to hedge funds and reduce the allocation to equities, allowing for new investments in Infrastructure and Diversified Growth Funds which will be implemented during 2014/15.

This report sets out in more detail some of the key information with regard to the Pension Fund, including the audited accounts, information on the Fund's investments, the performance of Fund Managers, and the key strategy documents which drive the governance of the Fund.

Background

The Oxfordshire Pension Fund is administered by Oxfordshire County Council. There are now over 120 employers within the Fund, including 38 Academy Schools. This is a 50% increase in employer numbers over the last couple of years. The increase reflects the changing nature of public service delivery. Each new Academy and each new service provider following an out-sourcing of previous Council provided services, forming a new employer within the Fund.

The number of active members as at March 2014 was up compared to the same time last year, now totalling 20,583. The numbers of pensioners and deferred members have also risen to 12,904 and 20,111 respectively.

Importantly, the Fund remains cash positive collecting around £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.

Foreword by the Chief Finance Officer

Investment Performance and Asset Allocation

Investment performance over the last year was below benchmark, with an overall return on the Fund of 6.5% against the benchmark of 7.5%. The two strongest asset classes were property (increase of 11.0%) and UK equities (9.9%), whereas it was a poor year for fixed income losing 1.4%.

Baillie Gifford was again the strongest performing manager, beating their benchmark in 2013/14 by 2.3% and leading to an average 3 year outperformance of 3.5%. Overall the Fund's performance over a 3 year period was 8.2%, just below the benchmark of 8.5%. Wellington, the latest appointment, returned 0.7% below their benchmark for the year but figures towards the end of the year suggested their value style was beginning to be reflected by out-performance in the markets.

The Future

There remains a significant change programme to be delivered. Following a Government Call for Evidence, a consultation exploring the benefits of switching from active management for all quoted investments and into passive funds, where investments are made in line with a given index was issued in May. The consultation also seeks views on moving investments into Collective Investment Vehicles which will benefit from increased economies of scale.

Locally, the Oxfordshire Pension Fund Committee is still exploring the costs and benefits of joint working with the Pension Funds of Buckinghamshire and Berkshire. Whilst the Government has ruled out a full scale merger, we are still exploring the benefits of a Joint Committee supported by a single organisation to manage the three funds.

There will also be the challenge of setting up the new governance arrangements required under the Public Service Pensions Act, including the new local Pension Boards which are proposed to comprise equal representation from employers and scheme employees. The Government are running a separate consultation on this at present.

The third Government consultation due out shortly will focus on cost management going forward, and the mechanism to limit movement in the average employer contribution through changes to employee rates or scheme benefits.

2014/15 therefore promises to be yet another eventful year for the LGPS in Oxfordshire. We look forward to the challenge.

Lorna Baxter
Chief Finance Officer
June 2014

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 2013/14 ('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
Chief Finance Officer

Members, Managers and Advisers

Administering Authority	Oxfordshire County Council PO Box 12 County Hall Oxford OX1 1TH
Administrator	Chief Finance Officer
Pension Fund Committee County Council Members 2013/14 Membership	Cllr Stewart Lilly (Chairman) Cllr Patrick Greene (Deputy Chairman) Cllr Lynda Atkins Cllr Surinder Dhesi Cllr Jean Fooks Cllr Nick Hards Cllr Richard Langridge Cllr Sandy Lovatt Cllr Neil Owen
Representatives of District Councils	Cllr Hywel Davies (WODC) Cllr Jerry Patterson (VOWHDC)
Beneficiary Observer	Paul Gerrish
Independent Investment Adviser	Peter Davies AllenbridgeEpic Investment Advisers Limited
Fund Managers	Adams Street Partners Baillie Gifford Legal & General Investment Management Partners Group UBS Global Asset Management UBS Wealth Management Wellington Management
Actuary	Alison Hamilton FFA Barnett Waddingham LLP
Auditor	Ernst & Young LLP
AVC Provider	Prudential Assurance Company Ltd
Custodian	BNY Mellon (to Sep 2013) BNP Paribas (from Sep 2013)
Performance Management	WM Performance Services

How the Scheme Operates

Legal Framework

The Local Government Pension Scheme is a statutory, funded final salary pension scheme. It is "contracted-out" of the state scheme and is termed a defined benefit scheme. The operation of the Oxfordshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2007 [as amended] (effective from April 2008)[1]. The scheme covers eligible employees and elected members of the County Council, District Councils within the county area and employees of other bodies eligible to be employers in the Scheme. A recent scheme amendment enables the Academy Schools to be a full employer in the scheme in their own right. A list of all those bodies with employees currently participating in the Scheme is shown on pages 8 to 9.

This defined benefit scheme provides benefits related to salary for its members and the benefits are unaffected by the investment return achieved on the Scheme's assets. Pensions paid to retired employees, their dependents, and deferred benefits are subject to mandatory increases in accordance with annual pension increase legislation. Since 2011 the amount is based the Consumer Price Index (CPI).

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

Contributions

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The surplus of contributions and investment income over benefits being paid is invested.

The contribution from employees is prescribed by statute at rates between 5.5% and 7.5% of whole time equivalent pensionable earnings.

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

Contribution rates for 2013-14 were based on the completed valuation of the Scheme's financial position as at 31 March 2010 and are shown on pages 8 to 9. The results of the next actuarial valuation, taking place in 2013 will coincide with the introduction of major scheme changes to reflect the outcome of the Hutton Report and required government savings, to be operational from April 2014.

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

How the Scheme Operates

Benefits

The benefits payable under the Scheme are laid down by the 2007 Regulations. Pension payments are guaranteed and any shortfall is met through the Pension Fund linked to employer contribution rates set by the fund valuation. The Scheme is a 'final salary' scheme and provides a pension as a proportion of final salary according to the length of service. A Summary of Benefits is shown on pages 63 to 65.

Overriding legislation

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

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

Internal Dispute Procedure

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

Participating Employers

Scheduled Bodies	Contribution Rate Payroll % 2013/14	Contribution Rate Additional Monetary Amount 2013/14
Abbey Woods Academy	19.3	-
Abingdon Town Council	15.1	£11,800
Abingdon & Witney College	14.4	£87,000
Activate Learning	13.9	£178,000
Aspirations Academy Trust	19.3	-
Banbury Town Council	15.1	£13,600
Bartholomew School Academy	19.3	-
Benson Parish Council	15.1	£1,600
Berinsfield Parish Council	15.1	£600
Bicester Town Council	15.1	£8,100
Blackbird Multi Academy Trust	19.3	-
Bloxham Parish Council	15.1	-
Burford School	20	-
Carterton Town Council	15.1	£3,300
Cherwell District Council	13.9	£1,095,000
Cherwell School Academy	19.3	-
Chalgrove Parish Council	15.1	-
Cheney Academy School	19.3	-
Chinnor Parish Council	15.1	£2,500
Chipping Norton School Academy	19.3	-
Chipping Norton Town Council	15.1	£1,700
Cholsey Primary School (OPEN)	19.3	-
Cumnor Parish Council	15.1	£1,000
Didcot Girls' Academy	19.3	-
Didcot Town Council	15.1	£9,000
Dominic Barberi Multi Academy Co	19.3	-
Europa School	19.3	-
Eynsham Parish Council	15.1	£800
Faringdon Academy of Schools	19.3	-
Faringdon Town Council	15.1	£3,500
Gillots School Academy	19.3	-
Gosford Hill Academy School	19.3	-
Hanwell Fields Academy	19.3	-
Henry Box School	19.3	-
Henley College	14.6	£54,000
Henley-on-Thames Town Council	15.1	£9,700

Scheduled Bodies	Contribution Rate Payroll % 2013/14	Contribution Rate Additional Monetary Amount 2013/14
Heyford Park Free School	19.3	-
Isis Academy School	19.3	-
John Mason Academy Trust	19.3	-
Kidlington Parish Council	15.1	£7,100
Ladygrove Park Primary School	19.3	-
Langtree School Academy	19.3	-
Long Hanborough Parish Council	15.1	-
Lord Williams School	19.3	-
Littlemore Parish Council	*	-
Malborough CE VC School	19.3	-
Manor School Didcot Academy Trust	19.3	-
Marcham Parish Council	15.1	£500
North Hinksey Parish Council	*	-
Northern House School	19.3	-
North Oxfordshire Academy	13.1	£33,000
Old Marston Parish Council	15.1	£300
Oxford Brookes University	18.5	-
Oxford City Council	20.2	-
Oxfordshire County Council	19.3	-
Oxford Diocesan Trust	19.3	-
Oxford Spires Academy	14.5	£32,700
Radley Parish Council	15.1	-
Ramsden Parish Council	15.1	-
Risinghurst & Sandhills Parish Council	*	-
Rotherfield Greys Parish Council	15.1	£100
Rotherfield Peppard Parish Council	15.1	£300
Propeller Academy Trust	19.3	-
Rush Common School Academy	19.3	-
Sonning Common Parish Council	15.1	-
South Oxfordshire District Council	13.3	£400,000
St Birinus Academy	19.3	-
St John's Academy Trust	19.3	-
Sutton Courtenay Parish Council	15.1	£600
Thame Town Council	15.1	£12,200
The Oxford Academy	14.9	£36,000

Continued on next page

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

Participating Employers

Tynedale School	19.3	-
Vale Academy Trust	19.3	-
Vale of White Horse District Council	14.5	£520,000
Wallingford School Academy	19.3	-
Wallingford Town Council	15.1	£7,000
Wantage Town Council	*	-
West Oxfordshire District Council	14.4	£430,000
Wheatley Parish Council	15.1	£900
Whitchurch Parish Council	*	-
Willowcroft Academy Trust	19.3	-
Witney Town Council	15.1	£12,400
Woodstock Town Council	15.1	£1,000

Admitted Bodies	Contribution Rate Payroll % 2013/14	Contribution Rate Additional Monetary Amount 2013/14
A2 Dominion	13.7	£54,000
Adviza	19.3	-
Allied Healthcare	19.3	-
Banbury Citizens Advice Bureau	13.7	£2,000
Banbury Homes	13.7	£3,000
Banbury Museum Trust	23.1	-
Barnardos	19.3	-
CAPITA (Vale)	14.1	£25,000
Capita Symonds Ltd	19.3	-
Cara Services Ltd	19.3	-
Care Outlook Ltd	19.3	-
Carillion (AMBS) Ltd	19.3	-
Cater Link Ltd	14.9	-
CfBT Career Service	16.2	£9,000
Charter Community Housing	15.1	£79,000
Civica	19.3	-
Community Voice	19.3	-
Cottsway Housing Association	14.1	£231,000
Fresh Start Ltd (Bloxham School Contract)	19.3	-
Fresh Start Ltd (Sibford Gower School Contract)	19.3	-
Fusion Lifestyle	20.2	-
Home Farm Trust - South & Vale 1 Contract	19.3	-
Home Farm Trust - South & Vale 2 Contract	19.3	-
Leonard Cheshire Disability	19.3	-
Nexus Community	14.4	-
Order of St John's Care Trust	19.3	-
Oxford Archaeological Unit	13.7	£118,000
Oxford Citizens' Housing Association	19.3	-
Oxford Community Work Agency	13.7	£7,000
Oxford Health NHS Foundation Trust	19.3	-
Oxford Health NHS Foundation Trust (Reablement)	19.3	-
Oxford Homeless Pathways	13.7	£16,000
Oxford Inspires	13.1	£5,000
Oxfordshire South & Vale Citizen's Advice Bureau	13.7	£1,000
Oxfordshire Youth Arts Partnership	13.7	£3,000
Reading Quest	*	-
RM Education	12	£1,400
School Lunch Company - Tower Hill School	24.6	-
School Lunch Company - Cumnor School	24	-
Skanska Construction UK Ltd	14.6	-
SOLL Vale	15.8	£8,000
Sovereign Vale	21.1	-
Stonham Services	13.7	£3,000
Swalcliffe Park School Trust	13.7	£41,000
Thames Valley Partnership	13.7	£6,000
The Camden Society - City 1 Contract	19.3	-
The Camden Society - City 2 Contract	19.3	-
The Camden Society - North Contract	19.3	-
The Camden Society - West Contract	19.3	-
The Cleaning Co-op	19.3	-
United Sustainable Energy Authority	14.8	£7,000
West Oxon Citizens' Advice Bureau	13.7	£5,000

Investment Review 2013/14

Economic Background

The UK economy confounded most forecasters by growing strongly in the second half of 2013, and recording 1.7% GDP growth for the full year. The United States and Japan grew by similar amounts, but the Eurozone contracted, as it had in 2012, by 0.4%. China's growth, at 7.7%, represented a slowdown on recent years.

Official forecasts for the UK in 2014 centre on a figure of 3%, although the durability of the strong contribution from private consumption must be in doubt at a time when real incomes are at best flat.

Central Banks continued to provide abundant liquidity during the year, with Japan embarking on a massive programme of monetary stimulus, and the US Federal Reserve injecting $85bn of Quantitative Easing (QE) each month. When the Fed indicated in May and June that it would be 'tapering' this sum in due course, share and bond markets fell sharply – even though an eventual reduction in the level of QE was a known factor. The start of tapering was unexpectedly delayed from September until January 2014, since when the sum has been reducing by $10bn each month. The European Central Bank, meanwhile, cut its interest rate by ¼% in May – to stimulate growth – and then by a further ¼% in November, in an attempt to ward off the threat of deflation. The Bank of England, under the new Governor, Mark Carney, has retreated from its policy of 'official guidance', but is not expected to increase interest rates before the spring of 2015.

Market Returns

While Global Equities produced a total return of just 6.8% during the year to March 2014, there was a sharp divergence between Developed Markets (+8.8%) and Emerging Markets (-10.8%). European and North American equities registered solid gains, but Emerging Markets were badly hit by withdrawals of capital following the Fed's 'taper' announcement in May/June 2013. They suffered again when the Argentinian peso slumped in January 2014, to be followed by weakness in the Turkish, South African, Brazilian and Chilean currencies. In February, the situation in Ukraine, and the Russian annexation of the Crimea, gave rise to increased nervousness across European stock markets.

In government bond markets, prices fell as the 10-year yields on US and UK bonds rose by almost 1% from their extremely low levels of March 2013, while yields on German 10-year bonds rose by just ¼% during the year. Yields on peripheral European bonds (Italy, Portugal and Greece) moved lower, as investors became less worried about a break-up of the Eurozone and governments began to implement austerity measures. Investors' search for yield caused rises in corporate bond prices, even in the sub-investment grade category.

Elsewhere, UK commercial property delivered double-digit returns as the demand for Office and Industrial properties surged from mid-2013; Retail property, however, remained subdued.

The Oxfordshire County Council Fund achieved a total return of 6.5% for the year, compared with a 7.5% return on its benchmark (see section on Investment Benchmark and Performance for more detail).

Investment Review 2013/14

Outlook

The strong gains seen in Developed Market equities since the summer of 2011 have been largely driven by sizeable injections of liquidity from Central Banks in the form of QE. As the Federal Reserve gradually turns off the taps the slowdown in equities has become noticeable, and when interest rates in the US and UK are eventually increased towards more normal levels, we expect to see a softening in equity markets unless corporate profits can expand to justify current levels.

Meanwhile, in our view, medium- and long-term bonds do not offer attractive levels of real return, and yields can be expected to rise as short-term interest rates are increased.

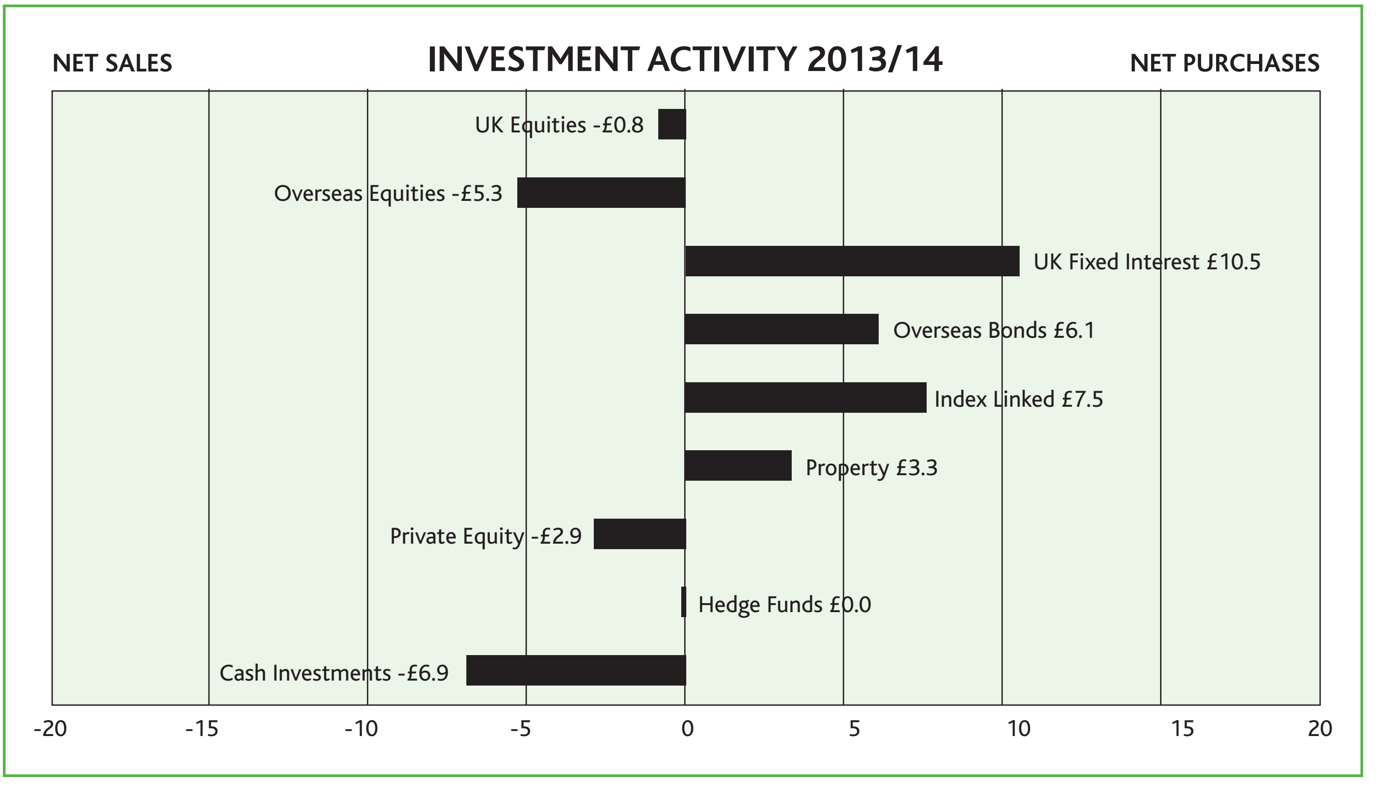
Table showing the total returns (capital plus income) in sterling terms calculated on major indices for the year to 31 March 2014.

SECTOR		INDEX	% Total Returns Year to 31.3.14
Equities	Global	FTSE All World	6.8
	UK	FTSE Actuaries All Share	8.8
	North America	FTSE North American Developed	10.3
	Japan	FTSE Japan Developed	-1.6
	Europe	FTSE Europe (ex UK) Developed	18.3
	Asia Pacific (ex Japan)	FTSE Asia Pacific (ex Japan) Developed	-6.6
	Emerging Markets	FTSE Emerging Markets	-10.8
Bonds	UK Government	FTSE Government UK Gilts All Stocks	-2.6
	UK Index-Linked	FTSE Government Index-Linked (over 5 years)	-4.4
	UK Corporate Bonds	iBoxx Sterling Non-Gilt All Stocks Index	1.5
	Overseas	JP Morgan Traded WXUK	-8.5
Cash	UK	7 DAY £ LIBID INDEX	0.4
Property	UK Commercial	IPD (HSBC) All Balanced Funds Index	11.9

Investment Review 2013/14

Investment Activity

The Pension Fund invested a net £12 million during the year ended 31 March 2014. The amounts invested or disinvested in each principal category of asset are shown in the chart below. Derivatives are not included in the chart.

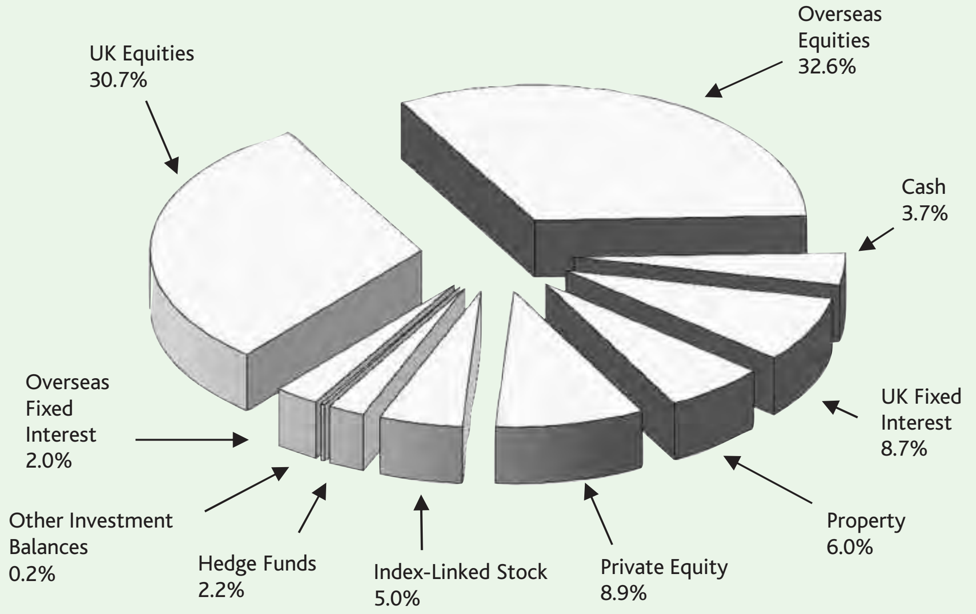


Investment Review 2013/14

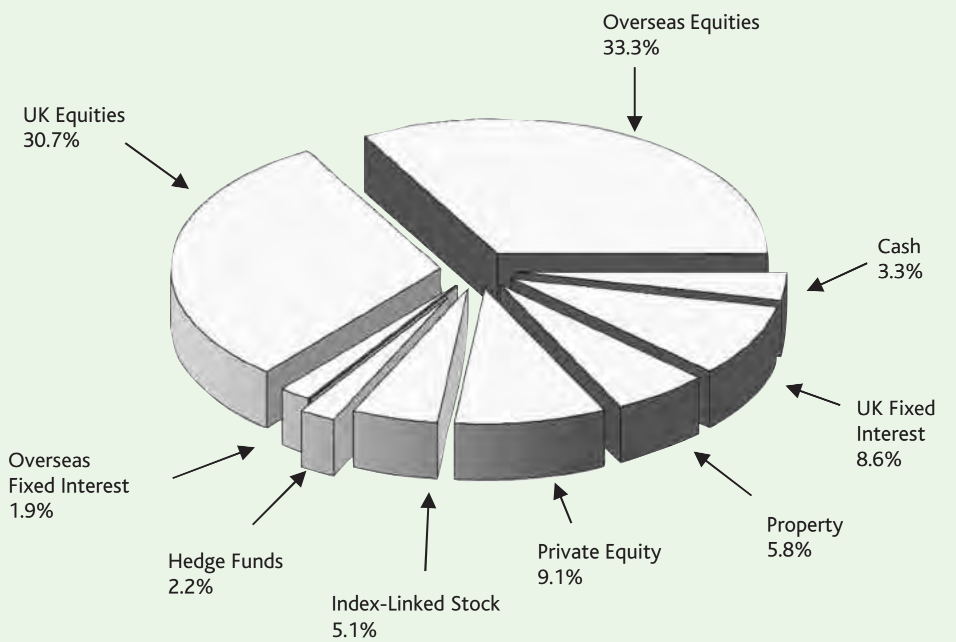
Portfolio Distribution

The distribution of the Pension Fund amongst the principal categories of assets as at 31 March 2014 is shown in the chart below. A comparative chart of the position at 31 March 2013 is also shown. The two further charts show the distribution of overseas investments at 31 March 2014 and 31 March 2013. Changes in the asset weightings, from one year to another, are due to investment activity and market movements.

Investment Portfolio Distribution at 31 March 2014

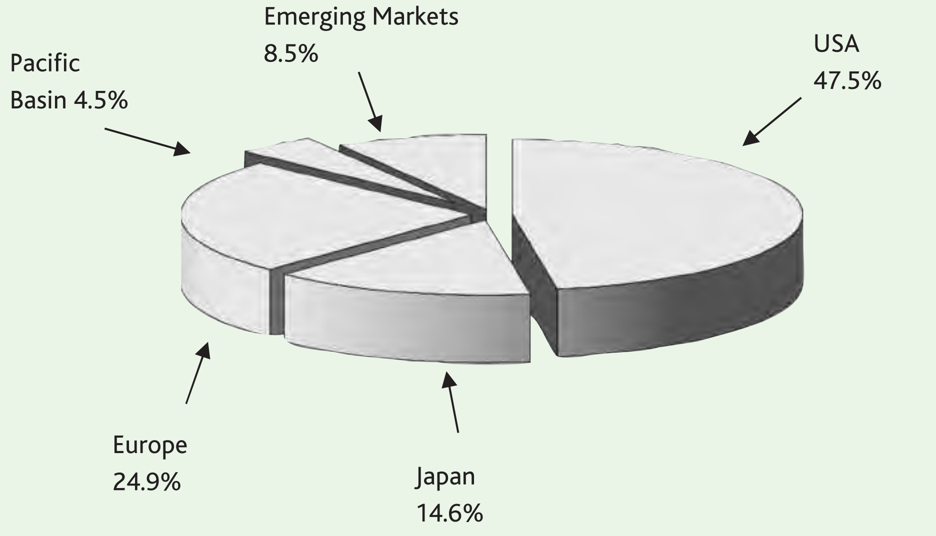


31 March 2013

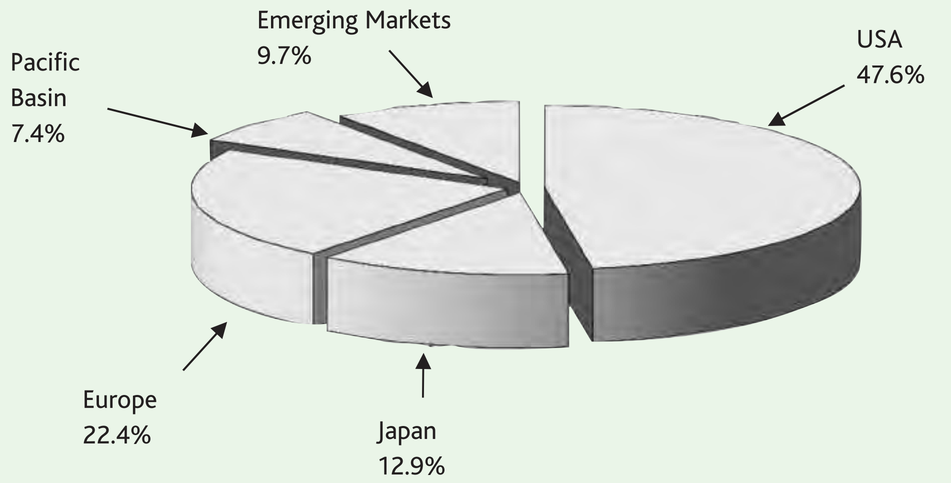


Investment Review 2013/14

Overseas Investment Distribution at 31 March 2014



31 March 2013

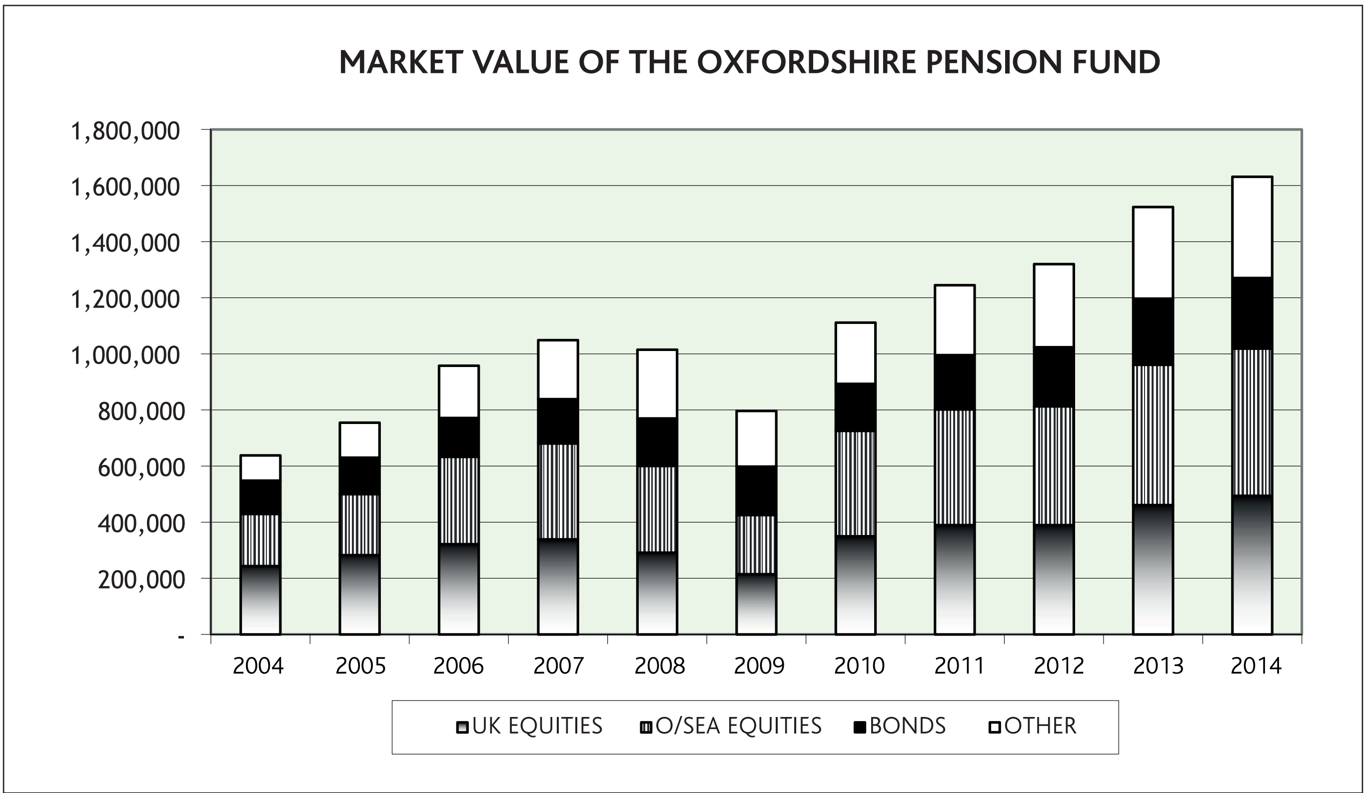


Investment Review 2013/14

Portfolio Asset Allocation over the Ten Years to March 2014

The total assets (including accruals) of the Pension Fund have grown from £638 million at end of March 2004 to £1,631 million at end of March 2014 (see chart below).

Over the period the percentage in UK equities decreased from 38.2% to 30.3% and bonds decreased from 18.6% to 15.4%.



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

Investment Benchmark and Performance

Investment Benchmark and Performance

There were no significant changes to the strategic asset allocation during 2013/14. During the year officers met quarterly to consider the allocation of assets, rebalancing where appropriate after consultation with the Independent Financial Adviser and the Chairman of the Committee.

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

The tables indicate that performance in 2013/14 fell 1.0% below benchmark with an overall return of 6.5%. The table shows the range of returns for 2013/14 across the different asset classes, ranging from losses in respect of gilts to a return of 9.9% on UK equities and 11.0% on property. As well as the volatility between asset classes, the figures also show the volatility between years, with index linked gilts being one of the top performers over three years, despite being the poorest performance in 2013/14. These figures indicate the importance of taking a long term view of investment performance and not making decisions based on short term returns.

Performance over 3 years was 0.4% below benchmark, with the investments in private equity being the largest detractor. It should be noted though that this reflects the high benchmark figure of 14.5% in line with the FTSE Smaller Companies index, and the 10.3% return from private equity was only beaten by the three year return on UK equities.

Asset	Strategic Asset Allocation Benchmark %	One Year Ended 31 March 2014		Three Years Ended 31 March 2014	
		Benchmark Return %	Oxfordshire Total Fund %	Benchmark Return %	Oxfordshire Total Fund %
UK Equities	28.8	8.8	9.9	8.8	11.0
Overseas Equities	19.8	6.8	7.7	7.6	6.1
* Global Equities	14.4	6.8	5.7	7.7	7.2
UK Gilts	3.0	-2.6	-2.5	5.5	5.0
Index Linked Gilts	5.0	-4.4	-4.5	8.9	9.3
Overseas Bonds	2.0	-8.5	1.8	0.6	4.0
Corporate Bonds	6.0	1.5	0.5	7.3	7.2
Property	8.0	11.9	11.0	6.1	6.1
Private Equity	10.0	20.4	7.6	14.5	10.3
Hedge Funds	3.0	3.5	7.9	3.7	3.4
† Cash	0.0	-	0.1	-	0.9
Total Fund		**7.5**	**6.5**	**8.5**	**8.1**

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

† Cash includes cash held by Fund Managers.

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 bench-mark over a three year rolling period. The figures highlight the particularly strong performance of Baillie Gifford over recent years in their management of a UK equity mandate. Over the 3 years to March 2014, they were 3.5% above benchmark against a target out-performance of 1.25% per annum. Wellington only received funding in September 2012 so have yet to complete a full three year's set of results.

Fund Manager	Target %	One Year Ended 31 March 2014 Benchmark Return %	One Year Ended 31 March 2014 Oxfordshire Return %	Three Years Ended 31 March 2014 Benchmark Return %	Three Years Ended 31 March 2014 Oxfordshire Return %
Baillie Gifford UK Equities	1.3	8.8	11.1	8.8	12.3
Wellington Overseas Equities	2.0	6.2	5.5	-	-
UBS Overseas Equities	1.0	6.0	7.7	6.5	6.2
Legal & General UK Equities - Passive	n/a	6.7	6.7	7.6	7.7
Legal & General Ex UK Equities - Passive	n/a	7.7	7.7	-	-
Legal & General Fixed Income	0.6	-1.1	-1.4	7.2	7.1
UBS Property	1.0	11.9	11.5	6.1	5.9
Partners Grp Property	Excess	11.9	1.1	6.1	7.6
Private equity	1.0	20.4	7.6	14.5	10.3
UBS Hedge Funds	Excess	3.5	7.8	3.7	3.4
Cash	n/a	0.4	0.5	0.4	0.9
Total Fund		**7.5**	**6.5**	**8.5**	**8.1**

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. The figures indicate that whilst performance has fallen below benchmark for each period, it has exceeded the average return for all LGPS funds over the last 1, 3 and 5 years, though slightly behind over 10 years.

% Returns per annum for the financial year ended 31 March 2014				
Actual Returns	1 year	3 years	5 years	10 years
Oxfordshire Total Fund Return	6.5	8.1	13.5	7.5
Average Returns and other Comparators				
WM Local Authority Average Return	6.4	7.5	12.7	7.8
Oxfordshire Benchmark	7.5	8.5	14.2	8.1
Retail Price Index	2.5	3.1	3.8	3.3
Average Earnings	2.2	1.0	2.3	3.2

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

Pension Fund Accounts 2013-14

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014

Reclassification

	Notes	2014	2013
		£000	**£000**
CONTRIBUTIONS AND BENEFITS			
Contributions Receivable	7	(80,620)	(78,406)
Transfers from Other Schemes	8	(5,211)	(5,769)
Other Income	9	(476)	(528)
Income Sub Total		**(86,307)**	**(84,703)**
Benefits Payable	10	70,139	65,846
Payments to and on account of leavers	11	4,384	4,215
Administrative expenses borne by the Scheme	12	1,469	1,406
Expenditure Sub Total		**75,992**	**71,467**
Net Additions from dealings with members		**(10,315)**	**(13,236)**
RETURNS ON INVESTMENTS			
Investment Income	13	(23,288)	(17,850)
Commission Recapture		(1)	(1)
Profits and losses on disposal of investments and changes in Market Value of Investments	17a	(77,626)	(175,818)
Less Investment Management Expenses	14	3,611	3,064
Less Taxes on Income	13	156	87
Net returns on investments		**(97,148)**	**(190,518)**
Net increase in the net assets available for benefits during the year		**(107,463)**	**(203,754)**
Opening Net Assets of the Scheme		1,523,748	1,319,994
Closing Net Assets of the Scheme		**1,631,211**	**1,523,748**

£0.032m has been reclassified between Administrative Expenses Borne by the Scheme and Investment Management Expenses for the year ended 31 March 2013. Further details are included in note 12.

Pension Fund Accounts 2013-14

NET ASSETS AS AT 31 MARCH 2014

	Notes	2014 £000	2013 £000
INVESTMENT ASSETS			
Fixed Interest Securities	17b	74,957	65,628
Index Linked Securities	17b	80,201	77,416
Equities	17b	498,744	455,489
Pooled Investments	17b	703,652	676,896
Pooled Property Investments	17b	97,287	86,589
Private Equity	17b	91,435	90,881
Derivative Contracts	17c	100	813
Cash Deposits	17d	10,285	8,995
Other Investment Balances	17d	5,593	4,247
INVESTMENT LIABILITIES			
Derivative Contracts	17c	(111)	(55)
Other Investment Balances	17d	(2,288)	(5,742)
Total Investments		**1,559,855**	**1,461,157**
ASSETS AND LIABILITIES			
Current Assets	18	58,816	50,966
Current Liabilities	19	(1,701)	(2,505)
Net current assets		**57,115**	**48,461**
Long-Term Assets		14,241	14,130
Net Assets of the scheme available to fund benefits at year end		**1,631,211**	**1,523,748**

The private equity category consists of investments in the shares of private equity companies. The proportion of private equity that is listed is detailed in note 17b. Included within the pooled investments category above are unquoted private equity investments which consist of limited partnerships that invest in private equity. The fund's outstanding financial commitments to these are shown in note 25.

Pension Fund Accounts 2013-14

Note 1 – Description of the fund

This description of the fund is a summary only. Further details are available in the Fund's 2013/14 Annual Report and in the underlying statutes.

General

The Oxfordshire County Council Local Government Pension Fund is a statutory, funded final salary pension scheme. It is "contracted-out" of the state scheme and is termed a defined benefit scheme. Oxfordshire County Council is the administering body for this pension fund. The scheme is principally governed by the Superannuation Act 1972. The fund is administered in accordance with Local Government Pension Scheme Regulations. The scheme covers eligible employees and elected members of the County Council, District Councils within the county area and employees of other bodies eligible to join the Scheme.

This defined benefit scheme provides benefits related to salary for its members. Pensions paid to retired employees, their 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

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

Organisations participating in the Oxfordshire County Council Pension Fund include:

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

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

Pension Fund Accounts 2013-14

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

	As at 31 March 2014	As at 31 March 2013
Number of Contributory Employees in Scheme		
Oxfordshire County Council	11,434	12,070
Other Scheduled Bodies	7,956	6,657
Admitted Bodies	1,193	1,235
	20,583	**19,962**
Number of Pensioners and Dependants		
Oxfordshire County Council	7,556	7,219
Other Scheduled Bodies	4,635	4,395
Admitted Bodies	713	636
	12,904	**12,250**
Deferred Pensioners		
Oxfordshire County Council	13,076	12,721
Other Scheduled Bodies	6,164	5,512
Admitted Bodies	871	810
	20,111	**19,043**

Thirteen Scheduled Bodies, of which eleven are Academies and two are Parish Councils, plus eleven Admitted Bodies joined the scheme in 2013/14. There was no significant impact on the membership of the scheme because the majority of the new bodies are Academies, whose members were previously in the scheme as County Council employees. Scheme membership of other new bodies is small.

Pension Fund Accounts 2013-14

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 2014 rates ranged from 5.5% to 7.5% of whole time equivalent pensionable earnings.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The latest actuarial valuation took place in 2013 and determined the contribution rates to take effect from 01 April 2014.

Benefits

The benefits payable under the Scheme are laid down by the Local Government Pension Scheme (Benefits, Membership & Contributions) Regulations 2007 and are summarised in the following table. Pension payments are guaranteed and any shortfall is met through the Pension Fund through employer contribution rates set by the fund valuation. The Scheme is a 'final salary' scheme and provides a pension as a proportion of final salary according to the length of service.

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

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

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

Note 2 – Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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 24.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after the year-end. The actuarial position of the scheme which takes into account these obligations is dealt with in the Actuarial Statement on page 61.

Note 3 – Summary of Significant Accounting Policies

Investments

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

   (a) The majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, as at 31 March 2014.

   (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 2014.

   (e) Fixed Interest stocks are valued on a 'clean' basis (i.e. the value of interest accruing from the previous interest payment date to the valuation date has been included within the amount receivable for accrued income).

   (f) Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using market quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

   (g) Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

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

Pension Fund Accounts 2013-14

Foreign Currencies

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

Contributions

3. Employee normal contributions are accounted for when deducted from pay. Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as employees' contributions, otherwise they are accounted for in the period they are due under the Schedule of Contributions. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and recovery plan under which they are being paid.

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

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

Benefits, Refunds of Contributions and Transfer Values

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

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

Investment Income

5. Dividends and interest have been accounted for on an accruals basis. Dividends from quoted securities are accounted for when the security is declared ex-div. Interest is accrued on a daily basis. Investment income is reported net of attributable tax credits but gross of withholding taxes. Irrecoverable withholding taxes are reported separately as a tax charge. Investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within 'Change in Market Value'. Foreign income has been translated into sterling at the date of the transaction. Income due at the year-end was translated into sterling at the rate ruling at 31 March 2014.

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 has been placed as such as an investment decision has been included under cash deposits.

Note 4 – Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

Determining the fair value of unquoted private equity investments is highly subjective in nature. Unquoted private equity investments are valued by the investment managers using various valuation techniques and this involves the use of significant judgements by the managers. The value of unquoted private equity investments at 31 March 2014 was £51.602m (£45.497m at 31 March 2013). All of the unquoted private equity investments at 31 March 2014 (£45.488m at 31 March 2013 – the remainder was included within the private equity category) are included within the pooled investments category in the net assets statement.

Pension Fund Liability

The pension fund liability is calculated every three years by the funds actuary, with annual updates in the intervening years. Methods and assumptions consistent with IAS19 are used in the calculations. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 27. The estimate of the liability is therefore subject to significant variances based on changes to the assumptions used.

Note 5 – Assumptions made About the future and other major sources of Estimation Uncertainty

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

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

Item	Uncertainties	Potential Impact
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. The fund engages an actuarial firm to provide expert advice on the assumptions to be applied.	The actuarial present value of promised retirement benefits included in the financial statements is £2,479m. There is a risk that this figure is under, or overstated in note 27 to the accounts.
Unquoted Private Equity	Unquoted private equity investments are valued at fair value using recognised valuation techniques. Due to the assumptions involved in this process there is a degree of estimation involved in the valuation.	Unquoted private equity investments included in the financial statements total £51.602m. There is a risk these investments are under, or overstated in the accounts.
Fund of Funds Hedge Funds	Fund of Funds Hedge Fund investments are valued based on the sum of the fair values provided by the administrators of the underlying funds, plus adjustments that directors of the fund of funds deem appropriate. As these investments are not publicly listed there is a degree of estimation involved in the valuation.	The total value for Fund of Funds Hedge Funds included in the financial statements is £35.397m. There is a risk that these investments could be under, or overstated in the accounts.

Note 6 – Events after the Balance Sheet date

There have been no events since 31 March 2014, up to the date when these accounts were signed, which require any adjustments to these accounts.

Pension Fund Accounts 2013-14

Note 7 – Contributions

	2013/14 £000	2012/13 £000
Employers		
Normal	(43,131)	(41,381)
Augmentation	(18)	0
Deficit Funding	(17,216)	(16,523)
Costs of Early Retirement	(825)	(1,831)
	(61,190)	(59,735)
Members		
Normal	(19,047)	(18,321)
Additional*	(383)	(350)
	(19,430)	(18,671)
Total	**(80,620)**	(78,406)

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

*Local Government Scheme Additional Employees contributions are invested within the Fund, unlike AVCs which are held separately, as disclosed in Note 24.

	Employer Contributions		**Members Contributions**	
	2013/14 £000	2012/13 £000	**2013/14 £000**	2012/13 £000
Oxfordshire County Council	(30,690)	(31,967)	(9,552)	(9,819)
Scheduled Bodies	(26,016)	22,845)	(8,521)	(7,483)
Resolution Bodies	(595)	(607)	(211)	(198)
Community Admission Bodies	(2,334)	(3,087)	(695)	(790)
Transferee Admission Bodies	(1,555)	(1,229)	(451)	(381)
Total	**(61,190)**	(59,735)	**19,430)**	(18,671)

Pension Fund Accounts 2013-14

Note 8 – Transfers in

	2013/14 £000	2012/13 £000
Individual Transfers In from other schemes	(5,211)	(5,769)
Total	**(5,211)**	(5,769)

Note 9 – Other Income and Expenses

Other Income for 2013/14 of £0.476m reflects the interest resulting from the unwinding of the discount for the long-term receivable recognised for transfers to Magistrates' Courts. The long-term receivable was calculated on a discounted cash flow basis. This resulted in a charge to the fund account in the year the long-term receivable was originally recognized, 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 20.

Note 10 – Benefits

	2013/14 £000	2012/13 £000
Pensions Payable	55,992	52,673
Lump Sums - Retirement Grants	13,124	11,593
Lump Sums - Death Grants	1,023	1,580
Total	**70,139**	65,846

	Pensions Payable		**Lump Sums**	
	2013/14 £000	2012/13 £000	**2013/14 £000**	2012/13 £000
Oxfordshire County Council	27,833	26,281	6,685	7,045
Scheduled Bodies	24,900	23,577	5,779	4,653
Resolution Bodies	474	430	199	56
Community Admission Bodies	1,988	1,742	880	831
Transferee Admission Bodies	797	643	604	588
Total	**55,992**	52,673	**14,147**	13,173

Pension Fund Accounts 2013-14

Note 11 – Payments to and on account of leavers

	2013/14 £000	2012/13 £000
Refunds of Contributions	5	6
Payments for members joining state schemes	(4)	(5)
Individual Transfers Out to other schemes	4,383	4,214
Total	**4,384**	4,215

Note 12 – Administrative Expenses

	2013/14 £000	2012/13 £000
Employee Costs		
- Administrative	727	742
- Investment	142	183
Support Services Including ICT	257	235
Actuarial Fees	68	17
External Audit Fees	21	48
Internal Audit Fees	14	14
Printing & Stationary	33	34
Advisory & Consultancy Fees	86	65
Other	121	68
Total	**1,469**	1,406

A number of administrative expenses have been reclassified for 2012/13 following a review of the most appropriate categories for different expenditure items. This includes a net £0.032m that has been re-classified to Investment Management Expenses as detailed in Note 14. The following changes have resulted from the reclassifications: Administrative Employee Costs have increased by £0.045m, Investment Employee Costs have increased by £0.005m, Support Services Including ICT have increased by £0.168m, Advisory & Consultancy Fees have increased by £0.015m and Other Expenses have reduced by £0.265m.

Pension Fund Accounts 2013-14

Note 13 – Investment Income

	2013/14 £000	2012/13 £000
Fixed Interest Securities	(2,194)	(2,071)
Index Linked Securities	(1,473)	(1,593)
Equity Dividends	(14,674)	(10,030)
Pooled Property Investments	(2,767)	(2,976)
Pooled Investments – Unit Trusts & Other Managed Funds	(613)	0
Interest on Cash Deposits	(219)	(287)
Private Equity Income	(1,333)	(861)
Other – Securities Lending	(15)	(32)
	(23,288)	(17,850)
Irrecoverable Withholding Tax – Equities	156	87
Total	**(23,132)**	(17,763)

Note 14 – Investment Management Expenses

	2013/14 £000	2012/13 £000
Management Fees	3,485	2,858
Custody Fees	77	77
Performance Monitoring Service	18	13
Other	31	116
Total	**3,611**	3,064

For 2012/13 £0.032m has been reclassified as Investment Management Expenses from Administrative Expenses. This has resulted in a £0.001m increase in Custody Fees and a £0.031m increase in Other Expenses.

Investment Manager & Custody Fees are mostly calculated on a fixed sliding scale basis and are applied to the market value of the assets managed.

Pension Fund Accounts 2013-14

Note 15 – Securities Lending

In April 2004 the Fund introduced an arrangement with its custodian BNY Mellon to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Lending is limited to a maximum of 25% of the aggregate market value of the Fund. Collateralised lending generated income of £0.015m in 2013/14 (2012/13 £0.032m). This is included within investment income in the Pension Fund Accounts. No stock was on loan at 31 March 2014, as a new Custodian was appointed in the year and the stock lending programme was not operational at the year end.

Note 16 – Related Party Transactions

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

Members of the Pension Fund Committee and the post of Service Manager (Pensions, Insurance & Money Management) are the key management personnel involved with the Pension Fund. At the start of 2013/14, the Committee consisted of seven County Councillors, two District Councillors and a beneficiary observer. Following County Council elections the Committee membership changed and the number of County Councillors was increased to nine. Members of the Pension Fund Committee are disclosed in the Pension Fund Report and Accounts. An amount of £0.057m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

	2013/14 £000	2012/13 £000
Short Term Benefits	48	47*
Long Term/Post Retirement Benefits	9	9
Total	**57**	56

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

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

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

Pension Fund Accounts 2013-14

For the 12 months ended 31 March 2014, employer contributions to the Pension Fund from the County Council were £30.690m (2012/13 £31.967m). At 31 March 2014 there were receivables in respect of contributions due from the County Council of £2.378m and payables due to the County Council of £0.058m for support services.

The County Council was reimbursed £ 0.960m (2012/13 £1.042m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

Note 17 – Investments

	Value at 31.3.2014 £000	Value at 31.3.2013 £000
Investment Assets		
Fixed Interest Securities	74,957	65,628
Index Linked Securities	80,201	77,416
Equities	498,744	455,489
Pooled Investments	703,652	676,896
Pooled Property Investments	97,287	86,589
Private Equity	91,435	90,881
Derivatives:		
- Forward Currency Contracts	100	813
Cash Deposits	10,285	8,995
Investment Income Due	3,233	2,961
Amounts Receivable for Sales	2,360	1,286
Total Investment Assets	**1,562,254**	1,466,954
Investment Liabilities		
Derivatives:		
- Forward Currency Contracts	(111)	(55)
Investment Expenses Due	(1,143)	(1,111)
Amounts Payable for Purchases	(1,145)	(4,631)
Total Investment Liabilities	**(2,399)**	(5,797)
Net Investment Assets	**1,559,855**	1,461,157

Pension Fund Accounts 2013-14

Note 17a – Reconciliation of Movements in Investments and Derivatives

	Value at 1.4.2013	Purchases at Cost & Derivative Payments £'000	Sales Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Cash Movement £'000	Increase in Receivables/ (Payables) £'000	Value at 31.3.2014 £'000
Fixed Interest Securities	65,628	90,327	(76,142)	(4,856)			74,957
Index Linked Securities	77,416	19,715	(12,189)	(4,741)			80,201
Equities	455,489	120,363	(101,771)	24,663			498,744
Pooled Investments	676,896	19,036	(39,046)	46,766			703,652
Pooled Property Investments	86,589	9,370	(6,068)	7,396			97,287
Private Equity	90,881	43	(5,199)	5,710			91,435
Derivative Contracts FX	758	178,181	(183,149)	4,199			(11)
Other Investment Balances Cash Deposits	8,995	34,889	(41,793)	(1,510)	9,704		10,285
Amounts Receivable for Sales of Investments	1,286					1,074	2,360
Investment Income Due	2,961					272	3,233
Amounts Payable for Purchases of Investments	(5,742)					3,454	(2,288)
	1,461,157	**471,924**	**(465,357)**	**77,627**	**9,704**	**4,800**	**1,559,855**

Included within the above purchases and sales figures are transaction costs of £0.433m. 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.

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	Value at 1.4.2012	Purchases at Cost & Derivative Payments £'000	Sales Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Cash Movement £'000	Increase in Receivables/ (Payables) £'000	Value at 31.3.2013 £'000
Fixed Interest Securities	142,416	90,494	(169,110)	1,828			65,628
Index Linked Securities	68,246	51,302	(48,597)	6,465			77,416
Equities	231,167	217,227	(58,568)	65,663			455,489
Pooled Investments	652,936	267,180	(324,129)	80,909			676,896
Pooled Property Investments	78,731	10,145	(1,537)	(750)			86,589
Private Equity	72,736	2,860	(6,249)	21,534			90,881
Derivative Contracts							
Futures							
FX	912	4,360	(4,815)	301			758
Other Investment Balances							
Cash Deposits	3,172	40,019	(35,619)	(132)	1,555		8,995
Amounts Receivable for Sales of Investments	6,710					(5,424)	1,286
Investment Income Due	3,977					(1,016)	2,961
Amounts Payable for Purchases of Investments	(3,215)					(2,527)	(5,742)
	1,257,788	**683,587**	**(648,624)**	**175,818**	**1,555**	**(8,967)**	**1,461,157**

Note 17b – Analysis of Investments (Excluding Derivative Contracts)

Fixed Interest Securities

	2013/14 £000	2012/13 £000
UK Public Sector	39,387	33,327
UK Other	3,731	3,570
Overseas Public Sector	31,839	28,731
	74,957	**65,628**

Index linked Securities

	2013/14 £000	2012/13 £000
UK Public Sector Index Linked	80,201	77,416
	80,201	**77,416**

Equity Investments

	2013/14 £000	2012/13 £000
UK Listed Equities	334,584	290,833
Overseas Listed Equities:		
North America	92,574	91,275
Japan	19,035	14,503
Europe	30,752	30,329
Pacific Basin	0	4,552
Emerging Markets	21,799	23,997
	498,744	**455,489**

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Pooled Investment Vehicles

	2013/14 £000	2012/13 £000
UK Registered Managed Funds – Property	20,045	18,250
Non UK Registered Managed Funds – Property	23,867	18,023
UK Registered Managed Funds – Other	393,933	391,229
Non UK Registered Managed Funds – Other	104,364	96,581
UK Registered Property Unit Trusts	48,269	45,100
Non UK Registered Property Unit Trusts	5,107	5,216
Non UK Registered Unit Linked Insurance Fund	205,354	189,085
	800,939	**763,484**

Private Equity

	2013/14 £000	2012/13 £000
Listed Investments	91,435	90,872
Unlisted Investments	0	9
	91,435	**90,881**

Total Investments (excluding derivative contracts)

	2013/14 £000	2012/13 £000
	1,546,276	**1,452,898**

Note 17c – Derivative Contracts

Objectives and policies

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

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

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

Hedge Funds

IFRS accounting requires that the Fund discloses information on fair value hedges, cash flow hedges and hedges of net investments in foreign operations. The Fund has exposure to such hedges through its £35.397m investment in a Fund of Funds Hedge Fund. As the Fund has no direct ownership in these hedge arrangements, with all decisions made by the Fund Managers rather than the Oxfordshire Pension Fund, the hedge disclosure requirements are deemed not to apply.

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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	1 month	105 GBP	195 AUD		(3)	
Forward OTC	1 month	12,131 GBP	20,230 USD		(4)	
Forward OTC	1 month	6,768 GBP	1,155,000 JPY	42		
Forward OTC	1 month	368 GBP	680 CAD		(2)	
Forward OTC	1 month	16,401 GBP	19,900 EUR		(50)	
Forward OTC	3 months	108 GBP	195 AUD			
Forward OTC	3 months	16,500 GBP	19,900 EUR	39		
Forward OTC	3 months	370 GBP	680 CAD		(1)	
Forward OTC	3 months	12,162 GBP	20,230 USD	19		
Forward OTC	3 months	6,729 GBP	1,155,000 JPY		(6)	
Forward OTC	6 months	1,509 GBP	1,829 EUR		(45)	
Forward Currency Contracts at 31 March 2014				**100**	**(111)**	**(11)**
Prior Year Comparative						
Forward Currency Contracts at 31 March 2013				**813**	**(55)**	**758**

Note 17d Other Investment Balances

	2013/14 £000	2012/13 £000
Receivables		
Sale of Investments	2,360	1,286
Dividend & Interest Accrued	3,182	2,810
Inland Revenue	51	144
Other	0	7
	5,593	4,247
Payables		
Purchase of Investments	(1,146)	(4,631)
Management Fees	(1,104)	(1,077)
Custodian Fees	(38)	(34)
	(2,288)	(5,742)
Total	**3,305**	**(1,495)**

Cash Deposits

	2013/14 £000	2012/13 £000
Non-Sterling Cash Deposits	10,285	8,995
	10,285	**8,995**

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

	2013/14 £000	**% of Total Fund**	**2012/13 £000**	**% of Total Fund**
UBS Global Optimal Thirds	205,354	12.59	189,086	12.41
L&G UK FTSE100 Equity Index	145,112	8.90	151,058	9.91
L&G World (ex-UK) Equity Index	137,950	8.46	128,102	8.41
L&G Core Plus Bond Fund	96,388	5.91	92,649	6.08

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Note 18 – Current Assets

2013/14	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	2,695	3,435	19		1,440	7,589
Employee Contributions	161	1,119	6		333	1,169
Transferred Benefits		94			74	168
Costs of Early Retirement	11	515		2	287	815
Inland Revenue	146					146
Other	41	100		12	42	195
Cash Balances					48,284	48,284
Total	**3,054**	**5,263**	**25**	**14**	**50,460**	**58,816**

RECLASSIFICATION

2012/13	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	2,470	3,263	20	0	1,189	6,942
Employee Contributions	113	1,066	6	0	311	1,496
Transferred Benefits	0	428	0	0	114	542
Costs of Early Retirement	6	788	0	0	412	1,206
Inland Revenue	21	0	0	0	0	21
Other	46	139	0	3	118	306
Cash Balances	0	0	0	0	40,453	40,453
Total	**2,656**	**5,684**	**26**	**3**	**42,597**	**50,966**

The 2012/13 figures have been reclassified following a review of the most appropriate classification of the different employer bodies.

Note 19 – Current Liabilities

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

RECLASSIFICATION

2012/13	Central Government Bodies £'000	Local Authorities £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Transferred Benefits	0	(850)	0	(509)	(1,359)
Benefits Payable	(6)	(60)	0	(28)	(94)
Inland Revenue	(736)	0	0	0	(736)
Costs of Early Retirement	(201)	0	0	0	(201)
Staff Costs	0	(70)	0	0	(70)
Consultancy	0	0	0	(4)	(4)
Other	(1)	(5)	0	(35)	(41)
Total	**(944)**	**(985)**	**0**	**(576)**	**(2,505)**

The 2012/13 figures have been reclassified following a review of the most appropriate classification of the different employer bodies.

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Note 20 – Long-Term Assets

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

RECLASSIFICATION

2012/13	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Employer Contributions	13,148	0	0	0	0	13,148
Costs of Early Retirement	13	599	0	0	370	982
Total	**13,161**	**599**	**0**	**0**	**370**	**14,130**

The 2012/13 figures have been reclassified following a review of the most appropriate classification of the different employer bodies.

Long-term assets for 2013/14 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. There was an increase in the deferred receivable relating to Magistrates' Courts compared to the previous year due to a change in the payment profile for future payments resulting in a reclassification of what is included in long-term receivables and short-term receivables.

Note 21 – Assets under External Management

The market value of assets under external fund management amounted to £1,476.025m as at 31 March 2014. The table below gives a breakdown of this sum and shows the market value of assets under management with each external manager:

	31/03/2014		31/3/2013	
	Market Value £000	**%**	Market Value £000	%
Baillie Gifford	337,925	22.89	304,811	22.67
Legal & General	538,938	36.51	521,324	38.77
UBS	345,989	23.44	286,281	21.29
Wellington	190,821	12.93	180,813	13.45
Adams Street Partners	21,496	1.46	18,166	1.35
Partners Group	40,856	2.77	33,260	2.47
	1,476,025	**100.00**	1,344,655	100.00

Note 22 – Top 5 Holdings

Value of the Fund's Top Five Holdings at 31 March 2014	**£000**	**% of Fund**
Electra Investment Trust	26,441	1.62
HG Capital Trust	20,326	1.25
British American Tobacco	15,567	0.95
BG Group Plc	14,743	0.90
Ashtead Group Plc	12,577	0.77

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Note 23 – 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 Scheme cannot reclaim certain amounts of withholding taxes relating to overseas investment income which are suffered in the country of origin.

Note 24 – Additional Voluntary Contributions

	Market Value 31 March 2014 £000	Market Value 31 March 2013 £000
Prudential	14,077	14,534

AVC contributions of £1.554m were paid directly to Prudential during the year (2012/13 - £1.671m).

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

Note 25 – Contingent Liabilities

There are two contingencies to note:

1) The Museums, Libraries and Archive (MLA) Council. Staff from three of the regional MLA employers who were previous members of the Oxfordshire County Council Pension Fund transferred to the MLA Council on 6 April 2009 and 31 March 2010. Actuaries are currently working on the calculation of the payments to be made to the Premium section of the Principal Civil Service Pension Scheme in relation to the transfer of past service rights.

2) The Pension Fund received a Final Determination from the Pension Ombudsman, in which he has instructed the Administering Authority to pay compensation to a complainant as a result of mal-administration. The final level of compensation is contingent on the circumstances of the complainant over the next 10 years, though the maximum payment has been calculated as approximately £0.2m plus pensions increase.

As at 31 March 2014 the fund had outstanding capital commitments (investments) totalling £57.783m (31 March 2013 - £59.970m). 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 26 – Statement of Investment Principles

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

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Note 27 – Actuarial Present Value of Promised Retirement Benefits

	2014 £000	2013 £000
Present Value of Funded Obligation	2,478,689	2,304,966

Present Value of Funded Obligation consists of £2,202.628m (2013 - £1,833.996m) in respect of Vested Obligation and £276.061m (2013 - £470.970m) in respect of Non-Vested Obligation. The movement from March 2013 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 £126.304m (2013 - £114.361m).

There has been a further increase in the present value of the Funded Obligation of £47.419m (2013 - £106.762m) reflecting a change in the actuarial assumptions 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 from 2.6% to 2.8% (net effect an increase in Present Value of Funded Obligation)
- A reduction in the assumed level of pay increases from 4.8% to 4.6% (net effect a reduction in Present Value of Funded Obligations)
- A reduction in the discount factor from 4.5% to 4.4% (net effect an increase in Present Value of Funded Obligations).

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Note 28 – Financial Instruments

Note 28a – 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.

	2013/14			2012/13		
	Fair Value Through Profit & Loss £000	**Loans & Receivables £000**	**Financial Liabilities at Amortised Cost £000**	Fair Value Through Profit & Loss £000	Loans & Receivables £000	Financial Liabilities at Amortised Cost £000
Financial Assets						
Fixed Interest Securities	74,957			65,628		
Index Linked Securities	80,201			77,416		
Equities	498,744			455,489		
Pooled Investments	703,652			676,896		
Pooled Property Investments	97,287			86,589		
Private Equity	91,435			90,881		
Derivatives	100			813		
Cash		58,569			49,448	
Other Investment Balances	5,542			4,103		
Receivables		30			65	
	1,551,918	**58,599**	**0**	**1,457,815**	**49,513**	0
Financial Liabilities						
Derivatives	(111)			(55)		
Other Investment Balances	(2,288)			(5,742)		
Payables			(101)			(108)
	(2,399)	**0**	**(101)**	**(5,797)**	**0**	**(108)**
Total	**1,549,519**	**0**	**(101)**	**1,452,018**	**49,513**	**(108)**

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Note 28b – Fair Value of Financial Instruments and Liabilities

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

	2014		2013	
	Carrying Value £000	**Fair Value £000**	Carrying Value £000	Fair Value £000
Financial Assets – Current				
Loans & Receivables	58,599	58,599	49,513	49,513
Financial Assets at fair value through profit or loss	1,486,804	1,486,804	1,404,114	1,404,114
	1,545,403	**1,545,403**	**1,453,627**	**1,453,627**
Financial Assets – Long-Term				
Financial Assets at fair value through profit or loss	65,114	65,114	53,701	53,701
Financial Liabilities – Current				
Amortised Cost	(101)	(101)	(108)	(108)
Financial Liabilities at fair value through profit or loss	(2,399)	(2,399)	(5,797)	(5,797)
	(2,500)	**(2,500)**	**(5,905)**	**(5,905)**
Total	**1,608,017**	**1,608,017**	**1,501,423**	**1,501,423**

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

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Note 28c – Net Gains and Losses on Financial Instruments

	31 March 2014 £000	31 March 2013 £000
Financial Assets		
Fair Value through Profit and Loss	74,938	175,650
Loans and Receivables	(1,510)	(132)
Financial Liabilities		
Fair Value through Profit and Loss	4,199	301
Financial Liabilities Measured at Amortised Cost	0	0
Total	**77,627**	**175,819**

Note 28d – Valuation of Financial Instruments Carried at Fair Value

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

Level 1

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

Level 2

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

Level 3

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

Included within Level 3 are pooled private equity investments made in Limited Liability Partnerships where fair value is determined using valuation techniques which involve significant judgements by fund managers due to the unquoted nature of the fund investments. Fund of funds hedge fund investments are included within Level 3 of the hierarchy as the fair value is based on the sum of the fair values of the underlying funds, which are unlisted, as provided by the fund administrators and is subject to adjustments by the Directors of the fund of funds as deemed appropriate. Some listed private equity investments have been included within Level 3 of the hierarchy where it has been determined that the market for the fund is inactive.

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

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

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

Values at 31 March 2013	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	617,520	749,787	93,862	1,461,169
Loans and Receivables	21,190	24,968	0	46,158
Total Financial Assets	**638,710**	**774,755**	**93,862**	**1,507,327**
Financial Liabilities				
Financial Liabilities at Fair Value through Profit and Loss	(5,742)	(55)	0	(5,797)
Financial Liabilities at Amortised Cost	(108)	0	0	(108)
Total Financial Liabilities	**(5,850)**	**(55)**	**0**	**(5,905)**
Net Financial Assets	**632,860**	**774,700**	**93,862**	**1,501,422**

Note 29 – Risk

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

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

- The tri-annual Fund Valuation which reviews the assets and liabilities of the Fund, and resets employer contribution rates to target a 100% Funding Level. The 2013 Valuation estimated that the current Funding Level is only 82%, but set contribution rates to address the deficit over the next 25 years.
- The Statement of Investment Principles which sets out the Fund's approach to the investment of funds, and specifically sets out the approach to the mitigation of investment risk.
- The review of the Strategic Asset allocation to ensure compliance with the Statement of Investment Principles.
- The regular review of the performance of all Fund Managers.

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

- Maintaining an element of the asset allocation in fixed income securities, the behaviour of which most closely mirrors that of the Fund liabilities. The allocation to fixed income securities is constantly reviewed with the proposal that the allocation will increase as the maturity of the fund increases. Whilst the Fund maintains a high proportion of active members where the payment of liabilities is not due for many decades, the Fund can afford to seek the higher investment returns associated with the more volatile asset classes.
- Maintaining an element of the asset allocation in passive equity funds which remove the risk associated with poor manager performance (though retaining the market risk).
- Ensuring a diversification amongst asset groups, and in particular an allocation to alternative asset classes for which performance has historically not correlated to equity performance.
- Ensuring a diversification of Fund Managers and investment styles (e.g. some with a growth philosophy, some with a value philosophy) to mitigate the risk of poor manager performance impacting on asset values.
- Restrictions on investments in line with the LGPS Investment Management Regulations, which set limits for total exposure to different investment classes, investment types etc.

The key risks associated with the level of liabilities stem from the level of initial pension benefit payable, the indexation of this benefit and the time the benefit is in payment for. These risks largely lie outside the control of the Pension Fund. The new scheme that will take effect from 1 April 2014 will link normal retirement age to future estimates of life expectancy to bring stability to the length of time benefits are in payment, move the calculation of benefits to career average revalued earnings to avoid the sudden hike possible in final benefits under a final salary scheme, and switch the basis of indexation to CPI.

The Actuary when completing the 2013 Valuation undertook sensitivity analysis calculations to look at the impact on potential liabilities and the funding level. A variation of 0.5% per annum in the discount rate would move the calculated funding level from 82% down to 76% or up to 90%. A change in the CPI assumption of 0.5% per annum would lead to a reduction in the funding level to 76% or an increase to 89%.

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

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

Credit Risk

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

At 31 March 2014 the Fund's exposure to credit risk predominantly related to the following investments:

Investment Category	31 March 2014 £000	31 March 2013 £000
UK Government Gilts	39,388	33,328
UK Corporate Bonds	100,119	96,219
UK Index Linked Gilts	80,201	77,416
Overseas Government Bonds	31,839	28,731
Non-Sterling Cash Deposits	10,285	8,995
Cash Balances	48,284	40,453
Total	**310,116**	**285,142**

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 2014 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	**Balance as at 31 March 2014 £000**	**Rating**	Balance as at 31 March 2013 £000
Money Market Funds				
Deutsche Managed Sterling Fund		0	AAA	21,324
Ignis Asset Management	AAA	12,450	AAA	0
Bank Deposit Accounts				
Royal Bank of Scotland Plc	A	3	A	8,773
Euroclear Bank S.A.		0	AA+	876
Santander UK Plc	A	4	A	501
Bank Current Accounts				
Lloyds TSB Plc	A	6,098	A	8,979
BNP Paribas	A+	29,729		0
Total		**48,284**		40,453

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 2013/14 the Pension Fund received/accrued income related to dealings with members of £86.3m (2012/13 - £84.7m) and incurred expenditure related to dealings with members of £75.9m (2012/13 - £71.5m). There were further receipts/accruals of £23.3m (2012/13 - £17.9m) in respect of investment income, against which need to be set investment management fees of £3.6m (2012/13 - £3.0m) and taxes of £0.2m (2012/13 - £0.1m). The net inflow was therefore £29.8m (2012/13 - £28.0m).

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

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

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

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

However, as noted above, for the Fund to reach a position where it is forced to sell assets and therefore face a potential financial loss, (as well as to forego future investment returns which have been assumed to meet pension liabilities in the future), the net movement in cash would be equivalent to a reduction in contributions received in the region of 50% or an increase in benefits payable in the region of 70%. Movements of this scale are deemed highly unlikely. The Pension Fund will seek to mitigate these risks through advice to the Government on the impact of any proposals for change, as well as clear communication to current scheme members of the ongoing 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 2014 £000	Change in Year in the Net Assets Available to Pay Benefits	
		+1% £000	-1% £000
Cash and Cash Equivalents	10,285	103	(103)
Cash Balances	48,284	483	(483)
Fixed Interest Securities	251,546	2,515	(2,515)
Total Change in Assets Available	**310,115**	**3,101**	**(3,101)**

Asset Type	Carrying Amount as at 31 March 2013 £000	Change in Year in the Net Assets Available to Pay Benefits	
		+1% £000	-1% £000
Cash and Cash Equivalents	8,995	90	(90)
Cash Balances	40,453	405	(405)
Fixed Interest Securities	235,694	2,357	(2,357)
Total Change in Assets Available	**285,142**	**2,852**	**(2,852)**

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 17c).

Based on the Fund's exposure to various currencies at 31 March 2014 and data on the level of volatility associated with these currencies it has been determined that the likely volatility associated with exchange rate movements is 7.6%. This is based on the one year implied volatility of the currency pairs to which the fund has exposure.

This analysis assumes that all other variables remain constant.

The table below shows the impact a 7.6% weakening/strengthening of the pound against the various currencies would have on the assets available to pay benefits:

Currency Exposure – Asset Type	Asset Values as at 31 March 2014 £000	Change in Year in the Net Assets Available to Pay Benefits	
		+7.6% £000	-7.6% £000
Overseas Equities	164,160	176,571	151,749
Pooled Overseas Equities	360,670	387,938	333,403
Private Equity	4,993	5,370	4,615
Pooled Private Equity (LLPs)	48,840	52,533	45,148
Pooled Property	28,974	31,164	26,783
Cash	10,285	11,062	9,507
Total Change in Assets Available	**617,922**	**664,638**	**571,205**

Currency Exposure – Asset Type	Asset Values as at 31 March 2013 £000	Change in Year in the Net Assets Available to Pay Benefits	
		+5.8% £000	-5.8% £000
Overseas Equities	164,656	9,483	(9,483)
Pooled Overseas Equities	335,438	19,318	(19,318)
Private Equity	6,035	348	(348)
Pooled Private Equity (LLPs)	43,222	2,489	(2,489)
Pooled Property	23,239	1,338	(1,338)
Cash	8,995	518	(518)
Total Change in Assets Available	**581,585**	**33,494**	**(33,494)**

Pension Fund Accounts 2013-14

Other Price Risk

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

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

Based on an analysis of historical data, movements in market price that are reasonably possible have been determined. This is based on a one standard deviation movement in historical price data over a one year period. These are presented in the table below along with the effect on total assets available to pay benefits assuming all other factors remain constant:

Asset Type	Value as at 31 March 2014 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UK Equities	456,493	11.6	509,218	403,768
Pooled UK Equities (Small Cap)	14,483	8.3	15,680	13,285
Global Equities	187,362	9.7	205,461	169,263
Emerging Markets Equities	17,365	13	19,626	15,104
Pooled Overseas Equities	205,354	11.4	228,847	181,862
Pooled World Equities	137,951	9.4	150,918	124,983
UK Bonds	43,119	5.1	45,331	40,907
Overseas Bonds	31,839	6.0	33,746	29,932
UK Index Linked Bonds	80,201	9.3	87,620	72,782
Pooled Corporate Bonds	96,388	4.6	100,816	91,960
Pooled Hedge Funds	35,397	2.8	36,381	34,413
Private Equity	91,435	8.3	98,997	83,873
Pooled Private Equity (LLPs)	51,602	8.3	55,870	47,335
Pooled Property	97,287	2.5	99,720	94,855
Cash	58,569	0.0	58,569	58,569
Total Assets Available to Pay Benefits	**1,604,845**	**8.8**	**1,746,800**	**1,462,891**

Pension Fund Accounts 2013-14

Asset Type	Value as at 31 March 2013 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UK Equities	461,312	12.8	520,314	402,310
Pooled Overseas Equities	500,094	14.9	574,558	425,630
UK Bonds	129,547	4.4	135,234	123,860
Overseas Bonds	28,731	2.4	29,432	28,030
UK Index Linked Bonds	77,416	8.4	83,950	70,883
Pooled Hedge Funds	32,842	2.8	33,775	31,910
Private Equity	90,881	13.7	103,313	78,448
Pooled Private Equity (LLPs)	45,488	8.4	49,291	41,685
Pooled Property	86,589	1.6	88,009	85,168
Cash	49,448	0.0	49,458	49,438
Total Assets Available to Pay Benefits	**1,502,348**		**1,631,549**	**1,373,145**

Audit Report

Independent Auditor's Report to the Members of Oxfordshire County Council Pension Fund on the Pension Fund Financial Statements

We have examined the pension fund financial statements for the year ended 31 March 2014, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 29.

This report is made solely to the members of Oxfordshire County Council Pension Fund, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the authority and the authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and the auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 9, the Chief Financial Officer 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 2013/14.

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 only of the Foreword, Statement of Responsibilities, Details of Participants and how the scheme operates, Investment Review, Actuarial Statement, Summary of Benefits, Statement of Investment Principals, Other Governance and Financial Statements and Communication.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion

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 2014 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Baldeep Singh
for and on behalf of Ernst & Young LLP,
Appointed Auditor
Reading
24 September 2014

Actuarial Statement

Statement of the Actuary for the year ended 31 March 2014

Introduction

The last full triennial valuation of the Oxfordshire County Council Pension Fund was carried as at 31 March 2013 in accordance with the Funding Strategy Statement of the fund. The results were published in the triennial valuation report dated March 2014.

The most recent full actuarial valuation of the Fund was at 31 March 2013 and the results were published in March 2014. This statement gives an update on the funding position as at 31 March 2014 and comments on the main factors that have led to a change since the full valuation.

The estimated funding position in this statement at 31 March 2014 is just based on market movements over the year rather than being a full valuation with updated member data.

2013 Valuation

The results for the Fund at 31 March 2013 were as follows

- The Fund as a whole had a funding level of 82% i.e. the assets were 82% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £330m which is higher than the nominal deficit at the previous valuation in 2010.
- To cover the cost of new benefits and to also pay off the deficit over a period of 25 years, a total contribution rate of 19.3% of pensionable salaries is required.
- The contribution rate for each employer was set based on the annual cost of new benefits plus any adjustment required to pay for their individual deficit reflecting the employer's experience within the Fund.

Assumptions

The assumptions used at the whole Fund level to value the benefits at 31 March 2013 and used in providing this estimate at 31 March 2014 are summarised below:

Assumption	31 March 2013	31 March 2014
Discount rate	5.8% p.a.	6.0% p.a.
Pension increases	2.7% p.a.	2.8% p.a.
Salary increases	2.7% until 31 March 2015 then 4.5% p.a.	2.8% until 31 March 2015 then 4.6% p.a.
Mortality	95% of the S1PA tables with future improvements in line with the CMI 2012 Model with a long term rate of improvement of 1.5% per annum.	
Retirement	Each member retires at a single age, weighted based on when each part of their pension is payable unreduced.	
Commutation	Members will convert 50% of the maximum possible amount of pension into cash.	

The effect of the change in the assumptions over the year is discussed in the final section.

Actuarial Statement

Assets

The assumptions used to value the liabilities are smoothed based on market conditions around the valuation date, therefore the smoothed asset values are also measured in a consistent manner although the difference between the smoothed and market values at either date is not expected to be significant.

At 31 March 2013, the smoothed value of the assets used was £1,510m and this has increased over the year to an estimated £1,617m.

Updated position

The estimated funding position at 31 March 2014 is a funding level of 85% which is an improvement on the position at 31 March 2013.

The assets have given a return of 6% over the year, which was in line with the assumption at the 2013 valuation.

Payment of deficit contributions during 2013/14 in line with agreed contribution schedules has improved the position. Changes in the assumptions, reflecting an updated asset allocation, used to value the liabilities between 31 March 2013 and 31 March 2014 have also made an improvement to the funding position.

The next full triennial valuation will be carried out as at 31 March 2016 with new contribution rates set from 1 April 2017.

Alison Hamilton FFA
Partner, Barnett Waddingham LLP

Barnett Waddingham
Public Sector Consulting

Summary of Benefits at March 2014

Introduction

Membership of the Local Government Pension Scheme (LGPS) secures entitlement to benefits that are determined by statute, contained within the LGPS Regulations. The regulations current for this year's report were effective from April 2008. A summary of the main benefit structure follows. There is further specific information in the sections, making up an Employee Guide currently held on the pension pages of the County public website. www.oxfordshire.gov.uk/pensions

Employers' Discretion

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

The specific areas include how employers will exercise discretionary powers to award additional membership to an active member, award additional pension for a member, agreement to early or flexible retirement on request of the member and setting up a shared cost AVC scheme.

Retirement

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

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

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

The earliest age for payment of pensions increased to 55 from April 2008 but is only permitted with the employer's approval.

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

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

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

Benefits

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

Summary of Benefits at March 2014

3 months. The standard pension calculation, for membership to 31 March 2008, is 1/80 of final years' pensionable pay for each year of membership and the retirement grant is 3/80 of final year's pensionable pay for each year of membership. From 1 April 2008 the standard calculation is 1/60 of final years' pensionable pay for each year of membership.

Example – retirement in 2013
25 years membership, final pay £15,000

Annual Pension
20 years x 1/80 x £15,000 = **£3,750**
5 years x 1/60 x £15,000 = **£1,250**

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

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

There are differences for elected members: Final pay is derived from career average pay and the benefit calculation remains for the time being as 1/80 for annual pension and 3/80 retirement grant.

Liability to pay future benefits

The Pension Fund financial statements provide information about the financial position, performance and financial arrangements of the Fund. They are intended to show the results of the stewardship and management, that is the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end. The only items that are required to be excluded by regulations are liabilities to pay pensions and other benefits in the future, which are reported upon in the actuary's statement.

Increasing Benefits

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

Additional Regular contributions (ARC's) to the LGPS can buy units of additional pension for the member or the member and the dependants. Each unit buys £250 of annual pension (to a maximum of £5000). Members apply to Pension Services for quotations, although an online readyreckoner is on our website.

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

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

Death

Following a death in service a death grant of up to three times pensionable pay is payable. Scheme members are recommended to keep their 'expression of wish' nominations current.

Summary of Benefits at March 2014

Widows' and Widowers' Pension; Civil Partners' Pension; Nominated co-habiting partners' Pension

The formula for pensions for surviving partners is 1/160 of the members' final year's pensionable pay for the allowable membership.

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

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

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

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

Leaving the Scheme

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

Entitlement to a deferred benefit exists when membership is of at least 3 months duration. The deferred benefit remains within this fund until retirement or an earlier transfer to an approved scheme.

Early Retirement

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

Statement of Investment Principles

Introduction

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

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

Overall Responsibility

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

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

Investment Objectives and Strategy

Investment Objectives

The investment objectives are:

1. to achieve a 100% funding level;
2. to ensure there are sufficient liquid resources available to meet the Fund's current liabilities and investment commitments;
3. for the overall Fund to outperform the benchmark, set out in the next section, by 1.0% per annum over a rolling three-year period.

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

Risk

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

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

- retaining a proportion of investments in bonds to reflect potential changes in liabilities;
- investing a proportion of the fund passively to limit the impact of poor performance by investment managers;
- diversification of investments, including investing in alternative assets with a low degree of correlation;

Statement of Investment Principles

- use of a number of different investment managers to spread the risk of poor performance.
- diversification of investment styles, e.g. growth and value

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

Strategic asset allocation

In March 2014, the Pension Fund Committee reviewed the benchmark for the strategic allocation of assets, following the results of the 2013 Valuation. As the Fund is currently in the process of transition to the new benchmark, both the existing benchmark and the revised benchmark are set out in the table below:

Asset Class	**Current Target asset allocation %**	**Range %**	**Revised Target Asset Allocation %**	**Range %**
UK Equities				
– passively managed	10		9	
– actively managed	21		20	
Total UK Equities	31	29 - 33	29	27 - 31
Overseas Equities				
– passively managed	8		7	
– actively managed	24		23	
Total Overseas Equities	32	30 -34	30	28 - 32
Total Equities	**63**	**59 - 67**	**59**	**55 - 63**
UK Gilts	3		3	
Index Linked Gilts	5		5	
Overseas Bonds	2		2	
Corporate Bonds	6		6	
Total Bonds & Index Linked	**16**	**14 - 18**	**16**	**14 - 18**
Property	8	5 - 9	8	5 - 9
Private Equity	10	6 - 11	9	6 - 11
Hedge Funds	3	2 - 4	0	
Diversified Growth Fund	0		5	4 - 6
Infrastructure	0		3	2 - 4
Cash	0	0 - 5	0	0 - 5
Total Other Assets	**21**		**25**	
Total All Assets	**100**		**100**	

Statement of Investment Principles

Management of the Assets

Following a fundamental review of the management of the Funds assets in 2003, the Committee decided to switch from investment managers with a balanced mandate to a specialist management structure. As part of this review the Committee, advised by the Independent Financial Adviser, took over responsibility for strategic asset allocation. Once every three years, following the actuarial valuation, there is a fundamental review of how the assets are managed. The last such review was undertaken in March 2014. The assets are currently managed as set out in the following table.

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

Target performance is based on rolling 3-year periods

Statement of Investment Principles

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

As noted above, notice has been served to terminate the Hedge Fund mandate, and new mandates for Diversified Growth and Infrastructure are currently being sought.

Restrictions on Investment

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

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

- not more than 10% (15%) of the Fund may be invested in unlisted securities of companies;
- not more than 10% of the Fund may be held in any single holding;
- not more than 10% of the Fund may be held as a deposit in any single bank, institution or person;
- not more than 2% (5%) of the Fund may be contributed to a single partnership
- not more than 5% (30%) of the Fund may be contributed to partnerships in total.
- not more than 10% of the Fund may be deposited or loaned to local authorities
- not more than 25% (35%) of the Fund may be invested in open ended investment companies where the collective investment schemes constituted by the companies are managed by one body.
- Not more than 25% (35%) in any single insurance contract.

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

The Council has determined to increase its limits as follows:

- to increase the limit on the proportion of the Fund that may be invested in any single insurance contract
- the limit on this investment has been increased to 35%
- this increase has been agreed to ensure that Legal and General retain the flexibility to manage their fixed income mandate within the limits previously set. Currently, Legal and General manage the allocations for passive UK and overseas equities, and the allocation for corporate bonds through a single insurance contract. Whilst the benchmark figure for the combined allocation to these funds is 24%, the flexibility provided to Legal and General to switch between corporate bonds and other elements of the fixed income mandate means the total allocation could rise above 25%. As the three component parts of the Legal and General contract are diversified, and operated within strict limits, it is not felt that this increase in overall limit exposes the Fund to undue risk.
- The increase was agreed for a period not exceeding 18 months, and followed on from an agreement which covered the previous 2 years

Statement of Investment Principles

which included the transition period where Legal & General held additional funds in the passive mandate, whilst awaiting the appointment of a new global equity manager.

- It is proposed that the increase should be retained for the next three year period. The reduction in the revised asset allocation in the total allocation to the passive funds is not thought to be sufficient to ensure that Legal & General would retain sufficient flexibility to manage their fixed income mandate within the lower limits. The higher level will also provide flexibility in managing the transition to the Diversified Growth Fund and Infrastructure mandates, allowing cash released by the termination of the Hedge Fund mandate to be managed passively whilst finalising new mandate arrangements. The increase will be reviewed as part of the 2017 Fundamental Asset Allocation Review and expires no later than 30 June 2017.
- The decision to increase the limit has been made in accordance with the Regulations.

Realisation of Investments

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

Monitoring and review

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

Social, Environmental & Ethically Responsible Investment

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

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

Statement of Investment Principles

Exercise of Rights attached to Investments

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

In practice its Investment Managers are delegated authority to exercise voting rights in respect of the Council's holdings. Voting decisions are fully delegated to fund managers, subject to an annual review by the Pension Fund Committee.

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

Custody & Stock Lending

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

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

The Council allows the custodian to lend stock and share the proceeds with the Council. This is done to generate income for the Fund and to minimise the cost of custody. To minimise risk of loss the counterparty is required to provide suitable collateral to the custodian.

Compliance

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

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

Review of this Statement

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

Other Governance and Financial Statements

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

Funding Strategy Statement

This is a key document in driving the triennial Valuation process, and sets out the Pension Fund's approach to ensuring the long term financial position of the Fund. The three main purposes of this Funding Strategy Statement are:

- To establish a clear and transparent strategy, specific to the Fund, which will identify how employers' pension liabilities are best met going forward.
- To support the regulatory requirement in relation to the desirability of maintaining as nearly constant employer contribution rates as possible.
- To take a prudent longer-term view of funding the Fund's liabilities.

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

The Governance Compliance Statement

The Governance Compliance Statement – All Pension funds must publish a Governance Policy and a Governance Compliance Statement which sets out the extent to which this Governance Policy matches best practice guidance. The Governance Policy covers how the Administering Authority delegated its powers, the frequency of meetings, the terms of reference, structure and operating procedures in relation to the use of delegated powers, and the representation of scheme employers, and members within the arrangements. The current Governance Compliance Statement indicates that the Oxfordshire Fund is fully compliant in respect of most of the best practice statements, and partially compliant in the remaining three. These three relate to the fact that not all key scheme employers have representation on the Pension Fund Committee, the fact that there is no restriction on who can substitute for a Committee Member in terms of a minimum level of training on Pension fund matters, and the absence of a formal annual training plan for Committee Members, including a log of all training undertaken.

The Communications Policy

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

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.
- **Short Guide to the LGPS** – A reduced version of the scheme guide, with main points, for all employers to give to all employees on starting employment.
- **Reports by Beneficiaries 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 and guides.

Communication

- **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 intranet sites for employees.
- **Talking Pensions** – This is an informal monthly newssheet for all employers in the Oxfordshire Fund distributed to all Human Resources and Payroll contacts.
- **Annual Benefit Statements** – Pension Services issue statements to current members and to members who have left the scheme with an entitlement to pension but not to an immediate payment. Additional information to the Statement is available from the website.
- **Administration principles – we encourage all new employers to attend a meeting to help acquaint themselves to our requirements and importantly, their responsibilities within the scheme**

USEFUL CONTACTS AND ADDRESSES

BENEFIT ADMINISTRATION

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

Telephone:
01865 797133 or 01865 797125

email: pension.services@oxfordshire.gov.uk

ACCOUNTS AND INVESTMENTS

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

Telephone: 01865 328001

email: pension.investments@oxfordshire.gov.uk

BENEFICIARIES OBSERVER

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

SPECIFIED PERSON FOR INTERNAL DISPUTE RESOLUTION PROCEDURE

Disputes to be sent to:

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

Telephone: 01865 797111

email: sally.fox@oxfordshire.gov.uk

The Pensions Regulator

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

The Registrar of Occupational and Personal Pension Schemes

PO Box 1NN
Newcastle upon Tyne
NE99 1NN

The Pensions Advisory Service (TPAS)

11 Belgrave Road
London
SW1V 1RB 0845 601 2923

Pensions Ombudsman

11 Belgrave Road
London
SW1V 1RB 0207 630 2200

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OXFORDSHIRE
COUNTY COUNCIL