

# OXFORDSHIRE PENSION FUND

## REPORT AND ACCOUNTS 2015-2016

Registered number PS049/20



OXFORDSHIRE  
COUNTY COUNCIL

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## Foreword by the Chief Finance Officer

### Introduction

The 2015/16 Report and Accounts reflect a year of consolidation, whilst undertaking the initial planning for major changes ahead. We continued to resolve challenges presented by the New Look 2014 Scheme, and at the same time Officers were heavily engaged in developing proposals to meet the Government's investment pooling requirement for all Administering Authorities within the Local Government Pension Scheme.

These changes took place in the context of greater scrutiny than in previous years, with the Pensions Regulator becoming increasingly engaged across the country, supported by the newly formed Pension Boards. In Oxfordshire, whilst a little slow off the starting blocks, the Oxfordshire Pension Board was quickly up to speed to oversee and support the work of the Pension Fund Committee.

### Key Challenges of 2015/16

Whilst the New Look Scheme had been in place from 1 April 2014, it was not until the scheme employers began to submit their end of year returns that the full challenges of administering the new scheme became clear. These were the first set of returns for employers where they had to provide information to meet the requirements of both the final salary scheme for membership prior to April 2014, and the career average scheme in place since April 2014. The fact that the Regulations had changed the definition of pensionable pay between the two schemes simply added to the challenges facing scheme employers.

Whilst a number of scheme employers did successfully get a full set of data into the Administering Authority, many did not, leading to a delay in the issuing of the annual benefit statements to all active scheme members. Whilst the delays reflected a

pattern across the Country, this was still a breach of the Statutory Regulations and resulted in the Administering Authority having to report itself to the Pensions Regulator. In light of the national picture, the Regulator was happy to take no further action at this stage, but was keen to see a robust action plan in place and the avoidance of further delays in 2016/17.

On the investment side, the key challenge was laid down by the Chancellor of the Exchequer in his June 2015 Budget Statement where he asked all Administering Authorities in England and Wales to develop proposals to collaborate on pension investments. His initial aim was to improve the governance arrangements for pension investments, thereby reducing costs whilst maintaining investment performance. Later during the year, he added a further aim to increase the capacity and capability of the LGPS Funds to invest in infrastructure projects.

The Oxfordshire Fund having explored the developing proposals, opted to join in with the 8 Funds to the South West, plus Buckinghamshire to meet the Government's requirements. By February 2016, Project Brunel had submitted an initial proposal to Government on how the 10 Funds would work together. Work continued throughout the rest of 2015/16 to develop this submission into an outline business case, required by the Government by July 2016.

Also in response to Government requirements, the Oxfordshire Pension Board was established, and after initial delays in finding appropriate individuals to fill the 3 positions representing scheme members and the 3 positions representing scheme employers, the Board finally had its initial meeting in November 2015. The Board appointed Graham Burrow, the Head of Pensions at the Gloucestershire Fund to act as their

Foreword by the  
Chief Finance  
Officer

Independent Chairman, and were quick to involve themselves in the work of Project Brunel, and challenging the Committee on the strength of their risk management arrangements. The Committee have responded with a much improved risk register, and now review all risks and mitigating actions on a quarterly basis.

### **The Fund**

The Fund saw a further 10% growth in the number of scheme employers during 2015/16, now receiving contributions from over 150 employers. The increase reflects the changing nature of public service delivery, and in particular the growth of academy schools and the outsourcing of services.

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

### **Investment Performance**

Investment performance over the last year was disappointing, with the Fund as a whole returning a small loss of 0.4% against a benchmark of plus 0.3%. All active equity managers in the Fund made losses, ranging from -3.2% at Baillie Gifford to -5.1% at UBS. The new diversified growth fund manager, Insight Investment, also made a 6.2% loss in its first year.

Across the other asset classes though results were much better, with Private Equity returning 9.8%, UBS Property returning 12.0% and the Legal & General Fixed Income mandate returning 2.6%, all above their respective benchmarks. The Committee continues to monitor the performance of all managers, as well as challenging managers in respect

of the social, economic and environmental elements of their investment decisions.

### **The Future**

2016/17 is a Valuation year for the Fund, with the Actuary undertaking the valuation as at 31 March 2016 to establish new employer contribution rates from 1 April 2017. This valuation will take place in the context of the data quality issues following the introduction of the scheme changes in 2014, greater scrutiny of results across all Funds by the Scheme Advisory Board and now the added uncertainty created by the referendum vote to leave the European Union.

As the trend in cash flow continues downwards, the Fund will need to work with the major scheme employers to understand any key potential changes in their workforce which will impact on the level of pensions in payment and/or contributions payable from active members. This will need to be fed into a review of the investment strategy to ensure we are still in a position to close the current deficit on the Fund, whilst retaining sufficient cash to meet the monthly pension payroll.

This in turn feeds into the work of Project Brunel. This is tasked with delivering a full business case by October 2016 to propose new pooling arrangements. The Committee will need to ensure that the proposal enables the Oxfordshire Fund to still invest in cost effective ways to meet the future pension liabilities of the Fund.

It therefore remains the case that the next year promises to be yet another eventful year for the LGPS in Oxfordshire. We look forward to the challenge.

**Lorna Baxter**  
**Chief Finance Officer**  
**July 2016**

## 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 2015/16 ('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**

<b>Administering Authority</b> .....	Oxfordshire County Council PO Box 12 County Hall Oxford OX1 1TH
<b>Administrator</b> .....	Chief Finance Officer
<b>Pension Fund Committee</b> .....	Cllr Stewart Lilly (Chairman)
<b>County Council Members 2015/16 Membership</b>	Cllr Patrick Greene (Deputy Chairman) Cllr Surinder Dhesi Cllr Jean Fooks Cllr Nick Hards Cllr Richard Langridge Cllr Sandy Lovatt Cllr Neil Owen Cllr Les Sibley
<b>Representatives of District Councils</b> .....	Cllr James Fry (Oxford City) Cllr Bill Service (SODC)
<b>Beneficiary Observer</b> .....	Philip Wilde
<b>Independent Investment Adviser</b> .....	Peter Davies AllenbridgeEpic Investment Advisers Limited
<b>Fund Managers</b> .....	Adams Street Partners Baillie Gifford Legal & General Investment Management Partners Group UBS Global Asset Management Wellington Management Insight Investment Management
<b>Internally Managed Funds</b> .....	Listed Private Equity
<b>Actuary</b> .....	Alison Hamilton FFA Barnett Waddingham LLP
<b>Auditor</b> .....	Ernst & Young LLP
<b>AVC Provider</b> .....	Prudential Assurance Company Ltd
<b>Custodian</b> .....	BNP Paribas Securities Services
<b>Performance Management</b> .....	WM Performance Services
<b>Legal Advisers</b> .....	Oxfordshire County Council Legal Services
<b>Bankers</b> .....	Lloyds Bank Plc

## How the Scheme Operates

### Legal Framework

The Local Government Pension Scheme is a statutory, funded defined benefit pension scheme. It is "contracted-out" of the state scheme. The operation of the Oxfordshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 [as amended] (effective from April 2014).<sup>1</sup> The scheme covers eligible employees and employees of other bodies eligible to be employers in the Scheme. A list of all those bodies with employees currently participating in the Scheme is shown on pages 8 to 11.

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

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

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

### Contributions

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

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

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

Contribution rates for 2015 - 2016 were based on the completed valuation of the Scheme's financial position as at 31 March 2013 and are shown on pages 8 to 11. The results of the next actuarial valuation, taking place in 2016 will be operational from April 2017.

### Benefits

The benefits payable under the Scheme are laid down by the 2013 Regulations. Pension payments are guaranteed and any shortfall is met through the Pension Fund linked to employer contribution rates set by the fund valuation. The Scheme is a 'defined benefit scheme and provides a pension based on 1/49th of pensionable pay each year of membership with annual revaluation, adjusted in line with CPI. A Summary of Benefits is shown on pages 81 to 83.

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



## 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.

## Adjudication of Disagreements Procedure

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



## Participating Employers

Scheduled Bodies	Contribution Rate		Scheduled Bodies	Contribution Rate	
	Payroll %	Additional Monetary Amount		Payroll %	Additional Monetary Amount
	2015/16	2015/16		2015/16	2015/16
Abingdon Town Council	16.6	£22,000	Endeavour Academy	19.9	-
Abingdon & Witney College	12.7	£128,000	Europa School	14.4	£5,800
Activate – Bicester College	19.9	-	Eynsham Parish Council	16.6	£1,000
Activate Learning	13.0	£391,000	Faringdon College Academy	15.9	£31,000
Activate – UTC	19.9	-	Faringdon Town Council	16.6	£6,200
Aspirations Academy Trust	14.0	£73,000	Gillots School Academy	14.4	£28,000
Banbury Town Council	16.6	£18,000	GLF – William Morris	19.9	-
Bartholomew School Academy	16.9	£25,000	Gosford Hill Academy School	14.4	£35,000
Benson Parish Council	16.6	£1,000	Hanborough Parish Council	16.6	£700
Berinsfield Parish Council	16.6	£700	Hanwell Fields Academy	12.3	£33,000
Bicester Learning Academy	15.8	£60,800	Henry Box School	16.3	£36,000
Bicester Town Council	16.6	£11,000	Henley College	15.0	£44,000
Blackbird Multi Academy Trust	12.8	£97,000	Henley-on-Thames Town Council	16.6	£22,000
Bloxham Parish Council	16.6	-	Heyford Park Free School	19.3	-
Burford School	17.5	£59,000	John Mason Academy Trust	17.0	£26,040
Carterton Town Council	16.6	£4,000	Kidlington Parish Council	16.6	£8,200
CfBT MAT	15.6	£39,500	Ladygrove Park Primary School	14.4	£14,000
Cherwell District Council	13.7	£1,526,000	Langtree School Academy	14.4	£20,000
River Learning Trust	14.1	£75,000	Lord Williams School	15.6	£70,000
Chalgrove Parish Council	16.6	-	Littlemore Parish Council	*	-
Cheney Academy School	14.0	£71,000	Malborough CE VC School	16.8	£28,000
Chinnor Parish Council	16.6	£3,900	Manor School Didcot Academy Trust	14.1	£17,000
Chipping Norton School Academy	18.4	£34,000	Marcham Parish Council	16.6	£600
Chipping Norton Town Council	16.6	£2,300	North Hinksey Parish Council	*	-
Cholsey Primary School (OPEN)	14.4	£10,000	Northern House School Academy Trust	14.4	£22,000
Cumnor Parish Council	16.6	-	North Oxfordshire Academy	12.0	-
Didcot Academy of Schools	16.1	£65,000	Old Marston Parish Council	16.6	-
Didcot Town Council	16.6	£15,000	Oxford Brookes University	14.1	£1,560,000
Drayton Parish Council	16.6	-	Oxford City Council	20.6	-
Dominic Barberi Multi Academy Co	13.9	£112,000	Oxfordshire County Council	19.9	-

*List of Participating Employers continues on next page*

## Participating Employers

Scheduled Bodies	Contribution Rate		Scheduled Bodies	Contribution Rate	
	Payroll %	Additional Monetary Amount		Payroll %	Additional Monetary Amount
	2015/16	2015/16		2015/16	2015/16
Oxford Diocesan Trust	13.8	£65,000	The Pope Francis MAC	19.3	-
Propeller Academy Trust	13.4	£53,000	Tynedale School	14.4	£2,100
Radcliffe Academy	14.4	£48,400	Vale Academy Trust	16.0	£48,000
Radley Parish Council	16.6	£700	Vale of White Horse District Council	13.1	£677,000
Ramsden Parish Council	16.6	£200	Wallingford School Academy	14.6	£45,000
Risinghurst & Sandhills Parish Council	*	-	Wallingford Town Council	16.6	£10,000
Rotherfield Greys Parish Council	16.6	£100	Wantage Town Council	*	-
Rotherfield Peppard Parish Council	16.6	£400	Warriner Multi Academy Trust	19.9	-
Rush Common School Academy	14.4	£17,000	West Oxford School Trust	19.9	-
Sonning Common Parish Council	16.6	£900	West Oxfordshire District Council	14.4	-
South Oxfordshire District Council	12.3	£725,000	Wheatley Area Learning Trust	18.8	£27,000
St John's Academy Trust	14.4	£8,000	Wheatley Parish Council	16.6	£1,100
Sutton Courtenay Parish Council	16.6	£700	Whitchurch Parish Council	*	-
Thame Town Council	16.6	£13,000	Willowcroft Academy Trust	14.4	£16,000
The Iffley Academy	14.4	£33,000	Witney Town Council	16.6	£17,000
The Oxford Academy	16.1	-	Woodstock Town Council	16.6	£1,900

*List of Participating Employers continues on next page*

## Participating Employers

Admitted Bodies	Contribution Rate		Admitted Bodies	Contribution Rate	
	Payroll %	Additional Monetary Amount		Payroll %	Additional Monetary Amount
	2015/16	2015/16		2015/16	2015/16
A2 Dominion	15.0	£31,000	Edwards and Ward (St Andrews C.E. Primary School)	19.9	-
Adviza	19.9	-	Edwards and Ward (St Nicholas C.E. Primary School)	19.9	-
Allied Healthcare	19.9	-	Edwards & Ward (St Nicholas Oxford)	19.9	-
Banbury Citizens Advice Bureau	15.0	£500	Edwards and Ward (Willowcroft Community School)	19.9	-
Banbury Homes	15.0	£800	Edwards & Ward (Wolvercote Primary School)	19.9	-
Banbury Museum Trust	23.1	-	Fresh Start Ltd (Bloxham School Contract)	19.9	-
Barnardos	19.9	-	Fresh Start Ltd (Langford Primary Contract)	19.9	-
CAPITA (Vale)	15.3	-	Fresh Start Ltd (Sibford Gower School Contract)	19.9	-
Capita Symonds Ltd	19.9	-	Fusion Lifestyle	20.6	-
Cara Services Ltd	19.3	-	Greenwich Leisure Limited	22.5	-
Care Outlook Ltd	19.9	-	Hayward Cleaning Services	19.9	-
Carillion (AMBS) Ltd	19.9	-	Home Farm Trust - South & Vale 1 Contract	19.9	-
Cater Link Ltd	19.7	-	Home Farm Trust - South & Vale 2 Contract	19.9	-
CfBT Career Service	19.6	£14,000	Innovate Services Limited	10.1	-
Charter Community Housing	15.6	-	Nexus Community	15.0	-
Chartwells	19.9	-	Optalis Limited	19.9	-
Civica	19.3	-	Order of St John's Care Trust	19.9	-
Community Voice	19.9	-	Oxford Active	12.0	-
Cottsway Housing Association	14.5	-	Oxford Archaeological Unit	15.0	£64,000
Edwards and Ward (Banbury Dashwood Academy)	19.9	-	Oxford Citizens' Housing Association	19.9	-
Edwards and Ward (Benson C.E. Primary School)	19.9	-	Oxford Community Work Agency	15.0	£5,600
Edwards and Ward (Bladon C.E. Primary School)	19.9	-	Oxford Health NHS Foundation Trust	19.9	-
Edwards & Ward Ltd (Brightwell-cum-Sotwell CE Primary School)	19.9	-	Oxford Health NHS Foundation Trust (Reablement)	19.9	-
Edwards and Ward (Caldecott Primary School)	19.9	-	Oxford Homeless Pathways	15.0	£11,000
Edwards and Ward (Chilton Primary School)	19.9	-	Oxford Inspires	15.4	-
Edwards & Ward (Hailey Primary School)	19.9	-			
Edwards and Ward (Orchard Fields Primary School)	19.9	-			
Edwards & Ward (Rush Common Primary School)	19.9	-			

*List of Participating Employers continues on next page*

## Participating Employers

Admitted Bodies	Contribution Rate		Admitted Bodies	Contribution Rate	
	Payroll %	Additional Monetary Amount		Payroll %	Additional Monetary Amount
	2015/16	2015/16		2015/16	2015/16
Oxfordshire South & Vale			The School Lunch Company (Queensway School)	19.9	-
Citizen's Advice Bureau	15.0	£680	School Lunch Company (St Christopher's CE Primary School)	19.9	-
Oxfordshire Youth Arts Partnership	15.0	£1,100	School Lunch Company - St John Fisher Primary School	19.9	-
PAM Wellbeing Ltd	19.9	-	The School Lunch Company (St John the Evangelist CE Primary School)	19.9	-
Rapid Commercial Cleaning Ltd	19.9	-	School Lunch Company - St Josephs Catholic Primary School	19.9	-
Reading Quest	*	-	School Lunch Company (St Kenelm's C of E Primary School)	19.9	-
RM Education	12.0	-	The School Lunch Company (St Mary's CE Infant School)	19.9	-
Skanska Construction UK Ltd	14.7	-	The School Lunch Company (Stonesfield Primary School) - catering	19.9	-
SOLL Vale	16.8	-	The School Lunch Company (Stonesfield Primary School) - cleaning	19.9	-
Sovereign Vale	19.0	-	The School Lunch Company (The Batt CE Primary School, Witney)	19.9	-
Swalcliffe Park School Trust	15.0	£30,000	School Lunch Company (The John Henry Newman Academy)	19.9	-
Thames Valley Partnership	15.0	£4,300	The School Lunch Company (Whitchurch Primary School)	19.9	-
The Camden Society - City 1 Contract	19.9	-	The School Lunch Company (Wychwood CE Primary School)	19.9	-
The Camden Society - City 2 Contract	19.9	-	United Sustainable Energy Authority	12.0	-
The Camden Society - North Contract	19.9	-	UBICO Limited	14.4	-
The Camden Society - West Contract	19.9	-	West Oxon Citizens' Advice Bureau	15.0	£3,700
School Lunch Company (Badgemore Community Primary School)	19.9	-			
The School Lunch Company (Bishop Loveday CE Primary School)	19.9	-			
The School Lunch Company (Brize Norton Primary School)	19.9	-			
The School Lunch Company (Combe CE Primary School)	19.9	-			
The School Lunch Company (Hook Norton CE Primary School)	19.9	-			
The School Lunch Company (North Hinksey CE Primary School)	19.9	-			

\* No active members at the date of the last valuation (31 March 2013). A contribution rate will be advised by the actuary at the date an active member joins the fund.

## Governance

### Conflicts of Interest

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

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

### Pension Fund Committee

Committee Membership and Attendance 2015/16

Councillor	05-Jun-15	04-Sep-15	04-Dec-15	29-Jan-16	11-Mar-15
<b>County Councillors:</b>					
Councillor L Sibley (on committee since December 2014)	✓	✓	✗	✓	✓
Councillor S Dhesi (on committee since May 2013)	✓	✓	✓	✓	✓
Councillor J Fooks (on committee since September 2009)	✓	✓	✓	✓	✓
Councillor P Greene (on committee since May 2013)	✓	✓	✓	✓	✗ Substituted by Cllr. D Willmshurst
Councillor N Hards (on committee since May 2013)	✓	✓	✓	✓	✓
Councillor R Langridge (on committee since May 2008)	✓	✓	✓	✗ Substituted by Cllr. R Rose	✓
Councillor S Lilly (on committee since September 2008)	✓	✗	✓	✓	✓
Councillor S Lovatt (on committee since June 2012)	✓	✓	✗ Substituted by Cllr. D Willmshurst	✓	✓
Councillor N Owen (on committee since May 2013)	✓	✓	✓	✓	✓
<b>District Councillors:</b>					
Councillor J Fry (on committee since September 2015)	N/A	✗	✓	✓	✗
Councillor B Service (on committee since September 2015)	N/A	✓	✗	✓	✓
<b>Beneficiaries Observer (non-voting member)</b>					
P Wilde (since June 2015)	✓	✓	✓	✗ Substituted by P Fryer	✓

## Committee Members Training Received 2015/16

Councillor	Date	Training Course
<b>COUNTY COUNCILLORS</b>		
<b>Councillor S Dhesi</b>	05-Jun-15	Shadow Scheme Advisory Board
	11-Mar-16	Pensions Administration/Investments Knowledge Assessment
<b>Councillor J Fooks</b>	05-Jun-15	Shadow Scheme Advisory Board
	11-Mar-16	Pensions Administration/Investments Knowledge Assessment
<b>Councillor P Greene</b>	05-Jun-15	Shadow Scheme Advisory Board
<b>Councillor N Hards</b>	05-Jun-15	Shadow Scheme Advisory Board
	11-Mar-16	Pensions Administration/Investments Knowledge Assessment
<b>Councillor R Langridge</b>	05-Jun-15	Shadow Scheme Advisory Board
<b>Councillor S Lilly</b>	05-Jun-15	Shadow Scheme Advisory Board
	11-Mar-16	Pensions Administration/Investments Knowledge Assessment
	25/26-June-15	LGA LGPS Trustees Conference
	15-Oct/10-Nov/01-Dec-15	LGA Trustee Training Fundamentals
<b>Councillor S Lovatt</b>	05-Jun-15	Shadow Scheme Advisory Board
	11-Mar-16	Pensions Administration/Investments Knowledge Assessment
<b>Councillor N Owen</b>	05-Jun-15	Shadow Scheme Advisory Board
	11-Mar-16	Pensions Administration/Investments Knowledge Assessment
<b>Councillor Les Sibley</b>	05-Jun-15	Shadow Scheme Advisory Board
	11-Mar-16	Pensions Administration/Investments Knowledge Assessment
	25/26-Jun-15	LGA LGPS Trustees Conference

## Governance

## Committee Members Training Received 2015/16

Councillor	Date	Training Course
<b>DISTRICT COUNCILLORS</b>		
Councillor J Fry		
Councillor B Service	11-Mar-16	Pensions Administration/Investments Knowledge Assessment
<b>BENEFICIARIES OBSERVER</b>		
P Gerrish	05-Jun-15	Shadow Scheme Advisory Board
	11-Mar-16	Pensions Administration/Investments Knowledge Assessment

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



## Internal Risk Management

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

The Council's Internal Audit function undertook a review of the Pension Investments team in 2015/16. The overall conclusion on the system of internal control being maintained was 'G' (There is a strong system of internal control in place and risks are being effectively managed. Some minor action may be required to improve controls), which is the highest rating available. There were no actions recommended as a result of the audit. The Pension Administration team was also subject to an internal audit during 2015/16. The overall conclusion was 'G'. There were two management actions resulting from the audit findings both of which are being addressed.

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

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

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

A key tool for the management of risk is the risk register. The register incorporates an assessment of the impact and likelihood of identified risks to give a risk score, assigns a target risk score, as well as the actions required to achieve the target score. The risk register is kept under review by the Chief Finance Officer and is presented to the Committee on a quarterly basis.

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

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

Risks are analysed between:

- Financial
- Administrative
- Governance

## Risk Management

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

The table below details the highest scoring risks from the most recent version of the risk register for the Fund (a copy of the full risk register is available in the Pension Fund Committee papers for March 2016 which is on the Council's public website).

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

### Key Risks Identified on the Pension Fund Risk Register

Risk	Cause	Impact	Likelihood	Risk Score	Actions Required
<b>FINANCIAL</b>					
Investment Strategy not aligned with Pension Liability profile	Pension Liabilities and Asset Attributes not Understood and Matched	4	2	8	Develop cashflow model with Actuary. Gain greater understanding of employer changes. Review asset allocation.
<b>FINANCIAL &amp; ADMINISTRATIVE</b>					
Inaccurate or out of date pension liability data	Late or In-complete Returns from Employers	4	3	12	Develop improved management reporting to highlight data issues at an earlier point in time. Develop escalation issues to ensure data issues are resolved at earliest point, including new charges, and improved training/guidance.
<b>GOVERNANCE</b>					
Insufficient Skills & Knowledge on Committee	Poor Training Programme	4	2	8	Develop needs based training programme.

## Third Party Risk Management

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

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

The following reports were received and reviewed:

Company	Report Type	Reporting Period End	Auditor
Baillie Gifford	AAF 01/06 / ISAE 3402	30 April 2015	KPMG
BNP Paribas (Custodian)	ISAE 3402	31 March 2016	PricewaterhouseCoopers
Legal & General	AAF 01/06 / ISAE 3402	31 December 2015	PricewaterhouseCoopers
UBS	AICPA Attestation	31 December 2015	Ernst & Young
Wellington	SSAE16 / ISAE 3402	31 October 2015	Deloitte

The pension investment team analyse and reconcile valuation information provided by the custodian to that of the investment manager and follow up any significant variations. Checks are undertaken on a monthly basis to ensure compliance of the Fund's investments with the limits set out in The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2013.

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

## Scheme Administration

### Scheme Administration and Administration Performance

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

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

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

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

- Communication Strategy
- Annual Report and Accounts
- Triennial Valuation Report
- Statement of Investment Principles
- Fund Strategy Statement
- Governance Policy
- Policy about Exercise of Discretionary Functions.
- Administration Strategy

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

- Stage 1 – depending upon nature of complaint the Appointed Person from either the fund or scheme employer will review and provide a written determination to the points raised.
- Stage 2 – should the member be unhappy with the decision made at stage 1 they have the right to ask for the Appointed Person at stage 2 to review their case.
- If, after this second independent review the member remains unhappy with the outcome they can then refer their case to the Pension Ombudsman.
- At all stages of this process the member can seek support and advice from The Pensions Advisory Service (TPAS).

During 2015/2016 the following complaints have been received:

	2015/16
Number of Complaints	23
Complaints as % of Workload	0.15%

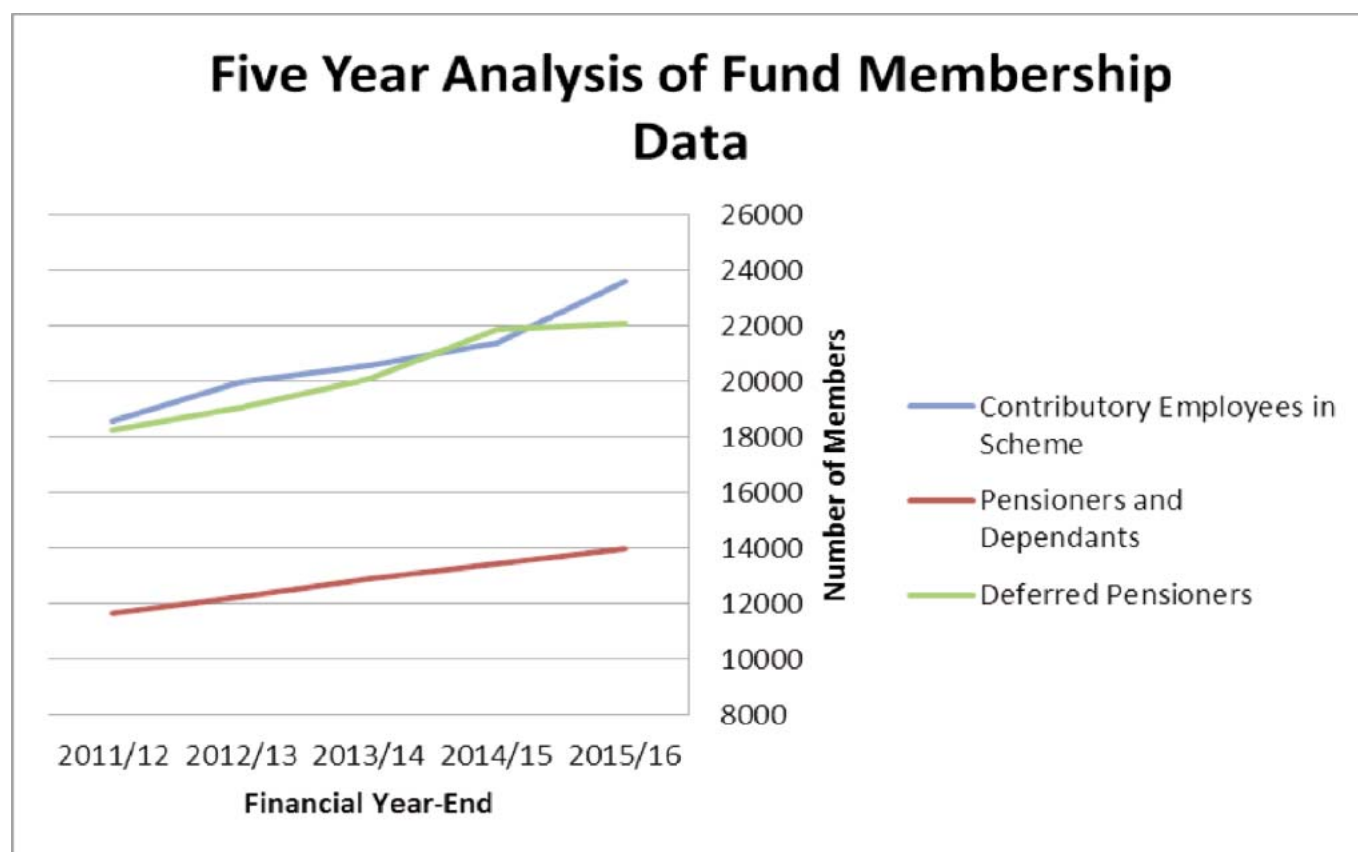
Of these complaints eight were upheld, while the Pensions Ombudsman is yet to make a determination in two cases.

The Regulations – Under the framework of overarching pension regulations The Local Government Pension Scheme is governed by statutory regulations which are the responsibility of the Department of Communities and Local Government (DCLG).

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

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

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



As at 31 March 2016 the number of staff within Pension Services is 20.64 FTE overall which is a small reduction against last year. Using the CIFPA benchmarking definition of pension administration work to strip out staff working on other public sector schemes or employing authority work this is reduced to 14.48 FTE.

## Scheme Administration

During this year staff have dealt with 37,000 tasks, which gives an average number per member of staff as 2,555 tasks. The top 10 tasks are shown in the table below:

### Top 10 Case Types

Case Type	Completed 2015/16	Completed Within Target Time
Change of Address	1,056	97%
Complete Deferred Benefit	987	78%
General Enquiries	906	62%
Member Estimates	605	76%
Pension Quotations for Deferred Pensions	323	41%
Payment of Deferred Pensions at Normal Retirement Date	292	75%
Payment of Death Benefits	281	49%
Refund of Pension Contributions	261	91%
Transfer Out Quotation	241	59%
Action GMP Notices	209	73%

The percentage of tasks completed within the target time is significantly lower compared to the prior year for a number of case types. The reason for the falls is mainly due to issues with data received from employers linked to the new requirements following the introduction of the new CARE scheme. The CARE scheme required employers to provide new data and this impacted on their data systems and payroll software which typically required updates to provide the required data. This impacted on the time taken to complete tasks due to extra checks being required and queries having to be raised.

At the time of preparing this report CIPFA benchmarking for 2016 has not been completed. The unit cost per member for the Oxfordshire Pension Fund as at 31 March 2015 was £ 21.17 against a benchmarked average of £19.17

### Promotion of Scheme Membership

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

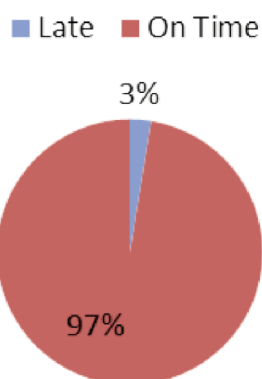
### Memberships

The Fund is a member of the National Association of Pension Funds and subscribes to the CIPFA Pensions Network. Officers also attend the South East Local Authority Pensions User Group.

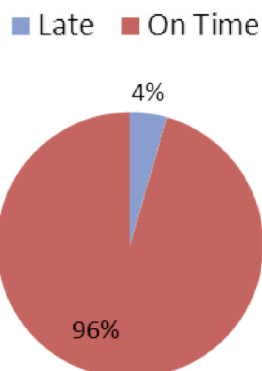
## Contributions

Payment of contributions from employers is monitored on a monthly basis as they fall due. Reconciliations are undertaken between contributions received and those expected with any discrepancies followed up with the employer. Late payments are immediately followed up with employers to request payment. If contribution payments are repeatedly late the issue is escalated and a letter is sent to employers. The graphs below illustrate the timeliness of the receipt of contributions from employers during 2015/16.

### Timeliness of Receipt of Contributions by Number of Employers 2015/16



### Timeliness of Receipt of Contributions by Value 2015/16



The average number of days that payments were late by during 2015/16 was 7.



## Financial Performance

### Budget

The below table shows budget outturn for 2015/16:

	<b>Budget £'000</b>
<b>ADMINISTRATIVE EXPENSES</b>	
Administrative Employee Costs	915
Support Services Including ICT	349
Printing & Stationary	40
Advisory & Consultancy Fees	115
Other	127
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>1,546</b>
<b>INVESTMENT MANAGEMENT EXPENSES</b>	
Management Fees	4,300
Custody Fees	100
<b>TOTAL INVESTMENT MANAGEMENT EXPENSES</b>	<b>4,400</b>
<b>OVERSIGHT &amp; GOVERNANCE</b>	
Investment Employee Costs	269
Actuarial Fees	75
External Audit Fees	25
Internal Audit Fees	14
Advisory & Consultancy Fees	175
Other	50
<b>TOTAL OVERSIGHT &amp; GOVERNANCE EXPENSES</b>	<b>608</b>
<b>TOTAL PENSION FUND BUDGET</b>	<b>6,554</b>

The budget outturn report will be presented at the September 2016 Pension Fund Committee meeting and will be available on the Council's website.

### Pension Overpayments

Financial Year	Pension Overpayments (£)
2015/16*	78,422.63
2014/15	908.20
2013/14	629.98
2012/13*	27,920.21
2011/12	810

\* Figures are higher due to results of the National Fraud Initiative data matching exercise.

The Fund participates in the National Fraud Initiative data matching exercise which takes place every two years. This process matches data between different records to identify discrepancies that should be investigated further. The latest exercise for which results are available is from 2014/15. This exercise identified 574 matches for investigation. Detailed investigations of the matches are currently being undertaken and any identified overpayments are being investigated/recovered.

### Interim Actuarial Valuation

The Fund's actuary produces a quarterly funding update for the Fund. At the March 2016 funding update the estimated funding level was 89%. This compares to a level of 82% reported in the 2013 triennial valuation.

## Investment Review 2015/16

### Economic Background

Growth in the UK economy slowed to 2.3% in 2015, while US growth remained steady at 2.4%. In both Japan and the Eurozone growth showed an improvement on 2014, but China slowed from 7.4% to 6.9%. One consequence of the Chinese slowdown was a sharp reduction in their demand for copper, iron ore and coal, which all fell sharply in price during the year. Oil continued to become cheaper as the Gulf producers maintained production levels, and the price of Brent crude fell from \$55 to \$40 per barrel during the year – having reached a low point of \$28 in January 2016. The weakness in commodity prices ensured that the rate of inflation was below 1% in most countries other than China.

Greece's tortuous negotiations with its creditors were finally resolved in August when the government – having held a referendum which rejected the terms offered – agreed to the conditions of the bailout. Investors then became concerned by the extreme gyrations of the Chinese stockmarket, which had risen by 150% in eighteen months before falling by 30% in the month to mid-July. In August the Chinese central bank suddenly announced it would allow the currency to weaken slightly, having been strong for the previous two years. Although the yuan/dollar rate eased by just 4%, the change of policy was interpreted as a sign that China was worried about its deteriorating balance of trade, and this created doubts about the sustainability of China's 7% GDP growth rate. After two weeks of worldwide equity market nerves, the Chinese authorities intervened by easing interest rates and lowering bank reserve requirements, as well as banning the short-selling of shares.

The US Federal Reserve had been expected to raise interest rates in September, but the uncertainty

generated by the China situation caused a delay until December when US rates were raised by ¼%. At the time the Fed indicated that they expected to make four more ¼% rises during 2016, but the subsequent global economic slowdown is likely to limit this to two (or fewer) rises during the year. Meanwhile the European Central Bank had introduced a negative rate of interest on central bank deposits – in order to encourage banks to step up their lending – and increased the volume of Quantitative Easing. The Bank of Japan similarly brought in a negative interest rate in January, and by the end of March a significant proportion of short- and medium-dated government bonds were giving a negative yield.

### Market Returns

Global Equities gave a negative return of 0.5% in sterling during the year to March; sharp declines in August/September 2015 and early 2016, caused largely by fears about China's economy, were swiftly recouped. The only region to record a gain was North America (+3.6%), while other regions suffered losses of 3-9%. Pacific Basin markets were hit hard by the Chinese currency moves, and their currencies and share markets suffered heavy falls in the second half of 2015.

While the US dollar had been strong until December, there was an unexpected development in early 2016 when the euro and the yen appreciated despite the negative interest rates in their regions. For the full year both rose by some 10% against the pound, while the dollar rose by 3.3%.

Government Bond yields continued to trade at historically low levels, and the combination of muted inflation and signs of worldwide economic slowdown in early 2016 generated small gains in price for government bonds during the year.

Corporate Bonds, however, were flat on fears that falling oil and commodity prices would have a severe impact on companies in the Energy and Materials sectors.

UK Commercial Property achieved double-digit returns for the third consecutive year, albeit at a slower rate than in the two previous years. The IPD All Property Monthly Index returned 11.7%, with total returns of over 15% being achieved in the Office and Industrial sectors.

The Oxfordshire Pension Fund achieved a total return of -0.4% for the year, compared with a 0.3% return on its benchmark.

## Outlook

The uncertainty over the outcome of the forthcoming UK referendum on membership of the EU is clouding the outlook for sterling and for UK companies, while on a global level GDP growth in 2016 is forecast to be about 0.3% lower than in 2015. This is likely to restrict corporate profits growth, but also maintain inflation and interest rates at subdued levels. Against this background, significant gains in either equities or bonds may be hard to achieve in the coming year.

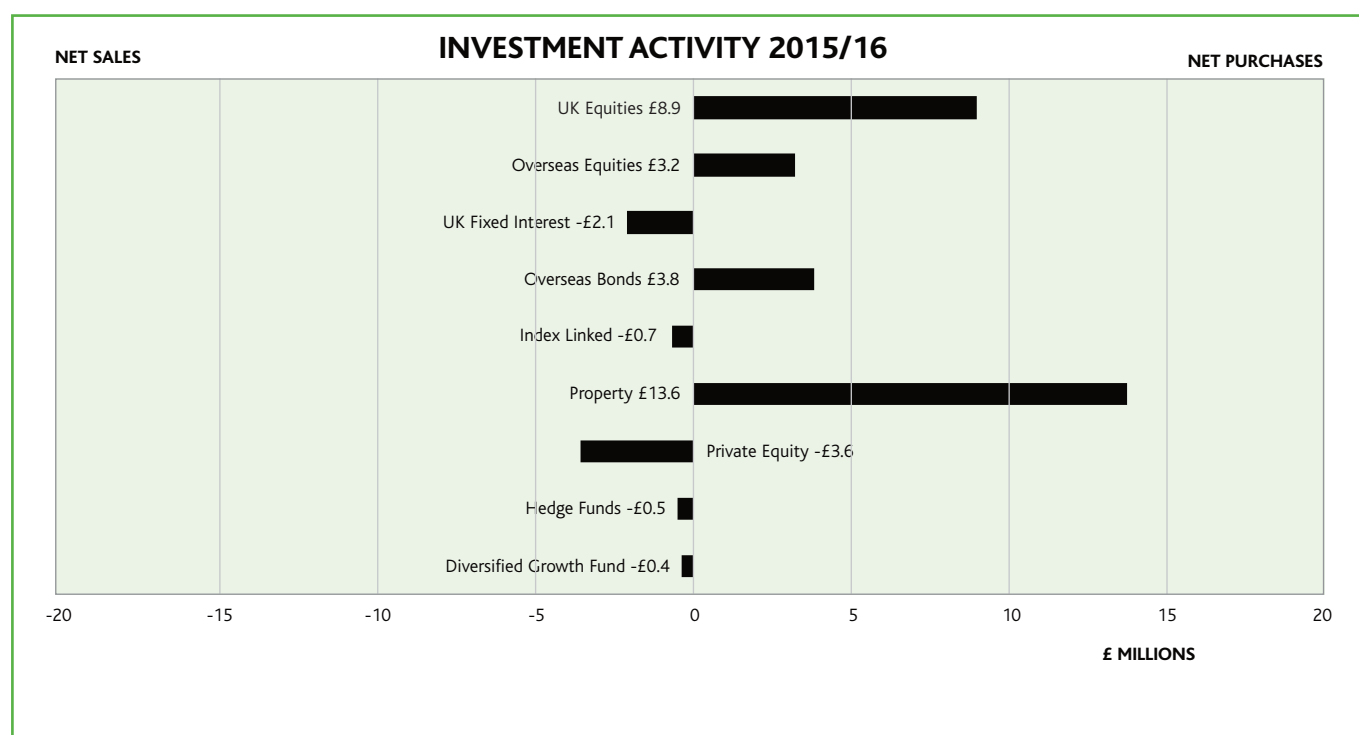
**Table showing the total returns (capital plus income) in sterling terms calculated on major indices for the year to 31 March 2016.**

SECTOR		INDEX	% Total Returns Year to 31.3.16
<b>Equities</b>	Global	FTSE All World	-0.5
	UK	FTSE Actuaries All Share	-3.9
	North America	FTSE North American Developed	-3.6
	Japan	FTSE Japan Developed	-3.3
	Europe	FTSE Europe (ex UK) Developed	-4.2
	Asia Pacific (ex Japan)	FTSE Asia Pacific (ex Japan) Developed	-5.4
	Emerging Markets	FTSE Emerging Markets	-3.6
<b>Bonds</b>	UK Government	FTSE Government UK Gilts All Stocks	3.2
	UK Index-Linked	FTSE Government Index- Linked (over 5 years)	1.8
	UK Corporate Bonds	iBoxx Sterling Non-Gilt All Stocks Index	0.5
	Overseas	JP Morgan Traded WXUK	9.8
<b>Cash</b>	UK	7 DAY £ LIBID INDEX	0.3
<b>Property</b>	UK Commercial	IPD (HSBC) All Balanced Funds Index	10.6

## Investment Review 2015/16

### Investment Activity

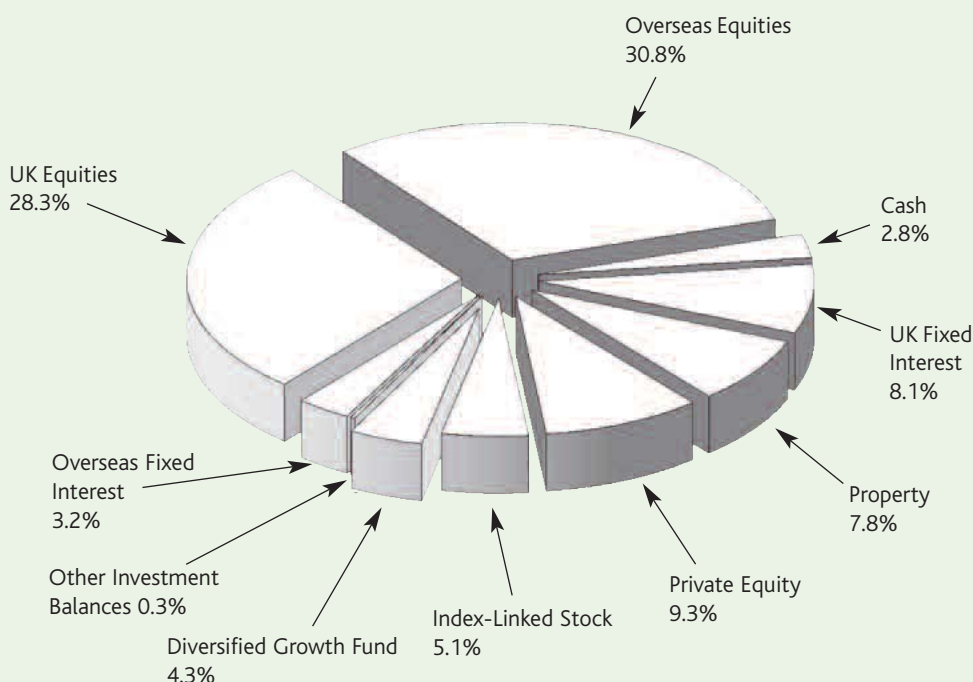
The Pension Fund invested a net £22 million during the year ended 31 March 2016. The amounts invested or disinvested in each principal category of asset are shown in the chart below. Derivatives are not included in the chart.



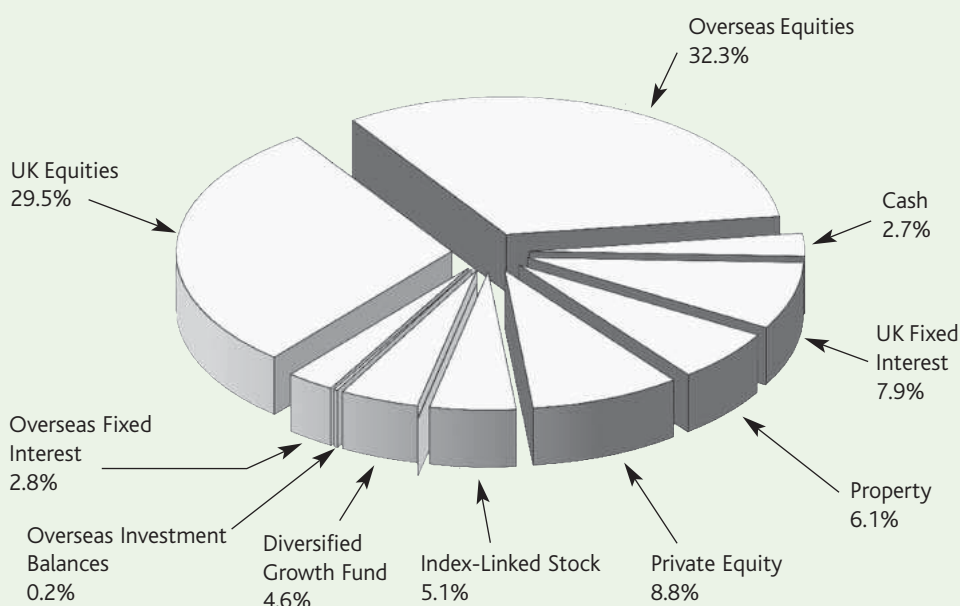
## Portfolio Distribution

The distribution of the Pension Fund amongst the principal categories of assets as at 31 March 2016 is shown in the chart below. A comparative chart of the position at 31 March 2015 is also shown. The two further charts show the distribution of overseas investments at 31 March 2016 and 31 March 2015. Changes in the asset weightings, from one year to another, are due to investment activity and market movements.

**Investment Portfolio Distributon at 31 March 2016**

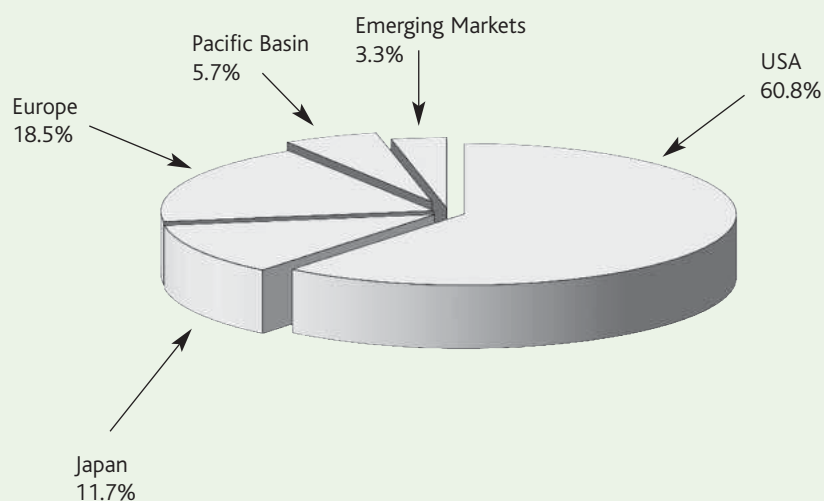


**Investment Portfolio Distributon at 31 March 2015**

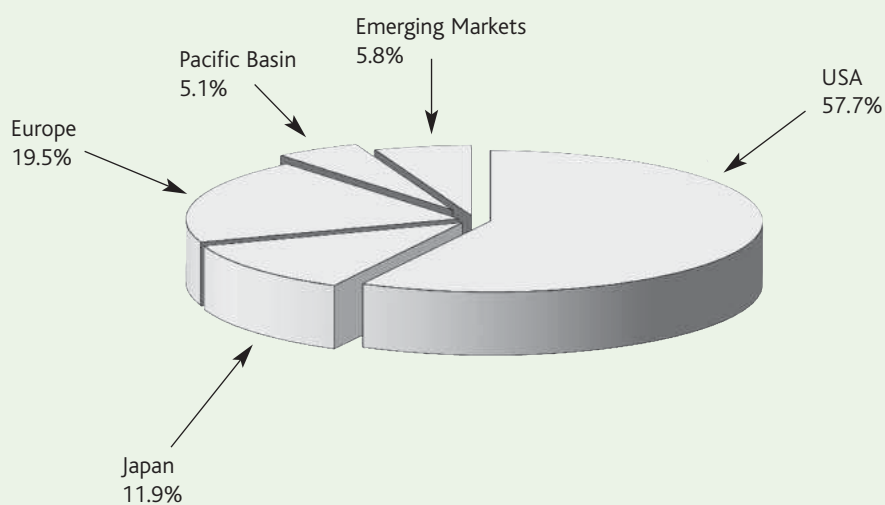


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**Overseas Investment Distributon at 31 March 2016**



**Overseas Investment Distributon at 31 March 2015**

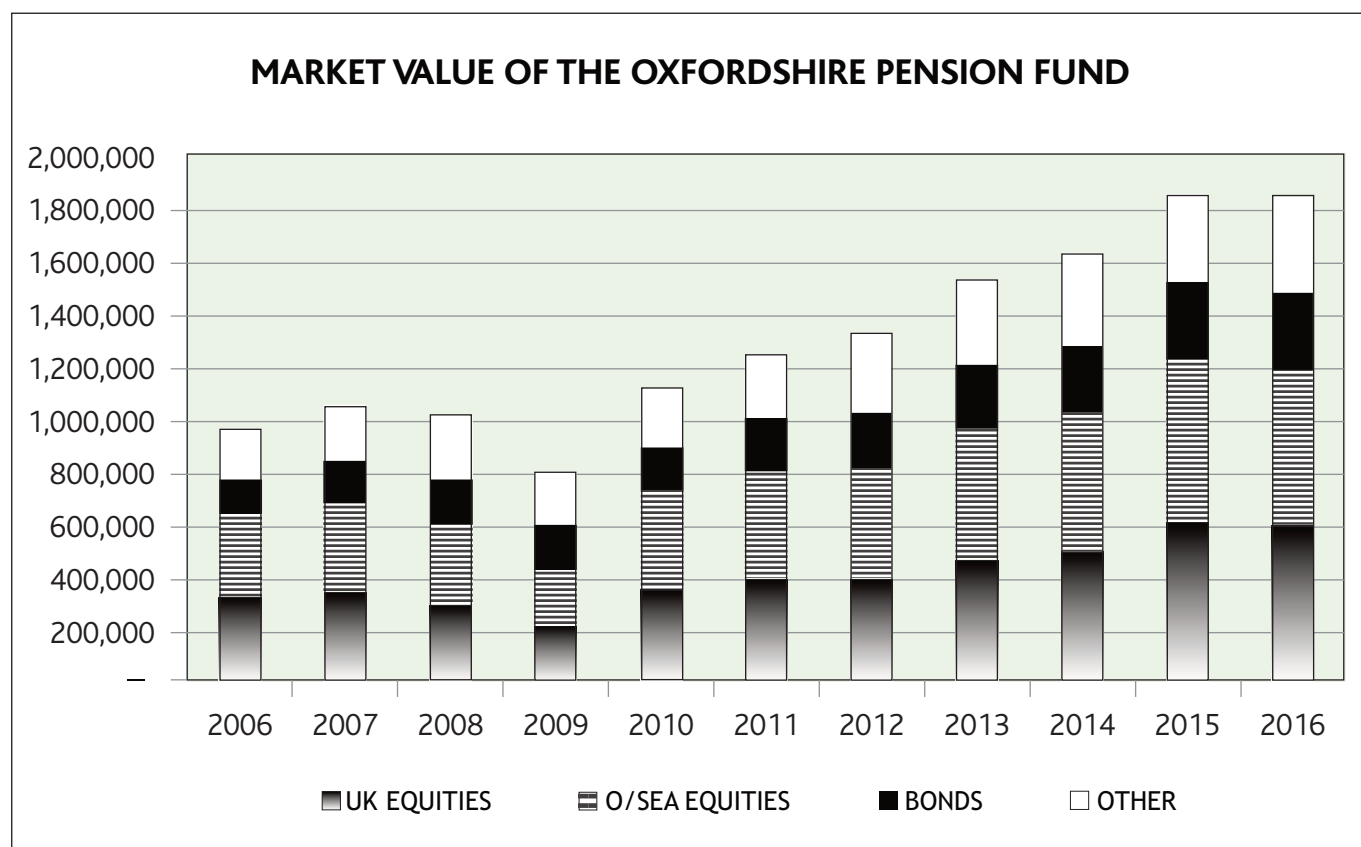




## Portfolio Asset Allocation over the Ten Years to March 2016

The total assets (including accruals) of the Pension Fund have grown from £958 million at end of March 2006 to £1,842 million at end of March 2016 (see chart below).

Over the period the percentage in UK equities decreased from 33.6% to 32.1% and bonds increased from 14.5% to 16.2%.



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

## Investment Review 2015/16

### Investment Benchmark and Performance

The Fund uses WM Performance Services to independently measure investment performance. Returns for all of the 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, three and five year investment returns, on an annualised basis, for each asset class.

The tables indicate that performance in 2015/16 was 0.7% below benchmark with an overall return of -0.4%. The table shows the range of returns for 2015/16 across the different asset classes, ranging from 13.1% on Property to -6.2% on the Diversified Growth Fund.

Asset	Strategic Asset Allocation Benchmark %	One Year Ended 31 March 2016		Three Years Ended 31 March 2016		Five Years Ended 31 March 2016	
		Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %
UK Equities	27.4	-3.9	-4.0	3.7	4.0	5.7	7.0
Overseas Equities	7.9	-0.2	0.4	8.6	9.1	8.4	7.6
* Global Equities	25.6	-1.2	-5.1	7.5	5.2	7.5	6.3
UK Gilts	3.0	3.2	3.6	4.6	5.3	6.6	6.8
Index Linked Gilts	5.0	1.8	2.0	5.6	5.7	9.8	10.1
Overseas Bonds	2.0	9.8	-4.4	2.6	1.4	3.5	2.9
Corporate Bonds	6.0	0.4	2.4	4.9	5.0	7.0	7.3
Property	8.0	10.6	13.1	13.0	13.2	9.0	9.3
Private Equity	10.0	1.6	9.8	8.8	11.3	10.0	11.4
Diversified Growth Fund	5.0	3.5	-6.2	-	-	-	-
† Cash	0.0	-	3.2	-	1.7	-	1.5
<b>Total Fund</b>	<b>100</b>	<b>0.3</b>	<b>-0.4</b>	<b>6.6</b>	<b>6.2</b>	<b>7.6</b>	<b>7.3</b>

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

† Cash includes cash held by Fund Managers

The performance of the individual Fund Managers against their benchmark is shown in the following table. Each Fund Manager is given a different target to outperform their benchmark over a rolling three year period.

Fund Manager	Target %	One Year Ended 31 March 2016		Three Years Ended 31 March 2016		Five Years Ended 31 March 2016	
		Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %
Baillie Gifford UK Equities	1.25	-3.9	-3.2	3.7	4.7	5.7	7.9
Wellington Global Equities	2.0	-1.2	-4.4	7.5	6.3	-	-
UBS Global Equities	3.0*	-1.2	-5.1	7.4	5.2	7.1	5.3
Legal & General UK Equities – Passive	n/a	-5.3	-5.3	2.4	2.4	4.7	4.7
Legal & General Ex UK Equities – Passive	n/a	0.4	0.4	9.0	9.0	-	-
Legal & General Fixed Income	0.6	1.8	2.6	5.0	5.1	7.6	7.7
Diversified Growth Fund	3-5	3.5	-6.2	-	-	-	-
UBS Property	1.0	10.6	12.0	13.0	13.4	9.0	9.2
Partners Group Property	Excess	10.6	17.4	13.0	7.7	9.0	9.0
Private equity	1.0	1.6	9.8	8.8	11.3	10.0	11.4
Cash	n/a	0.3	0.4	0.3	0.4	0.4	0.7
<b>Total Fund</b>		<b>0.3</b>	<b>-0.4</b>	<b>6.6</b>	<b>6.2</b>	<b>7.6</b>	<b>7.3</b>

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

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

## Investment Review 2015/16

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

% Returns per annum for the financial year ended 31 March 2016				
<b>Actual Returns</b>	1 year	3 years	5 years	10 years
Oxfordshire Total Fund Return	-0.4	6.2	7.3	5.0
<b>Average Returns and other Comparators</b>				
WM Local Authority Average Return	0.2	6.4	7.1	5.6
Oxfordshire Benchmark	0.3	6.6	7.6	5.9
Retail Price Index	1.6	1.6	2.3	3.0
Average Earnings	2.0	2.8	1.8	2.3

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

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## Asset Allocation

Asset Class	Actual % 31-Mar-16	Target % 31-Mar-16	Variation	Actual % 01-Apr-15	Target % 01-Apr-15	Variation
<b>UK Equities</b>	<b>28.0%</b>	<b>29.0%</b>	<b>-1.0%</b>	<b>29.1%</b>	<b>29.0%</b>	<b>0.1%</b>
<b>Overseas Equities</b>	<b>31.1%</b>	<b>30.0%</b>	<b>1.1%</b>	<b>32.6%</b>	<b>30.0%</b>	<b>2.6%</b>
UK Gilts	5.0%	3.0%	2.0%	5.0%	3.0%	2.0%
Corporate Bonds	3.8%	6.0%	-2.2%	2.6%	6.0%	-3.4%
Overseas Bonds	2.5%	2.0%	0.5%	2.8%	2.0%	0.8%
Index-Linked	5.1%	5.0%	0.1%	5.1%	5.0%	0.1%
<b>Total Bonds</b>	<b>16.4%</b>	<b>16.0%</b>	<b>0.4%</b>	<b>15.5%</b>	<b>16.0%</b>	<b>-0.5%</b>
Property	7.8%	8.0%	-0.2%	6.1%	8.0%	-1.9%
Private Equity	9.3%	9.0%	0.3%	9.1%	9.0%	0.1%
Multi-Asset DGF	4.3%	5.0%	-0.7%	4.6%	5.0%	-0.4%
Infrastructure	0.0%	3.0%	-3.0%	0.0%	3.0%	-3.0%
<b>Total Alternative Investments</b>	<b>21.4%</b>	<b>25.0%</b>	<b>-3.6%</b>	<b>19.8%</b>	<b>25.0%</b>	<b>-5.2%</b>
<b>Cash</b>	<b>3.1%</b>	<b>0.0%</b>	<b>3.1%</b>	<b>3.0%</b>	<b>0.0%</b>	<b>3.0%</b>
	<b>100.0%</b>	<b>100.0%</b>		<b>100.0%</b>	<b>100.0%</b>	

## Investment Review 2015/16

### Responsible Investment

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

### Annual Voting Report

#### Introduction

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

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

The Oxfordshire County Council Pension Fund's voting policy is set out in its Statement of Investment Principles (SIP), which states that voting decisions are fully delegated to the Fund Managers to exercise voting rights in respect of the Pension Fund's holdings. Officers monitor this activity and raise any concerns with the Fund Managers. An annual voting report is produced and presented to the Pension Fund Committee. The report for 2015/16 will be presented at the September 2016 Committee meeting. Papers will be available on the Council's website once published (<http://mycouncil.oxfordshire.gov.uk/ieListMeetings.aspx?CId=140&Year=0>).

## Employer Discretions

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

## Specific Requirements

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

### Employer Bodies Summary as at 31 March 2016

	Active	Ceased	Total
Scheduled Body	87	0	87
Admitted Body	97	3	100
<b>Total</b>	<b>184</b>	<b>3</b>	<b>187</b>

### Analysis of Fund Assets as at 31 March 2016

	UK £m	Non-UK £m	Global £m	Total £m
Equities	591.009	346.245	241.008	1,178.262
Bonds	142.173	43.710	113.220	299.103
Property (Direct Holdings)	0	0	0	0
Alternatives	110.760	12.050	167.833	290.643
Cash and Cash Equivalents	44.613	6.113	0	50.726
Other	0	0	0	0
<b>Total</b>	<b>888.555</b>	<b>408.118</b>	<b>522.061</b>	<b>1,818.734</b>

### Analysis of Investment Income Accrued During 2015/16

	UK £'000	Non-UK £'000	Global £'000	Total £'000
Equities	14,696	5,647	0	20,343
Bonds	2,239	1,240	0	3,479
Property (Direct Holdings)	0	0	0	0
Alternatives	2,390	466	0	2,856
Cash and Cash Equivalents	178	13	0	191
Other	0	0	0	0
<b>Total</b>	<b>19,503</b>	<b>7,366</b>	<b>0</b>	<b>26,869</b>

Income from holdings in pooled funds accrues within the pooled fund and is reflected within the unit price so is not included within investment income.



# Pension Fund Accounts 2015-16

## FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £000	2015 £000
<b>CONTRIBUTIONS AND BENEFITS</b>			
Contributions Receivable	6	(87,895)	(86,556)
Transfers from Other Schemes	7	(4,325)	(3,113)
Other Income	8	(390)	(423)
<b>Income Sub Total</b>		<b>(92,610)</b>	<b>(90,092)</b>
Benefits Payable	9	77,044	72,230
Payments to and on Account of Leavers	10	4,947	4,011
Management Expenses	11	8,751	5,434
Other Expenses		0	337
<b>Expenditure Sub Total</b>		<b>90,742</b>	<b>82,012</b>
<b>Net Additions from dealings with members</b>		<b>(1,868)</b>	<b>(8,080)</b>
<b>RETURNS ON INVESTMENTS</b>			
Investment Income	12	(26,869)	(23,564)
Commission Recapture		(2)	(2)
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	16a	31,791	(182,703)
Less Taxes on Income	12	138	81
<b>Net returns on investments</b>		<b>5,058</b>	<b>(206,188)</b>
<b>Net increase in the net assets available for benefits during the year</b>		<b>3,190</b>	<b>(214,268)</b>
Opening Net Assets of the Scheme		1,845,479	1,631,211
<b>Closing Net Assets of the Scheme</b>		<b>1,842,289</b>	<b>1,845,479</b>

**NET ASSETS AS AT 31 MARCH 2016**

	Notes	<b>2016</b>	<b>2015</b>
		<b>£000</b>	<b>£000</b>
<b>INVESTMENT ASSETS</b>			
Fixed Interest Securities	16b	93,220	87,748
Index Linked Securities	16b	92,662	92,133
Equities	16b	621,770	643,335
Pooled Investments	16b	818,097	839,010
Pooled Property Investments	16b	142,259	111,462
Derivative Contracts	16c	758	1,598
Cash Deposits	16d	6,113	7,332
Other Investment Balances	16d	8,760	7,008
<b>INVESTMENT LIABILITIES</b>			
Derivative Contracts	16c	(1,295)	(393)
Other Investment Balances	16d	(3,467)	(4,249)
<b>Total Investments</b>		<b>1,778,877</b>	<b>1,784,984</b>
<b>ASSETS AND LIABILITIES</b>			
Current Assets	17	55,706	50,191
Current Liabilities	18	(3,021)	(2,005)
<b>Net current assets</b>		<b>52,685</b>	<b>48,186</b>
Long-term Assets	19	10,727	12,309
<b>Net Assets of the scheme available to fund benefits at year end</b>		<b>1,842,289</b>	<b>1,845,479</b>

## Pension Fund Accounts 2015-16

### Note 1 – Description of the fund

This description of the fund is a summary only. Further details are available in the Fund's 2015/16 Annual Report and in the underlying statutes.

#### General

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

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

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

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

#### Membership

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

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

Organisations participating in the Oxfordshire County Council Pension Fund include:

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

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

ship for staff still involved in the delivery of the service transferred.

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

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

	As at	As at
	31 March 2016	31 March 2015
<b>Number of Contributory Employees in Scheme</b>		
Oxfordshire County Council	11,674	10,801
Other Scheduled Bodies	10,885	9,527
Admitted Bodies	1,047	1,061
	<b>23,606</b>	<b>21,389</b>
<b>Number of Pensioners and Dependants</b>		
Oxfordshire County Council	8,214	7,874
Other Scheduled Bodies	4,949	4,833
Admitted Bodies	819	758
	<b>13,982</b>	<b>13,465</b>
<b>Deferred Pensioners</b>		
Oxfordshire County Council	14,161	14,002
Other Scheduled Bodies	7,002	6,914
Admitted Bodies	928	942
	<b>22,091</b>	<b>21,858</b>

Six Scheduled Bodies, of which five are Academies, plus thirty seven Admitted Bodies, joined the scheme in 2015/16. In addition four admitted bodies left the scheme in 2015/16. There was no significant impact on the membership of the

scheme because the Academies' members were previously in the scheme as County Council employees and the other new bodies all transferred from an existing scheme employer or were small.

## Pension Fund Accounts 2015-16

### 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 2016 rates ranged from 5.5% to 12.5% of pensionable pay.

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

years. The latest actuarial valuation took place in 2013 and determined the contribution rates to take effect from 01 April 2014. Employer contribution rates currently range from 12.0% to 24.6% of pensionable pay.

### Benefits

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

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

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

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

## Note 2 – Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the Pension Fund Committee members. The accounts do not take account of the obligation to pay future benefits which fall due after the year-end. The actuarial position of the scheme which takes into account these obligations is dealt with in the Actuarial Statement on page 79.

## Note 3 – Summary of Significant Accounting Policies

### Investments

1. Investments are shown in the accounts at market value, which has been determined as follows:
  - (a) The majority of listed investments are stated at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, as at 31 March 2016.
  - (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 2016.
- (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 2015-16

### Foreign Currencies

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

### Contributions

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

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

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

### Benefits, Refunds of Contributions and Transfer Values

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

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

### Investment Income

5. Dividends and interest have been accounted for on an accruals basis. Dividends from quoted securities are accounted for when the security is declared ex-div. Interest is accrued on a daily basis. Investment income is reported net of attributable tax credits but gross of withholding taxes. Irrecoverable withholding taxes are reported separately as a tax charge. 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 2016.



## **Investment Management and Scheme Administration**

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

## **Expenses**

7. Expenses are accounted for on an accruals basis.

## **Cash**

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

## **Listed Private Equity**

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

## **Management Fees**

10. Management fees have been accounted for based on the latest guidance from the Chartered Institute of Public Finance & Accountancy. Fees

have been accounted for where the pension fund has a direct contractual obligation to pay them. This means where fees are deducted in a pooled fund they have been accounted for, but in a fund of funds the fees for the underlying funds are not included only those the pension fund pays to the fund of funds manager. This is a change from how management fees were previously accounted for where only fees that were invoiced to the fund were included.

## **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 2016 was £69.374m (£64.433m at 31 March 2015). All of the unquoted private equity investments at 31 March 2016 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 26. The estimate of the liability is therefore subject to significant variances based on changes to the assumptions used.



## Pension Fund Accounts 2015-16

### 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 £2,863m. There is a risk that this figure is under, or overstated in note 26 to the accounts.
Unquoted Private Equity	Unquoted private equity investments are valued at fair value using recognised valuation techniques. Due to the assumptions involved in this process there is a degree of estimation involved in the valuation.	Unquoted private equity investments included in the financial statements total £69.374m. There is a risk these investments are under, or overstated in the accounts.

## Note 6 – Contributions

	<b>2015/16 £000</b>	<b>2014/15 £000</b>
<b>Employers</b>		
Normal	(46,230)	(45,611)
Augmentation	0	0
Deficit Funding	(18,254)	(19,446)
Costs of Early Retirement	(2,047)	(451)
	<b>(66,531)</b>	<b>(65,508)</b>
<b>Members</b>		
Normal	(21,010)	(20,692)
Additional*	(354)	(356)
	<b>(21,364)</b>	<b>(21,048)</b>
<b>Total</b>	<b>(87,895)</b>	<b>(86,556)</b>

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

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

	<b>Employer Contributions</b>		<b>Members Contributions</b>	
	<b>2015/16 £000</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Oxfordshire County Council	(30,260)	(30,817)	(9,441)	(9,837)
Scheduled Bodies	(32,520)	(30,859)	(10,659)	(9,909)
Resolution Bodies	(745)	(756)	(225)	(231)
Community Admission Bodies	(1,639)	(1,752)	(583)	(635)
Transferee Admission Bodies	(1,367)	(1,324)	(456)	(436)
<b>Total</b>	<b>(66,531)</b>	<b>(65,508)</b>	<b>(21,364)</b>	<b>(21,048)</b>

## Pension Fund Accounts 2015-16

### Note 7 – Transfers in

	<b>2015/16 £000</b>	2014/15 £000
Individual Transfers In from other schemes	(4,325)	(3,113)
<b>Total</b>	<b>(4,325)</b>	<b>(3,113)</b>

### Note 8 – Other Income and Expenses

Other Income for 2015/16 of £0.390m includes £0.368m reflecting the interest resulting from the unwinding of the discount for the long-term receivable recognised for transfers to Magistrates' Courts. The long-term receivable was calculated on a discounted cash flow basis. This resulted in a charge to the fund account in the year the long-term receivable was originally recognised representing the value of the discount. The discount is being written down over a ten year period. Further information regarding the deferred asset is included in Note 19.

### Note 9 – Benefits

	<b>2015/16 £000</b>	2014/15 £000
Pensions Payable	62,029	59,484
Lump Sums - Retirement Grants	13,715	11,088
Lump Sums - Death Grants	1,300	1,658
<b>Total</b>	<b>77,044</b>	<b>72,230</b>

	<b>Pensions Payable</b>		<b>Lump Sums</b>	
	<b>2015/16 £000</b>	2014/15 £000	<b>2015/16 £000</b>	2014/15 £000
Oxfordshire County Council	31,084	29,578	7,848	6,247
Scheduled Bodies	27,155	26,342	5,807	5,441
Resolution Bodies	504	488	222	50
Community Admission Bodies	2,909	2,736	924	797
Transferee Admission Bodies	377	340	214	211
<b>Total</b>	<b>62,029</b>	<b>59,484</b>	<b>15,015</b>	<b>12,746</b>

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

	<b>2015/16 £000</b>	2014/15 £000
Refunds of Contributions	160	117
Payments for members joining state schemes	(18)	0
Group Transfers Out to other schemes	153	0
Individual Transfers Out to other schemes	4,652	3,894
<b>Total</b>	<b>4,947</b>	4,011

## Note 11 – Management Expenses

	<b>2015/16 £000</b>	2014/15 £000
Administrative Costs	1,293	1,292
Investment Management Expenses	7,069	3,744
Oversight & Governance Costs	389	398
<b>Total</b>	<b>8,751</b>	5,434

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

## Pension Fund Accounts 2015-16

### Note 12 – Investment Income

	<b>2015/16 £000</b>	2014/15 £000
Fixed Interest Securities	(2,750)	(2,371)
Index Linked Securities	(648)	(782)
Equity Dividends	(19,959)	(16,859)
Pooled Property Investments	(2,855)	(3,162)
Pooled Investments – Unit Trusts & Other Managed Funds	(385)	(113)
Interest on Cash Deposits	(191)	(254)
Other – Securities Lending	(81)	(23)
	(26,869)	(23,564)
Irrecoverable Withholding Tax – Equities	138	81
<b>Total</b>	<b>(26,731)</b>	<b>(23,483)</b>

### Note 13 – Investment Management Expenses

	<b>2015/16 £000</b>	2014/15 £000
Management Fees	7,007	3,675
Custody Fees	62	69
<b>Total</b>	<b>7,069</b>	<b>3,744</b>

Investment Manager & Custody Fees are generally calculated on a fixed sliding scale basis and are applied to the market value of the assets managed. See note 3 for details of the accounting treatment of management fees for 2015/16.

## Note 14 – Securities Lending

In January 2014 the Fund introduced an arrangement with its custodian BNP Paribas to lend eligible securities from within its portfolio to third parties in return for collateral. Lending is limited to a maximum of 25% of the aggregate market value of the Fund. Collateralised lending generated income of £0.081m in 2015/16 (2014/15 £0.023m). This is included within investment income in the Pension Fund Accounts. At 31 March 2016 £32.737m of stock was on loan, for which the fund held £33.411m worth of collateral. Collateral consists of acceptable securities and government and supranational debt.

## Note 15 – Related Party Transactions

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

Members of the Pension Fund Committee and the post of Service Manager (Pensions, Insurance & Money Management) are the key management personnel involved with the Pension Fund. During 2015/16, the Committee consisted of nine County Councillors, two District Councillors and a beneficiary observer. Members of the Pension Fund Committee are disclosed in the Pension Fund Report and Accounts. An amount of £0.057m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Short Term Benefits	49	51*
Long Term/Post Retirement Benefits	8	9
<b>Total</b>	<b>57</b>	<b>60</b>

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

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

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

## Pension Fund Accounts 2015-16

For the 12 months ended 31 March 2016, employer contributions to the Pension Fund from the County Council were £30.260m (2014/15 £30.817m). At 31 March 2016 there were receivables in respect of contributions due from the County Council of £3.168m (2014/15 £3.282m) and payables due to the County Council of £0.069m (2014/15 £0.066m) for support services.

The County Council was reimbursed £1.018m (2014/15 £1.042m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

### Note 16 – Investments

During 2015/16 the fund sold the majority of its investments in hedge funds and used the resulting funds to make a new investment in a diversified growth fund. The decision to disinvest from hedge funds and move in to a diversified growth fund was made as part the fundamental review looking at the fund's asset allocation which was considered by the Pension Fund Committee in March 2014.

	<b>Value at 31.3.2016 £000</b>	<b>Value at 31.3.2015 £000</b>
<u>Investment Assets</u>		
Fixed Interest Securities	93,220	87,748
Index Linked Securities	92,662	92,133
Equities	621,770	643,335
Pooled Investments	818,097	839,010
Pooled Property Investments	142,259	111,462
Derivatives:		
– Forward Currency Contracts	758	1,598
Cash Deposits	6,113	7,332
Investment Income Due	4,702	3,918
Amounts Receivable for Sales	4,058	3,090
<b>Total Investment Assets</b>	<b>1,783,639</b>	<b>1,789,626</b>
<u>Investment Liabilities</u>		
Derivatives:		
– Forward Currency Contracts	(1,295)	(393)
Investment Expenses Due	(976)	(930)
Amounts Payable for Purchases	(2,491)	(3,319)
<b>Total Investment Liabilities</b>	<b>(4,762)</b>	<b>(4,642)</b>
<b>Net Investment Assets</b>	<b>1,778,877</b>	<b>1,784,984</b>

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

	Value at 1.4.2015  £'000	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 31.3.2016  £'000
Fixed Interest Securities	87,748	310,987	(309,871)	4,356			93,220
Index Linked Securities	92,133	18,846	(19,527)	1,210			92,662
Equities	643,335	120,766	(106,010)	(36,321)			621,770
Pooled Investments	839,010	7,869	(14,399)	(14,383)			818,097
Pooled Property Investments	111,462	23,387	(9,748)	17,158			142,259
Derivative Contracts FX	1,205	1,112,306	(1,110,020)	(4,028)			(537)
Other Investment Balances							
Cash Deposits	7,332	15,096	(14,719)	217	(1,813)		6,113
Amounts Receivable for Sales of Investments	3,090					968	4,058
Investment Income Due	3,918					784	4,702
Amounts Payable for Purchases of Investments	(4,249)					782	(3,467)
	1,784,984	1,609,257	(1,584,294)	(31,791)	(1,813)	2,534	1,778,877

Included within the above purchases and sales figures are transaction costs of £0.081m. 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 1.4.2014	Purchases at Cost & Derivative Payments	Sales Proceeds & Derivative Receipts	Change in Market Value	Cash Movement	Increase in Receivables/ (Payables)	Value at 31.3.2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed Interest Securities	74,957	98,661	(91,655)	5,785			87,748
Index Linked Securities	80,201	41,394	(45,526)	16,064			92,133
Equities	590,179	101,381	(101,388)	53,163			643,335
Pooled Investments	703,652	112,976	(73,526)	95,908			839,010
Pooled Property Investments	97,287	11,229	(5,789)	8,735			111,462
<u>Derivative Contracts</u>							
FX	(11)	202,470	(204,263)	3,009			1,205
<u>Other Investment Balances</u>							
Cash Deposits	10,285	64,501	(68,822)	39	1,329		7,332
Amounts Receivable for Sales of Investments	2,360					730	3,090
Investment Income Due	3,233					685	3,918
Amounts Payable for Purchases of Investments	(2,288)					(1,961)	(4,249)
	<b>1,559,855</b>	<b>632,612</b>	<b>(590,969)</b>	<b>182,703</b>	<b>1,329</b>	<b>(546)</b>	<b>1,784,984</b>

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

### Fixed Interest Securities

	<b>2015/16 £000</b>	2014/15 £000
UK Public Sector	49,510	46,394
UK Other	0	4,420
Overseas Public Sector	43,710	36,934
	<b>93,220</b>	<b>87,748</b>

### Index linked Securities

	<b>2015/16 £000</b>	2014/15 £000
UK Public Sector Index Linked	92,662	92,133
	<b>92,662</b>	<b>92,133</b>

### Equity Investments

	<b>2015/16 £000</b>	2014/15 £000
UK Listed Equities	430,437	436,277
Overseas Listed Equities:		
North America	132,225	126,281
Japan	17,777	23,702
Europe	36,670	43,193
Pacific Basin	0	749
Emerging Markets	4,661	13,133
	<b>621,770</b>	<b>643,335</b>

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## Pooled Investment Vehicles

	<b>2015/16 £000</b>	<b>2014/15 £000</b>
UK Registered Managed Funds – Property	26,019	23,207
Non UK Registered Managed Funds – Property	19,449	14,742
UK Registered Managed Funds – Other	428,705	433,063
Non UK Registered Managed Funds – Other	148,384	149,158
UK Registered Property Unit Trusts	84,741	64,070
Non UK Registered Property Unit Trusts	12,050	9,443
Non UK Registered Unit Linked Insurance Fund	241,008	256,789
	<b>960,356</b>	<b>950,472</b>

## Total Investments (excluding derivative contracts)

	<b>2015/16 £000</b>	<b>2014/15 £000</b>
	<b>1,768,008</b>	<b>1,773,688</b>

## Note 16c – Derivative Contracts

### Objectives and policies

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

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

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

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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	5,688 GBP	11,100 AUD		(252)	
Forward OTC	1 month	368 GBP	693 CAD		(5)	
Forward OTC	1 month	16,387 GBP	21,000 EUR		(265)	
Forward OTC	1 month	6,131 GBP	963,000 JPY	170		
Forward OTC	1 month	16,076 GBP	22,400 USD	491		
Forward OTC	1 month	77 GBP	923 SEK		(2)	
Forward OTC	1 month	4,570 USD	3,266 GBP		(87)	
Forward OTC	1 month	2,977 GBP	5,630 CAD		(51)	
Forward OTC	1 month	67 GBP	86 EUR		(1)	
Forward OTC	1 month	1,801 USD	1,280 GBP		(27)	
Forward OTC	1 month	842 USD	1,130 CAD		(22)	
Forward OTC	5 months	11,714 GBP	15,035 EUR		(263)	
Forward OTC	1 month	733 GBP	937 EUR		(10)	
Forward OTC	1 month	6,290 USD	4,458 GBP		(82)	
Forward OTC	1 month	4,827 GBP	9,140 AUD		(64)	
Forward OTC	1 month	336 GBP	54,033 JPY	1		
Forward OTC	1 month	4,388 USD	3,890 EUR	29	(61)	
Forward OTC	1 month	1,544 GBP	2,930 AUD		(23)	
Forward OTC	1 month	2,060 USD	1,444 GBP		(11)	
Forward OTC	1 month	286 USD	32,543 JPY		(2)	
Forward OTC	1 month	153 USD	17,172 JPY	1	(1)	
Forward OTC	1 month	1,391 USD	156,307 JPY	5	(5)	
Forward OTC	1 month	25,913 EUR	20,515 GBP	33		
Forward OTC	1 month	1,017,033 JPY	6,290 GBP	7		
Forward OTC	1 month	2,450 USD	1,703 GBP	2		
Forward OTC	1 month	20,523 GBP	25,900 EUR		(33)	
Forward OTC	1 month	6,313 GBP	1,020,000 JPY		(8)	
Forward OTC	1 month	1,703 GBP	2,450 USD		(2)	
Forward OTC	1 month	23,170 AUD	12,385 GBP	14		
Forward OTC	1 month	7,453 CAD	4,004 GBP	5		
Forward OTC	1 month	12,381 GBP	23,200 AUD		(13)	
Forward OTC	1 month	4,002 GBP	7,450 CAD		(5)	
Forward Currency Contracts at 31 March 2016				<b>758</b>	<b>(1,295)</b>	<b>(537)</b>
Prior Year Comparative						
Forward Currency contracts at 31 March 2015				1,598	(393)	1,205

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## Note 16d Other Investment Balances

	<b>2015/16 £000</b>	<b>2014/15 £000</b>
<u>Receivables</u>		
Sale of Investments	4,058	3,090
Dividend & Interest Accrued	4,662	3,895
Inland Revenue	34	19
Other	6	4
	<b>8,760</b>	<b>7,008</b>
<u>Payables</u>		
Purchase of Investments	(2,491)	(3,318)
Management Fees	(963)	(921)
Custodian Fees	(13)	(10)
	<b>(3,467)</b>	<b>(4,249)</b>
<b>Total</b>	<b>5,293</b>	<b>2,759</b>

## Cash Deposits

	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Non-Sterling Cash Deposits	6,113	7,332
	<b>6,113</b>	<b>7,332</b>

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

	<b>2015/16 £000</b>	<b>% of Total Fund</b>	<b>2014/15 £000</b>	<b>% of Total Fund</b>
UBS Life Global Equities All Countries Fund	241,008	13.08	256,789	13.91
L&G UK FTSE100 Equity Index	154,912	8.41	154,479	8.37
L&G World (ex-UK) Equity Index	146,384	7.95	154,278	8.36
L&G Core Plus Bond Fund	113,220	6.15	109,953	5.96

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### Note 17 – Current Assets

2015/16	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	2,884	3,438	16	0	977	7,315
Employee Contributions	243	1,097	5	0	361	1,706
Rechargeable Benefits	104	101	0	0	16	221
Transferred Benefits	0	150	0	0	16	166
Costs of Early Retirement	42	216	0	0	230	488
Inland Revenue	117	0	0	0	0	117
Other	30	954	0	0	96	1,080
Cash Balances					44,613	44,613
<b>Total</b>	<b>3,420</b>	<b>5,956</b>	<b>21</b>	<b>0</b>	<b>46,309</b>	<b>55,706</b>

2014/15	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Receivables:						
Employer Contributions	2,798	3,585	19	0	934	7,336
Employee Contributions	211	1,166	6	0	348	1,731
Rechargeable Benefits	60	942	0	3	17	1,022
Transferred Benefits	0	0	29	0	438	467
Costs of Early Retirement	19	260	0	0	162	441
Inland Revenue	63	0	0	0	0	63
Other	0	0	0	0	100	100
Cash Balances					39,031	39,031
<b>Total</b>	<b>3,151</b>	<b>5,953</b>	<b>54</b>	<b>3</b>	<b>41,030</b>	<b>50,191</b>

## Note 18 – Current Liabilities

<b>2015/16</b>	<b>Central Government Bodies £'000</b>	<b>Local Authorities £'000</b>	<b>Public Corporations &amp; Trading Funds £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
Transferred Benefits	(80)	0	0	(525)	(605)
Benefits Payable	(22)	0	0	(937)	(959)
Inland Revenue	(885)	0	0	0	(885)
Costs of Early Retirement	(391)	0	0	0	(391)
Staff Costs	0	(67)	0	(2)	(69)
Consultancy	0	(13)	0	(22)	(35)
Other	(4)	(24)	(9)	(40)	(77)
<b>Total</b>	<b>(1,382)</b>	<b>(104)</b>	<b>(9)</b>	<b>(1,526)</b>	<b>(3,021)</b>

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



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## Note 19 – Long-Term Assets

2015/16	Central Government Bodies £'000	Local Authorities £'000	NHS Bodies £'000	Public Corporations & Trading Funds £'000	Other £'000	Total £'000
Employer Contributions	9,977		0	0	24	10,001
Costs of Early Retirement	67	427	0	0	232	726
<b>Total</b>	<b>10,044</b>	<b>427</b>	<b>0</b>	<b>0</b>	<b>256</b>	<b>10,727</b>

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

Long-Term assets for 2015/16 include deferred receivables in relation to the transfer of staff to Magistrates' Courts for which a payment of £21.860m is due to be received in ten equal annual instalments, in line with the national agreement reached between Actuaries on behalf of Pension Funds, and the Government Actuary Department on behalf of the Government.

## Note 20 – Assets under External Management

The market value of assets under external fund management amounted to £1,677.950m as at 31 March 2016. The table below gives a breakdown of this sum and shows the market value of assets under management with each external manager:

	31/03/2016		31/3/2015	
Fund Manager	Market Value £'000	%	Market Value £'000	%
Baillie Gifford	338,290	20.16	349,700	20.59
Legal & General	602,360	35.90	602,093	35.46
UBS	356,440	21.24	359,077	21.15
Wellington	216,560	12.91	226,635	13.35
Insight	79,010	4.71	84,221	4.96
Adams Street Partners	34,376	2.05	30,918	1.82
Partners Group	50,914	3.03	45,331	2.67
	<b>1,677,950</b>	<b>100.00</b>	<b>1,697,975</b>	<b>100.00</b>

## Note 21 – Top 5 Holdings

Value of the Fund's Top Five Holdings at 31 March 2016	£'000	% of Fund
Electra Investment Trust	37,869	2.06
HG Capital Trust	22,454	1.22
British American Tobacco	19,783	1.07
Royal Dutch Shell	18,782	1.02
Bunzl	13,120	0.71

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### Note 22 – Taxation

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

### Note 23 – Additional Voluntary Contributions

	<b>Market Value 31 March 2016</b> <b>£'000</b>	<b>Market Value 31 March 2015</b> <b>£000</b>
Prudential	13,881	14,387

AVC contributions of £1.392m were paid directly to Prudential during the year (2014/15 - £1.460m).

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

## Note 24 – Contingent Liabilities

There are two contingencies to note:

- 1) The Museums, Libraries and Archive (MLA) Council. Staff from three of the regional MLA employers who were previous members of the Oxfordshire County Council Pension Fund transferred to the MLA Council on 6 April 2009 and 31 March 2010. Actuaries are currently working on the calculation of the payments to be made to the Premium section of the Principal Civil Service Pension Scheme in relation to the transfer of past service rights.
- 2) In 2013/14 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 eight years, though the maximum payment has been calculated as approximately £0.160m plus pensions increase.

As at 31 March 2016 the fund had outstanding capital commitments (investments) totalling £39.511m (31 March 2015 - £46.511m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the pooled investments and pooled property fund elements of the investment portfolio. The amounts 'called' by these funds are irregular in both size and timing from the date of the original commitment due to the nature of the investments.

## Note 25 – Statement of Investment Principles

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

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

	<b>2016 £'000</b>	<b>2015 £'000</b>
Present Value of Funded Obligation	2,863,405	2,940,743

Present Value of Funded Obligation consists of £2,784.675m (2015 – £2,848.943m) in respect of Vested Obligation and £78.730m (2015 – £91.800m) in respect of Non-Vested Obligation. The movement from March 2015 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 £134.859m (2015 - £121.930m).

There has been a reduction in the present value of the Funded Obligation of £212.197m (2015 - £340.124m increase) reflecting a change in the actuarial assumptions as a consequence of changes in the financial markets. The key changes in financial assumptions were:

- A decrease in the assumed level of CPI and therefore pension increase from 2.4% to 2.3% (net effect a decrease in Present Value of Funded Obligation)
- A reduction in the assumed level of pay increases from 4.2% to 4.1% (net effect a reduction in Present Value of Funded Obligation)
- An increase in the discount factor from 3.3% to 3.6% (net effect a decrease in Present Value of Funded Obligation).

## Note 27 – Financial Instruments

### Note 27a – Classification of Financial Instruments

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

	2015/16			2014/15		
	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
<b>Financial Assets</b>						
Fixed Interest Securities	93,220			87,748		
Index Linked Securities	92,662			92,133		
Equities	621,770			643,335		
Pooled Investments	818,097			839,010		
Pooled Property Investments	142,259			111,462		
Derivatives	758			1,598		
Cash		50,726			46,363	
Other Investment Balances	8,727			6,990		
Receivables		137			90	
	<b>1,777,493</b>	<b>50,863</b>	<b>0</b>	<b>1,782,276</b>	<b>46,453</b>	<b>0</b>
<b>Financial Liabilities</b>						
Derivatives	(1,295)			(393)		
Other Investment Balances	(3,468)			(4,249)		
Payables			(156)			(219)
	<b>(4,763)</b>	<b>0</b>	<b>(156)</b>	<b>(4,642)</b>	<b>0</b>	<b>(219)</b>
<b>Total</b>	<b>1,772,730</b>	<b>50,863</b>	<b>(156)</b>	<b>1,777,634</b>	<b>46,453</b>	<b>(219)</b>

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

	<b>31 March 2016 £'000</b>	<b>31 March 2015 £'000</b>
<u>Financial Assets</u>		
Fair Value through Profit and Loss	(27,980)	179,655
Loans and Receivables	217	39
<u>Financial Liabilities</u>		
Fair Value through Profit and Loss	(4,028)	3,009
Financial Liabilities Measured at Amortised Cost	0	0
<b>Total</b>	<b>(31,791)</b>	<b>182,703</b>

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

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

### Level 1

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

### Level 2

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

### Level 3

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

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

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



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

Values at 31 March 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<u>Financial Assets</u>				
Financial Assets at Fair Value through Profit and Loss	766,847	909,725	100,921	1,777,493
Loans and Receivables	50,863	0	0	50,863
<b>Total Financial Assets</b>	<b>817,710</b>	<b>909,725</b>	<b>100,921</b>	<b>1,828,356</b>
<u>Financial Liabilities</u>				
Financial Liabilities at Fair Value through Profit and Loss	(3,468)	(1,295)	0	(4,763)
Financial Liabilities at Amortised Cost	(156)	0	0	(156)
<b>Total Financial Liabilities</b>	<b>(3,624)</b>	<b>(1,295)</b>	<b>0</b>	<b>(4,919)</b>
<b>Net Financial Assets</b>	<b>814,086</b>	<b>908,430</b>	<b>100,921</b>	<b>1,823,437</b>

Values at 31 March 2015	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<u>Financial Assets</u>				
Financial Assets at Fair Value through Profit and Loss	775,272	918,622	88,382	1,782,276
Loans and Receivables	46,453	0	0	46,453
<b>Total Financial Assets</b>	<b>821,725</b>	<b>918,622</b>	<b>88,382</b>	<b>1,828,729</b>
<u>Financial Liabilities</u>				
Financial Liabilities at Fair Value through Profit and Loss	(4,249)	(393)	0	(4,642)
Financial Liabilities at Amortised Cost	(219)	0	0	(219)
<b>Total Financial Liabilities</b>	<b>(4,468)</b>	<b>(393)</b>	<b>0</b>	<b>(4,861)</b>
<b>Net Financial Assets</b>	<b>817,257</b>	<b>918,229</b>	<b>88,382</b>	<b>1,823,868</b>

## Note 28 – Risk

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

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

- The triannual 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 classes, and in particular an allocation to alternative asset classes for which performance has historically not correlated to equity performance.
- Ensuring a diversification of Fund Managers and investment styles (e.g. some with a growth philosophy, some with a value philosophy) to mitigate the risk of poor manager performance impacting on asset values.
- Restrictions on investments in line with the LGPS Investment Management Regulations, which set limits for total exposure to different investment classes, investment types etc.

The key risks associated with the level of liabilities stem from the level of initial pension benefit payable, the indexation of this benefit and the time the benefit is in payment for. These risks largely lie outside the control of the Pension Fund. Recently, changes to the scheme have been made with the aim of making the scheme more sustainable including; linking the normal retirement age to future estimates of life expectancy

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to bring stability to the length of time benefits are in payment, a change in the calculation of benefits to career average revalued earnings to avoid the sudden hike possible in final benefits possible under a final salary scheme, and a switch in the basis of indexation to CPI which is generally lower than the RPI alternative.

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

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

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

### Credit Risk

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

At 31 March 2016 the Fund's exposure to credit risk predominantly related to the following investments:

Investment Category	31 March 2016 £'000	31 March 2015 £'000
UK Government Gilts	49,510	46,394
UK Corporate Bonds	113,220	114,373
UK Index Linked Gilts	92,662	92,133
Overseas Government Bonds	43,710	36,934
Non-Sterling Cash Deposits	6,113	7,332
Cash Balances	44,613	39,031
<b>Total</b>	<b>349,828</b>	<b>336,197</b>

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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 2016 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	Balance as at 31 March 2016 £'000	Rating	Balance as at 31 March 2015 £'000
<u>Money Market Funds</u>				
Ignis Asset Management	AAA	7,187	AAA	5,504
<u>Bank Deposit Accounts</u>				
Royal Bank of Scotland Plc				0
Santander UK Plc				0
<u>Bank Current Accounts</u>				
Lloyds TSB Plc	A+	7,213	A	5,126
BNP Paribas	A	36,326	A+	28,401
<b>Total</b>		<b>50,726</b>		<b>39,031</b>

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

### Liquidity Risk

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

During 2015/16 the Pension Fund received/accrued income related to dealings with members of £92.6m (2014/15 - £90.1m) and incurred expenditure related to dealings with members of £87.9m (2014/15 - £82.0m). There were further receipts/accruals of £26.9m (2014/15 - £23.6m) in respect of investment income, against which need to be set taxes of £0.1m (2014/15 - £0.1m). The net inflow was therefore £31.5m (2014/15 - £31.6m).

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.

### Pension Fund Accounts 2015-16

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

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

However, as noted above, for the Fund to reach a position where it is forced to sell assets and therefore face a potential financial loss, (as well as to forego future investment returns which have been assumed to meet pension liabilities in the future), the net movement in cash would be equivalent to a reduction in contributions received or benefits payable in the region of 35%. Movements of this scale are deemed highly unlikely in the medium-term. The Pension Fund will seek to mitigate these risks through working with employers to understand the potential for any significant membership changes and by monitoring the fund's cashflows. The fund will also provide advice to the Government on the impact of any proposals for change, as well providing clear communication to current scheme members of the on-going benefits of scheme membership and the personal risks to their future financial prospects of opting out at this time.

#### **Market Risk**

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

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

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

## Interest Rate Risk

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

Asset Type	Carrying Amount as at 31 March 2016 £'000	Change in Year in the Net Assets Available to Pay Benefits	
		+1% £'000	-1% £'000
Cash and Cash Equivalents	6,113	61	(61)
Cash Balances	44,613	446	(446)
Fixed Interest Securities	299,102	2,991	(2,991)
<b>Total Change in Assets Available</b>	<b>349,828</b>	<b>3,498</b>	<b>(3,498)</b>

Asset Type	Carrying Amount as at 31 March 2015 £000	Change in Year in the Net Assets Available to Pay Benefits	
		+1% £000	-1% £000
Cash and Cash Equivalents	7,332	73	(73)
Cash Balances	39,031	390	(390)
Fixed Interest Securities	289,834	2,898	(2,898)
<b>Total Change in Assets Available</b>	<b>336,197</b>	<b>3,361</b>	<b>(3,361)</b>

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

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### **Currency Risk**

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

Based on the Fund's exposure to various currencies at 31 March 2016 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 12.9%. 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.

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The table below shows the impact a 12.9% 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 2016 £000	Change in Year in the Net Assets Available to Pay Benefits	
		+12.9% £000	-12.9% £000
Overseas Equities	191,333	24,634	(24,634)
Pooled Overseas Equities	395,920	50,975	(50,975)
Pooled Private Equity (LLPs)	65,841	8,477	(8,477)
Pooled Property	31,499	4,055	(4,055)
Cash	6,113	787	(787)
<b>Total Change in Assets Available</b>	<b>690,706</b>	<b>88,928</b>	<b>(88,928)</b>

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



## Pension Fund Accounts 2015-16

### 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 2016 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UK Equities	555,048	18.4	657,288	452,808
Pooled UK Equities (Small Cap)	14,188	9.8	15,577	12,799
Global Equities	213,106	13.7	242,259	183,953
Diversified Growth Fund	79,010	4.2	82,321	75,700
Pooled Global Equities	241,008	15.8	279,022	202,994
Pooled Overseas Equities	154,912	13.3	175,500	134,324
UK Bonds	49,511	7.8	53,362	45,659
Overseas Bonds	43,710	8.2	47,285	40,134
UK Index Linked Bonds	92,662	13.1	104,838	80,486
Pooled Corporate Bonds	113,221	5.6	119,512	106,929
Pooled Private Equity (LLPs)	69,374	9.8	76,166	62,583
Pooled Property	142,259	1.9	145,031	139,487
Cash	50,726	0.0	50,726	50,726
<b>Total Assets Available to Pay Benefits</b>	<b>1,818,735</b>	<b>12.7</b>	<b>2,048,887</b>	<b>1,588,582</b>

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Asset Type	Value as at 31 March 2015 £'000	Percentage Change %	Value Increase £'000	Value Decrease £'000
UK Equities	570,090	11.9	637,928	502,249
Pooled UK Equities (Small Cap)	14,353	7.4	15,410	13,297
Global Equities	227,725	9.5	249,336	206,114
Diversified Growth Fund	84,221	3.5	87,161	81,282
Pooled Global Equities	256,789	10.9	284,687	228,891
Pooled Overseas Equities	154,278	9.1	168,256	140,301
UK Bonds	50,814	5.4	53,579	48,050
Overseas Bonds	36,934	6.2	39,209	34,659
UK Index Linked Bonds	92,133	8.9	100,360	83,905
Pooled Corporate Bonds	109,953	4.3	114,682	105,224
Pooled Hedge Funds	503	3.5	521	485
Pooled Private Equity (LLPs)	64,433	7.4	69,201	59,665
Pooled Property	111,462	1.6	113,221	109,703
Cash	46,366	0.0	46,375	46,357
<b>Total Assets Available to Pay Benefits</b>	<b>1,820,054</b>	<b>8.8</b>	<b>1,979,926</b>	<b>1,660,182</b>

## Note 29 – Events After the Balance Sheet Date

A referendum on the United Kingdom's membership of the European Union (EU) took place on 23 June 2016. The vote to leave the EU has increased political and economic uncertainty. The impact of the result on the Oxfordshire County Council Pension Fund will become clearer over the next couple of years.

## Audit Report

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

We have examined the pension fund financial statements for the year ended 31 March 2016, which comprise the:

- Fund Account;
- Net Assets Statement; and
- The related notes 1 to 29

This report is made solely to the members of Oxfordshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. 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 Finance Officer and the auditor**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on page 5, the Chief Finance 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 2015/16.

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, Members, Managers and Advisers, How the scheme operates, Investment Review, Actuarial Statement, Summary of Benefits, Statement of Investment Principles, Governance Policy Statement, Funding Strategy Statement, Communications Policy Statement and Communication.

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

#### **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 2016 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We have not considered the effects of any events between the date we signed our report on the full annual statement of accounts (29 September 2016) and the date of this statement.

**Melissa Hargreaves**  
**for and on behalf of Ernst & Young LLP,**  
**Appointed Auditor**  
**Manchester**  
**Date: 14 October 2016**

## Statement of the Actuary for the year ended 31 March 2016

### Introduction

The most recent full actuarial valuation of the Oxfordshire County Council Pension Fund was 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. This statement gives an update on the funding position as at 31 March 2016 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 2016 is just based on market movements since 31 March 2013 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.
- 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 was 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 2016 are summarised below

Assumption	31 March 2013	31 March 2016
Discount rate	5.8% p.a.	5.9% p.a.
Pension increases	2.7% p.a.	2.4% p.a.
Salary increases	2.7% until 31 March 2015 then 4.5% p.a.	4.2% 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.	

## Actuarial Statement

### Updated position

The estimated funding position at 31 March 2016 is a funding level of 89% which is an improvement on the position at 31 March 2013 of 82% and the estimate at 31 March 2015 of 88%.

Investment returns since 31 March 2013 have been on average 5.6% p.a. which is slightly less than assumed at the 2013 actuarial valuation. However, the value of the liabilities is lower than previously projected, primarily because of a lower future inflation assumption. This means that, along with the payment of deficit contributions, the funding level has improved.

The next actuarial valuation is due as at 31 March 2016 and the resulting contribution rates required by the employers will take effect from 1 April 2017. We will continue to monitor the financial position of the Fund on a regular basis.

**Mark Norquay FFA**  
**Associate, Barnett Waddingham LLP**

**Barnett Waddingham**  
Public Sector Consulting

## Summary of Benefits at March 2016

### Introduction

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

### Employers' Discretion

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

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

### Retirement

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

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

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

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

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

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

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

## Summary of Benefits at March 2016

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

#### Example – retirement in 2016

25 years membership to 31 March 2014 and then 2 years in the 'new scheme', 'final pay' £15,000 for period to 31 March 2014

#### Annual Pension

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

5 years x 1/60 x £15,000 = **£1,250**

£15,000 x 2/49 = **£612.24**

#### Retirement Grant

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

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

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

### Liability to pay future benefits

The Pension Fund financial statements provide information about the financial position, performance and financial arrangements of the Fund. They are intended to show the results of the 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 to buy additional pension and set up before 1 April 2014 may continue but opening a new ARC is not possible.



## Summary of Benefits at March 2016

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

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

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

## Death

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

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

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

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



## 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. The revised benchmark is set out in the table below:

Asset Class	Asset Allocation %	Range %
UK Equities		
– passively managed	9	
– actively managed	20	
Total UK Equities	29	27 – 31
Overseas Equities		
– passively managed	7	
– actively managed	23	
Total Overseas Equities	30	28 - 32
<b>Total Equities</b>	<b>59</b>	<b>55 - 63</b>
UK Gilts	3	
Index Linked Gilts	5	
Overseas Bonds	2	
Corporate Bonds	6	
<b>Total Bonds &amp; Index Linked</b>	<b>16</b>	<b>14 - 18</b>
Property	8	5 – 9
Private Equity	9	6 – 11
Diversified Growth Fund	5	4 – 6
Infrastructure	3	2 - 4
Cash	0	0 – 5
<b>Total Other Assets</b>	<b>25</b>	
<b>Total All Assets</b>	<b>100</b>	

## 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	FTSE Actuaries All-Share	+ 1.25%
	Legal & General	FTSE 100	Passive
Global Equities	UBS Global Asset Management	MSCI All Countries World Index (ACWI)	+3.0%
	Wellington	MSCI All Countries World Index (ACWI)	+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	Chief Finance Officer	FTSE smaller companies (including investment trusts)	+ 1.0%
- Limited Partnerships	Adams Street Partners Group		
Diversified Growth Funds	Insight Investment	3 month Libid	+3.0% to +5.0%
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. These ranges have been drawn up to ensure the Fund's investments remain well diversified.

### Restrictions on Investment

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

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

- not more than 10% (15%) of the Fund may be invested in unlisted securities of companies;
- not more than 10% of the Fund may be held in any single holding;
- not more than 10% of the Fund may be held as a deposit in any single bank, institution or person;
- not more than 2% (5%) of the Fund may be contributed to a single partnership
- not more than 5% (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 22.8%, 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.
- It is proposed that the increase should be retained for the three year period up to the implementation of any asset allocation review following the 2016 Valuation. The increase will be reviewed as part of the 2017 Fundamental Asset Allocation Review and expires no later than 30 June 2017.

## Statement of Investment Principles

- To increase the limit on the total of the Fund to be allocated to partnerships to 30%.
- This increase reflects the decision of the Committee to allocate £20m for ad hoc property investments. £10m has been allocated to a property partnership, bringing the total allocated to partnerships to 4.3%. To ensure the Fund retains the flexibility required to make investments in private equity and property partnerships as opportunities arise, the limit needs to be raised in line with the higher limit set by the Regulations.
- As the actual allocations will remain within the bands set by the fundamental asset review, the Fund will remain fully diversified.
- The increase should be reviewed as part of the 2017 Fundamental Asset allocation Review and as such will be in place until June 2017.
- The decision to increase both limits has been made in line with the requirements of 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 on a quarterly by Independent Financial Adviser and the Officers of the fund, and all issues of concern

reported directly to the Committee. Quarterly reports from all Managers are made available to the Committee, who can raise any issues they wish to follow up. All Managers formally report to the Committee once a year, spread over the four quarterly meetings, with the Committee retaining the right to request more frequent attendance if they have matters of concern. The investment management performance of the Fund as a whole is reviewed annually by the Committee, supported by a presentation by State Street Global 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'

## Statement of Investment Principles

adherence to the policy and to ask Investment Managers to report regularly on any engagement undertaken.

### 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, the diversified growth 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.



## Governance Policy Statement

### Introduction

1. This is the Governance Policy Statement of the Oxfordshire Local Government Pension Scheme (LGPS) Pension Fund, as required under Section 55 of the Local Government Pension Scheme Regulations 2013.
2. As required by the Regulations, the Statement covers:
  - Whether the Administering Authority delegates its functions in relation to maintaining a pension fund to a committee, sub-committee or officer of the Authority;
  - The frequency of any committee/sub-committee meetings;
  - The terms of reference, structure and operational procedures in relation to the use of the delegated powers; and
  - Whether the Committee includes representatives of scheme employers, and scheme members, and if so, whether they have voting rights.

### Governance of the Oxfordshire Pension Fund

3. Under the Government requirements for a Cabinet structure in local government, the management of the pension fund is seen as a non-executive function i.e. the Cabinet or equivalent body should not carry it out.
4. Oxfordshire County Council, acting as Administering Authority for the Fund, has determined to delegate all functions relating to the maintenance of a pension fund to the Pension Fund Committee.

### Oxfordshire Pension Fund Committee – Terms of Reference

5. Under the terms of the County Council's constitution, the terms of reference for the Pension Fund Committee are:
  - The functions relating to local government pensions etc specified in Paragraph 1 in Schedule H of Schedule 1 to the Functions Regulations, together with functions under Section 21 of the Oxfordshire Act 1985 (division of county superannuation fund).
  - The functions under the Fireman's Pension Scheme specified in Paragraph 2 in Section H of Schedule 1 to the Functions Regulations.
6. A more detailed interpretation of these terms of reference includes the following:
  - a) respond as appropriate to the Government on all proposed changes to the Local Government Pension Scheme
  - b) regularly review and approve the asset allocation for the pension fund's investment
  - c) approve and maintain the fund's Statement of Investment Principles
  - d) approve and maintain the fund's Funding Strategy Statement
  - e) approve and maintain the fund's Governance Policy Statement
  - f) approve and maintain the fund's Communications Policy Statement
  - g) appoint fund managers to manage the fund's investments, and to agree and review the terms of appointment for each fund manager
  - h) review the performance of the fund, and its fund managers
  - i) appoint an actuary, independent financial advisor(s), and custodians for the fund

- j) approve an annual report and statement of accounts for the fund
- k) approve an annual budget and business plan for the investment and administration of the fund
- l) consider, and if appropriate, approve applications of employers to become admitted bodies to the fund
- m) consider all other relevant matters to the investment and administration of the fund.

### **Membership of the Committee**

7. The Committee's members shall be appointed by full Council and shall comprise
  - 9 County Councillors
  - 2 Representatives of the City and District Councils of Oxfordshire.

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

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

### **Operational Procedures**

9. The Committee will operate under the terms of conduct set out for all Committees of the County Council. The Committee will meet quarterly, with formal agendas published in advance according to the requirements on all County Council Committees. The Committee will meet in public, unless required to go into exempt session in accordance with Part 1 of Schedule 12A of the Local Government Act 1972.
10. At each meeting, the Committee will receive reports on the investment performance of the Fund. Fund Managers will be invited to attend to present information on the performance of their own portfolio, and to answer all appropriate questions from the Committee. The Committee shall determine the frequency by which each fund manager will be required to attend its meetings.
11. Each meeting of the Committee will be attended by the appointed independent financial advisor(s) who will provide advice on all investment matters. This advice will include drawing to the committee's attention, all appropriate matters associated with the performance of the individual fund managers.
12. Any member of the public has the right to seek to address the Committee by making a formal request in advance of the meeting.
13. The Committee will consult formally with all employers on issues where it has a statutory duty to do so, before it undertakes the responsibilities set out above. This includes the formal consultation with all employers before agreeing the Statement of Investment Principles, and the Funding Strategy Statement, and any significant subsequent changes.



## Governance Policy Statement

### Local Pension Board

14. Under the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, the Committee have established a Local Pension Board. The role of the Board is to assist the Pension Committee (in its role as Scheme Manager), to secure compliance with the Regulations and all associated legislation, and to ensure the efficient and effective governance and administration of the scheme.
15. The Board has been established with 3 employer representatives, 3 scheme member representatives and a non-voting independent chairman.
16. The Board will meet on a quarterly basis, or more frequently as required. The full constitution of the Board is available on the Pension Fund's website.

### Informal Governance Arrangements

17. As well as the formal governance arrangements as set out above, the Pension Fund Committee will hold an Annual Forum to which all scheme employers are invited. This Forum will cover a review of investment performance, as well as any other items relevant at that time.
18. The Committee will also hold ad hoc communication and consultation meetings to which all employers will be invited, and issue ad hoc communication and consultation documents to all employers, where it is deemed appropriate to obtain the views of all employers, before undertaking the responsibilities as set out above.

All members are required to follow the member code of conduct. This includes the following requirements relating to potential conflicts of interest:

19. You must, within 28 days of taking office as a member or co-opted member, notify the council's monitoring officer of any disclosable pecuniary interest as defined by regulations made by the Secretary of State, where the pecuniary interest is yours, your spouse's or civil partner's, or is the pecuniary interest of somebody with whom you are living with as a husband or wife, or as if you were civil partners.
20. You must disclose the interest at any meeting of the council at which you are present, where you have a disclosable interest in any matter being considered and where the matter is not a "sensitive interest"[2].
21. Following any disclosure of an interest not on the council's register or the subject of pending notification, you must notify the monitoring officer of the interest within 28 days beginning with the date of disclosure.
22. Unless dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a pecuniary interest as defined by regulations made by the Secretary of State. You must withdraw from the room or chamber when the meeting discusses and votes on the matter.

### Conflicts of Interest

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

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

## Introduction

1. The Oxfordshire Pension Fund is administered by Oxfordshire County Council under the relevant Local Government Pension Scheme Regulations. Under regulation 58 of the Local Government Pension Scheme Regulations 2013, the Administering Authority must publish and keep under a review a Funding Strategy Statement. The Regulations further stipulate that this statement must be prepared with due reference to the relevant CIPFA guidance as published in 2004.
2. This current version of the Funding Strategy Statement for the Oxfordshire Pension Fund was approved by the Pension Fund Committee at its meeting on 6 June 2014. This statement replaces all previous versions of the Funding Strategy Statement, and is based on the initial version agreed in 2005, plus the changes agreed at the Pension Fund Committee meetings on 19 March 2010 and 8 March 2013 following a full consultation exercise with the scheme employers.
3. The Funding Strategy Statement will be subject to further review to allow for the impact of the forthcoming proposals for changes to the Local Government Pension Scheme itself, as well as the changing nature of membership of the Fund and the growing maturity of the Fund. Any change will only be made after full consultation with all scheme employers.

## Purpose of the Funding Strategy Statement

4. The three main purposes of this Funding Strategy Statement are to:
  - Establish a clear and transparent strategy, specific to the Fund, which will identify how employer pension liabilities are best met going forward.

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

## Aims and Purpose of the Pension Fund

5. The aims of the Pension Fund are to:
  - Enable employer contribution rates to be kept as near stable as possible, at a reasonable cost to the scheme employers and taxpayers, whilst ensuring the overall solvency of the Fund. The Administering Authority recognises a number of conflicting aspects within this aim, and is responsible for managing the balance between such conflicts. Balance needs to be struck between investing in higher risk assets which over the long term reduce the cost to scheme employers and the taxpayer, against investing in low risk assets which will reduce short term fluctuations in contribution levels required. Similarly a balance needs to be struck between maintaining stable contribution rates and raising rates to ensure solvency.
  - Ensure there are sufficient resources available to meet all pension liabilities as they fall due. This includes ensuring sufficient liquid resources to meet regular pension payments, transfer payments out of the Fund, lump sum payments on retirement etc. as well as meeting any drawdown calls on the Fund's investments. It is the Administering Authority's policy that all payments are met in the first

## Funding Strategy Statement

instance from incoming employer and employee contributions to avoid the expense of dis-investing assets. At the present time the annual contributions to the Fund significantly exceed the payments out, so facilitating this aim. The Fund also retains a working balance of cash to ensure sufficient resources are available to manage the irregular nature of the payments out of the Fund.

- Manage the individual employer liabilities effectively. This is undertaken by receiving regular advice from the actuary, and ensuring employers are separately billed in respect of ad hoc liabilities outside those taken into account as part of the tri-annual valuation e.g. hidden costs associated with early retirements.
- Maximise the income from investments within reasonable risk parameters. As noted above, the achievement of this aim needs to be balanced against the need to maintain as near stable employer contribution rates. To minimise risk, all investments are made within the restrictions imposed by the Management and Investment of Funds Regulations, alongside a number of Fund specific restrictions to ensure a diversification of investment classes, and individual assets. The Fund cannot restrict investments solely on social or ethical grounds. The Fund's principal concern is to invest in the best financial interests of its employing bodies and beneficiaries. Investment Managers should monitor and assess the social, environmental and ethical considerations which may impact on the reputation of a particular company, as well as the company's sensitivities to its various

stakeholders. Investment Managers should engage with companies on these issues where appropriate. Such a policy should ensure the sustainability of a company's earnings, and hence its merits as an investment.

6. The purpose of the Fund is to:
  - Pay out monies in respect of pension benefits, transfer values and the costs of scheme administration and investments; and
  - Receive monies in respect of contributions, transfer values and investment income.

### Responsibilities of Key Parties

7. The effective management of the Pension Fund relies on all interested parties fully exercising their duties and responsibilities. The key parties involved are the Administering Authority, the individual employers within the Fund, and the Fund's Actuary.
8. The key responsibilities of the Administering Authority are to:
  - Collect of all contributions due to the Fund. This includes making sure all employers within the Fund are aware of the requirement under the Pensions Act that all contributions are paid over by the 19th of each month following the month the member was paid, and escalating matters of non-compliance to the Pension Fund Committee. The Administering Authority is also responsible for the collection of final contributions once an employer ceases membership of the Fund.
  - Invest all surplus monies within the Fund in accordance with the relevant Regulations,

and the Fund's Statement of Investment Principles.

- Ensure there is sufficient cash available to meet all liabilities as they fall due.
  - Maintain adequate records for each individual scheme member.
  - Pay all benefits and transfer payments in accordance with the Regulations.
  - Manage the Valuation process in consultation with the Fund's Actuary, providing all membership and financial information as requested by the Actuary, and managing all necessary communication between the Actuary and the individual Scheme Employers.
  - Prepare and maintain all policy documents as required under the Regulations including the Funding Strategy Statement, the Statement of Investment Principles, the Communication Policy, and Governance Compliance Statement, consulting scheme employers and other stakeholders as required.
  - Monitor all aspects of the performance of the Fund, and in particular the funding level of the Fund.
9. The key responsibilities of individual employers are to:
- Correctly deduct contributions from employee pay.
  - Pay all contributions due to the Fund, including both employee and employer contributions, and additional contributions in respect of the hidden costs of early retirements, promptly by their due date.
- Exercise their discretion in line with the Regulatory Framework, including maintaining policies for early retirement, ill-health retirement, awarding of additional benefits etc.
  - Provide adequate membership records to the Administering Authority as required.
  - Notify the Administering Authority of all changes in membership details.
  - Notify the Administering Authority of all issues which may impact on future funding, or future membership of the scheme at the earliest possible date.
10. The key responsibilities of the Fund Actuary are to:
- Prepare triennial valuations including setting employer contribution rates, after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement.
  - Prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.

### **Solvency and Target Funding Levels**

11. The Fund must determine the level at which the Fund will be deemed solvent, and should then aim for a target funding level whereby the assets of the Fund, and anticipated future income streams (by way of investment income and contributions) meet this solvency level in respect of the anticipated liabilities of the Fund.
12. The Funding Strategy Statement must set out how solvency and target funding issues will be addressed across different classes of scheme employer, and the timescales against which any deficit recovery plan must be delivered.

## Funding Strategy Statement

13. Solvency Level – The Pension Fund Committee has determined that the solvency level should be set such that the value of current assets, and anticipated income streams is equal to 100% of the anticipated value of future liabilities. Any lower figure cannot be sustained in the longer term, and therefore would introduce an unacceptable level of risk into the management of the Fund and the delivery of the Funds aims. .
14. Funding Level – The funding level is the percentage the current assets and future income streams form of the anticipated liabilities at any given time. The Actuary will calculate the current funding level based on a series of financial assumptions to be agreed with the Administering Authority. In particular the Actuary will seek to smooth short-term variations in asset values rather than taking the strict market value at the point of valuation.
15. In discounting the value of the liabilities back to the point of the valuation, the Actuary will in general allow for an assumed premium investment return from equity and other higher risk assets held in the Fund. Where the future participation within the Fund is not assured, or at the point a cessation valuation is required, the Administering Authority retains the right to instruct the Actuary to complete a valuation on a low risk basis, such that the future liabilities are discounted by reference to current gilt yields, with no allowance for the premium investment return from higher risk assets. Where an employer is pooled, or where another scheme employer is prepared to underwrite the financial risks, valuations can still be undertaken on an ongoing/higher risk basis, even where there is a question about the long term participation of an employer within the Fund.
16. The funding level of individual employers will in general be based on a shared investment experience (i.e. it is assumed that the total assets allocated to each employer have an identical proportion of each asset class), but the individual membership experience of each employer's individual scheme members (i.e. liabilities will reflect the individual retirement decisions of scheme employers/members, patterns of ill-health retirements etc, so that no one employer is required to subsidise the decisions of another – although see pooling arrangements below).
17. Deficit Recovery Plans – Where the triennial valuation identifies the funding level of any given employer has fallen below the target funding level a deficit recovery plan must be agreed. The Committee has agreed that in normal circumstances any deficit recovery plan must aim to restore the funding level to the 100% target within a maximum of 25 years. This was set as the standard Recovery Period in the 2007 Valuation.
18. The Administering Authority retains the right to require a shorter recovery period where it has concerns about the financial standing of the employer, or where it has concerns regarding the level of an employer's participation in the Fund going forward (e.g. significant decline in membership numbers, admission is linked to a short term service contract etc). Individual employers have the right to negotiate a lower recovery period than the standard period if they so wish.
19. In cases of exceptional financial hardship, and where the fall in funding level is seen to have been heavily influenced by short term factors which will not remain in the longer term, the Administering Authority does have the discretion to agree a longer recovery period



than the standard 25 years, to maintain a more stable employer contribution rate. It should be noted that this discretion will not be exercised where the Administering Authority believes the nature of the pressure on the funding level is long term in nature, and the extension of the recovery period is simply going to shift the increase in contribution rates to a later period.

20. The Actuary, in consultation with the Administering Authority may choose to vary the recovery period downwards for any individual employer in order to maintain as near stable contribution rate as possible.
21. The Administering Authority also has the discretion to agree stepping arrangements with individual employers, to enable them to manage an increase in their contribution rate over a number of years. The standard stepping period will be a period of 3 years, but in exceptional circumstances the Administering Authority has the discretion to increase this to 6 years. This again should be seen as a mechanism for maintaining as near stable contribution rates as possible, rather than a means for delaying an inevitable increase in contribution rates.
22. The Administering Authority has the discretion to instruct the Actuary to set a contribution rate that recovers the deficit to the target funding level by way of a cash figure, rather than the traditional percentage of pensionable pay. This protects the Fund from the risk of under-recovery where the pensionable pay of the employer falls during the recovery period. Since the 2010 Valuation, the Administering Authority agreed that the deficit payments for all smaller employers must be made by way of a cash amount, whilst allowing the larger

employers to determine between a cash amount and a percentage of pensionable pay.

23. Pooling – Whilst in general the funding level of each individual employer will be based on its own membership experience, it is recognised that this can create high volatility in an employer's contribution rate, and therefore their financial standing and/or their continued participation in the Fund.
24. Some of the most vulnerable employers within the Fund are the small transferee admission bodies, who have been admitted to the Fund following the successful bid for an outsourcing contract from one of the scheduled scheme employers. Not only are such employers exposed to the risks associated with their size, but because of the fixed term nature of their participation in the Fund (in line with the length of their service contract) they are less able to benefit from the discretions available in managing any subsequent deficit recovery plan.
25. The Administering Authority therefore has the discretion, following consultation with the sponsoring scheme employer, to allow such transferee admission bodies to be pooled with their sponsoring employer. As transferee admission agreements require the sponsoring employer to underwrite any future pension costs associated with the transferee admission body, such pooling arrangements involve no greater risk whilst maintaining more stable contribution rates in regards to the delivery of the outsourced service. At the end of any such admission agreement, any cessation valuation can be undertaken on the standard high risk basis, or the assets and liabilities can be retained within the pool and the deficit carried forward and allocated as part of the re-tendering of the service.

## Funding Strategy Statement

26. The Fund has also pooled together the smaller scheduled/designated employers, and separately the remaining smaller admitted bodies. Each employer within the pool shares the same membership experience, so for example the costs of a single expensive ill-health retirement are shared across all employers in the pool rather than falling to the employer who employed the scheme member at the point of their retirement.
27. Following a consultation exercise at the beginning of 2013, the Administering Authority determined that all Academy Schools with 50 or less LGPS members should be required to pool as a standalone group. A small Academy School can seek the approval of the Administering Authority to permanently opt out of the pool where the Administering Authority is satisfied there is a suitable financial case, with all future pension liabilities underwritten by the Academy Trust. Any Academy School with over 50 LGPS members has the right to opt to join the pool on a permanent basis.
28. The Administering Authority will also consider applications from individual academy schools under a single Umbrella Trust to operate a single pool for all academies within the Umbrella Trust. (The Administering Authority will treat a Multi-Academy Trust as a single employer and therefore with its own individual employer contribution which applies to all schools within the Trust – subject to total members exceeding 50).
29. If an employer ceases to be a member of the Fund (whether through choice, the ending of a service contract, or the departure of their last active member), the Administering Authority will instruct the Actuary to carry out a cessation valuation, unless the deficit is held as part of a pooling arrangement for a transferee admission body. As noted above, the cessation valuation will be undertaken on a low risk basis, unless another scheme employer has underwritten the financial risk, or the employer is a member of a pool. The Administering Authority will explore payment plan proposals to meet the cessation cost over an agreed period of time, to reduce the risk of non-payment and ensure the Fund maximises the receipt of money due.
30. Where a scheme employer fails to meet the cessation valuation, the cost will fall to the sponsoring employer in the case of a transferee admission body, the other members of the pool for a pooled body, and the Fund as a whole in all other cases. Similarly, where liabilities accrue in respect of scheme members where their former employer is no longer a scheme employer (orphan liabilities), these liabilities will fall to be met by a sponsoring employer, specific pool or Fund as a whole in line with unmet cessation costs.

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

31. This Funding Strategy Statement has been prepared in light of the Fund's Statement of Investment Principles (SIP). This document sets out the strategic allocation of the Fund's investments, the restrictions on investment, and the benchmarks against which Fund Management performance will be measured. A target outperformance of 1.0% above these benchmarks has been set for the Fund as a whole.
32. As noted above, the Actuary takes note of the actual investment allocation and the split between high and low risk assets in determining the discount factor to be applied to scheme liabilities. This allocation is in turn determined by the Statement of Investment

Principles. As the Fund becomes more mature (i.e. the ratio of pensioners/deferred members to active members increases), the investment approach as set out in the Statement of Investment Principles will move to reduce the overall level of risk. This in turn will worsen the funding level, and require an increase in contribution rates to ensure solvency of the Fund as a whole.

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

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

34. The Administering Authority recognises a number of risk areas in the establishment of its funding strategy. These risks fall broadly under the headings of financial, demographic, regulatory and governance.
35. The key financial risks are around the variations to the main financial assumptions used by the actuary in completing their valuation. This includes the financial markets not achieving the expected rate of return, and/or individual Fund Managers failing to meet their performance targets. The main approach to counter this risk is to ensure diversification of the investment portfolio, and the employment of specialist Fund Managers. The Pension Fund Committee with advice from their officers, and their Independent Financial Advisor monitor performance on a quarterly basis.

36. In completing their valuation, the Actuary does provide a sensitivity analysis around the key financial assumptions, including future inflation forecasts. The Actuary also produces a quarterly monitoring report to consider movements in the Funding Level since the last valuation.
37. The demographic risks largely relate to changing retirement patterns and longevity. The Actuary reviews past patterns at each Valuation and adjusts their future forecasts accordingly. Where possible, employers are charged with the cost of retirement decisions made outside the valuation assumptions and in particular, are required to meet the hidden costs of early retirements.
38. The regulatory risks are in respect of changes to the LGPS Regulations themselves, as well as the impact of changes in taxation and national insurance rules, and national pension issues (e.g. the current auto-enrolment changes). The Administering Authority monitors all consultation documents which impact on the Fund, and responds directly to the Government where appropriate. The Administering Authority will seek advice from the Actuary on the potential impact of regulatory changes.
39. The main governance risks arise through unexpected structural changes in the Fund membership through large scale out-sourcings, redundancy programmes or closure of admission agreements. The main measures to counter such risks are regular communications between the Administering Authority and scheme employers, as well as monitoring of the monthly contribution returns to indicate changing trends in membership.



## Funding Strategy Statement

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

### Monitoring and Review

41. The Administering Authority has undertaken to review this Funding Strategy Statement at least once every three years, in advance of the formal valuation of the Fund.
42. The Administering Authority will also monitor key events and consider an interim review of the Funding Strategy Statement where deemed necessary. Such key events include:
- a significant change in market conditions,
  - a significant change in Fund membership,
  - a significant change in Scheme benefits, and
  - a significant change to the circumstances of one or more scheme employers.

## Introduction

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

## Purpose

2. This policy sets out the Oxfordshire Pension Fund's strategy for its communications with members, members' representatives and employing authorities.
3. The strategy also covers the promotion of the scheme to prospective members.
4. The policy applies, in the context of LGPS administration, to members as defined in Schedule 1 of the principal regulations and, in turn, by section 124(1) of the Pensions Act 1995 to include:
  - Active members
  - Deferred members, and
  - Pensioner members
5. Employing authorities, as defined within the regulations:
  - Statutory Scheduled Bodies such as the County and District Councils, Colleges of Further Education and Oxford Brookes University; Academies
  - Designating Bodies being the Town and Parish Councils
  - Admission Bodies, where the Pension Fund Committee have granted scheme admission

## Aim

6. To ensure that all individual employers and scheme members, as defined above, have access to scheme information, their benefits, and proposed and actual changes.
7. To enable the Scheme Manager / Administering Authority to discharge efficiently their respective responsibilities in accordance with the Local Government Pension Scheme Regulations 2013 (as amended); The Occupational and Personal Pension Schemes Disclosure of Information Regulations 2013 (as amended) and The Pension Regulator Guidance.

## Communication Policy

8. The development and introduction of the 2013 scheme was supported nationally by websites and guidance for both employers and scheme members. All Oxfordshire County Council Pension Fund communications do, and will continue to, make reference to these central resources.
9. Local communication will focus on specific administration for employers and members of the Oxfordshire County Council Pension Fund. The key local communications, publication media and frequency are detailed in the annex to this policy.
10. This emphasis does not materially alter this policy but will affect the content of local communications. The continuing encouragement to use the national websites will avoid duplication of development.

## Review of This Policy

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

## Communications Policy Statement

### Communications Policy Annex - Local Communications

	Available to:	Method of Distribution	Frequency
Communication Policy	Employers Members – active, deferred and pensioner Prospective scheme members Employee representatives	Website	Annual review, or earlier where there is a material change
Pensions Increase Notification	Pensioner members	Website Post	Annually – in February
Annual Benefit Statements	Active members Deferred members	By post to individuals, either to home address or via employers	Annually – by August
Employers Forum	Employers in the Oxfordshire Pension Fund	Meeting	Annually – December
Newsletter – Reporting Pensions (With one Newsletter Including Summary of Accounts for Pensioners)	Active scheme members	Paper distribution with assistance from employers Website	Quarterly
Beneficiaries Report from the Pension Fund Committee Beneficiary's Advisor	Active members Employee representatives	Email distribution to employers for notice boards and intranets Post Website	Quarterly
Pensions User Group	Employer human resource and payroll contacts	Meeting Email distribution of agenda and action notes	Quarterly
LGPS Summary Information Guide Membership Forms	Prospective scheme members Employers for new starters, job application packs	Paper copies Download from County website Email	All Year

Communications  
Policy  
Statement

	Available to:	Method of Distribution	Frequency
Provide Presentations and Talks on LGPS Matters  Facilitate Pensions Seminars for Prudential 'Basic LGPS scheme and AVC Talks'	Active members Employers	Staff meetings Part of pre-retirement courses Induction meetings for new joiners Active members group meetings	Ad hoc as required  Timings as agreed with the Prudential and individual employer area
Development of Electronic Information Systems, External County Council Website and Intranet Pages	All targeted audiences should be able to access information, especially from the external site		Regular reviews to keep up to date

Notes:

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

## Communication

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

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

- **Website** – Pages for the Oxfordshire County Council Pension Fund are located on the County's public website. They offer access to administration and investment information, including Pension Fund Committee reports and minutes. Fund Employers can find detailed Administration information as an online toolkit to support their role in the fund. All members; current, pensioners, and deferred, have dedicated sections, with links to newsletters, guides, and national websites.
- **Intranet** – is not maintained by Pension Services as it reflects the decisions and policies of the County Council as a fund employer. Their pages also provide links and access to the Pension Fund website. Other fund employers also provide information on their 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

**Oxfordshire**

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## BENEFIT ADMINISTRATION

Pension Services  
Oxfordshire County Council  
Speedwell House  
Speedwell Street  
Oxford, OX1 1NE  
*Please note temporary address*  
Telephone:  
General Pension Enquiries: 03300 241 359  
Pension Payroll Enquiries: 03300 241 369  
email: [pension.services@oxfordshire.gov.uk](mailto:pension.services@oxfordshire.gov.uk)

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## ACCOUNTS AND INVESTMENTS

Financial Manager – Pension Fund Investments  
Corporate Services  
Oxfordshire County Council  
County Hall  
Oxford, OX1 1ND  
email: [pension.investments@oxfordshire.gov.uk](mailto:pension.investments@oxfordshire.gov.uk)

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## BENEFICIARIES REPRESENTATIVE

c/o Pension Services  
Oxfordshire County Council  
Speedwell House  
Speedwell Street  
Oxford, OX1 1NE  
*Please note temporary address*

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## SPECIFIED PERSON FOR ADJUDICATION OF DISPUTES PROCEDURE

### Disputes to be sent to:

Pensions Services Manager  
Oxfordshire County Council  
Speedwell House  
Speedwell Street  
Oxford, OX1 1NE  
*Please note temporary address*  
Telephone: 01865 323854  
Email: [sally.fox@oxfordshire.gov.uk](mailto:sally.fox@oxfordshire.gov.uk)

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## The Pensions Regulator

Napier House  
Trafalgar Place  
Brighton  
BN1 4DW 0845 600 0707  
[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

## The Pension Tracing Service

The Pension Service  
Mail Handling Site A  
Wolverhampton  
WV98 1LU 0845 6002 527  
[www.gov.uk/find-lost-pension](http://www.gov.uk/find-lost-pension)

## The Pensions Advisory Service (TPAS)

11 Belgrave Road  
London  
SW1V 1RB 0300 123 1047  
[www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk)

## Pensions Ombudsman

11 Belgrave Road  
London  
SW1V 1RB 0207 630 2200  
[www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk)





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