



Investment Strategy Statement Consultation Guidance – April 2026

Introduction

1. Investment Strategy Statement

Every three years the Fund undertakes a fundamental review of its strategic asset allocation (SAA) to align with the triennial valuation of the Fund and sets this out in an Investment Strategy Statement (ISS).

The strategic asset allocation review provides the opportunity to consider all aspects of investment strategy within the main asset groups, to ensure that the Fund continues to have the right mix of investments to:

1. deliver the returns targeted by the Fund,
2. diversify risk, and
3. meet both liquidity needs in the short-term and the longer-term.

The Fund commissioned Apex to undertake a review of the Fund’s strategic asset allocation, considering the current strategic asset allocation and a range of alternative asset allocations. The review used long-term capital market assumptions as a basis for modelling asset allocations, with a view to identifying whether there were opportunities to optimise the risk/return characteristics of the Fund’s SAA.

Following review of the proposals with Fund officers a final proposed asset allocation was prepared and set out in an ISS which was then approved to be sent for consultation by the Pension Fund Committee at its meeting on 6th March 2026.

The changes from the previous SAA are detailed in the table below:

	Current SAA	New SAA
UK Equities	10.0%	10.0%
Global Equities	25.0%	22.0%
Passive Dev Eq Paris Aligned	16.0%	14.0%
Corporate Bonds	4.0%	4.0%
Index-Linked	7.0%	8.0%
Multi Asset - Credit	5.0%	5.0%
UK Property	6.0%	6.0%
International Property	2.0%	2.0%

	Current SAA	New SAA
Private Equity	10.0%	8.0%
Infrastructure	5.0%	5.0%
Secured Income	5.0%	5.0%
Private Debt	5.0%	3.0%
Natural Capital	0.0%	3.0%
Social Housing	0.0%	3.0%
Venture Capital	0.0%	2.0%
Cash	0.0%	0.0%

The reason for proposing the new SAA is that it is able to provide a broadly similar investment return with meaningfully lower volatility. This lower risk was considered to be important in the context of an increasingly uncertain global economy. The return of the proposed SAA is consistent with the return assumed in the 2025 funding valuation.

In addition, it was considered that the proposed SAA's high proportion of assets with inflation linkage was beneficial given the Fund's liabilities are inflation linked and there is a risk of increased volatility in inflation given current geo-politics.

The ISS has been prepared in accordance with the recently issued regulations The Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 and associated guidance.

Under the government guidance there are nine asset classes that can be specified in an LGPS fund's ISS. It is not permissible to provide any further breakdown in the ISS or specify active/passive splits.

One element of the 2026 regulations that is new is a requirement to set a target for local investment. A figure of 5% is proposed in the ISS. The Fund has already made some local investments including in renewable infrastructure, affordable housing, and venture capital.

2. Local Investment Policy

The Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 require funds to set a target for local investment. The Fund has included this target in its ISS and has developed a Local Investment Policy to provide further detail about how it seeks to implement local investment.



The Fund is required to state what it considers local to be for its local investment target. There is no definition included under the regulations but they do say that local cannot be defined as UK wide.

The policy defines local as the combined geography of the partner funds within its Asset Pool. Within this definition the Fund will seek to maximise the proportion of the Fund's local investment target allocation that is deployed, or has measurable benefits, to the geography of Oxfordshire or surrounding areas.

This definition is based on discussions with LGPS Central about what is currently implementable and is consistent with the feedback received from scheme members through the recent member survey.

The policy sets out the Fund's expectation that local investments will stand on their own merits. By requiring local investments to meet the same criteria as equivalent investments in their asset class the Committee can demonstrate consistency with their fiduciary duty.

3. Cash Management Policy

The Fund has developed a Cash Management Policy to set out how the Fund will deal with the scenario of being cashflow negative (receiving less in contributions than is paid out in pensions). The Policy also details the arrangements for managing operational cash.

The Fund is currently cashflow positive, however the most recent long-term cashflow forecast from the Fund's actuary predicts that the Fund will switch to being cashflow negative within the next 1-2 years. This is in part driven by an expected reduction in contribution income as a result of contribution rate reductions at the 2025 valuation,

This is not an issue of itself and is to be expected as the Fund matures. However, it does raise the issue of how to cover the shortfall of cash. The policy proposes that any cashflow shortfall arising is first sought to be covered using investment income. The alternative is to sell investments, but this could lead to poor outcomes if sales are not planned in advance, forcing the fund to potentially sell assets under stress and to achieve poor pricing.

Under the baseline scenario in the Hymans report an annual yield of 0.9% from investment assets would be required to meet the cashflow shortfall over a period of 20 years. The Fund's proposed asset allocation is predicted to be able to generate a yield in the region of 2%. This would also be sufficient under the structurally high inflation scenario included in the Hymans report which requires a yield of 1.5%.

As such, it is considered that investment income should be sufficient to meet the Fund's cashflow requirements over the medium-term. Investment portfolios do not necessarily automatically return cash so the Fund will work with its Pool to ensure portfolios are switched to from accumulating to distributing at the appropriate time.



How to respond to the consultation

- For a guided response, please follow the link to complete our [questionnaire](#).
- If you prefer to write your own response, please email pension.communications@oxfordshire.gov.uk