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OXFORDSHIRE COUNTY COUNCIL

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 3 March 2023 at 10.00 am

Council Chamber - County Hall, New Road, Oxford OX1 1ND

Stephen T Chandler

Stephen Chandler
Interim Chief Executive

February 2023

Committee Officer: ***Khalid Ahmed***
Tel: 07990 368048; E-Mail: khalid.ahmed@oxfordshire.gov.uk

Membership

Chairman – Councillor Bob Johnston
Deputy Chairman – Councillor Kevin Bulmer

County Councillors

Councillor Imade Edosomwan	Councillor Nick Field-Johnson John Howson	Councillor John Howson

Non-Voting Members

Non-voting Members of the Academy sector – Ms Shelley Cook and Mr Alan Staniforth
Non-voting Scheme Member Representative - Mr Steve Moran
Non-voting Member of Oxford Brookes University – Mr Alistair Fitt
Non-voting Member of District Councils – Councillor Jo Robb

Notes:

- ***Date of next meeting: 9 June 2023***

OXFORDSHIRE COUNTY COUNCIL

AGENDA

1. Apologies for Absence and Temporary Appointments

2. Declarations of Interest - see guidance note

3. **Minutes** (Pages 1 - 8)

To approve the minutes of the meeting held on 2 December 2022 and to receive information arising from them.

4. Petitions and Public Address

Members of the public who wish to speak at this meeting can attend the meeting in person or 'virtually' through an online connection. To facilitate 'hybrid' meetings we are asking that requests to speak are submitted by no later than 9am four working days before the meeting i.e., 9am on Monday 27 February 2023.

Requests to speak should be sent to khalid.ahmed@oxfordshire.gov.uk If you are speaking 'virtually', you may submit a written statement of your presentation to ensure that if the technology fails, then your views can still be taken into account. A written copy of your statement can be provided no later than 9am 2 working days before the meeting. Written submissions should be no longer than 1 A4 sheet.

5. **Report of the Independent Investment Advisor** (Pages 9 - 66)

10.05am
This report covers an overview of the financial markets, the overall performance of the Fund's investments against the Investment Strategy Statement and commentary on any issues related to the specific investment portfolios.

The report includes the quarterly investment performance monitoring reports, including the newly designed report from Brunel.

6. Presentation from the Chief Investment Officer from Brunel

10.20am
David Vickers (Brunel) will cover the main issues arising from the performance of the Brunel portfolios over the past year and highlight the key issues for the forthcoming year.

7. **Strategic Asset Allocation** (Pages 67 - 84)

10.35am
The report of the Independent Investment Advisor sets out the direction of travel for the Fund's Strategic Asset Allocation for the next three years.

The Committee will be recommended to approve the following recommendations.
1. Against a higher inflationary environment to work with Brunel to ensure that the Fund's assets continue to match the liability profile at the cashflow level, including if necessary generating sufficient income to fund increased pension payments.
2. To consider if the Fund should put in place a currency hedging strategy, utilising the resources available through Brunel.
3. To review the exposure to the UK equity market with the objectives of:
i. Reducing the overweight position of UK Equities in comparison to the Global UK weighting over time. Consideration will be given to switching to either the Paris Aligned Global passive sub fund or to the active Global Sustainable Investment sub fund.
ii. For the retained UK exposure to achieve better representation to UK plc in earnings terms and reducing carbon/ climate risk exposure, either on a passive or active basis.
4. To review the Emerging Markets mandate so as to remove exposure to China so far as is practically possible.
5. In the absence of similar arrangements being offered by Brunel, to retain the listed Private Equity (PE) portfolio and return the management of that to a semi-active basis to ensure that an appropriate balance of investments is maintained.
6. To continue to work with Brunel and independently to meet the Fund's evolving ESG and Climate policy requirements.
7. To consider the DLUHC "Levelling Up" local investment proposals
8. To confirm that the Fund will continue to reinvest on a timely basis capital distributions made by legacy managers and Brunel as investments mature.

8. **Minutes of the Local Pension Board** (Pages 85 - 92)

11.20am
A copy of the unconfirmed Minutes of the Local Pension Board, which met on 20 January 2023 is attached for information only.

9. **Report of the Local Pension Board** (Pages 93 - 94)

11.25am
The report sets out the items the Local Pension Board wishes to draw to the attention of this Committee following their last meeting in January 2023.

10. Annual Business Plan 2023/24 (Pages 95 - 120)

11.35am
This report proposes a Business Plan, Budget and Training Plan for the forthcoming financial year. The report also includes a review on progress against the key priorities set out in the Annual Business Plan for 2022/23.

The Committee is RECOMMENDED to:
a. Note the progress against the service priorities for 2022/23;
b. approve the Business Plan and Budget for 2023/24 as set out at Annex 1;
c. approve the Pension Fund Cash Management Strategy for 2023/24.
d. delegate authority to the Director of Finance to make changes necessary to the Pension Fund Cash Management Strategy during the year, in line with changes to the County Council's Treasury Management Strategy;
e. delegate authority to the Director of Finance to open separate pension fund bank, deposit and investment accounts as appropriate;
f. delegate authority to the Director of Finance to borrow money for the pension fund in accordance with the regulations.

11. Risk Register (Pages 121 - 128)

11.55am
This report presents the latest position on the Fund's risk register, including any new risks identified since the report to the last meeting.

The Committee is RECOMMENDED to note the latest risk register and agree that the risk register covers all key risks to the achievement of their statutory responsibilities, and that the mitigation plans, where required, are appropriate.

12. Communications Policy (Pages 129 - 142)

12.05pm
This report presents a review of the Communication Policy for the Fund and highlights a number of new initiatives agreed with the Pension Board to seek improvement with scheme member engagement.

The Committee is RECOMMENDED to
a) approve the revised Communications Policy,
b) note the outcome of the Member Engagement Review carried out by the Governance and Communications Team and
c) ask Officers to develop an implementation plan based on the outcome of the Member Engagement Review.

13. Administration Report (Pages 143 - 156)

12.15pm

This report updates the Committee on the key administration issues including service performance measurement, the debt recovery process and any write offs agreed in the last quarter.

The Committee is RECOMMENDED to

a) Approve the increase in establishment of two administrator posts
b) Comment on changes to way in which performance information is presented and what other information should be included
c) Confirm whether this committee would like to receive a copy of the fire administration report to the fire pension board minutes with this report
d) Confirm if the proposed changes to the nomination process is acceptable
e) Confirm if the proposed changes to the recovery of overpayments in cases where the pensioner has died, is acceptable.

14. Cyber Security Report (Pages 157 - 160)

12.25pm
This report is the first annual report on cyber security and covers those issues identified during the review undertaken earlier in the year.

The Committee is RECOMMENDED to

a) To review this report and determine any further actions to be taken
b) To confirm that this report is to be produced on an annual basis
c) To decide if pension specific fund penetration testing should be carried out.

15. Corporate Governance and Socially Responsible Investment

12.35pm
Members will be updated on any items not covered elsewhere on today's agenda in respect of their responsibilities in respect of corporate governance and responsible investment.

16. Exempt Items

The Committee is RECOMMENDED that the public be excluded for the duration of the following items on the Agenda (during discussion on confidential matters) since it is likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it is considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

THE REPORTS RELATING TO THE EXEMPT ITEMS HAVE NOT BEEN MADE

PUBLIC AND SHOULD BE REGARDED AS STRICTLY PRIVATE TO MEMBERS AND OFFICERS ENTITLED TO RECEIVE THEM.

PART II

17. Additional Voluntary Contributions (AVC) Review (Pages 161 - 174)

12.35pm
This report updates the Committee on the on-going review into the future AVC provision to scheme members. The Committee will be recommended to agree in principle the arrangements for the future provision of the AVC service.

The Committee is recommended to approve the recommendation contained in the confidential report.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

18. Brunel Special Reserved Matters (Pages 175 - 194)

12.50pm
The confidential report sets out the key issues associated with the current Special Reserved Matter issued by Brunel.

The Committee is recommended to endorse the approval to the SRM.

The public should be excluded during this item because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Councillors declaring interests

General duty
You must declare any disclosable pecuniary interests when the meeting reaches the item on the agenda headed 'Declarations of Interest' or as soon as it becomes apparent to you.

What is a disclosable pecuniary interest?
Disclosable pecuniary interests relate to your employment; sponsorship (i.e. payment for expenses incurred by you in carrying out your duties as a councillor or towards your election expenses); contracts; land in the Council's area; licenses for land in the Council's area; corporate tenancies; and securities. These declarations must be recorded in each councillor's Register of Interests which is publicly available on the Council's website.

Disclosable pecuniary interests that must be declared are not only those of the member her or himself but also those member's spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.

Declaring an interest
Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest. If you have a disclosable pecuniary interest, after having declared it at the meeting you must not participate in discussion or voting on the item and must withdraw from the meeting whilst the matter is discussed.

Members' Code of Conduct and public perception
Even if you do not have a disclosable pecuniary interest in a matter, the Members' Code of Conduct says that a member 'must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself' and that 'you must not place yourself in situations where your honesty and integrity may be questioned'.

Members Code – Other registrable interests
Where a matter arises at a meeting which directly relates to the financial interest or wellbeing of one of your other registerable interests then you must declare an interest. You must not participate in discussion or voting on the item and you must withdraw from the meeting whilst the matter is discussed.

Wellbeing can be described as a condition of contentedness, healthiness and happiness; anything that could be said to affect a person's quality of life, either positively or negatively, is likely to affect their wellbeing.
Other registrable interests include:

a) Any unpaid directorships

b) Any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority.
c) Any body (i) exercising functions of a public nature (ii) directed to charitable purposes or (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a member or in a position of general control or management.

Members Code – Non-registrable interests
Where a matter arises at a meeting which directly relates to your financial interest or wellbeing (and does not fall under disclosable pecuniary interests), or the financial interest or wellbeing of a relative or close associate, you must declare the interest.

Where a matter arises at a meeting which affects your own financial interest or wellbeing, a financial interest or wellbeing of a relative or close associate or a financial interest or wellbeing of a body included under other registrable interests, then you must declare the interest.

In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied:
Where a matter affects the financial interest or well-being:

a) to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
b) a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest.

You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 2 December 2022 commencing at 10.00 am and finishing at 11.55 am

Present:

Voting Members: Councillor Bob Johnston – in the Chair

Councillor Kevin Bulmer (Deputy Chair)
Councillor Imade Edosomwan
Councillor Nick Field-Johnson
Councillor John Howson

Non-Voting Members: Shelley Cook (Academy Sector Member) (Remotely attended)
Alistair Fitt (Oxford Brookes University)
Steve Moran (Pension Scheme Member)
District Councillor Jo Robb (District Councils) (Remotely attended)

Local Pension Board Members in Attendance: Elizabeth Griffiths
Alistair Bastin (Remotely attended)
Angela Priestley – Gibbins (Remotely attended)
Stephen Davis (Remotely attended)

By Invitation: Philip Hebson (Independent Investment Advisor)

Officers: Sean Collins (Service Manager Pensions Insurance and Money Management)
Sally Fox (Pension Services Manager) (Remotely attended) (Remotely attended)
Gregory Ley (Financial Manager- Pension Fund Investment) (Remotely attended)
Mukhtar Master (Governance & Communications Manager) (Remotely attended)
Khalid Ahmed (Law and Governance)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports copies of which are attached to the signed Minutes.

44/22 MINUTES
(Agenda No. 3)

The Minutes of the meeting held on 10 October 2022 were approved and signed.

45/22 MINUTES OF THE LOCAL PENSION BOARD
(Agenda No. 5)

The unconfirmed Minutes of the Local Pension Board held on 20 October 2022 were noted.

46/22 REPORT OF THE LOCAL PENSION BOARD
(Agenda No. 6)

The Committee was provided with the report of the Local Pension Board, which was introduced by Board Member, Alastair Bastin.

47/22 REVIEW OF ANNUAL BUSINESS PLAN 2022/23
(Agenda No. 7)

Consideration was given to a report which provided an update on progress against the key priorities set out in the Annual Business Plan for 2022/23, and the initial results of the National Knowledge Assessment.

The Service Manager for Pensions, Insurance and Money Management reported there were four service priorities each with a number of key measures of success.

<u>Review and Improve the Scheme's Data</u> – An outstanding issue with common Data was largely missing member addresses.

<u>Develop a holistic approach to technology across Pension Administration Services</u> – There was a full report on this agenda on the future use of technology.

<u>Enhanced Delivery of Responsible Investment responsibilities</u> – Members were informed there was a struggle to recruit the new Responsible Investment Officer. Reference was made to possible solutions such as working with Brunel and it was agreed that the recruitment process should continue and should this be unsuccessful by the next meeting of this Committee, discussions take place on possible options.

<u>Deliver improved and consistent service performance to scheme members</u> - Performance has been steadily improving, however, it does remain below the Service Level Agreement (SLA) targets on a number of measures. If successful in recruiting the additional staffing as set out within the Administration report elsewhere on the agenda, performance standards should be increased and brought back into line with the SLA.

The Chair referred to the National Knowledge Assessment Results, which demonstrated both excellent levels of knowledge and skills of both the Committee and Board, together with good engagement.

In relation to the training programme for Pension Fund Committee and Local Pension Board Members in the Business Plan, the Governance and Communications Manager reported that the training plan would cover issues which had arisen from the assessment of training needs.

RESOLVED – (1) That the Committee reviewed progress against each of the key service priorities as set out in the report.

(2) That approval be given to the further actions to be taken to address those areas not currently on target to deliver the required objectives.

(3) That the provisional results from the National Knowledge Assessment be noted.

(4) That approval be given to holding a 2023/24 Business Planning session on the morning of Friday 3 February 2023.

48/22 RISK REGISTER

(Agenda No. 8)

The report presented the latest position on the Fund's risk register, including any new risks identified since the report to the last meeting of the Committee.

Members were informed that there had not been many changes, however, Risk 15 in relation to Fund officers having sufficient skills and knowledge to carry out their roles effectively, work was taking place with HR as the Fund were struggling to get the roles adequately graded.

The Governance and Communications Manager referred to the recommendation to enhance the risk management processes and reporting which were:

- Develop a Risk Management Framework for the Fund;
- Report on 'Emerging Risks', which can then subsequently drop off the register if deemed unnecessary or be incorporated as an inherent risk to the Fund;
- Develop a 'heat-map' which visually and easily show all risks for the fund and their impact rating.

RESOLVED – That the latest risk register be noted, and the Committee accepted that the risk register covers all key risks to the achievement of their statutory responsibilities, and that the mitigation plans, where required, are appropriate.

49/22 FUNDING STRATEGY STATEMENT

(Agenda No. 9)

The Committee was provided with a report which summarised the responses to the recent consultation on the Funding Strategy Statement and sought approval to the final document.

Members were reminded that at the Committee's last meeting, consideration was given to the draft Funding Strategy Statement which had been produced by Hymans Robertson alongside officers from the Fund. The document set out the key principles as agreed by the Fund, to set the framework for the 2022 Valuation exercise.

Members were informed there had been a significant change to the way the document was presented, which involved a slimmed down version of the Funding Strategy Statement itself, with some of the more detailed arrangements removed and included in standalone policy documents

Members were informed that by the end of the consultation period there had been 8 responses, plus two further responses after the deadline.

Reference was made to the inclusion of a specific approach to the calculation of cessation amounts where it was proposed to specify that the likelihood score for a low-risk cessation calculation would normally be set at 90%.

There was disappointment expressed at the number of responses received and whether the Schools Forum represented all schools. This would be added to the framework.

RESOLVED – (1) That the responses to the consultation exercise be noted.

(2) That approval be given to amend the draft documents to specify a standard likelihood of 90% for cessation calculations.

(3) That approval be given to the final version of the Funding Strategy Statement to support the 2022 Valuation exercise.

50/22 ADMINISTRATION REPORT

(Agenda No. 10)

The report updated the Committee on the key administration issues including service performance measurement, the debt recovery process and any write offs agreed in the last quarter.

The Pensions Service Manager referred to a Scheme Member who had asked for information which had resulted in lengthy correspondence. However, some responses were incorrect and during 2020/2021 tax year these queries were either not answered or not answered in a reasonable time frame which resulted in the member losing the opportunity to make additional pension contributions which meant a loss of tax relief. The Pension Services Manager, in line with the Scheme of Delegation, awarded a compensatory payment of £1,400 for loss of tax relief and the distress caused by this matter.

Reference was made to the data quality score detailed in paragraph 15 of the report and for debt management in the last quarter there had been one overpayment of £10,000 paid back.

There was also a request for the Committee to agree a write off for the last quarter of £23.93. There had been four deaths where monies could not be recovered and in one case where the amount to be repaid was incorrectly stated by £4.60.

RESOLVED – (1) That the compensatory payment made in line with Scheme of Delegation be noted.

(2) That the release of deferred benefits on grounds of ill-health in line with Scheme of Delegation be noted.

(3) That approval be given to the write off for the last quarter of £23.93.

51/22 TECHNOLOGY REVIEW

(Agenda No. 11)

The Committee was provided with a report on the findings of the project to review the current offerings from the 3 system suppliers on the National Procurement Framework and which recommended the Committee to either renew the existing contract for a further 5 years or seek to re-tender the contract.

Members were reminded that as part of the 2022/23 Business Plan, this Committee agreed as a key objective for the current year was to explore the options around improving the system technology currently available to the Fund. The Committee was keen to see a holistic offering where all component parts were fully integrated and offered a seamless service to scheme members, scheme employers and the Fund's officers.

The work was timed to coincide with the extension clauses within the current contract which allowed for a 5 year extension to the current contract, which would otherwise end in the summer of 2024.

The outcomes of the review from Hymans Robertson were included in the exempt items part of the agenda.

After consideration of the confidential information on this item the following was

RESOLVED – (1) That approval was given to the extension of the current system contract, as allowed for within the contract.

(2) That officers be asked to bring forward a proposal to the March meeting of this Committee, as part of the 2023/24 Business Plan to identify options to address the current weaknesses in the employer database offering, to maximise the use of the current system functionality and to ensure the Fund is fully prepared to run a full procurement exercise at the end of the agreed extension.

52/22 REPORT OF THE INDEPENDENT INVESTMENT ADVISOR

(Agenda No. 12)

The Independent Investment Advisor submitted a report which provided an overview of the financial markets, the overall performance of the Fund's investments against the Investment Strategy Statement and commentary on any issues related to the specific investment portfolios. The report also included the quarterly investment performance monitoring reports, including the newly designed report from Brunel.

The Committee was informed that the last quarter had been a strange period. Private market valuations have held up well and public market valuations which had flagged, have had a good recovery. Reference was made to the political events of the past few months which have impacted on the markets, inflation etc.

Reference was made to the impact interest rates were having on private market commitments, particularly around transactions which would affect activity levels.

Discussion took place on China and the implications on the Chinese economy of China's worsening relationship with the USA and the implications of this on the Fund. This would be revisited if there were concerns regarding Fund investments.

Members were reminded that at the last meeting of the Committee on 2 December, it was agreed that the Pension Fund Committee and the Local Pension Board would be invited to a hybrid meeting on Friday 3 February 2023 to discuss the 2023/24 Business Plan for the Pension Fund.

Members agreed to extend the meeting into the afternoon to discuss the strategic asset allocation as raised under the report from the Independent Investment Advisor.

RESOLVED – (1) That Members and relevant officers hold an informal session to consider future strategic asset allocation, including ESG and climate change considerations.

(2) That a meeting is then arranged with Brunel to discuss the forthcoming Strategic Asset Allocation review and this Fund's aspirations, along with any actions required to address a higher inflation environment.

(3) That officers be asked to progress a Brunel led training programme for Fund elected members and others that will provide information about the asset classes that they manage and their processes.

53/22 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT
(Agenda No. 13)

Members were informed of two consultations which officers had responded to.

- Climate Risk Reporting – the Climate Change Working Group had formulated a response in consultation with officers
- Climate Action 100

54/22 EXEMPT ITEMS
(Agenda No. 14)

RESOLVED - That the public be excluded for the duration of the following items on the Agenda (during discussion on confidential matters) since it is likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the

Agenda and since it is considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

55/22 CYBER SECURITY
(Agenda No. 15)

The Committee had previously received a report setting out the fund's approach to cyber security. At the last meeting of this Committee and at the Local Pension Board meeting, Members requested an update on the security of data held and used by third party providers to the fund.

The Committee agreed that there would be an annual report submitted on cyber security.

RESOLVED – That the information and assurance given in the report be noted.

The public was excluded during this item because its discussion in public would likely lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

56/22 AVC REVIEW
(Agenda No. 16)

The Committee was provided with an update on the on-going review into the future additional voluntary contributions provision to scheme members.

RESOLVED – That the progress made in reviewing the Funds AVC provision be noted, and officers be asked to submit a report to the 3 March 2023 Committee meeting setting out a recommended course of action.

The public was excluded during this item because its discussion in public would likely lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

57/22 CLIMATE STOCKTAKE
(Agenda No. 17)

The report includes the draft report from the Brunel Climate Stocktake which reviewed the implementation of the current Brunel Climate Change Policy. The final report will become a public document and be published in the New Year alongside the Policy Update.

RESOLVED – That the report be noted.

The public was excluded during this item because its discussion in public would likely lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

58/22 TECHNOLOGY REVIEW

(Agenda No. 18)

The Committee was provided with the final report on Review of Pension Administration System Technology.

RESOLVED – That the information contained in the confidential report was noted.

The public was excluded during this item because its discussion in public would likely lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

.... in the Chair

Date of signing ....

REPORT PREPARED FOR

Oxfordshire Pension Fund Committee

3 March 2023

Philip Hebson
MJ Hudson

philip.hebson@mjhudson.com

Summary

The value of the Fund in the quarter rose slightly to £3.05bn, an increase of £40m compared to the end September value of £3.01bn. The Fund produced a return of 1.3% over the quarter, which was -0.6% behind the benchmark. While disappointing, it would be fair to say that the Fund has not suffered unduly in absolute value terms from the challenges that we have seen in markets over 2022, which has certainly been helped by the diversified spread of assets. Put simply in the first three quarters the alternatives portfolio has provided support while public markets had suffered a fair amount of stress, including volatility. Over this final quarter of the calendar year the situation reversed somewhat, with public markets recovering while private markets started to show some element of catch up in valuations, falling to reflect a more cautious outlook. This was exacerbated by some significant falls in the valuation of the property assets, sparked in large part by the turmoil in markets during the Liability Driven Investments (LDI) crisis in September/October. Over a 12-month period the Fund recorded a negative relative return against the benchmark of -4.7% (-9.8% v.-5.1%). The scale of the recent underperformance has also had an impact on the longer term performance periods, now behind the benchmark over the three and five year periods and in line over the ten year period, details of which can be found in Brunel's report.

The highlights

1. As referred to above, it is encouraging to see a small lift in value for the Fund over the final quarter of 2022, a year that brought many challenges, not just for the Fund. The relative performance is disappointing, but in a sense this shows that challenges still remain, economically and politically.
2. All the equity funds enjoyed both an increase in value and positive relative performance against benchmarks over the quarter. That's the good news, but over the year there remains a significant fall in value with poor performance to recover from.
3. With the exception of Index Linked Gilts, the Fixed Income portfolio also showed some decent recovery in Q4. Index Linked Gilts have been an accident waiting to happen for some time, but with a fall of 38% over 12 months possibly some value has returned.
4. Infrastructure has proved to be a good diversifying sub asset class over the last 12 months with rising valuations, this continued to be the case in Q4. Although investor demand remains good for infrastructure assets, some valuations are starting to be of concern.
5. The Listed Private Equity portfolio had a much better quarter in comparison to the first 3 quarters of 2022, with performance of 8.2% v. the All Share Index at 8.3%. Longer-term performance remains well in excess of the wider public market. The discounts to NAV continue to be much wider than we have seen in recent times, but

the underlying health of the portfolios is substantially better than the discounts imply. As confidence returns, I would expect to see those discounts start to narrow again.

The lower points

1. There is one legacy of Trussonomics that lives on. The rush by corporate pension funds to provide additional collateral for their LDI positions included the need to sell some illiquid assets, including property. In a sense the sector had enjoyed a rather disjointed recovery from the Covid period, which started to unravel. The UK property market fell 22% in value terms last year, Europe by 5%, with most of that occurring in Q4. The demand for redemptions from property funds will take some time to work through the system, but will offer some good buying opportunities for long term investors. The same comments apply to Secured Income, being property based.
2. Our Unlisted Private Equity valuations had in general terms held up well during 2022, but during Q4 valuations started to trend downwards, reflecting growing economic concerns and comparisons to public markets.

Points for consideration (in conjunction with the Strategic Asset Allocation review)

1. The issue of the slow rate of drawdowns in some of the Private Market commitments continues to be of concern. I am beginning to wonder if Brunel needs to bring in additional external support to accelerate the process.
2. The revised format of the Brunel report is to be welcomed, particularly the section dealing with Private Markets. It would be good to see the Fund value included over the short, medium and long term periods. The emphasis on assets transitioned to Brunel is not particularly useful, in my opinion.
3. In due course would Brunel consider taking on the elements of Diversified Growth Funds and Multi Asset Credit as stand alone sub funds, such as to give member Funds better flexibility in selecting assets to meet their requirements. It is acknowledged that their current resource constraints are an issue.

Overview and Outlook thoughts

Global overview

Q4 was a very positive quarter for risk assets generally, with equities and credit rebounding from losses in Q3 as investors have grown more optimistic that inflation may have peaked and Central Banks will soon have reason to end their rate hikes. Inflation still remains uncomfortably high however, and Central Bank rhetoric has so far remained hawkish generally. Long-term bond yields showed little overall movement (with the exception of UK gilts returning to normality), while short-term yields generally rose as monetary policy was tightened further. Additional positive impetus was provided by China's relaxing of its zero-COVID policy, improving the outlook for growth in its economy, and by the surprising resilience of European gas supplies, reducing oil/gas prices and easing fears of recession: oil and gas finished the year only 10% and 20% above their end-2021 levels. Equity markets rallied this quarter, especially beleaguered European and Emerging Markets, although global equities are overall unchanged from June 2022 levels, despite volatile price moves in this period. The UK was one of the best-performing equity markets, and sterling recovered some of its earlier losses vs the dollar. Value stocks (+14.2%) outperformed growth (+4.6%) by a wide margin this quarter.

GDP growth and labour markets: Despite the ongoing recovery from the pandemic, the impact of tight monetary policy and the war in Ukraine are expected to slow growth, particularly in the UK and Europe. Labour markets have to date remained strong with unemployment at very low levels historically for the US, UK and Europe (3.5%, 3.7%, and 6.0% respectively from the most recent data).

The 'new' UK Government under Rishi Sunak has restored order to gilt markets and sterling by promising fiscally conservative plans. Markets have so far looked favourably on this and returned bond yields to their former positions relative to peer yields.

Quarterly GDP Growth Rate and Monthly CPI

%	GDP		CPI		
	Q3 2022	Q4 2022	Oct	Nov	Dec
UK	-0.3	0.0	11.1	10.7	10.1
US	0.7	0.5**	7.7	7.1	N/a*
Eurozone	0.3	-0.4**	10.6	10.1	9.2**
Japan	-0.2	0.1**	3.7	3.8	N/a*

Source: Bloomberg; Trading Economics.

Notes: * Not available at time of publication; ** Forecasts based on leading indicators

UK: UK CPI EU Harmonised YoY NSA (Ticker: UKRPCJYR Index); US: US CPI Urban Consumer YoY NSA (Ticker: CPI YOY Index); Eurozone: Eurostat Eurozone MUICP All Items YoY Flash Estimate (Ticker: ECCPEST Index); Japan: Japan CPI Nationwide YOY (Ticker: JNCPIYOY Index)

Outlook thoughts

It is worth highlighting the following themes, impacting investment markets:

Inflation – the story after the peak. While YoY CPI inflation appears to have now peaked for the US, UK and Europe, concern remains over how rapidly and to what level inflation will fall. There are indications of inflation becoming more entrenched, but investors appear to be pricing in a more rapid cut in rates than that which Central banks are currently forecasting. Perhaps the misstep by the Fed in 2021 of calling inflation 'transitory' has reduced markets' trust. Euro inflation reached 10.6% in October, a fresh high, however this fell in November to 10.1%. Similarly for the UK, a high of 11.1% was reached in October before falling in November. For the US, the high in CPI appears to have been reached in June at 9.1% and has since declined to 7.1%.

Inflation vs Recession – the next stage for monetary policy. Monetary policy continued to tighten in most major developed countries, with the Fed, the BoE and the ECB all raising rates several times in Q4. Markets now expect rates to peak at ~4.5% for the UK, ~5% for the US, and a little over 3% for the ECB which indicates hiking cycles are coming towards their end. In addition, the Bank of Japan (BoJ) surprised markets by lifting the yield ceiling for their 10-year bond to 0.5% from 0.25%. The BoJ noted this was to restore proper market function, but as the BoJ owns over half of the bonds on issue investors have questioned if there is another rationale for the change. Prime Minister Kishida has also announced they will discuss the BoJ's inflation target approach when a new BoJ Governor starts his term in April.

A return to fixed income? The repricing of debt of all forms, following the rapid rises in interest rates last year, has increased yields on many debt asset classes, potentially increasing long-term returns. Interest rates are now in a more volatile phase, in marked contrast to the repressed volatility of the past decade of QE, so this potential for improved returns is likely to come with increased volatility.

Equity valuations reflect "mild" recession – earnings on watch in 2023. Following the 18% decline in US equities this year they are now trading at 16.5x forward earnings, below the 10-year average of 17.2x, but up from 15x in Q3. Over the course of Q4, expectations for 2023 earnings fell by -4.4% with much of the negative impact expected in the first half of 2023, and some of the leading economic indicators (e.g. ISM survey data) are starting to signal a decline. Investors appear willing to look through any potential decline in earnings but clearly there remains a risk to earnings, as corporate profit margins remain elevated by historical standards, and inflating costs may yet impact these.

Energy crisis: off the boil, but not gone. While the immediate threat of blackouts in Europe this winter has probably been avoided, and gas storage levels are high, the problem is not over. Furthermore. China's reopening is likely to increase demand pressure on global supplies.

Equities

Global equities rose sharply in Q4, as inflation appears to have now peaked and investors expect that Central Banks will not need to maintain restrictive monetary policies for as long as they have been guiding. Given the rise in equity markets, the VIX decreased by -31.5%, from 32 to 22, although this level is above the pre-COVID-19 average.

In the US, the S&P 500 rose by 7.5% and the NASDAQ fell by -1.0% as markets rallied due to falling inflation data, but investors remain wary of growth and tech stocks. A number of tech companies have announced staff layoffs and cost cutting measures in a response to investor concerns.

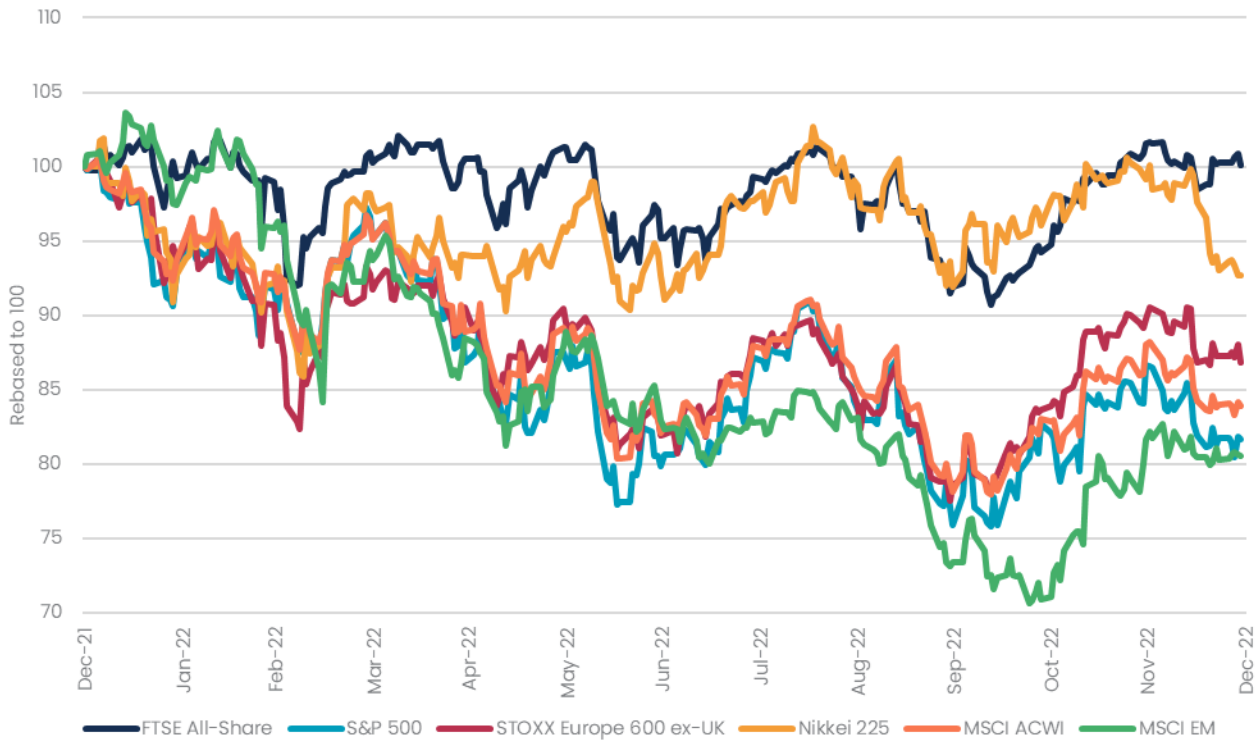
UK equities rallied in Q4, rising 8.7% as investors welcomed the government leadership change and return to normal market functioning of gilts following the BoE's intervention. Energy price declines amid warmer temperature and rising inventories of natural gas also helped temper inflation expectations. The BoE raised the base rate to 3.5% in December, however two committee members voted to keep rates unchanged which could signal the start of a shift toward more dovish policy. The BoE also expects Q4 GDP at -0.1%, a 0.2% improvement from its November report.

The Euro Stoxx 50 rose by 14.9% in Q4 as investors were cheered by inflation data declining in the quarter, albeit it is still at high levels. Inflation in Europe has been particularly high due to the impact of energy prices following Russia's invasion of Ukraine and consequent impact to European energy supply.

Japanese equities underperformed other equity markets, rising by only 0.7% in Q4. Japanese equities performed well in the quarter until core CPI in December was announced at a 40-year high and the BoJ increased the ceiling of the trading range for the 10-year bond to 0.5% (from 0.25%) which proved a headwind for equities. While inflation remains well below other major economies, investors are wary of a hawkish pivot at upcoming BoJ meetings due to the upcoming retirement of Governor Kuroda. The yen reached a high (i.e. a weak yen) of 150 vs the US dollar during Q4 but ended the year at 131 following the inflation peak and yield curve adjustment.

Emerging market equities performed strongly (+9.6%) with sentiment improving in China following the announcement of COVID-19 restrictions easing, and US dollar weakness provided a boost.

Global Equity Markets Performance



Source: Bloomberg. All in local currency.
FTSE All-Share Index (Ticker: ASX Index) S&P 500 Index (Ticker: SPX Index) STOXX Europe 600 (Ticker: SXXP Index)
Nikkei 225 Index (Ticker: NKY Index) MSCI World Index (Ticker: MXWO Index) MSCI Emerging Markets (Ticker: MXEF Index)

Fixed Income

Medium- and longer-term bond yields were largely rangebound in Q4 as investors weighed expected declines in inflation against Central Banks desires to ensure inflation is stamped out. Additionally, employment data generally has remained strong which provides the impetus for Central Banks to hike rates now while labour markets are viewed as strong enough to withstand it. In corporate bonds, high-yield credit outperformed as spreads tightened over the quarter but remain around their long-term average level. Emerging market bonds rose 7.8% in local currency, and 8.1% in hard currency.

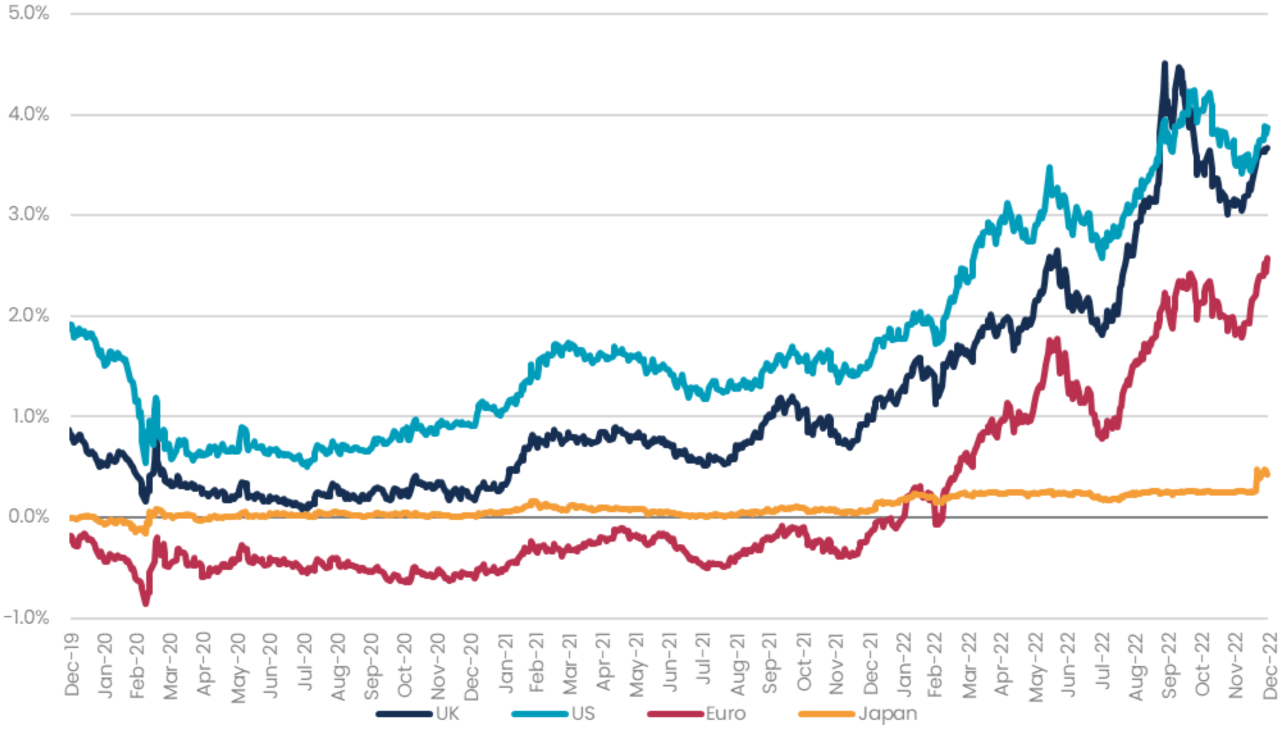
The US 10-year Treasury yield rose marginally in Q4, ending at 3.88% from 3.83%. The 2-year yield rose in Q4, from 4.22% to 4.41%, as the yield curve inverted further. US rates rose initially in the quarter as core inflation data continued to be strong and Fed speakers maintained the narrative that hawkish policy needed to be maintained. Later in the quarter rates fell though, as markets maintained the view that the Fed will pivot and cut rates in 2023 as inflation falls, spurred by recent falls in monthly CPI data. The Fed raised short term rates to 4.25-4.5% as at end of Q4.

The UK 10-year Gilt yield fell from 4.09% to 3.67% and 2-year from 4.30% to 3.56%. The declines largely reflected markets returning to normal following the spike in yields in Q3 following the Truss government 'mini budget' and occurred despite the BoE hiking rates by 125bps. While Gilt rates fell sharply over the quarter, UK Gilts now trade in a similar relative position to peer government bonds as they did before Q3.

European government bonds had a total return of -2.1% in Q4. Yield curves flattened or inverted during the quarter, as short end rates rose in response to the ECB raising its policy rate to 2.5% during the quarter and noted it expects to hike rates further based on its inflation outlook. Long-end rates rose less, as investors view inflation as likely to fall steadily. The German 10-year bund yield increased from 2.11% to 2.57%, and Italy's went up from 4.51% to 4.70%.

US high-yield bonds outperformed investment grade, returning 4.2%, and European high-yield bonds returned 4.7%. Investment-grade bonds returned 6.4% in the UK, 1.7% in Europe and 3.6% in the US.

Government Bond Yields



Source Bloomberg. US Generic Govt 10 Year Yield (Ticker: USGG10YR Index); UK Govt Bonds 10 Year Note Generic Bid Yield (Ticker: GUKG10 Index); Euro Generic Govt Bond 10 Year (Ticker: GECU10YR Index).

Currencies

In currencies, sterling strengthened sharply against the US dollar (+8.2%) but fell against the euro (-0.8%) over the fourth quarter. The principal driver was the appointment of Rishi Sunak as Prime Minister who is viewed as likely to pursue a more fiscally conservative agenda, and the BoE's intervention in gilt markets to stabilise yields. Overall, the US dollar fell in Q4 (Dollar index -7.7%), reversing much of the Q3 gains. Over the year 2022, the Dollar Index rose +8.2%. Notably, the US dollar also fell against the Japanese yen by -9.4% in Q4 as the BoJ shocked markets in December by increasing the top range at which the 10 year bond could yield.

Commodities

Energy prices fluctuated during Q4 as investors mulled over China re-opening, risk of looming recessions in Europe, UK, USA, and warmer weather than expected reducing near term demand for natural gas. Precious metals rose as the US dollar declined and also received a boost from falling interest rates.

US gas prices fell -33.9% over Q4, reversing some of the sharp gains earlier in 2022 as winter weather has been warmer than expected (reducing demand) and inventories have been higher than previously expected.

Brent crude oil fell -2.3% in Q4. Prices have been volatile as fears of a fall in demand from a global recession and structural trends toward renewable energy have clashed with supply side dynamics relating to Russia's invasion of Ukraine, OPEC production, and the US releasing oil from its Strategic Petroleum Reserve. Brent closed the quarter at $86 per barrel.

Gold and Copper rose 9.9% and 11.7% respectively in Q4, with gold rising as interest rates and the US dollar declined, as well as reports of Central Banks including China and Turkey increasing their purchases. Copper rose as China, a significant copper importer, announced the start of COVID-19 re-opening. Gold and copper closed Q4 at 1,826 USD/toz and 381 USD/lb, respectively.

Property

Global listed property had another weak quarter, with the FTSE EPRA Nareit Global Index falling -0.3% in Q4.

The Nationwide House Price Index in the UK fell sharply over the quarter, with YoY growth at 2.8% for December. This is markedly down from 9.5% YoY growth in Q3, and 10.7% in Q2. The performance by region showed a smaller variance than prior years as the macro environment of high inflation and high mortgage rates are impacting affordability as real wages struggle to keep up.

European commercial property remained under pressure in Q4, with the Green Street Commercial Property Price Index down by -7% this quarter and -12% for the 2022 full year.

Key Indicators at a Glance

Market Indicators

	Index (Local Currency)	Q4 2022	Quarter-on-Quarter	YTD
Equities			**Total Return**	
UK Large-Cap Equities	FTSE 100	7,452	8.7%	4.6%
UK All-Cap Equities	FTSE All-Share	4,075	8.9%	0.2%
US Equities	S&P 500	3,840	7.5%	-18.1%
European Equities	EURO STOXX 50 Price EUR	3,794	14.9%	-8.5%
Japanese Equities	Nikkei 225	26,095	0.7%	-9.0%
EM Equities	MSCI Emerging Markets	956	9.6%	-19.9%
Global Equities	MSCI World	2,603	9.9%	-17.7%
Government Bonds				
UK Gilts	FTSE Actuaries UK Gilts TR All Socks	3,018	1.7%	-23.8%
UK Gilts Over 15 Years	FTSE Actuaries Uk Gilts Over 15 Yr	3,694	-1.8%	-40.1%
UK Index-Linked Gilts	FTSE Actuaries UK Index-Linked Gilts TR All Stocks	4,000	-6.0%	-33.6%
UK Index-Linked Gilts Over 15 Years	FTSE Actuaries UK Index-Linked Gilts TR Over 15 Yr	4,564	-12.8%	-46.9%
Euro Gov Bonds	Bloomberg EU Govt All Bonds TR	208	-2.1%	-18.5%
US Gov Bonds	Bloomberg US Treasuries TR Unhedged	2,188	0.7%	-12.5%
EM Gov Bonds (Local)	J.P. Morgan Government Bond Index Emerging Markets Core Index	124	7.8%	-10.2%
EM Gov Bonds (Hard/USD)	J.P. Morgan Emerging Markets Global Diversified Index	804	8.1%	-17.8%
Bond Indices				
UK Corporate Investment Grade	S&P UK Investment Grade Corporate Bond Index TR	330	6.4%	-18.4%
European Corporate Investment Grade	Bloomberg Pan-European Aggregate Corporate TR Unhedged	213	1.7%	-15.1%
European Corporate High Yield	Bloomberg Pan-European HY TR Unhedged	389	4.7%	-11.1%
US Corporate Investment Grade	Bloomberg US Corporate Investment Grade TR Unhedged	2,968	3.6%	-15.8%
US Corporate High Yield	Bloomberg US Corporate HY TR Unhedged	2,186	4.2%	-11.2%
Commodities				
Brent Crude Oil	Generic 1st Crude Oil, Brent, USD/bbl	86	-2.3%	10.5%
Natural Gas (US)	Generic 1st Natural Gas, USD/MMBtu	4.48	-33.9%	20.0%
Gold	Generic 1st Gold, USD/toz	1,826	9.9%	-0.1%
Copper	Generic 1st Copper, USD/lb	381	11.7%	-14.6%
Currencies				
GBP/EUR	GBPEUR Exchange Rate	1.13	-0.8%	-5.0%
GBP/USD	GBPUSD Exchange Rate	1.21	8.2%	-10.7%
EUR/USD	EURUSD Exchange Rate	1.07	9.2%	-5.8%
USD/JPY	USDJPY Exchange Rate	131.12	-9.4%	13.9%
Dollar Index	Dollar Index Spot	103.52	-7.7%	8.2%
Alternatives				
Infrastructure	S&P Global Infrastructure Index	2,658	11.0%	-0.2%
Private Equity	S&P Listed Private Equity Index	159	11.8%	-28.2%
Hedge Funds	Hedge Fund Research HFRI Fund-Weighted Composite Index	17,520	1.7%	-3.9%
Global Real Estate	FTSE EPRA Nareit Global Index TR GBP	3,590	-0.3%	-14.0%
Volatility			**Change in Volatility**	
VIX	Chicago Board Options Exchange SPX Volatility Index	22	-31.5%	25.8%

* All return figures quoted are total return, calculated with gross dividends/income reinvested.

Source: Bloomberg

Market thoughts

I was going to spare you this section on this occasion, but then this appeared in my Inbox from Numis which I thought would be worth sharing. I will happily forward the full report to anyone (Nick?) who'd like to see it.

Listed Private Equity - Are public or private markets valuations right?

Most Listed Private Equity (LPE) funds are trading on wider than 30% discounts, indicating that investors have little faith in portfolio valuations and are expecting further falls given volatile equity markets. We believe the NAVs will be more resilient than most expect due to the focus on defensive, non-cyclical companies, and based on the strong exits that several funds have delivered. As a result, we believe that current discounts offer attractive value opportunities.

We seek to address various investor concerns about valuations and refresh our Recommended List:

- **What goes up, must come down:** Investors are wary that equity market falls have not been reflected in valuation multiples of private assets. We highlight that multiples in private equity deals did not rise as far as listed equity markets and therefore should not have as far to fall. In addition, multiples are a combination of listed and private transactions which has helped LPE NAVs to have a relatively low beta to equity markets.

- **Valuation lags are yet to work through:** Most LPE portfolios are based on underlying valuations at 30 September which covers the major period of equity market weakness. Markets are up since September, which should be a tailwind to comparable multiples, albeit Sterling strength may be a drag.

- **Have multiple declines been ignored?** NAV performance in H1 was surprisingly good for several funds, which may lead a cynic to conclude that valuers have their head in the sand. Typically, uplifts were supported by exit activity, whilst there have been write-downs across other holdings, driven by a significant impact from multiple declines, offset by continued double-digit earnings growth.

- **Higher finance costs mean PE deals do not stack up:** We acknowledge that higher debt costs will inevitably lead to prices adjusting for PE to maintain their return expectations. Some headroom will be provided by deals in recent years factoring in multiple contraction. In addition, operational performance has been the major driver of returns, rather than leverage. Deal volume in 2022 was down from the 2021 peak, but similar to levels seen in 2018-2020.

- **Is there too much leverage?** We are comfortable with balance sheets of LPE funds given leverage and commitments are at much lower levels than pre-GFC. In addition, most funds have some flexibility with debt facilities. Leverage on underlying portfolio companies has crept up in recent years, but we have not seen a repeat of the excessively leveraged mega-deals that occurred pre-GFC. In addition, leverage has typically been deployed against non-cyclical, cash generative companies.

- **Exits provide "proof" of valuations:** Ultimately, the only point when there is certainty about valuations of private assets is when they are sold. There have been numerous exits during 2022 that have continued to support valuations and led to significant uplifts to historic marks. In particular, we note that HgCapital has seen deals representing over 25% of the portfolio, at average uplifts of c.36% to the December 2021 valuations, whilst HarbourVest and ICG Enterprise have seen average uplifts on exits of 40% and 25%, respectively.

Oxfordshire Pension Fund Performance Report

Quarter ending 31 December 2022

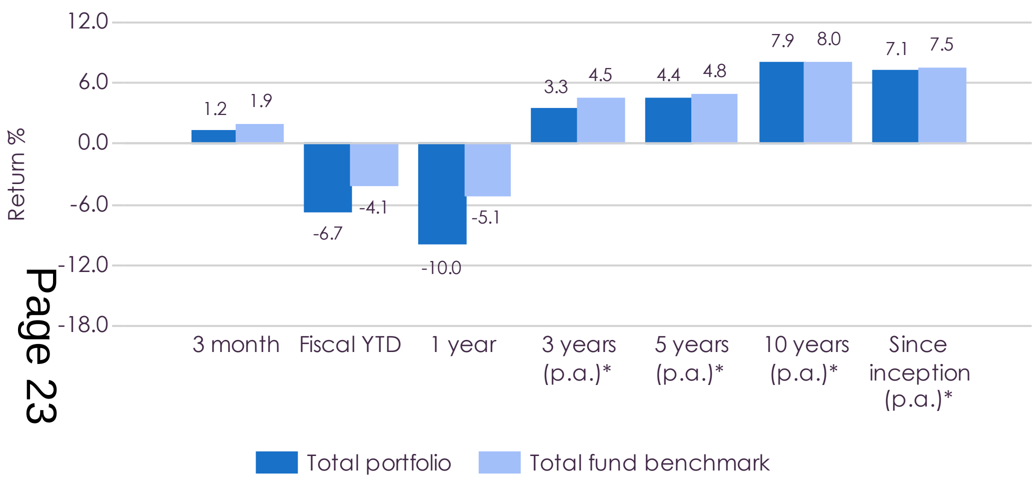
Oxfordshire Pension Fund
www.oxfordshire.gov.uk/pensions

BRUNEL
Pension Partnership

Contents

Pension Fund performance

Performance (annualised)



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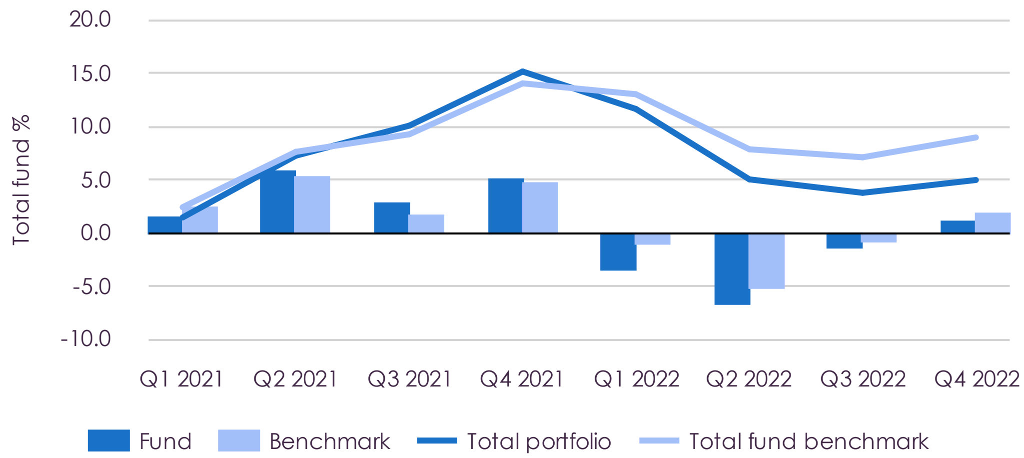
Source: State Street Global Services
*per annum

Quarterly performance



Source: State Street Global Services

Key events

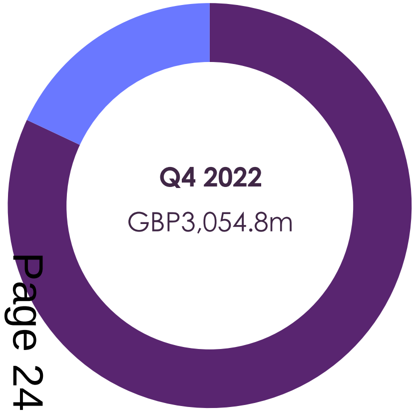
This quarter brought some welcome relief to markets. Equities and bonds both rallied, with the UK and Europe leading. Meanwhile, the US dollar started to weaken against major currencies. The main driver was the belief that inflation was starting to cool and benchmark rates would increase less than previously feared.

The total portfolio rose 1.2%, whilst the benchmark rose 1.9%. Across 2022, the total portfolio lagged the benchmark (-10.0% vs -5.1%).

The relative performance of Brunel's active equity portfolios during the quarter was ahead of benchmark. Both the Sterling Corporate Bond and the Multi Asset Credit portfolios produced positive returns ahead of benchmark.

Asset summary

Assets transitioned to Brunel

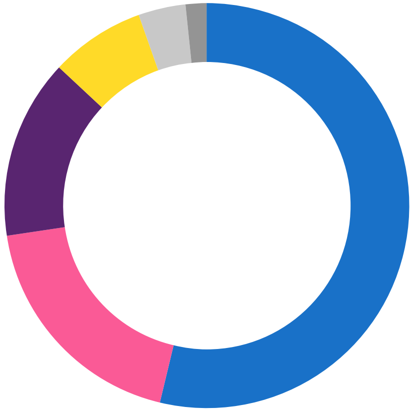


Transitioned	81.97%
Legacy assets	18.03%

Transitioned	81.22%
Legacy assets	18.78%

Source: State Street Global Services

Asset allocation breakdown



Key:

Equities	53.73%
Private markets	18.88%
Fixed income	14.37%
Property	7.55%
Other	3.78%
Cash	1.69%

Source: State Street Global Services
Data includes legacy assets

Overview of assets

Detailed asset allocation

Equities	£1,641.28m	53.73%
UK Active Equities	£486.20m	15.92%
PAB Passive Global Equities	£465.48m	15.24%
Global High Alpha Equities	£314.09m	10.28%
Global Sustainable Equities	£295.82m	9.68%
Emerging Markets Equities	£79.49m	2.60%
Legacy Assets	£0.21m	0.01%

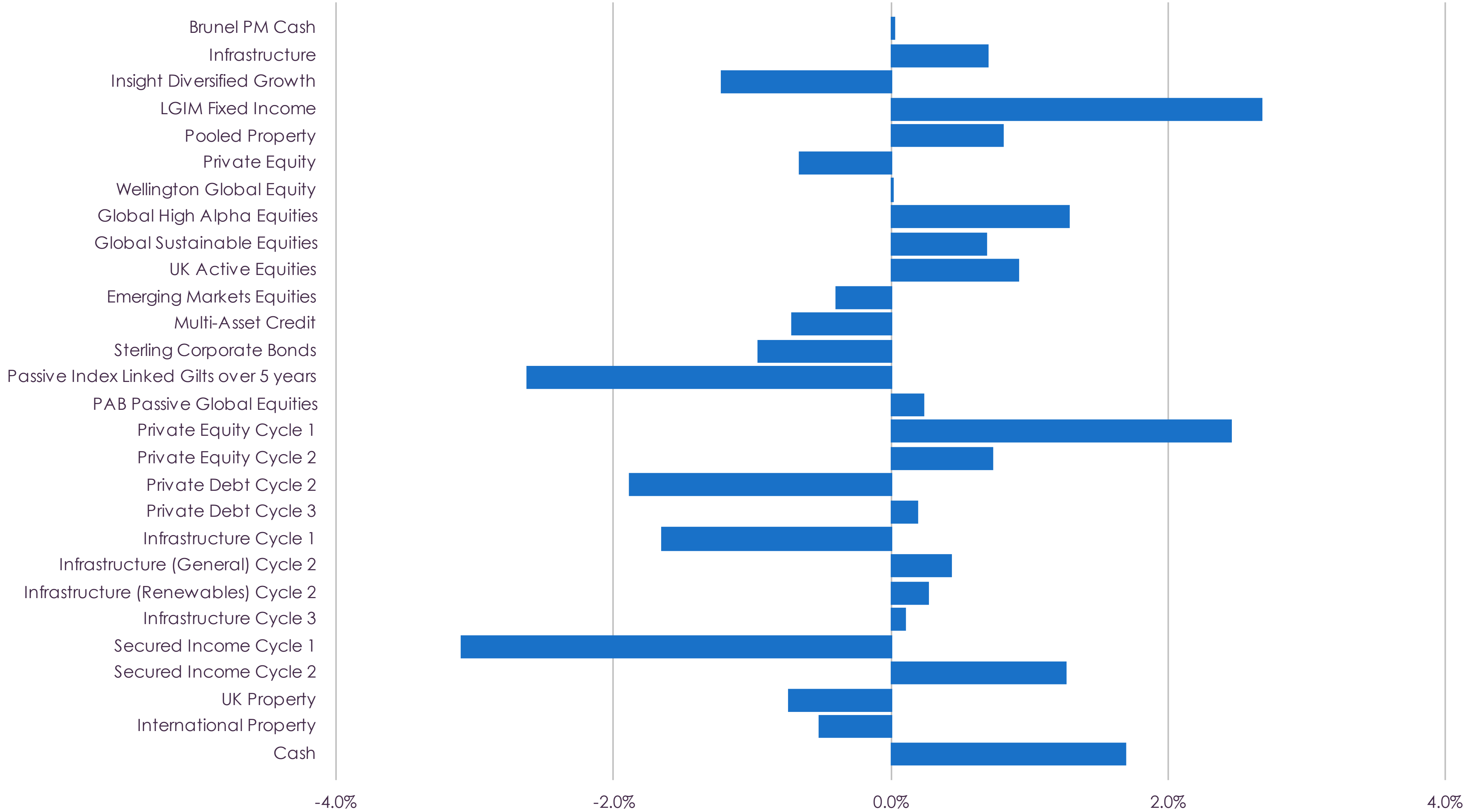
Fixed income	£439.04m	14.37%
Passive Index Linked Gilts over 5 years	£133.75m	4.38%
Multi-Asset Credit	£130.91m	4.29%
Sterling Corporate Bonds	£92.87m	3.04%
Legacy Assets	£81.51m	2.67%

Private markets (incl. property)	£807.47m	26.43%
UK Property	£160.69m	5.26%
Private Equity Cycle 1	£74.90m	2.45%
Secured Income Cycle 1	£58.05m	1.90%
International Property	£45.22m	1.48%
Infrastructure Cycle 1	£41.24m	1.35%
Secured Income Cycle 2	£38.52m	1.26%
Private Debt Cycle 2	£34.02m	1.11%
Private Equity Cycle 2	£22.39m	0.73%
Infrastructure (General) Cycle 2	£13.28m	0.43%
Infrastructure (Renewables) Cycle 2	£8.24m	0.27%
Private Debt Cycle 3	£5.89m	0.19%
Infrastructure Cycle 3	£2.98m	0.10%
Legacy Assets	£302.03m	9.89%

Other	£115.39m	3.78%
Legacy Assets	£115.39m	3.78%

Cash not included

Strategic asset allocation



Performance attribution

Pension fund performance attribution - to quarter end

	End market value £'000	Actual % allocation at end of quarter	Strategic asset allocation (%)	Difference (%)	Fund return (%)	Contribution to return
Brunel PM Cash	932	0.0%	-	0.0%	-2.4%	-0.0%
Infrastructure	21,369	0.7%	-	0.7%	10.0%	0.1%
Insight Diversified Growth	115,390	3.8%	5.00%	-1.2%	0.8%	0.0%
LGIM Fixed Income	81,514	2.7%	-	2.7%	0.5%	0.0%
Pooled Property	24,834	0.8%	-	0.8%	-8.5%	-0.1%
Private Equity	254,891	8.3%	9.00%	-0.7%	1.4%	0.1%
Wellington Global Equity	213	0.0%	-	0.0%	-23.3%	-0.0%
Global High Alpha Equities	314,091	10.3%	9.00%	1.3%	2.7%	0.3%
Global Sustainable Equities	295,816	9.7%	9.00%	0.7%	2.4%	0.2%
UK Active Equities	486,199	15.9%	15.00%	0.9%	9.6%	1.4%
Emerging Markets Equities	79,487	2.6%	3.00%	-0.4%	2.4%	0.1%
Multi-Asset Credit	130,910	4.3%	5.00%	-0.7%	3.7%	0.2%
Sterling Corporate Bonds	92,867	3.0%	4.00%	-1.0%	6.2%	0.2%
Passive Index Linked Gilts over 5 years	133,754	4.4%	7.00%	-2.6%	-7.7%	-0.4%
PAB Passive Global Equities	465,476	15.2%	15.00%	0.2%	2.0%	0.3%
Private Equity Cycle 1	74,905	2.5%	-	2.5%	-4.2%	-0.1%

Performance attribution

Pension fund performance attribution - to quarter end

	End market value £'000	Actual % allocation at end of quarter	Strategic asset allocation (%)	Difference (%)	Fund return (%)	Contribution to return
Private Equity Cycle 2	22,394	0.7%	-	0.7%	-6.9%	-0.0%
Private Debt Cycle 2	34,023	1.1%	3.00%	-1.9%	-1.5%	-0.0%
Private Debt Cycle 3	5,894	0.2%	-	0.2%	-	-0.0%
Infrastructure Cycle 1	41,241	1.4%	3.00%	-1.6%	2.8%	0.0%
Infrastructure (General) Cycle 2	13,280	0.4%	-	0.4%	5.1%	0.0%
Infrastructure (Renewables) Cycle 2	8,243	0.3%	-	0.3%	8.9%	0.0%
Infrastructure Cycle 3	2,981	0.1%	-	0.1%	-	-0.0%
Secured Income Cycle 1	58,050	1.9%	5.00%	-3.1%	-10.1%	-0.2%
Secured Income Cycle 2	38,517	1.3%	-	1.3%	-7.4%	-0.1%
UK Property	160,690	5.3%	6.00%	-0.7%	-11.5%	-0.7%
International Property	45,224	1.5%	2.00%	-0.5%	-5.9%	-0.1%
Cash	51,587	1.7%	-	1.7%	4.5%	0.0%

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Stewardship and climate metrics

Portfolio	WACI		Extractives revenues[1]		Extractives reserves[2]	
	2022 Q3	2022 Q4	2022 Q3	2022 Q4	2022 Q3	2022 Q4
Global High Alpha Equities	**86**	**89**	**0.9**	**1.3**	**3.1**	**3.3**
MSCI World*	180	193	2.6	2.8	7.1	7.8
Global Sustainable Equities	**148**	**152**	**2.5**	**2.6**	**3.0**	**3.1**
MSCI ACWI*	207	222	2.6	2.8	7.2	7.8
UK Active Equities	**92**	**93**	**3.3**	**3.5**	**16.5**	**15.9**
FTSE All Share ex Inv Tr*	165	160	4.2	4.9	21.7	21.7
Emerging Markets Equities	**176**	**196**	**0.8**	**0.8**	**5.2**	**5.0**
MSCI Emerging Markets*	416	453	3.2	3.3	7.7	7.3
PAB Passive Global Equities	**103**	**102**	**1.0**	**0.9**	**1.6**	**1.7**
FTSE Dev World TR UKPD*	180	194	2.5	2.7	7.0	7.7

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

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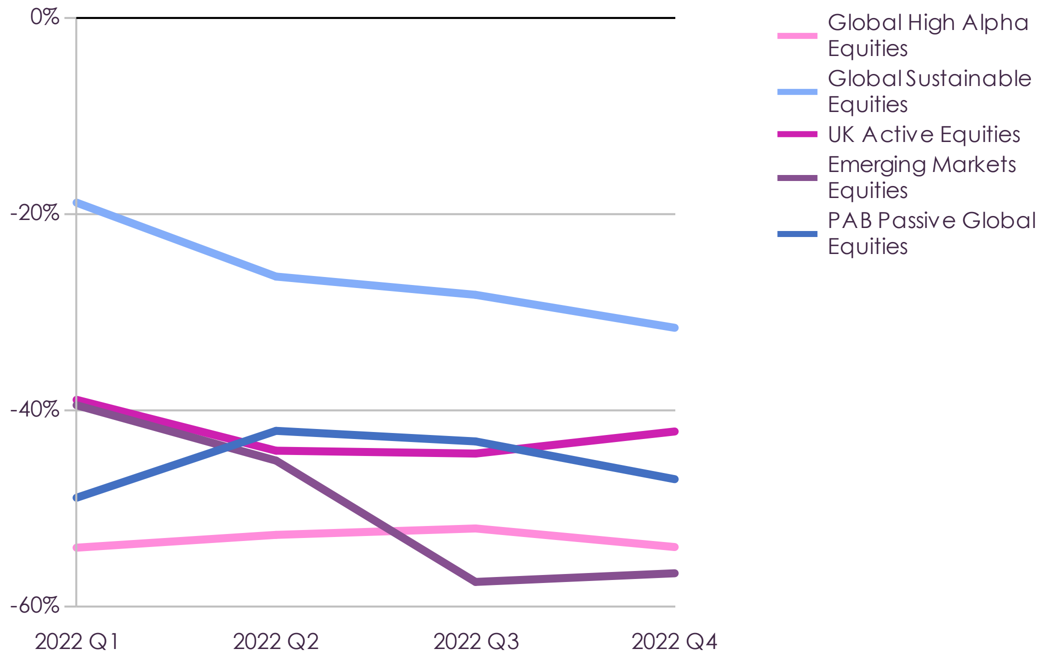
Weighted Average Carbon Intensity relative to benchmark



Stewardship reporting links

Engagement records
www.brunelpensionpartnership.org/stewardship/engagement-records/
Holdings records
www.brunelpensionpartnership.org/stewardship/holdings-records/
Voting records
www.brunelpensionpartnership.org/stewardship/voting-records/

Risk and return summary

Brunel portfolio performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Global High Alpha Equities	10.5%	16.2%	8.9%	15.7%
UK Active Equities	0.5%	17.6%	2.3%	16.8%
Emerging Markets Equities	-1.6%	16.9%	0.9%	16.0%
Private Equity Cycle 1	20.4%	13.8%	7.9%	15.0%
Infrastructure Cycle 1	11.6%	6.2%	5.4%	2.0%
Secured Income Cycle 1	0.6%	5.3%	5.4%	2.0%

Since portfolio inception

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Risk and return summary

Legacy manager performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Brunel PM Cash	61.4%	74.4%	0.0%	0.0%
Cash	3.7%	2.7%	0.6%	0.2%
Infrastructure	16.5%	14.9%	8.5%	2.0%
Insight Diversified Growth	-1.2%	8.1%	4.7%	0.3%
LGIM Fixed Income	-5.5%	10.5%	-6.2%	9.9%
Pooled Property	8.3%	13.6%	2.2%	-
Private Equity	16.4%	12.6%	8.7%	20.3%
Wellington Global Equity	-3.6%	15.5%	7.9%	15.0%
Oxfordshire County Council	3.3%	10.9%	4.5%	-

Portfolio overview

Portfolio	Benchmark	Outperformance target	AUM (GBPm)	Perf. 3 month	Excess 3 month	Perf. 1 year	Excess 1 year	Perf. 3 year	Excess 3 year	Perf. SII*	Excess SII*	Initial investment
Equities (53.72%)			**1,641.07**									
Global High Alpha Equities	MSCI World	+2-3%	314.09	2.7%	0.7%	-13.7%	-6.3%	10.5%	1.6%	10.6%	1.6%	15 Nov 2019
Global Sustainable Equities	MSCI ACWI	+2%	295.82	2.4%	0.5%	-15.5%	-7.9%	-	-	4.7%	-3.9%	30 Sep 2020
UK Active Equities	FTSE All Share ex Inv Tr	+2%	486.20	9.6%	0.3%	-3.6%	-5.3%	0.5%	-1.7%	4.0%	-1.2%	21 Nov 2018
Emerging Markets Equities	MSCI Emerging Markets	+2-3%	79.49	2.4%	0.5%	-14.0%	-4.3%	-1.6%	-2.4%	-0.2%	-1.9%	13 Nov 2019
PAB Passive Global Equities	FTSE Dev World PAB	Match	465.48	2.0%	-	-9.2%	-	-	-	-4.9%	-0.1%	29 Oct 2021
Fixed income (11.70%)			**357.53**									
Multi-Asset Credit	SONIA +4%	0% to +1.0%	130.91	3.7%	2.0%	-8.5%	-14.0%	-	-	-4.7%	-9.7%	01 Jun 2021
Sterling Corporate Bonds	iBoxx Sterling Non Gilt x	+1%	92.87	6.2%	0.4%	-18.2%	-0.5%	-	-	-12.7%	-0.1%	02 Jul 2021
Passive Index Linked Gilts over 5 years	FTSE-A UK ILG >5Y	Match	133.75	-7.7%	-0.2%	-38.1%	-0.2%	-	-	-23.6%	-0.2%	09 Jun 2021
Private markets (incl. property) (16.55%)			**505.44**									
Private Equity Cycle 1	MSCI ACWI	+3%	74.90	-4.2%	-6.2%	23.9%	31.5%	20.4%	12.4%	23.2%	13.1%	26 Mar 2019
Private Equity Cycle 2	MSCI ACWI	+3%	22.39	-6.9%	-8.8%	12.7%	20.3%	-	-	41.2%	35.9%	05 Jan 2021
Private Debt Cycle 2	SONIA	+4%	34.02	-1.5%	-3.2%	13.6%	8.2%	-	-	10.8%	5.7%	17 Sep 2021
Private Debt Cycle 3	SONIA	+4%	5.89	-	-	-	-	-	-	-0.9%	-1.1%	20 Dec 2022

Portfolio overview

Portfolio	Benchmark	Outperformance target	AUM (GBPm)	Perf. 3 month	Excess 3 month	Perf. 1 year	Excess 1 year	Perf. 3 year	Excess 3 year	Perf. SII*	Excess SII*	Initial investment
Private markets (incl. property) (16.55%)			**505.44**									
Infrastructure Cycle 1	CPI	+4%	41.24	2.8%	-	16.7%	6.2%	11.6%	6.2%	7.4%	3.0%	02 Jan 2019
Infrastructure (General) Cycle 2	CPI	+4%	13.28	5.1%	2.4%	4.8%	-5.7%	-	-	-3.2%	-10.4%	19 Oct 2020
Infrastructure (Renewables) Cycle 2	CPI	+4%	8.24	8.9%	6.2%	20.1%	9.5%	-	-	10.1%	2.9%	12 Oct 2020
Infrastructure Cycle 3	n/a - absolute return target	net 8% IRR	2.98	-	-2.7%	-	-	-	-	-	-2.7%	13 Oct 2022
Secured Income Cycle 1	CPI	+2%	58.05	-10.1%	-12.9%	-8.4%	-19.0%	0.6%	-4.8%	1.2%	-3.2%	15 Jan 2019
Secured Income Cycle 2	CPI	+2%	38.52	-7.4%	-10.2%	-1.9%	-12.4%	-	-	4.0%	-4.7%	01 Mar 2021
UK Property	MSCI/AREF UK	+0.5%	160.69	-11.5%	2.0%	-5.4%	4.7%	-	-	5.0%	2.3%	01 Jul 2020
International Property**	GREFI	+0.5%	45.22	7.5%	7.4%	26.1%	11.4%	-	-	9.5%	-	01 Jul 2020
Total Brunel assets (excl. cash) (81.97%)			**2,504.04**									

*Since initial investment

**Data shown up to 30 September 2022

Portfolio overview

Legacy assets

Portfolio	Benchmark	Outperformance target	AUM (GBPm)	Perf. 3 month	Excess 3 month	Perf. 1 year	Excess 1 year	Perf. 3 year	Excess 3 year	Perf. SII*	Excess SII*	Initial investment
Equities (0.01%)			**0.21**									
Wellington Global Equity			0.21	-23.3%	-25.3%	-15.6%	-8.0%	-3.6%	-11.5%	6.9%	-4.6%	01 Oct 2012
Fixed income (2.67%)			**81.51**									
LGIM Fixed Income			81.51	0.5%	0.6%	-24.0%	-0.5%	-5.5%	0.7%	4.5%	0.3%	01 Oct 2003
Private markets (incl. property) (9.89%)			**302.03**									
Infrastructure			21.37	10.0%	6.3%	27.0%	12.1%	16.5%	8.0%	11.4%	4.6%	01 Oct 2017
Private Equity			254.89	1.4%	-0.6%	-5.4%	2.2%	16.4%	7.6%	12.2%	5.6%	01 Apr 2005
Pooled Property			24.83	-8.5%	5.6%	10.7%	20.1%	8.3%	6.1%	8.9%	2.3%	01 Jan 2010
Brunel PM Cash			0.93	-2.4%	-2.4%	152.4%	152.4%	61.4%	61.4%	38.9%	38.9%	14 Dec 2018
Other (5.47%)			**166.98**									
Cash			51.59	4.5%	3.8%	7.6%	6.2%	3.7%	3.1%	2.1%	0.7%	01 Apr 2005
Insight Diversified Growth			115.39	0.8%	-1.1%	-9.6%	-15.6%	-1.2%	-6.0%	1.9%	-2.3%	01 Jan 2015
Total legacy assets (excl. cash) (18.03%)			**550.73**									

*Since initial investment

Chief Investment Officer commentary

"Santa rally" or not, Q4 provided a welcome relief for liquid market investors. Led by equities, risk assets rallied strongly, and defensive assets – in the form of government bonds – followed suit. As you can see from Figure 1, equity markets hedged to GBP rose approximately 6.5% and, within that complex, the UK and Europe were the relative winners, with the US and Japan the laggards. This capped a weak year in which the US finished down 18%, while the UK market, driven by the combination of weak sterling and global revenues, finished marginally up. Likewise, despite the late rally in UK bonds – up over 1.5% in Q4 – they still finished down an eye-watering 23% for the year.

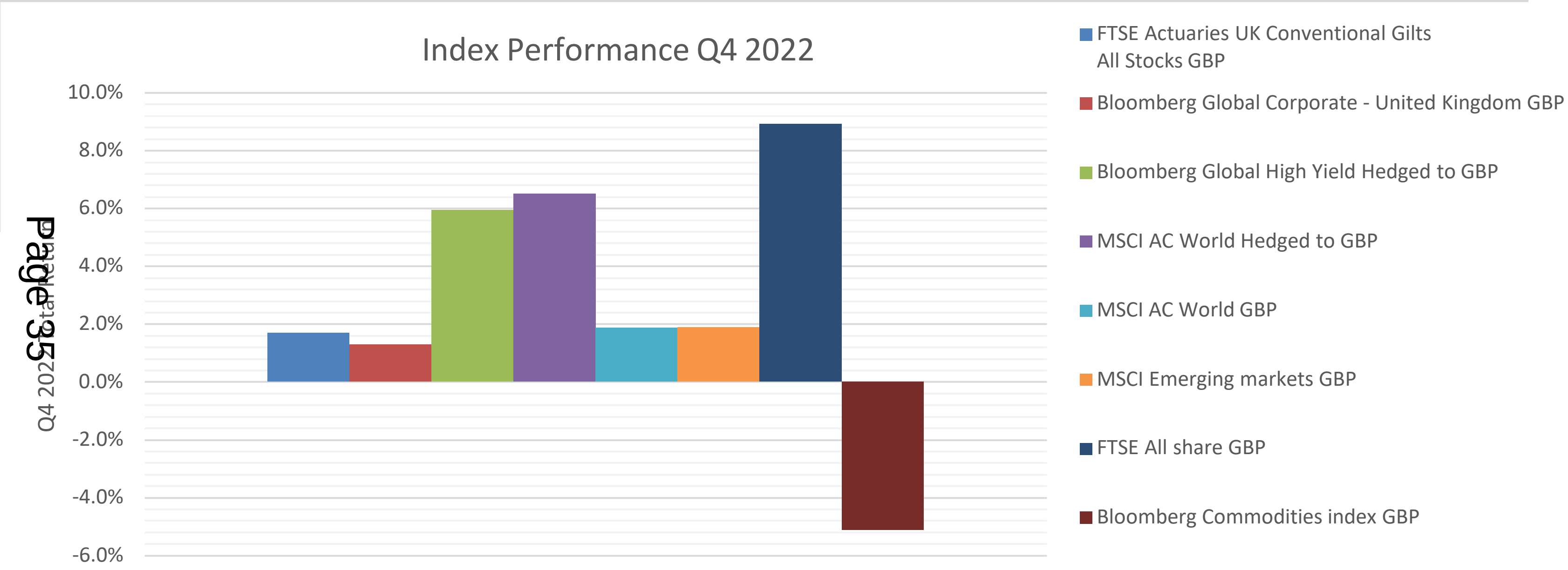


Figure 1: Q4 2022 Total Return by Index as at 31/12/2022. Source: FactSet

Chief Investment Officer commentary

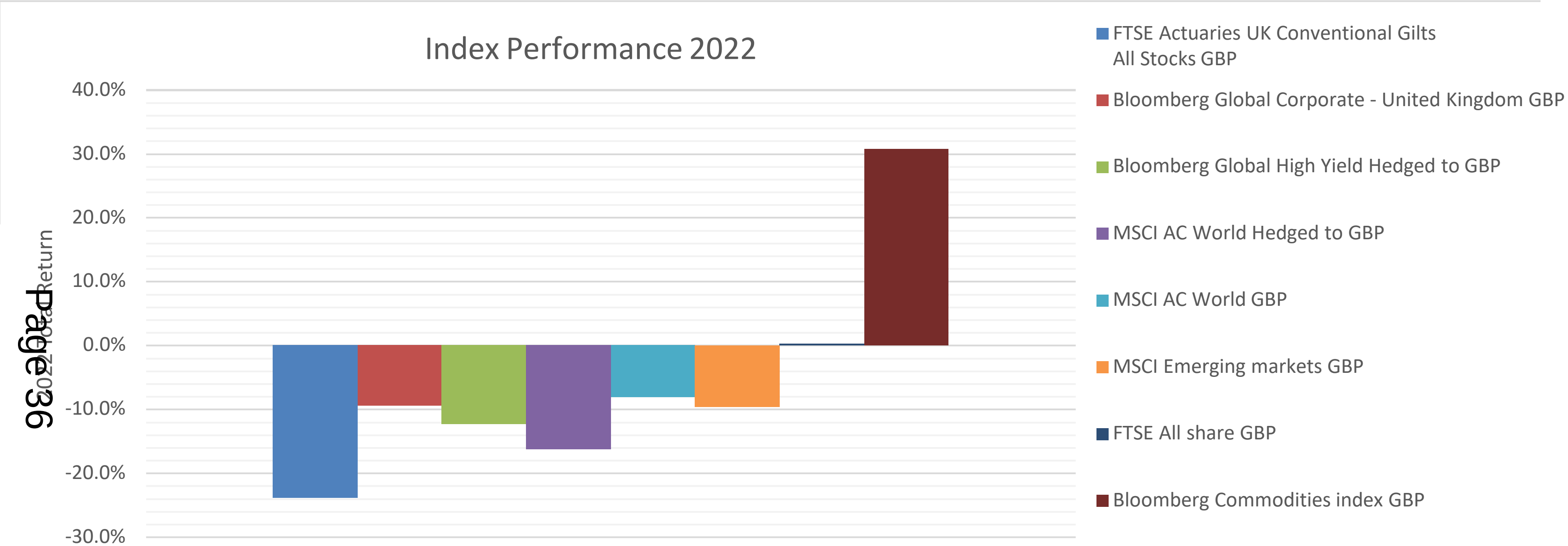


Figure 2: 2022 Total Return by Index as at 31/12/2022. Source: FactSet

Given the lag in pricing private markets, however, we began to see the beginnings of the falls being reflected in net asset values (NAVs) in Q4. The "cheque in the post", which we referred to in last quarter's update, has begun to filter through. Property funds – the quickest of the illiquid assets to price – moved lower first. This was particularly the case for those, such as Industrials, with tighter net initial yields, where valuations are more sensitive to changes in interest rates. As gilt yields rose dramatically, so yields of 2.5-3.0% on the most sought-after logistics assets became untenable, and we saw declines of 20%+ in some Industrial asset valuations. Declines were also exacerbated by investors seeking to tap property funds for liquidity. Ultimately, supply and demand will dictate the resilience and potential growth of income streams from property; income growth is the driver of long-term performance and the bedrock upon which the Brunel model portfolios have been built.

Elsewhere in private markets, the major themes played out in the secondary market across private equity (PE), infrastructure and private debt (PD). PE funds traded at discounts to NAV in the secondary market, whereas infra & PD funds traded at NAV or at premia. Despite several years of warnings about too much capital being raised in the secondary market, the events of Q4 showed that there are huge opportunities in secondaries, as traditional institutional investors have been forced to retrench.

Chief Investment Officer commentary

Within currency markets, it is worthy of mention that the USD began to look vulnerable and ran out of steam, falling approximately 9% against sterling. As mentioned, it may well turn out that the gilt crisis was the bottom of the sterling/dollar exchange rate decline. The other main event for investors in Q4 was the decision by the Bank of Japan to widen the band within which it has been maintaining 10-year bond yields. Although such a change was not a surprise, the timing of it was – and the yen rallied aggressively.

The market was driven higher by rumours of Chinese plans to relax policies on Covid but, more significantly and perhaps prematurely, by the view that inflation was cooling. According to this logic, it followed that central banks would have headroom to slow rate rises, and thus soften the recessionary narrative that had been building. Several data points gave the market reason to coalesce around this view: in the US, the November CPI data point was lower month-on-month (by 0.1%!) Also, whilst US unemployment remained at 3.7%, only 263,000 jobs were added – the lowest number since April 2021. A similar inflation picture was seen in Europe and both the ECB and Fed thus decided to raise interest rates by only 50 basis points (bps) in December, smaller than the November hike of 75 bps.

Within equites, broadly speaking Value was again a powerful driver of returns, and Growth a relative underperformer versus the MSCI All Country World Index. Also, despite the spot prices of oil and gas falling, commodity producers generally outperformed. Many commentators noted the conundrum. As if to prove further that markets cannot be reduced to the simplest of terms, however, stocks with a strong Responsible Investment bias also outperformed. The net effect of these trends in Q4 was therefore that many Brunel portfolios outperformed their respective benchmarks.

In November COP 27, the so-called 'implementation COP' came and went without quite the intensity of COP 26 in Glasgow last year. However, there were some notable successes; the biggest among them was the pledge to set up a loss and damage fund to provide money needed to rescue and rebuild the physical and social infrastructure of countries devastated by extreme weather. The COP 27 presidency also launched the Adaptation Agenda to build climate resilience for 4 billion by 2030, to align with IIGCC investor-led work on resilience, a core focus for Brunel's Climate Change Policy. In this regard, the UK government committed to triple funding for climate adaptation as part of that budget, from £500 million in 2019 to £1.5 billion in 2025.

Despite the rally in Q4, 2022 was a difficult year for investors and the issues that beset the market and drove it lower are still with us. The conflict in Ukraine shows no sign of ending; global interest rate rises are still likely to come through; and inflation is not yet under control, nor have its effects fully filtered through into the economy. On a more positive front, China signalled that it will drop its zero tolerance COVID policy and it seems the worst effects of a winter energy crisis may not be realised. The cold snap did not appear, and Germany and others built up their gas storage. The other very big difference, of course, is that the markets priced to some extent the change in paradigm – and that the era of cheap money is arguably over.

Looking forward, global inflation will still dominate. It is very likely that the world economy will deteriorate this year. Indeed, leading economic indicators have already slowed and are showing that economies around the world are in contraction. This is not news - a recession is remarkably consensual. However, it is a moderate recession that is priced in. A more severe episode could be induced if the central banks feel that inflation isn't under control, and they have to continue to tighten more aggressively. Such action could result in a further market dip.

The more bullish commentators argue that supply chains have normalised, aided by Chinese reopening; house prices and rents are falling; unlike in previous years, the employment squeeze has led to increased job openings, not necessarily excessive employment – and thus they are easier to unwind in a downturn. This all eases the pressure on central banks to push up rates and destroy demand to deflate the economy.

There are of course arguments on the other side that talk of more entrenched inflation. This is where battle lines are drawn, and we should be prepared for continued volatility as conviction and evidence waxes and wanes. The economist Ken Galbraith once said that the only function of economic forecasting is to make astrology look respectable – and I have a lot of sympathy with that view! What one can say with increasing conviction, however, is that, given the falls in prices in 2022, asset markets have begun to adjust to the new world of higher inflation. All else being equal, that improves the forward-looking returns from your portfolio.

Global High Alpha Equities

Investment strategy & key drivers

High conviction, unconstrained global equity portfolio

Liquidity

Managed

Benchmark

MSCI World

Outperformance target

+2-3%

Total fund value

£3,742m

Risk profile

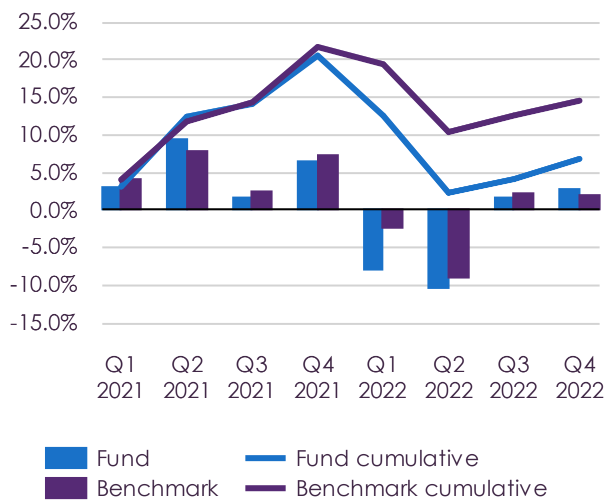
High

Page 38

Oxfordshire's Holding:

GBP314m

Rolling performance



Performance to quarter end

Performance	3 month %	1 year %	Since inception % p.a.*
Fund	2.7	-13.7	11.3
Benchmark	2.0	-7.4	9.7
Excess	0.7	-6.3	1.6

*per annum

Performance commentary

Global developed equities (as proxied by the MSCI World index) rallied over the quarter, returning 2.0% in GBP terms. UK and Europe outperformed, whilst the US lagged the benchmark. Positive sentiment strengthened on expectations for cooling inflation and potential China re-opening. Style characteristics were again evident in the quarter, with Value outperforming Growth significantly.

The portfolio returned 2.7% during the period, outperforming the benchmark by 0.7%, as stock selection overcame the headwinds arising from the negative Value tilt and underexposure to Energy, the best-performing sector.

Sector attribution analysis showed sector allocation was negative as both of the largest active sector positions detracted (an underweight to Energy, the best-performing sector, and an overweight to Consumer Discretionary, the worst-performing sector). This was more than offset by positive stock selection; the strongest selection was in the Consumer Discretionary and IT sectors. Within both sectors, overweights in more traditionally quality names (such as TJX, Nike, Mastercard and Oracle) and underweights in larger tech/growth names (such as Tesla and Apple) both benefited the portfolio.

Four of the five managers outperformed. RLAM's consistency continues to be in evidence, and they have outperformed in 10 out of 12 full quarters since inception in very volatile and differentiated market environments. The outlier this quarter was Baillie Gifford, who underperformed following significant outperformance last quarter. Their focus on high future growth companies was not well rewarded as Growth underperformed other styles significantly during the quarter. This was particularly apparent in Consumer Discretionary, automotive-related stocks held overweight in the Baillie Gifford portfolio: Tesla, NIO and Carvana returned -57%, -43% and -78% respectively.

Meta exited the portfolio during the quarter as the three managers that held it all sold their positions towards end of October. This consolidated a poor year for the owners of Facebook, as it struggled with the challenges to its advertising-based business model whilst continuing to pursue what some see as an uncertain bet on the metaverse.

Global High Alpha Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
MICROSOFT CORP	4.69	3.41	14,722,434
AMAZON.COM INC	3.02	1.54	9,481,580
ALPHABET INC	2.56	2.05	8,028,660
MASTERCARD INC	2.44	0.60	7,658,001
UNITEDHEALTH GROUP INC	2.05	0.99	6,433,707

*Estimated Client value.

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Top 5 active overweights

	Weight %	Benchmark weight %
MASTERCARD INC	2.44	0.60
HDFC BANK LTD	1.64	-
TAIWAN SEMICONDUCTOR	1.49	-
AMAZON.COM INC	3.02	1.54
TJX COS INC/THE	1.62	0.19

Top 5 active underweights

	Weight %	Benchmark weight %
APPLE INC	0.50	4.18
EXXON MOBIL CORP	-	0.92
JPMORGAN CHASE & CO	-	0.79
PROCTER & GAMBLE CO/THE	-	0.72
CHEVRON CORP	-	0.67

Companies with lowest ESG ratings

	Adjusted ESG score*	
	Q3 2022	Q4 2022
TJX COS INC/THE	32.47	30.10
MICROSOFT CORP	47.15	47.81
ALPHABET INC	46.00	46.30
JOHNSON & JOHNSON	37.53	38.78
PROGRESSIVE CORP/THE	40.16	40.55

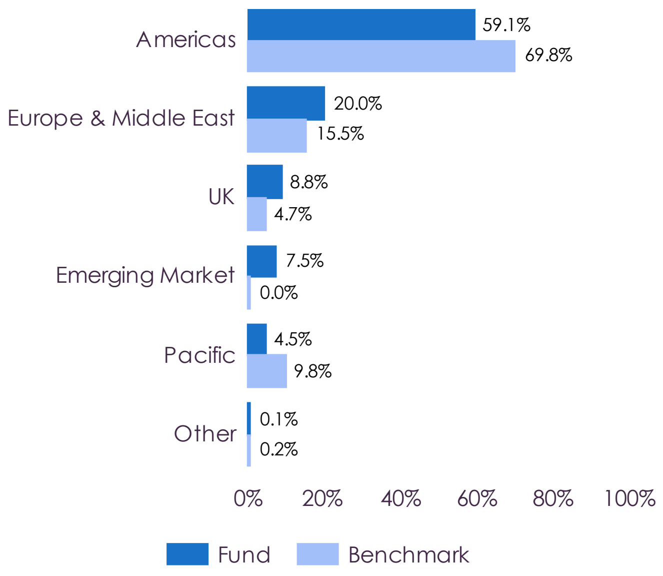
*Source: TrueValueLabs. Scores can range from a high score of 100 to a low of 0. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top.

Carbon metrics

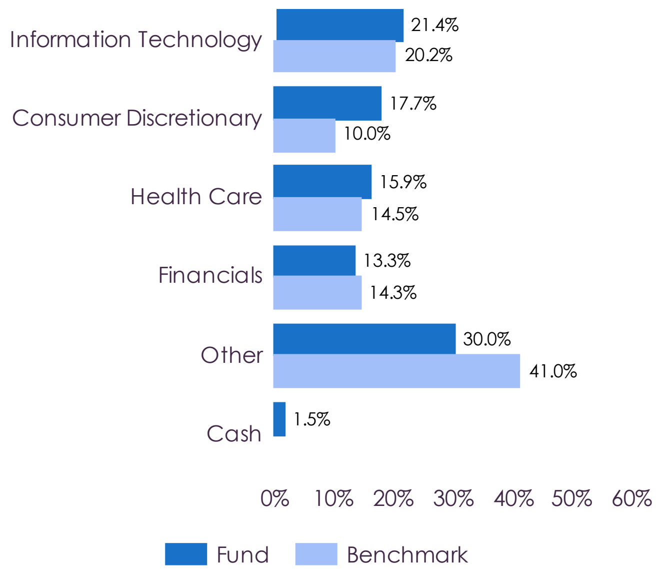
Portfolio	WACI		Extractives revenues[1]		Extractives reserves[2]	
	2022 Q3	2022 Q4	2022 Q3	2022 Q4	2022 Q3	2022 Q4
Global High Alpha	86	89	0.92	1.29	3.15	3.32
MSCI World*	180	193	2.61	2.81	7.12	7.83

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

Regional exposure



Sector exposure



Global Sustainable Equities

Investment strategy & key drivers

Global equity exposure concentrating on ESG factors

Liquidity

Managed

Benchmark

MSCI ACWI

Outperformance target

+2%

Total fund value

£185m

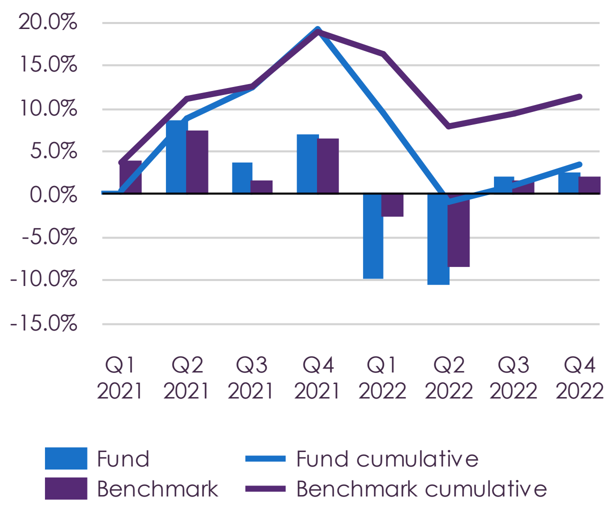
Risk profile

High

Oxfordshire's Holding:

GBP296m

Rolling performance



Performance to quarter end

Performance	3 month %	1 year %	Since inception % p.a.*
Fund	2.4	-15.5	3.9
Benchmark	2.0	-7.6	7.9
Excess	0.5	-7.9	-4.0

*per annum

Performance commentary

Global equities (as proxied by the MSCI All Countries World Index) returned 2.0% over the reporting period. The Sustainable Equities portfolio returned 2.4%, outperforming the benchmark by 0.5%.

The quarter provided a welcome respite to what had been a difficult year for all investors. However, Sustainable Equity strategies perhaps felt this challenge more than most in 2022, as the strategy has a natural underweight to Value parts of the market and has significantly less exposure to sectors such as Energy, which returned 62% over the year. The second-best performing sector was Utilities, with a return of 8.5%, which highlights the severe market dispersion.

The fund returned -15.5% over the year against an MSCI ACWI return of -7.6%. 90% of the underperformance occurred in the first quarter - key Q1 events have been discussed in previous commentaries.

Through Oct-Nov of Q4, the market rallied to return 7.1%. The rally was largely driven by Value, notably the metals & mining sub sector, energy equipment companies, and Industrial conglomerates. Despite our underweight allocation to these sectors, the portfolio only narrowly underperformed the benchmark, gaining through our exposure to semiconductors and favourable stock selection in the automobile sector - the zero exposure to Tesla was a notable contributor.

In December, the market returned -4.85%. The main contributors were large cap tech companies. The three largest contributors on this front were Apple (-13%), Tesla (-37%) and Microsoft (-7%); the three hold a combined weight of 7.7% in a 3,000-stock index, and so they contributed -1.1% to index return. The portfolio is underweight Microsoft and has no exposure to Tesla or Apple. This outperformance in the downward market meant the portfolio exhibited a net outperformance of 0.5% over the quarter as a whole.

Three out of the five managers outperformed; Jupiter and Mirova by 3.1% and 4.6% respectively. Mirova's holdings in Mastercard, Adobe and Visa were the biggest contributors, whilst RBC underperformed by 2.1%. RBC's performance was driven in part by Roche, which fell on the news its Alzheimer's drug failed to slow the disease. The managers continued to provide complementary but differing approach within the portfolio.

Global Sustainable Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
MASTERCARD INC	2.63	0.53	7,793,585
MICROSOFT CORP	2.27	3.02	6,708,267
ADYEN NV	1.99	0.05	5,876,641
ANSYS INC	1.93	0.04	5,704,654
DANAHER CORP	1.77	0.33	5,238,538

*Estimated Client value.

Top 5 active overweights

	Weight %	Benchmark weight %
MASTERCARD INC	2.63	0.53
ADYEN NV	1.99	0.05
ANSYS INC	1.93	0.04
MARKETAXESS HOLDINGS INC	1.73	0.02
DANAHER CORP	1.77	0.33

Top 5 active underweights

	Weight %	Benchmark weight %
APPLE INC	-	3.71
JOHNSON & JOHNSON	-	0.83
ALPHABET INC	0.99	1.82
EXXON MOBIL CORP	-	0.82
MICROSOFT CORP	2.27	3.02

Companies with lowest ESG ratings

	Adjusted ESG score* Q3 2022	Adjusted ESG score* Q4 2022
MICROSOFT CORP	47.15	47.81
T-MOBILE US INC	44.95	44.06
ALPHABET INC	46.00	46.30
MUENCHENER	-	46.57
UNITEDHEALTH GROUP INC	52.44	51.89

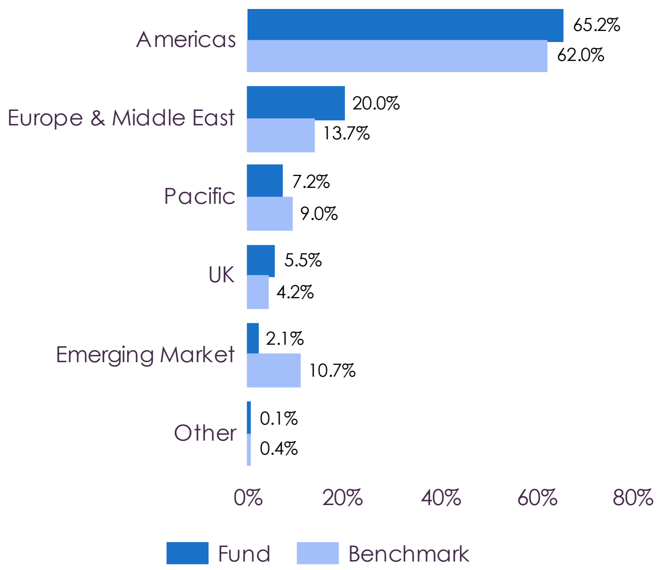
*Source: TrueValueLabs. Scores can range from a high score of 100 to a low of 0. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top.

Carbon metrics

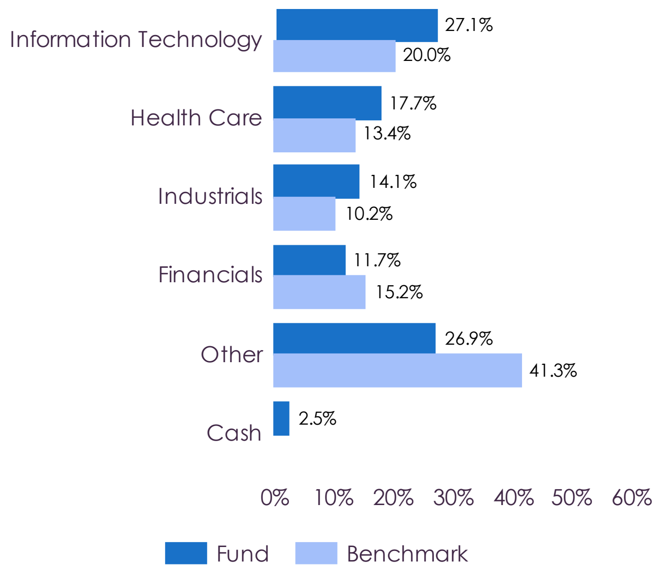
Portfolio	WACI 2022 Q3	WACI 2022 Q4	Extractives revenues[1] 2022 Q3	Extractives revenues[1] 2022 Q4	Extractives reserves[2] 2022 Q3	Extractives reserves[2] 2022 Q4
Global Sustainable	148	152	2.53	2.65	2.96	3.13
MSCI ACWI*	207	222	2.62	2.82	7.18	7.76

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

Regional exposure



Sector exposure



UK Active Equities

Investment strategy & key drivers

Active stock and sector exposure to UK equity markets

Liquidity

Managed

Benchmark

FTSE All Share ex Inv Tr

Outperformance target

+2%

Total fund value

£382m

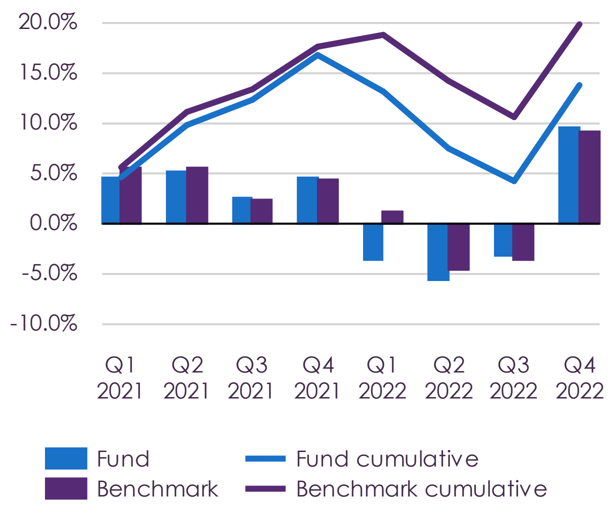
Risk profile

High

Oxfordshire's Holding:

GBP486m

Rolling performance



Performance to quarter end

Performance	3 month %	1 year %	Since inception % p.a.*
Fund	9.6	-3.7	3.9
Benchmark	9.2	1.6	5.1
Excess	0.3	-5.3	-1.2

*per annum

Performance commentary

The FTSE All-Share Index excluding Investment Trusts returned 9.2% over the quarter, outperforming the developed market index, which returned 2% in GBP terms (MSCI World). The difference lies partly in the UK's under-exposure to Growth names in Technology. These names make up a large part of the developed market index that performed so poorly (and the knock-on effect of the depreciation in the USD vs GBP). In contrast, the UK Energy sector (returning 5.9%) was unable to match its developed market peers (returning 11.2%), as BP and Shell both underperformed the FTSE All-Share.

The portfolio returned 9.6% during the period, outperforming the benchmark by 0.3%. Sector attribution shows positive effects from both allocation and selection.

The overweight allocation to Financials and underweight allocation to Energy were both positive and offset the drag of holding a small cash allocation in a rising market. Strong selection in Financials was the largest contributor to selection, with overweights in four insurance related names (Legal and General, Lancashire Holdings Group, Aviva and Just Group) in the top ten contributors to relative return.

Baillie Gifford outperformed by 1% which (taken alongside the previous quarter's small outperformance) steadied their relative performance after two very poor quarters in the first half of 2022. Allocation was positive with underweights to Energy, and not holding Telecoms proving to be the largest positive impacts. Mirroring portfolio performance, positive selection was driven by the overweight positions in insurance-related holdings in the Financials sector. Baillie Gifford also benefited from its overweight position in smaller companies that outperformed their larger peers.

Invesco performed in line with the index following two strong relative performances in the preceding two quarters. Of the factors targeted by Invesco, the positive contribution from the Value factor was offset by negative contributions from Momentum and Quality factors.

From inception to quarter-end, the portfolio underperformed the benchmark by 1.2% per annum.

UK Active Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
ASTRAZENECA PLC	6.11	7.63	29,723,395
UNILEVER PLC	4.50	4.89	21,884,309
DIAGEO PLC	3.90	3.79	18,940,665
SHELL PLC	3.70	7.84	17,978,380
BP PLC	3.33	4.06	16,180,561

*Estimated Client value.

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Top 5 active overweights

	Weight %	Benchmark weight %
LEGAL & GENERAL GROUP PLC	2.66	0.68
BUNZL PLC	2.30	0.43
BAILLIE GIFFORD UK & BALANCED	1.35	-
BURBERRY GROUP PLC	1.66	0.37
INCHCAPE PLC	1.41	0.14

Top 5 active underweights

	Weight %	Benchmark weight %
SHELL PLC	3.70	7.84
HSBC HOLDINGS PLC	2.95	4.78
NATIONAL GRID PLC	-	1.67
RECKITT BENCKISER GROUP PLC	0.34	1.89
ASTRAZENECA PLC	6.11	7.63

Companies with lowest ESG ratings

	Adjusted ESG score*	
	Q3 2022	Q4 2022
GLENCORE PLC	48.44	46.33
LANCASHIRE HOLDINGS LTD	10.98	15.97
ASTRAZENECA PLC	53.19	55.58
INCHCAPE PLC	47.84	44.82
HISCOX LTD	29.13	29.75

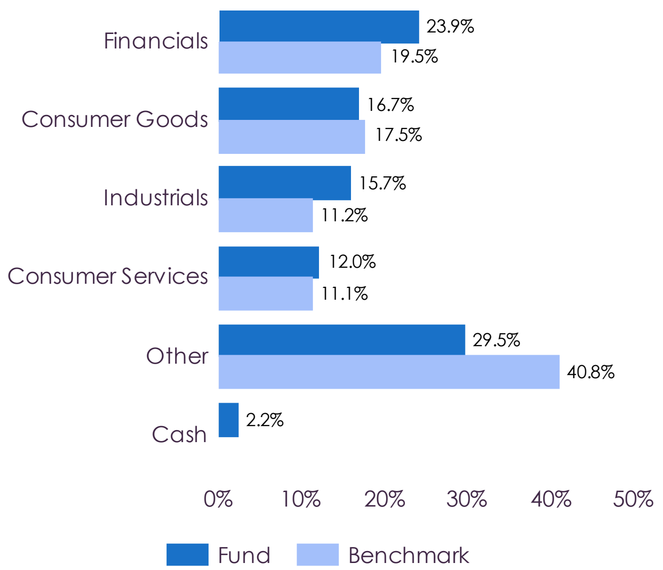
*Source: TrueValueLabs. Scores can range from a high score of 100 to a low of 0. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top.

Carbon metrics

Portfolio	WACI		Extractives revenues[1]		Extractives reserves[2]	
	2022 Q3	2022 Q4	2022 Q3	2022 Q4	2022 Q3	2022 Q4
UK Active Equities	92	93	3.35	3.48	16.45	15.89
FTSE All Share ex Inv	165	160	4.18	4.95	21.67	21.71

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

Sector exposure



Emerging Markets Equities

Investment strategy & key drivers

Equity exposure to emerging markets

Liquidity

Managed

Benchmark

MSCI Emerging Markets

Outperformance target

+2-3%

Total fund value

£1,044m

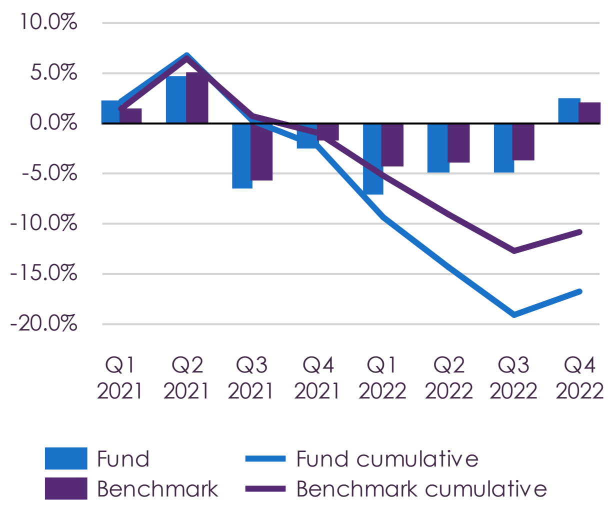
Risk profile

High

Oxfordshire's Holding:

GBP79m

Rolling performance



Performance to quarter end

Performance	3 month %	1 year %	Since inception % p.a.*
Fund	2.3	-14.0	-1.2
Benchmark	1.9	-9.6	1.1
Excess	0.4	-4.3	-2.3

*per annum

Performance commentary

Emerging markets ended the year on a more positive note as markets rebounded swiftly in November and December. The quarter started in turbulent fashion; a sharp decline in Chinese equities followed the 20th National Congress of the Chinese Communist Party in mid-October. The Congress confirmed that Xi Jinping is likely to be one of the most influential leaders of the People's Republic of China in its history. Investors viewed this as a headwind, given the apparent lack of moderating influences within the party; Chinese equities subsequently sold off by approximately 19% in October. As mentioned in the CIO commentary, markets turned in early November following rumours of the zero-Covid policy in China being relaxed; Chinese equities ultimately ended the quarter in positive territory, appreciating by approximately +5%. Broader emerging markets – proxied by the MSCI Emerging Markets – were buoyed by the turn in Chinese equities and ended the period in positive territory, appreciating by 1.9%.

The portfolio outperformed over the quarter. Total return was +2.3%, which was 0.4% ahead of the benchmark. Since-inception performance remained negative on an absolute and relative basis. Net annualised performance was -1.2% since inception, which is -2.3% behind the benchmark.

Genesis and Wellington outperformed by +2.8% and +0.3% respectively, whereas Ninety One lagged the benchmark by 2.4%. The primary drivers were China's zero-COVID exit, and sensitivity to commodities. Genesis was by far the most geared towards a China reopening scenario, and the least exposed to commodities; both factors acted as significant tailwinds for performance. Conversely, Ninety One is least exposed to China's reopening and has higher exposure to commodities than Genesis.

There are several reasons to be optimistic on emerging markets going forward. Firstly, China's relaxation of its Covid policy and pivot towards a more supportive stance on growth should allow a normalisation of the domestic economy in 2023. Secondly, the economic backdrop for countries outside of China is improving. For example, EM private sector debt/GDP is now 86%, half the level of developed markets. Finally, valuations continue to look cheap against both history and developed markets, presenting managers with opportunities to buy high quality companies at attractive prices. The portfolio is well positioned to capitalise on these themes.

Emerging Markets Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
TAIWAN SEMICONDUCTOR	6.60	5.70	5,243,874
TENCENT HOLDINGS LTD	3.99	4.24	3,172,483
SAMSUNG ELECTRONICS CO LTD	3.95	3.83	3,136,762
AIA GROUP LTD	2.80	0.00	2,221,676
ALIBABA GROUP HOLDING LTD	2.46	2.60	1,952,796

*Estimated Client value.

Companies with lowest ESG ratings

	Adjusted ESG score*	
	Q3 2022	Q4 2022
TENCENT HOLDINGS LTD	52.86	54.28
ALIBABA GROUP HOLDING LTD	51.92	54.50
ICICI BANK LTD	45.92	45.28
SAMSUNG ELECTRONICS CO LTD	55.29	57.77
KIMBERLY-CLARK DE MEXICO	36.63	47.16

*Source: TrueValueLabs. Scores can range from a high score of 100 to a low of 0. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top.

Carbon metrics

Portfolio	WACI		Extractives revenues[1]		Extractives reserves[2]	
	2022 Q3	2022 Q4	2022 Q3	2022 Q4	2022 Q3	2022 Q4
Emerging Markets	176	196	0.85	0.81	5.19	5.03
MSCI Emerging	416	453	3.15	3.29	7.65	7.26

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

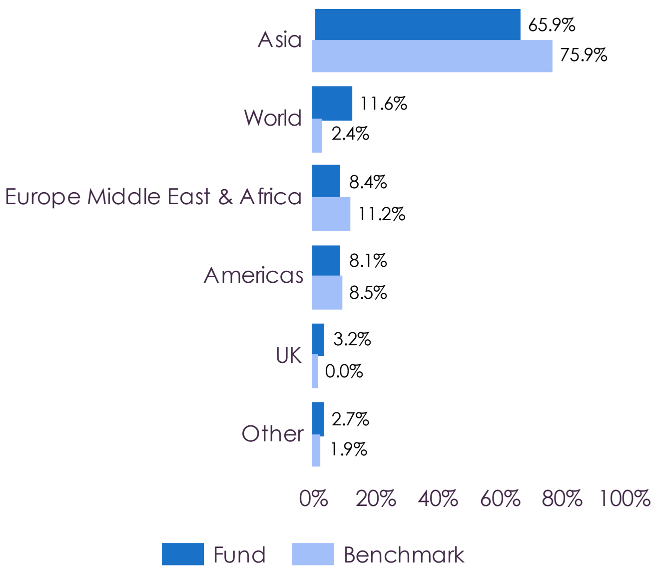
Top 5 active overweights

	Weight %	Benchmark weight %
AIA GROUP LTD	2.80	-
HDFC BANK LTD	1.39	-
NETEASE INC	1.66	0.46
INNER MONGOLIA YILI INDUSTRIAL	1.10	0.03
BID CORP LTD	1.16	0.10

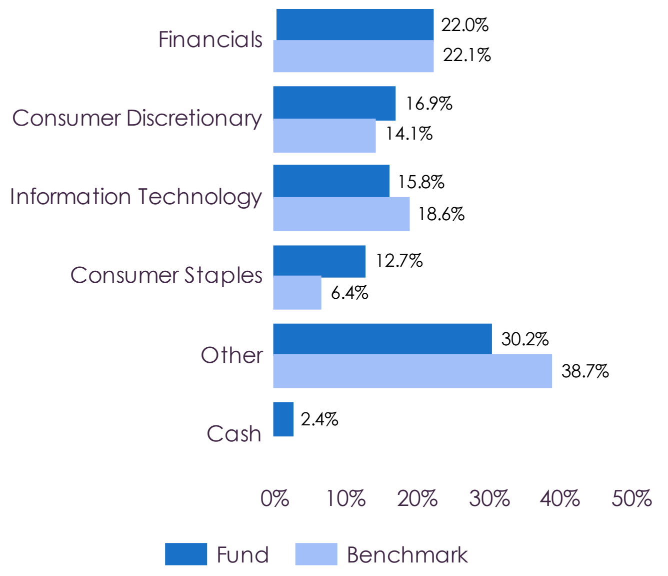
Top 5 active underweights

	Weight %	Benchmark weight %
CHINA CONSTRUCTION BANK CORP	0.25	0.96
AL RAJHI BANK	-	0.62
BAIDU INC	-	0.50
PETROLEO BRASILEIRO SA	0.18	0.66
VALE SA	0.54	1.02

Regional exposure



Sector exposure



Multi-Asset Credit

Investment strategy & key drivers

Exposure to higher yield bonds with moderate credit risk

Liquidity

Managed

Benchmark

SONIA +4%

Outperformance target

0% to +1.0%

Total fund value

£463m

Risk profile

Moderate

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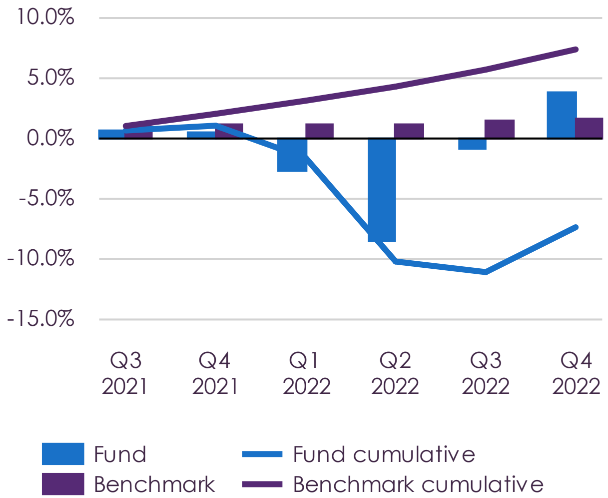
Oxfordshire's Holding:

GBP131m

Rolling performance



Performance to quarter end

Performance	3 month %	1 year %	Since inception % p.a.*
Fund	3.7	-8.5	-5.2
Benchmark	1.7	5.4	5.0
Excess	2.0	-14.0	-10.2

*per annum

Performance commentary

Despite volatility in the fourth quarter, risk assets across sub-investment grade credit delivered broad-based gains. The quarter got off to a rocky start due to a failed UK budget proposal that roiled UK gilt markets, higher-than-expected September CPI in the US, and an October Communist Party Congress in China that spooked markets.

The yields of global high yield bonds soared to their year-to-date high, touching approximately 10.5% in the first half of October. Risk asset prices then reversed course amid better-than-expected third quarter earnings, expectation of more dovish global central bank policy, and a cooling of US inflation in both October and November. The subsequent credit rally lasted for most of the quarter, though markets came under renewed pressure in late December.

The Federal Reserve hiked rates in the US by 125 bps during the quarter, but ultimately this had little impact on the 2- and 10-year yields, which ended the year at +442bps and +388bps respectively. Bank capital and EM sovereign debt were the strongest asset classes over the quarter, with local returns of approximately +12% and +8% respectively. High yield corporate bonds returned almost 7% in local terms. Loans were amongst the lowest-returning asset classes in credit, returning approximately 3% in local terms. Returns were primarily driven by spread compression.

The portfolio returned +3.7% over the quarter on a net of fees basis, which was +2.0% ahead of the primary benchmark of SONIA +4%. The portfolio lagged the secondary benchmark by 0.9%. Performance by manager remained range-bound during the quarter. Neuberger Berman, CQS and Oaktree returned +360bps, +406bps and +407bps respectively. Performance since inception is now -5.2% annualised on a net-of-fees basis, and this remains behind the SONIA +4% return of +5.0% but close to the composite benchmark return.

The portfolio now offers a yield of approximately +9.3% on a yield-to-worst basis, with modest duration close to two years, representing an attractive entry point. However, investors should express caution as the threat of an impending recession, potential inflation shocks and quantitative tightening could put upward pressure on rates and spreads worldwide. Fundamentals- focused managers should be well-placed to take advantage of attractive entry points, whilst navigating some of the potential headwinds in 2023.

Sterling Corporate Bonds

Investment strategy & key drivers

Managed credit selection to generate excess sterling yield returns

Liquidity

Managed

Benchmark

iBoxx Sterling Non Gilt x

Outperformance target

+1%

Total fund value

GBP878m

Risk profile

Moderate

Oxfordshire's Holding:

GBP93m

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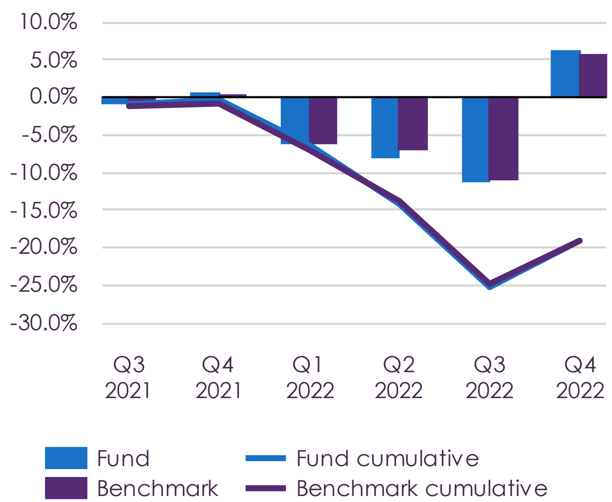
Rolling performance



Performance to quarter end

Performance	3 month %	1 year %	Since inception % p.a.*
Fund	6.2	-18.2	-12.7
Benchmark	5.7	-17.7	-12.6
Excess	0.4	-0.5	-0.1

*per annum

Performance commentary

Over the quarter, central banks further tightened monetary policy in response to the continued strength of inflation.

In this context, the iBoxx Sterling Non-Gilt All Maturities benchmark returned 5.74%. The main driver of the positive absolute return was the fall in gilt yields and tightening of the average sterling investment grade (IG) credit spread from 1.99% to 1.61%.

The portfolio returned 6.17%, outperforming the benchmark.

The portfolio's outperformance over the quarter was primarily driven by positive credit sector allocation (+58bps), with a notably strong contribution from the significant underweight to supranational bonds (+62bps). This was enhanced by overweight exposure to insurance (+21bps), which performed strongly as the market recovered over the quarter. This was partially offset by overweight exposures to secured sectors, such as real estate (-7bps) and structured bonds (-6bps), which lagged the general spread tightening. Underweight exposures to consumer goods (-8bps) and telecommunications (-6bps) also detracted.

Overall, the impact of duration and yield curve exposure was neutral, at -11bps and +12bps respectively.

Security selection detracted from relative performance (-25bps). This mainly reflected security selection in the structured (-42bps), social housing (-13bps) and real estate (-8bps) sectors. This drag outweighed positive security selection from Financials in particular (+26bps) but also from Utilities and Insurance (+6bps and +4bps, respectively).

The contribution to overall outperformance of the underweight exposure across the AAA, AA and A rating bands was negative (-50bps), mainly coming from the A rating band (-40bps). However, this was offset by more significant overweight exposure to BB- rated bonds (+49bps) and allocations to sub-IG and unrated bonds (+24bps).

RLAM expects inflation to peak in the coming months, as moderating energy prices and weak GDP growth reduce the tightness of the labour market. However RLAM continues to anticipate further rate rises in 2023 and therefore a likely recession in the UK. While yields in sterling investment grade credit remain attractive, there should also be an expectation of credit rating downgrades and default rate rises.

Passive Index Linked Gilts over 5 years

Investment strategy & key drivers

Passive exposure to index linked gilts with over 5 year duration

Liquidity

High

Benchmark

FTSE-A UK ILG >5Y

Outperformance target

Match

Total fund value

£677m

Risk profile

Low

Oxfordshire's Holding:

GBP134m

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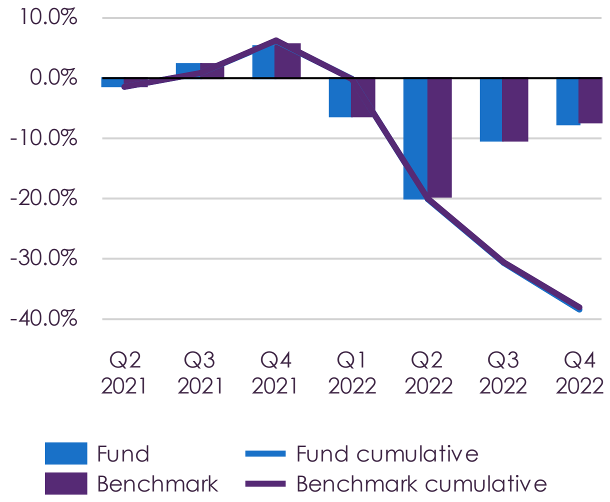
Rolling performance



Performance to quarter end

Performance	3 month %	1 year %	Since inception % p.a.*
Fund	-7.7	-38.1	-23.6
Benchmark	-7.5	-38.0	-23.5
Excess	-0.2	-0.2	-0.2

*per annum

Performance commentary

Banks continued to tighten monetary policy over the quarter. The Bank of England delivered a 0.75% rate hike in early November and another 0.5% hike in December, bringing the total to eight rises in 2022.

UK bond markets continued to be impacted by the aftermath of 'mini-Budget', with the Bank of England forced to intervene in the gilt market. Although this calmed financial markets temporarily, volatility continued for several weeks, only moderating when new policies were set out by new chancellor, Jeremy Hunt, and then confirmed in the Autumn Statement (in mid-November).

It was a challenging year for global fixed income markets. Across the year as a whole, the total return was -18% on a 10-year gilt; -21% on a 10 year German bund; and -15% on a US Treasury note.

Longer-dated government bonds performed better than shorter-dated bonds in the quarter. UK gilts with over 15 years to maturity provided negative returns of -1.85%, whereas those with 5 years or more to maturity returned -7.53%.

PAB Passive Global Equities

Investment strategy & key drivers

Passive global equity exposure aligned to Paris Agreement climate goals

Liquidity

High

Benchmark

FTSE Dev World PAB

Outperformance target

Match

Total fund value

GBP467m

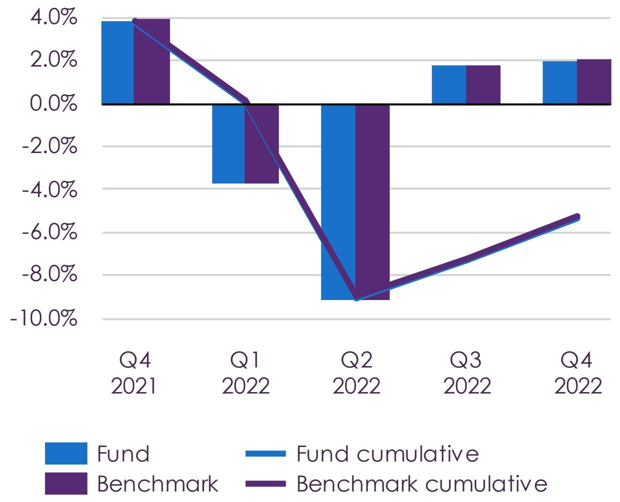
Risk profile

High

Oxfordshire's Holding:

GBP465m

Rolling performance



Performance to quarter end

Performance	3 month %	1 year %	Since inception % p.a.*
Fund	1.9	-9.2	-4.9
Benchmark	2.0	-9.2	-4.9
Excess	-	-	-0.1

*per annum

Performance commentary

In Q4 2022, the FTSE Developed Paris-Aligned benchmark (PAB) continued the trend of positive performance seen in Q3, rising 2% over the three-month period to the end of the year. The PAB Passive Global Equities portfolio closely replicated the benchmark's performance over the quarter.

This headline performance hides the performance journey over the quarter and the varied performance across underlying sectors within the index. The index performed positively to the end of November, up over 6% through the first two months of the quarter, before falling to end the reporting period up 2%.

In terms of sector, the Industrials sector was the best performer, driven by capital goods. Honeywell and Caterpillar were the most significant stock contributors to return over the period.

The Consumer Discretionary and Communication Services sectors were a drag upon performance over Q4. Performance within Consumer Discretionary can be attributed to the large benchmark positions in Tesla and Amazon, which both had difficult quarters. Similarly, a significant position within Alphabet was a material contributor to the negative performance of the Communication Services sector over the reporting period.

PAB Passive Global Equities

Top 5 holdings

	Weight %	Client value (GBP)*
APPLE INC	5.29	24,605,238
MICROSOFT CORP	4.82	22,455,950
ALPHABET INC	3.82	17,765,862
AMAZON.COM INC	2.91	13,555,773
HONEYWELL INTERNATIONAL INC	2.72	12,638,087

*Estimated Client value.

Companies with lowest ESG ratings

	Adjusted ESG score*	
	Q3 2022	Q4 2022
MICROSOFT CORP	47.15	47.81
ALPHABET INC	46.00	46.30
APPLE INC	49.17	50.57
AMAZON.COM INC	50.72	51.99
CHUBB LTD	34.84	38.73

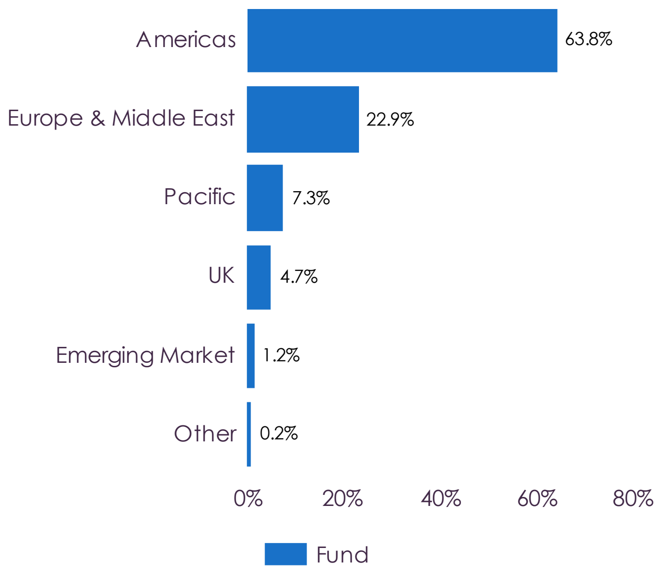
*Source: TrueValueLabs. Scores can range from a high score of 100 to a low of 0. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top.

Carbon metrics

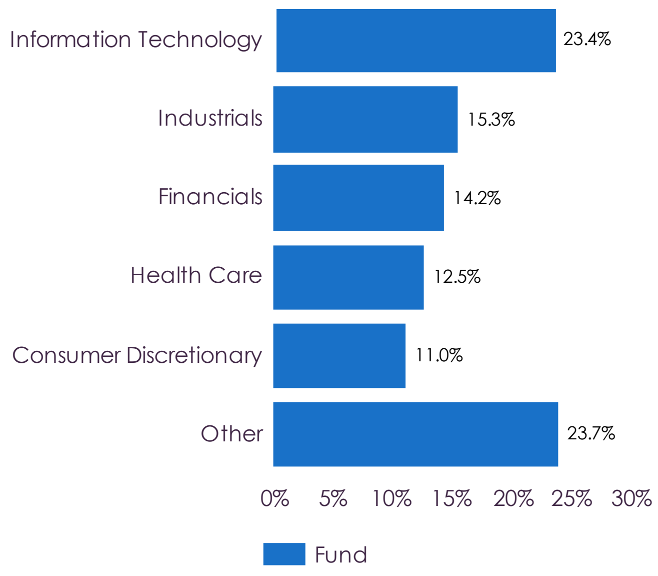
Portfolio	WACI		Extractives revenues[1]		Extractives reserves[2]	
	2022 Q3	2022 Q4	2022 Q3	2022 Q4	2022 Q3	2022 Q4
PAB Passive Global	103	102	0.99	0.91	1.57	1.68
FTSE Dev World TR	180	194	2.52	2.69	7.00	7.69

*Benchmark. [1] Extractive revenue exposure as share (%) of total revenue. [2] Value of holdings (VOH) - companies who derive revenues from extractives. Source: Trucost

Regional exposure



Sector exposure



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Private Equity Cycle 1

Investment objective
Global portfolio of private equity investments

Benchmark
MSCI ACWI

Outperformance target
+3%

Launch date
1 October 2018

Commitment to portfolio
£100.00m

The fund is denominated in GBP

Commitment to Investment
£102.85m

Amount Called
£56.77m

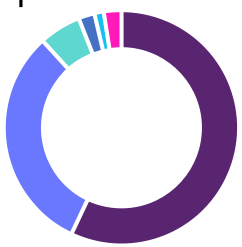
% called to date
55.20

Number of underlying funds
7

Oxfordshire's Holding:
GBP74.90m

Country

Invested in underlying investments

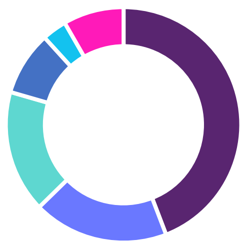


North America	57.0%
Western Europe	31.3%
Asia Pacific	5.8%
Global	2.2%
South America	1.3%
Other	2.4%

Source: Colmore
Country data is lagged by one quarter

Sector

GICs level 1



Financials	44.1%
Information Technology	18.6%
Health Care	16.8%
Consumer Discretionary	8.8%
Consumer Staples	3.4%
Other	8.3%

Source: Colmore
Sector data is lagged by one quarter

Performance commentary

As of December 2022, the drawdown of Cycle 1 increased slightly from the previous quarter, as approximately 55% of the committed capital had been drawn. Cycle 1 was still in the investment phase.

Macroeconomic headwinds caused a slowdown in deals, exits and fundraising during Q4, and this was expected to continue into 2023. GPs began to pivot away from their focus on selling in favour of seeking add-on acquisitions at attractive multiples. We would expect the number of public-to-private, corporate carveouts and secondary deals to increase in 2023. Despite the wider challenges in listed markets, many private valuations are expected to have broadly held up during Q4 as testimony to the high quality, diversified and resilient nature of individual Funds. Growth/Tech funds were an exception to the rule, as Q3 saw GPs taking a haircut on valuations and the same was expected for Q4. The decrease in Growth/Tech valuations was a consequence of the fall on listed valuation multiples comps, FX fluctuations and increasing discount rates. Overall, the Cycle 1 Portfolio level performance remained positive.

The Cycle 1 PE portfolio is diversified by strategy, sector and geography. The GPs in the portfolio have track records through market Cycles and are expected to be able to lean on their experience to steer through the current market environment. All the private equity funds in the portfolio are now successfully closed and in full deployment mode.

Portfolio summary

Market value (GBP millions)	3 Month MWR*	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	Contribution to return: 3 months	Contribution to return: 1 year	Contribution to return: since inception
74.9	-4.0%	23.2%	23.8%	2,199,167	1,700,678	498,489	-3,263,830	-4.2%	23.9%	22.7%

*Money weighted return

Private Equity Cycle 2

Investment objective
Global portfolio of private equity investments

Benchmark
MSCI ACWI

Outperformance target
+3%

Launch date
1 May 2020

Commitment to portfolio
£70.00m

The fund is denominated in GBP

Commitment to Investment
£72.71m

Amount Called
£20.28m

% called to date
27.89

Number of underlying funds
14

Oxfordshire's Holding:
GBP22.39m

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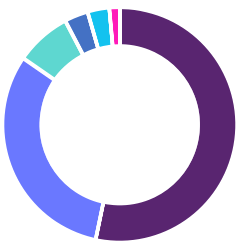
Country

Invested in underlying investments

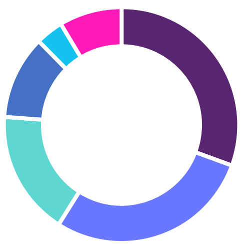


North America	53.3%
Western Europe	31.3%
Asia Pacific	7.7%
Global	3.3%
Middle-East/North Africa	3.0%
Other	1.4%

Source: Colmore
Country data is lagged by one quarter

Sector

GICs level 1



Information Technology	30.6%
Financials	28.4%
Industrials	17.1%
Health Care	11.5%
Consumer Discretionary	3.8%
Other	8.6%

Source: Colmore
Sector data is lagged by one quarter

Performance commentary

As of December 2022, the total capital drawn down for Cycle 2 had increased slightly from the previous quarter and reached 28%. It is worth noting that, while total capital deployed was higher, funds use credit facilities to initially fund investments.

Macroeconomic headwinds caused a slowdown in deals, exits and fundraising during Q4, which is expected to continue in 2023. GPs have begun to pivot away from their focus on selling in favour of seeking add-on acquisitions at attractive multiples. We would expect the number of public-to-private, corporate carveouts and secondary deals to increase in 2023. Despite the wider challenges in listed markets, many private valuations are expected to have broadly held up during Q4 as testimony to the high quality, diversified and resilient nature of individual funds. Growth/Tech funds are an exception to the rule, as Q3 saw GPs taking a haircut on valuations and the same was expected for Q4. The decrease in Growth/Tech valuations was a consequence of the fall on listed valuation multiples comps, FX fluctuations and increasing discount rates. Overall, the Cycle 2 Portfolio level performance has remained positive.

Going forward, we expect deployment to continue gathering pace as more managers in the portfolio finalise their fundraisings.

Portfolio summary

Market value (GBP millions)	3 Month MWR*	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	Contribution to return: 3 months	Contribution to return: 1 year	Contribution to return: since inception
22.4	-6.7%	7.5%	12.4%	2,623,465	81,086	2,542,379	-1,503,950	-4.5%	15.5%	42.7%

*Money weighted return

Private Debt Cycle 2

Investment objective
Global portfolio of senior direct loans, predominantly to PE-sponsored companies

Benchmark
SONIA

Outperformance target
+4%

Launch date
1 May 2020

Commitment to portfolio
£70.00m

The fund is denominated in GBP

Commitment to Investment
£70.00m

Amount Called
£32.61m

% called to date
46.59

Number of underlying funds
1

Oxfordshire's Holding:
GBP34.02m

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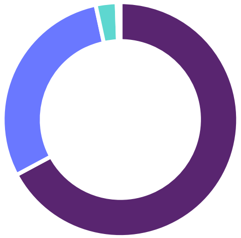
Country

Invested in underlying investments



North America	67.2%
Europe	29.4%
Asia Pacific	2.9%
Other	0.5%

Source: Aksia and underlying managers
Country data is lagged by two quarters

Sector

GICs level 1

Information Technology	27.0%
Health Care	24.0%
Industrials	21.3%
Consumer Discretionary	10.5%
Consumer Staples	6.9%
Other	10.3%

Source: Aksia and underlying managers
Sector data is lagged by two quarters

Performance commentary

As of December 2022, Cycle 2 was fully committed to 7 funds. The portfolio is in ramp up with deployment increasing to over ~40%. The next capital call (due by February 2023) is expected to take deployment to ~50% .

Prior focus by managers on traditionally resilient sectors such as healthcare, professional services and established software have continued to buoy returns as the portfolio remains in positive territory and is performing as expected. Such is reinforced by the portfolio's majority allocation to senior-most lending for investee companies. Managers report a broadly attractive environment for loan pricing despite economic headwinds. New investments in the portfolio include a European fertility clinic provider, a US baked-goods firm, a UK health-and-safety software firm and an Australian healthcare firm. The portfolio currently has a tilt towards to the US (owing to faster deployment by US-focussed managers) but is expected to normalise to a broadly even split between the US and Europe over the medium term.

Leveraged buy-out activity continued 2022 trends to increasingly draw on private debt as its principal funding source, such is a reflection of the sustained slow-down in the broadly syndicated loan markets which had previously been traditional sources of funding for private equity sponsors. Fundraising for private debt managers had fallen in 2022 versus the previous year but the volume of dry-powder available alongside the retrenchment of traditional funding sources sees private debt managers remaining able to seize attractive direct lending opportunities as they arise.

Portfolio summary

Market value (GBP millions)	3 Month MWR*	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	Contribution to return: 3 months	Contribution to return: 1 year	Contribution to return: since inception
34.0	-1.3%	11.8%	10.9%	7,459,785	316,188	7,143,597	-411,629	-1.5%	13.6%	10.5%

*Money weighted return

Private Debt Cycle 3

Investment objective
Global portfolio of senior direct loans, predominantly to PE-sponsored companies

Benchmark
SONIA

Outperformance target
+4%

Launch date
1 April 2022

Commitment to portfolio
£90.00m

The fund is denominated in GBP

Commitment to Investment
£35.48m

Amount Called
£6.15m

% called to date
17.32

Number of underlying funds
2

Oxfordshire's Holding:
GBP5.89m

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Performance commentary

As of December 2022, Cycle 3 had made commitments to two Europe-focused managers with an initial capital call by one manager being issued at the end of 2022. With the settlement completed, overall deployment is expected to be ~7% of total client commitments and ~17% of capital committed to funds (which is an encouraging start for the portfolio). Through 2023, Brunel expects to finalise all commitments to 5-7 managers, constructing a portfolio with a senior direct lending focus and a broadly even split across US and European borrowers. There is expected to be an alignment of investment portfolios across Cycles 2 and 3 with respect to geographical focus and allocations to predominantly senior secured debt.

Given the nascency of capital being called on the portfolio, quarter-end performance measures were unavailable but should materialise through the first half of 2023.

Portfolio summary

Market value (GBP millions)	3 Month MWR*	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	Contribution to return: 3 months	Contribution to return: 1 year	Contribution to return: since inception
5.9	-	-	-2.3%	6,145,643	198,146	5,947,497	-	-	-	-0.9%

*Money weighted return

Infrastructure Cycle 1

Investment objective
Portfolio of predominantly European sustainable infrastructure assets

Benchmark
CPI

Outperformance target
+4%

Launch date
1 October 2018

Commitment to portfolio
£50.00m

The fund is denominated in GBP

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Commitment to Investment
£49.90m

Amount Called
£37.55m

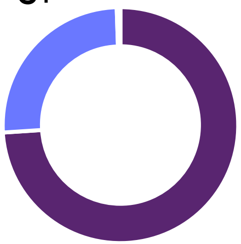
% called to date
75.27

Number of underlying funds
6

Oxfordshire's Holding:
GBP41.24m

Country

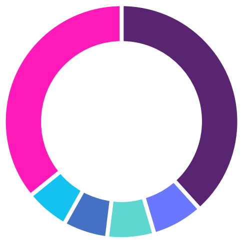
Commitment in underlying investments



Europe (incl. UK)	74.0%
North America	25.5%
Rest Of World	0.5%

Source: Stepstone
Country data is lagged by one quarter

Sector



Wind & Solar	38.4%
Diversified Renewables	7.1%
Rail	6.5%
Roads	6.1%
Distributed Energy	6.0%
Other	35.9%

Source: Stepstone
Sector data is lagged by one quarter

Performance commentary

Macroeconomic pressures continued into Q4. A global energy security crisis, soaring inflation and rising interest rates were combining to create a perfect storm for recession. The macroeconomic woes highlight the importance of investing in a resilient portfolio of high-quality assets. In light of events in Ukraine, governments have introduced significant regulation including REPower EU and the Inflation Reduction Act, both of which reflect their desire to boost investment beyond renewables generation and across the value chain.

During Q4, deal flow activity remained strong but also selective. Brunel was busy in Q4 reviewing a number of opportunities across all cycles. As at the end of Q4 2022, Cycle 1 Infrastructure was c.99.8% committed and c.75% deployed. At the end of Q4, the final tactical deal to complete Cycle 1 was approved by Brunel and closing is subject to StepStone's final due diligence.

Brunel is pleased with the deployment of Cycle 1 and the overall development of the portfolio. Over the next couple of years, we expect focus to shift from deployment to performance and monitoring of the portfolio.

Portfolio summary

Market value (GBP millions)	3 Month MWR*	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	Contribution to return: 3 months	Contribution to return: 1 year	Contribution to return: since inception
41.2	2.8%	17.0%	11.0%	1,697,196	634,477	1,062,719	1,102,840	2.8%	16.7%	7.4%

*Money weighted return

Infrastructure (General) Cycle 2

Investment objective
Global portfolio of infrastructure with a focus on non-RE sectors and sustainable assets

Benchmark
CPI

Outperformance target
+4%

Launch date
1 May 2020

Commitment to portfolio
£20.00m

The fund is denominated in GBP

Commitment to Investment
£20.00m

Amount Called
£12.76m

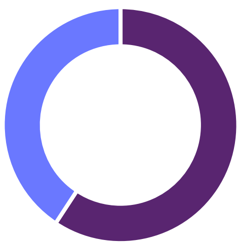
% called to date
63.78

Number of underlying funds
1

Oxfordshire's Holding:
GBP13.28m

Country

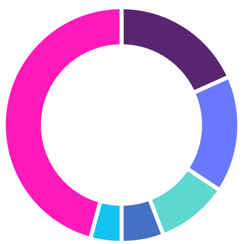
Commitment in underlying investments



Europe (incl. UK)	59.3%
North America	40.7%
Other	-

Source: Stepstone.
Country data is lagged by one quarter

Sector



Heating & Cooling	18.3%
Energy Efficiency	16.0%
Fibre	9.9%
Towers	5.8%
Roads	4.3%
Other	45.7%

Source: Stepstone
Sector data is lagged by one quarter

Performance commentary

For Cycle 2 Infrastructure, clients had the opportunity to invest either in the 'Combined' Infrastructure portfolio (which allocates 50% to renewables & 50% to general infrastructure); or via the 'Renewables only' (100% to renewables). As a result, Brunel established two funds of funds with StepStone. .

Macroeconomic pressures continued into Q4. A global energy security crisis, soaring inflation and rising interest rates were combining to create a perfect storm for recession. The macroeconomic woes highlight the importance of investing in a resilient portfolio of high-quality assets. In light of events in Ukraine, governments introduced significant regulation including REPower EU and the Inflation Reduction Act, both of which reflect their desire to boost investment beyond renewable generation and across the value chain.

During Q4, deal flow activity remained strong but also selective. Brunel was busy in Q4 reviewing a number of opportunities across all cycles. The final tactical deal in the portfolio was made during Q4, a €30m euro commitment to a Spanish rural Fibre to the Home platform alongside Vauban Infrastructure Partners. As a result, Cycle 2G is now fully committed to six primary funds and seven tactical investments. At the end of Q4, the portfolio is c.64% deployed.

Brunel is very pleased with how the Cycle 2G portfolio has developed. The portfolio is diversified and invested in quality opportunities.

Portfolio summary

Market value (GBP millions)	3 Month MWR*	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	Contribution to return: 3 months	Contribution to return: 1 year	Contribution to return: since inception
13.3	5.1%	8.9%	7.4%	2,572,344	21,065	2,551,279	560,595	5.1%	4.8%	-3.1%

*Money weighted return

Infrastructure (Renewables) Cycle 2

Investment objective
Global portfolio of renewable energy and associated infrastructure assets

Benchmark
CPI

Outperformance target
+4%

Launch date
1 May 2020

Commitment to portfolio
£20.00m

The fund is denominated in GBP

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Commitment to Investment
£20.00m

Amount Called
£7.95m

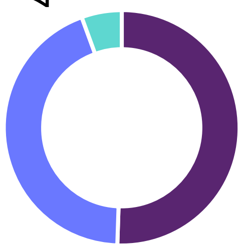
% called to date
39.75

Number of underlying funds
1

Oxfordshire's Holding:
GBP8.24m

Country

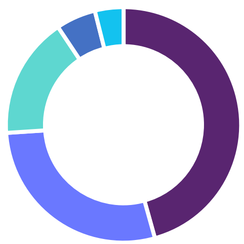
Commitment in underlying investments



Europe (incl. UK)	50.6%
North America	43.9%
Rest Of World	5.5%

Source: Stepstone
Country data is lagged by one quarter

Sector



Solar	45.7%
Wind	28.2%
Diversified Renewables	16.7%
Energy Storage	5.5%
Other	3.9%

Source: Stepstone
Sector data is lagged by one quarter

Performance commentary

For Cycle 2 Infrastructure, Clients had the opportunity to invest either in the 'Combined' Infrastructure portfolio (which allocates 50% to renewables & 50% to general infrastructure); or via the 'Renewables only' (100% to renewables). As a result, Brunel established two fund of funds with StepStone.

Macroeconomic pressures continued into Q4. A global energy security crisis, soaring inflation and rising interest rates were combining to create a perfect storm for recession. On one hand, surging power prices have boosted performance, but supply chain tensions keep on affecting the capex required to deliver projects. Rising interest rates are affecting valuations negatively and the impact of windfall taxes are still being monitored. Brunel, however, remains confident a strong pipeline will ensure deployment of this mandate in line with Scope and Specification.

During Q4, deal flow activity remained strong. Brunel was busy in Q4 reviewing several opportunities and two tactical deals were approved: a global decentralised energy generation / energy efficiency business, and a private cross-border transmission line in the US. In addition, Next Energy UK ESG Fund made its first drawdown in Q4. As at the end of Q4 Cycle 2 R is c.40% deployed across five primary funds. Two more primary funds and a single tactical deal are required to complete the cycle, subject to closing of the two Brunel approved tactical deals.

Portfolio summary

Market value (GBP millions)	3 Month MWR*	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	Contribution to return: 3 months	Contribution to return: 1 year	Contribution to return: since inception
8.2	9.4%	25.6%	16.3%	1,814,336	378,233	1,436,103	679,429	8.9%	20.1%	9.9%

*Money weighted return

Infrastructure Cycle 3

Investment objective

Global portfolio of infrastructure assets, mainly focussed on climate solutions, energy transition and efficiency

Benchmark

n/a - absolute return target

Outperformance target

net 8% IRR

Launch date

1 April 2022

Commitment to portfolio

£60.00m

The fund is denominated in GBP

Commitment to Investment

£60.00m

Amount Called

£3.09m

% called to date

5.14

Number of underlying funds

1

Oxfordshire's Holding:

GBP2.98m

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Performance commentary

Macroeconomic pressures continued into Q4. A global energy security crisis, soaring inflation and rising interest rates were combining to create a perfect storm for recession. The macroeconomic woes highlight the importance of investing in a resilient portfolio of high-quality assets. In light of events in Ukraine, governments have introduced significant regulation including REPower EU and the Inflation Reduction Act, both of which reflect their desire to boost investment beyond renewable generation and across the value chain.

Brunel has been working closely with StepStone over the last 12 months to redefine the scope of Cycle 3 Infrastructure and was pleased to finalise the LPA in Q3 22. Since the portfolio's inception, deal flow activity has been strong but also selective. The team has been able to benefit from the expertise within StepStone's real assets team to include nature-based solutions investments in Cycle 3. Investing in sustainable forestry and agricultural strategies allows the portfolio to benefit from increased portfolio diversification and positive environmental impact whilst retaining a similar risk and return profile.

As at the end of Q4, Cycle 3 is 13% committed to three investments including a €40m primary allocation to Vauban CIF IV and two tactical deals: Project Appellation, US hardwood timberlands carbon capture and carbon credit strategy; and Project Sonate 2, a follow-on to the Cycle 1 New Suez co-investment.

Portfolio summary

Market value (GBP millions)	3 Month MWR*	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	Contribution to return: 3 months	Contribution to return: 1 year	Contribution to return: since inception
3.0	-	-	-3.4%	0	0	0	-	0.0%	-	0.0%

*Money weighted return

Secured Income Cycle 1

Investment objective
Portfolio of long-dated income streams, a majority of which are UK inflation-linked

Benchmark
CPI

Outperformance target
+2%

Launch date
1 October 2018

Commitment to portfolio
£60.00m

The fund is denominated in GBP

Commitment to Investment
£60.00m

Amount Called
£59.97m

% called to date
99.95

Number of underlying funds
3

Oxfordshire's Holding:
GBP58.05m

Performance commentary

The M&G Secured Income Property Fund's total returns over the quarter were negative. Capital value declines began in June in response to rising gilt yields over the course of 2022 and were not a reflection of the performance of SPIF's underlying properties. Whilst there are economic headwinds, the fund is well positioned with a high-quality tenant base, inflation-linked leases and no gearing, voids or development exposure. The fund is currently deferring redemption requests to protect the interests of investors in the Fund as a whole, enabling sufficient time for fair value to be realised. In December, SPIF completed the disposal of the Priory healthcare portfolio for a gross price of £233 million, ahead of book value.

The abrdn Long Lease Property Fund also incurred negative performance over the quarter. The fund is selling some Asda and Morrisons stores, and a Reading office is on the market. While these disposals were planned, given their weaker covenants and shortening leases, the sales have been accelerated with the aim of funding redemptions. The fund increased their GRESB score to 79 over the year, narrowly missing out on 4 stars. Rent collection for the fund is near 100% for 2022 and the fourth quarter is the busiest time for rent reviews.

Within the GRI fund, the fund is benefiting from higher power prices, but is remaining prudent with respect to valuations. The new windfall tax proposed by the government should have minimal impact on the fund's valuation, due to its conservative assumptions. The Templeborough Biomass Energy plant had an extended outage in September from excessive fouling, but it is now back on budget from October onwards. Greencoat is looking at changing the operator on the asset in Q1 2023.

Portfolio summary

Market value (GBP millions)	3 Month MWR*	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	Contribution to return: 3 months	Contribution to return: 1 year	Contribution to return: since inception
58.1	-10.1%	-8.3%	-0.1%	225	249,114	-248,889	-6,559,790	-10.1%	-8.4%	1.2%

*Money weighted return

Secured Income Cycle 2

Investment objective
Portfolio of long-dated income streams, a majority of which are UK inflation-linked

Benchmark
CPI

Outperformance target
+2%

Launch date
1 May 2020

Commitment to portfolio
£40.00m

The fund is denominated in GBP

Commitment to Investment
£40.00m

Amount Called
£40.00m

% called to date
99.99

Number of underlying funds
3

Oxfordshire's Holding:
GBP38.52m

Performance commentary

The M&G Secured Income Property Fund's total returns over the quarter were negative. Capital value declines from June were in response to rising gilt yields over the course of 2022 and were not a reflection of the performance of SPIF's underlying properties. Whilst there are economic headwinds, the fund is well positioned with a high-quality tenant base, inflation-linked leases and no gearing, voids or development exposure. The fund is currently deferring redemption requests to protect the interests of investors in the Fund as a whole, enabling sufficient time for fair value to be realised. In December, SPIF completed the disposal of the Priory healthcare portfolio for a gross price of £233 million, ahead of book value.

The abrdn Long Lease Property Fund also incurred negative performance over the quarter. The fund is selling some Asda and Morrisons stores, and a Reading office is on the market. While these disposals were planned, given their weaker covenants and shortening leases, the sales have been accelerated with the aim of funding redemptions. The fund increased their GRESB score to 79 over the year, narrowly missing out on four stars. Rent collection for the fund is near 100% for 2022 and the fourth quarter is the busiest time for rent reviews.

Within the GRI Fund, the fund is benefiting from higher power prices, but is remaining prudent with respect to valuations. The new windfall tax proposed by the government should have minimal impact on the Fund's valuation, due to its conservative assumptions. The Templeborough Biomass Energy plant had an extended outage in September from excessive fouling, but it is now back on budget from October onwards. Greencoat are looking at changing the operator on the asset in Q1 2023.

Portfolio summary

Market value (GBP millions)	3 Month MWR*	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter	Contribution to return: 3 months	Contribution to return: 1 year	Contribution to return: since inception
38.5	-7.4%	-3.4%	0.6%	293,998	531,389	-237,391	-3,098,360	-7.4%	-1.9%	4.0%

*Money weighted return

UK Property

Investment strategy & key drivers

Portfolio of active UK property funds seeking capital & income returns

Liquidity

Illiquid

Benchmark

MSCI/AREF UK

Outperformance target

+0.5%

Commitment to portfolio

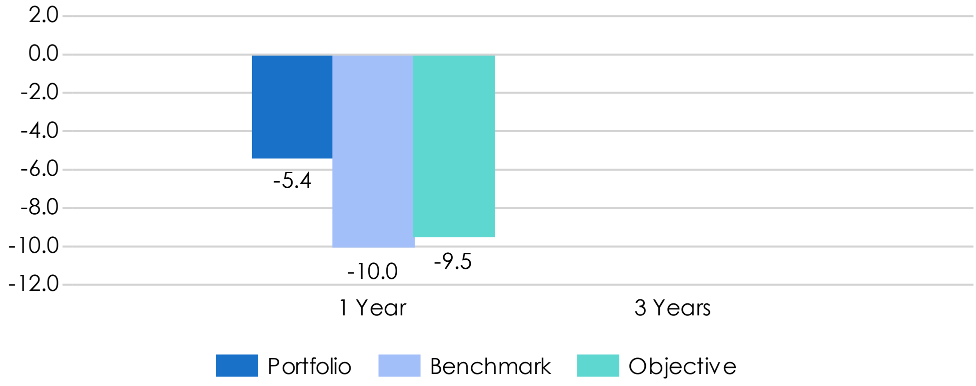
£150.0m

Amount Called

£134.7m

Number of portfolios

16



Performance commentary

Property valuations responded to the Bank of England's rate hikes with significant falls in NAV, as the asset class adjusted to future borrowing costs and its relative yield positioning. The outward yield shift was more pronounced in certain sectors, particularly in Industrial, where, following very strong returns over recent years, assets were priced at historically low yields.

Low transaction levels persisted into Q4, given the uncertainty around pricing. There was debate as to when repricing would decelerate and stabilise, but it is unlikely that the impacts of rising rates or the UK recession have fully played out. Significant redemption requests across property funds, triggered by forced selling from some corporate DB schemes, resulted in many managers announcing redemption deferrals, adding to investor caution.

Secondary markets remained illiquid in Q4, despite buyers being offered discounts to NAV pricing of over 20% to 3Q NAVs, as sellers sought liquidity. The market remained uncertain as to whether even such large discounts were sufficient to compensate for further potential capital falls in 4Q and early 2023.

On the brighter side, occupier markets held firm, despite fears of an imminent recession. Some sectors, like Industrial and Residential, are still expected to see rental growth in 2023, given their occupational supply/demand dynamics.

Though Brunel paused secondary trading in Q4, client funds were committed to Orchard Street's new impact fund in October. This cross-sector fund will look to acquire unloved assets in good locations and use its management expertise to improve the environmental and social metrics of each building through refurbishment and repurposing. The fund should benefit from the current economic environment, as potential opportunities reprice to lower levels.

Property holdings summary

Holding	Cost (GBP millions)	Market value (GBP millions)	Perf. 3 month	Perf. FYTD	Perf. 1 year	Perf. 3 year	Perf. 5 year	Inception Date
Brunel UK Property	95.2	160.7	-11.5%	-9.7%	-5.4%	-	-	Jul 2020

International Property

Investment strategy & key drivers

Portfolio of active International property funds seeking capital & income returns

Liquidity

Illiquid

Benchmark

GREFI

Outperformance target

+0.5%

Commitment to portfolio

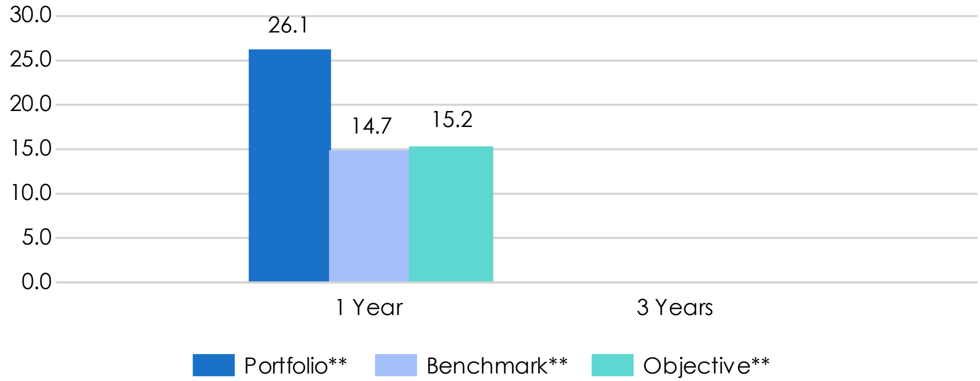
£61.0m

Amount Called

£37.2m

Number of portfolios

9



**Data shown up to 30 September 2022

Performance commentary

In early September global real estate performance turned to the downside, which continued into Q4, burdened by outsized losses in Europe as sky-high inflation, an unfolding energy crisis, and slowing growth prospects weighed heavily. The Americas fared relatively better, but still sustained sizeable losses, pressured broadly by the rising interest rate backdrop as central banks, led by the Fed, focused on reining in rampant inflation. Australia and Japan followed, while Asia ex- Japan was the only region to flirt with year-to-date gains. Property valuations in the region got off to a rough start following lockdowns in Beijing and as concerns mounted over the health of China's real estate sector; however, a rollback of COVID-19 restrictions provided price support, catalysing an impressive recovery towards the end of the year.

The key driver of the repricing in public and private markets alike is the sharp rise in market interest rates. This raises the required return for real estate, pushing up yields if not accompanied by either higher growth expectations or lower risk perceptions.

Brunel was fully drawn on the Invesco Real Estate Asia Fund in December, with payment due in early January.

Property holdings summary

Holding	Cost (GBP millions)	Market value (GBP millions)	Perf. 3 month**	Perf. FYTD**	Perf. 1 year**	Perf. 3 year**	Perf. 5 year**	Inception Date
Brunel International Property	17.5	45.2	7.5%	17.3%	26.1%	-	-	Jul 2020

**Data shown up to 30 September 2022

Glossary

Term	Comment
absolute risk	Overall assessment of the volatility that an investment will have
ACS	Authorised Contractual Scheme - a collective investment arrangement that holds and manages assets on behalf of a number of investors
active risk/weight	A measure of the percentage of a holding that differs from the benchmark index; can relate to an equity, a sector or a country/region
amount called	In private investments, this reflects the actual investment amount that has been drawn down
amount committed	In private investments, this is the amount that a client has committed to an investment - it will be drawn down (called) during the investment period
annualised return	Returns are quoted on an annualised basis, net of fees
asset allocation	Performance driven by selecting specific country or sector positions
basis points (BP)	A basis point is 0.01% - so 100bps is 1.0%. Often used for fund performance and management fees
CTB	Climate Transition Benchmark - targets 30% lower carbon exposure from 2020 and then a 7% annual reduction
DLUHC	Department for Levelling Up, Housing & Communities; the government body with oversight of pooling
DPI	Distributed to Paid In; ratio of money distributed to Limited Partners by the Fund, relative to contributions. Used for private markets investments
duration	A measure of bond price sensitivity to changes in interest rates. A high duration suggests a bond's price will fall by relatively more if interest rates increase than a bond with a low duration

Term	Comment
ESG	ESG is an umbrella term to capture the various environmental, social and governance risks investors factor into their assessment of a company's sustainability profile. Brunel views assessing ESG factors as a central part of our fiduciary duty
ESG Score	MSCI score based on its assessment of the ESG credentials of an underlying investment. If the portfolio score is below the index, the portfolio is assessed by MSCI to be investing in companies with a better ESG score
extractive exposures VOH	Value of Holdings of invested companies which derive revenues from extractive industries
general partner (GP)	In Private Equity, the GP is usually the firm that manages the fund
gross performance	Performance before deduction of fees
Growth	Growth stocks typically exhibit faster long term growth prospects and are often valued at higher price multiples
IRR	Internal Rate of Return - a return that takes account of actual money invested
legacy assets	Client assets not managed via the Brunel Pension Partnership
limited partner (LP)	In private equity, an LP is usually a third party investor in the fund
Low Volatility	Low Volatility is a strategy that attempts to minimise the return volatility.
Momentum	An investment strategy that aims to capitalize on the continuance of existing trends in the market
MWR	Money weighted return - similar to an IRR - it reflects the actual investment return taking into account cashflows
net performance	Performance after deduction of all fees

Glossary

Term	Comment
PAB	Paris-Aligned Benchmark - targets a 50% lower carbon exposure from 2020 and then a 7% annual reduction
Quality	Quality stocks typically have a high Return on Equity, a very consistent profit outcome and exhibit higher and stable margins
relative risk	Relative volatility when compared with a benchmark
sector/stock selection	Performance driven by the selection of individual investments within a country or sector
since inception	Period since the portfolio was formed
since initial investment	Period since the client made its first investment in the fund
SONIA	Sterling Overnight Index Average - Overnight interbank interest rate - replacement for LIBOR
source of performance data	Source of performance data is provided net of fees by State Street Global Services unless otherwise indicated
standard deviation	Standard deviation is a measure of volatility for an investment using historical data. Volatility is used as a measure of investment risk. A higher number may indicate a more volatile (or riskier) investment but should be taken in context with other measures of risk
time-weighted return	A return measure that takes no account of actual amounts invested
total extractive exposure	Revenue derived from extractive operations as a % of total corporate revenue
total return (TR)	Total Return - including price change and accumulated dividends
tracking error	A measure of relative volatility around a benchmark. A fund which differs greatly from the benchmark is likely to have a high tracking error

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Term	Comment
transitioned assets	Client assets that have been transferred to the Brunel Pension Partnership
TVPI	Total Value to Paid In; ratio of the current value of remaining investments within a fund, plus the total value of all distributions to date, relative to the total amount of capital paid in
Value	Value stocks typically have a low valuation when measured on a Price to Book or Price to earnings ratio
WACI	Weighted Average Carbon Intensity; measures the carbon intensity of businesses rather than total carbon emissions. It is expressed as tonnes of CO2 equivalent per million GBP of investment exposure
yield to worst	Lowest possible yield on a bond portfolio assuming no defaults

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MJ HUDSON

Oxfordshire Pension Fund

Strategic Asset Allocation Review

March 2023

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Oxfordshire Pension Fund

Purpose of Review

The Oxfordshire Pension Fund (the Fund) is valued at £3.05 billion as at the end of December 2022. The Fund's value has risen by £320 million since the last Strategic Asset Allocation Review, at 31st December 2019 it was valued at £2.73 billion.

The purpose of this Strategic Asset Allocation Review is to:

1. to take stock on the performance and composition of the Fund's Asset Allocation;
2. to recommend any changes required to the Fund's Asset Allocation to maintain targeted returns, including cashflow, whilst considering the Fund's appetite for volatility, liquidity risk and the need for diversification of risk;
3. to consider the work that the Fund has undertaken in relation to Environmental, Social and Governance (ESG) issues, with a particular focus on climate change.

It should be emphasised that these recommendations are designed to shape the strategic direction of the Fund's investment strategy, which will involve further work and consideration before definitive recommendations are made to the Pensions Committee at the appropriate time.

Summary of Recommendations

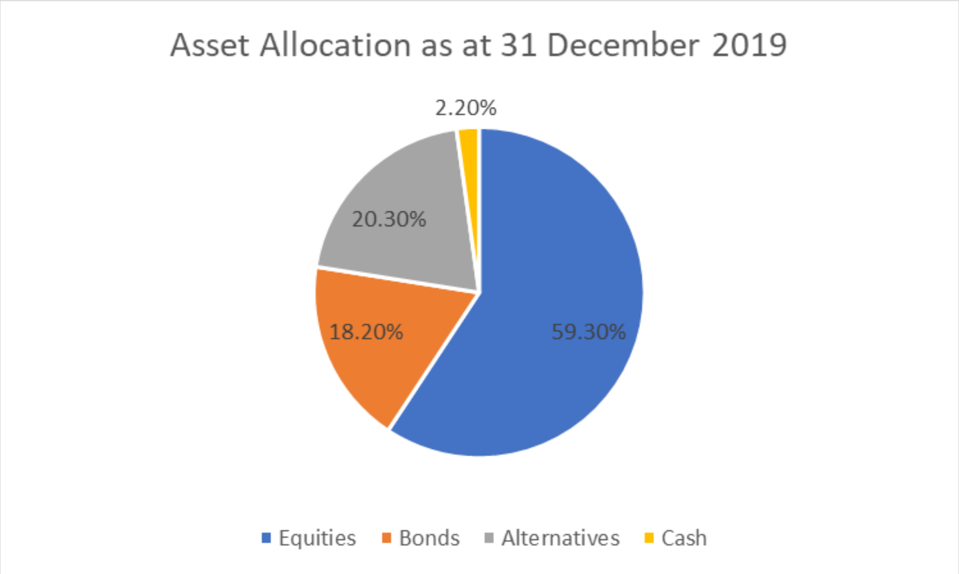
1. **Against a higher inflationary environment to work with Brunel to ensure that the Fund's assets continue to match the liability profile at the cashflow level, including if necessary generating sufficient income to fund increased pension payments.**
2. **To consider if the Fund should put in place a currency hedging strategy, utilising the resources available through Brunel.**
3. **To review the exposure to the UK equity market with the objectives of:**
    i. **Reducing the overweight position of UK Equities in comparison to the Global UK weighting over time. Consideration will be given to switching to either the Paris Aligned Global passive sub fund or to the active Global Sustainable Investment sub fund.**
    ii. **For the retained UK exposure to achieve better representation to UK plc in earnings terms and reducing carbon/ climate risk exposure, either on a passive or active basis.**
4. **To review the Emerging Markets mandate so as to remove exposure to China so far as is practically possible.**
5. **In the absence of similar arrangements being offered by Brunel, to retain the listed Private Equity (PE) portfolio and return the management of that to a semi-active basis to ensure that an appropriate balance of investments is maintained.**
6. **To continue to work with Brunel and independently to meet the Fund's evolving ESG and Climate policy requirements.**
7. **To consider the DLUHC "Levelling Up" local investment proposals**
8. **To confirm that the Fund will continue to reinvest on a timely basis capital distributions made by legacy managers and Brunel as investments mature.**

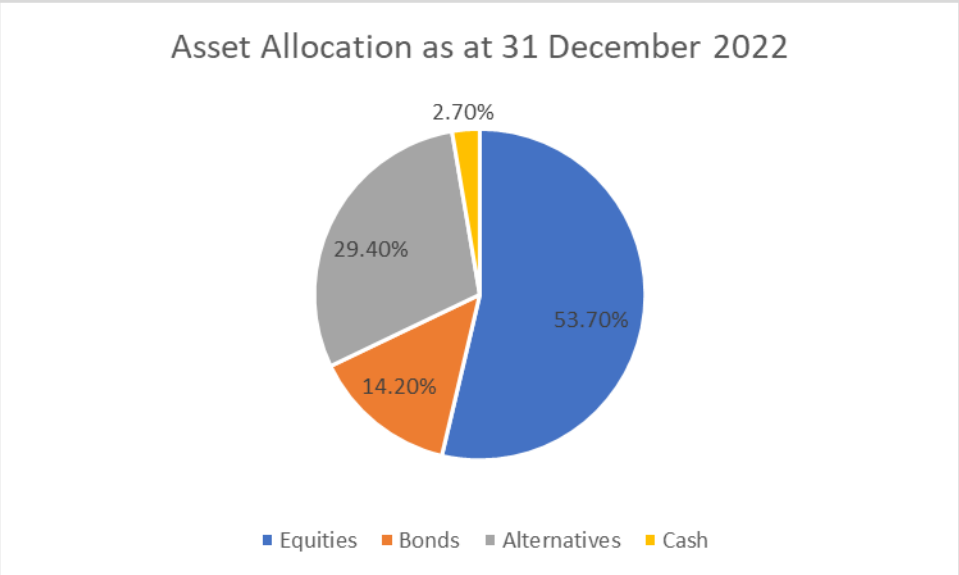
Background

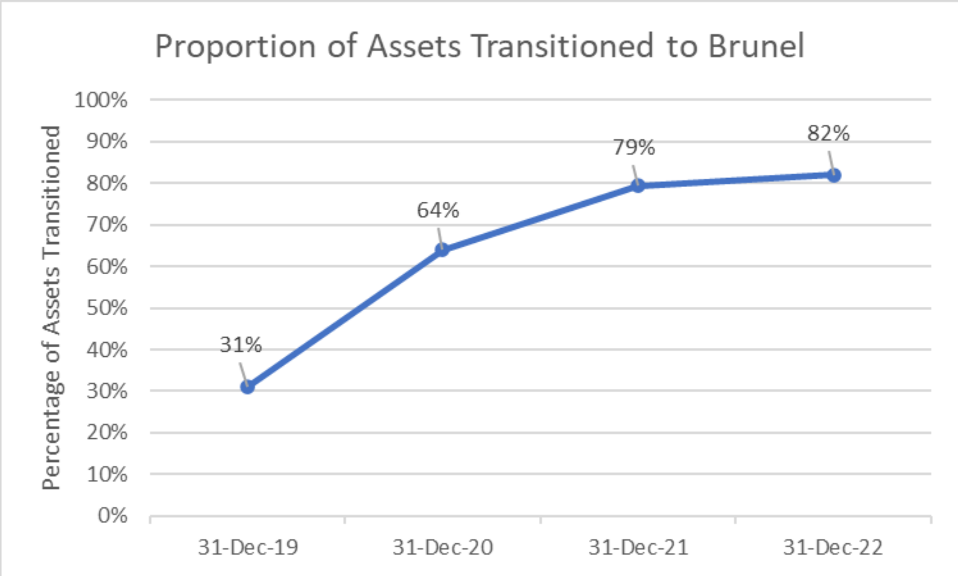
1. The Strategic Asset Allocation review provides the opportunity to consider all aspects of investment strategy within the main asset groups, to ensure that we continue to have the right mix of investments to diversify risk and to meet both liquidity needs in the short term and the longer-term objectives. This can include looking at the style in which the equity portfolios are managed, such as actively or passively, regionally or on a global basis. Within passive this can include considering style "tilts" that can include low volatility, growth, value, momentum. Alongside that can be the low carbon, climate friendly overlays, as used by Brunel.
2. This is also an appropriate time to consider the Fund's currency hedging strategy, starting with to do or not to do. There is an expense involved; some consider that as Pension Funds are long term investors then this is not justified over time. However, it could be considered that not hedging against currency movements is an unacceptable risk, particularly if the UK equity element is reduced within the asset allocation.
3. The Triennial Actuarial Valuation currently being undertaken by Hymans has not revealed anything that is unexpected or that would require major changes in the Fund's asset allocation. Currently the main items that need to be considered are ensuring that the mix of assets are appropriate to deal with a) inflation likely to be running at a higher level than we have been accustomed to in recent years and b) a higher cash flow requirement to accommodate the increase in pension payments resulting from higher inflation.
4. The Fund has experienced a lot of changes in the way that the investment assets are managed over the last three years, mainly as a result of the pooling of those assets with Brunel. This has carried a heavy price in the short term, so a period of consolidation would now be prudent. Therefore, any changes should be kept to the minimum, such as to accommodate the above.
5. We also need to be cognisant of the constantly rising expectations and requirements relating to ESG and climate change considerations. Considerable progress has already been made in this respect by the Fund and by Brunel, but this is an evolving process and consideration needs to be given to the pace of next steps and what they should be.
6. In this context, is a specific allocation to UK equities in addition to global equities still relevant or desirable? The FTSE All Share index is not really a good representation of UK plc, but it is a sterling based market, so is directly matched to the home currency of the Fund. It also carries a heavy comparative weighting to fossil fuels and commodities. However the mid cap index, the FTSE 250, does provide a much better representation of business in the UK, with a much lower carbon exposure.
7. The Emerging Markets (EM) portfolio represents just 2.6% of the Fund's assets. China represents 35% of the MSCI EM index. Add in Taiwan, that's 50%. The conflict in Ukraine has served to heighten concerns about China's ambitions. The recent 20th National Congress has if anything exacerbated those concerns. Is this an area that it is necessary for the Fund to invest in, despite the geo-political risks and social issues?

Asset allocations and performance

Over the three years since the last Strategic Asset Review the Fund has continued with the process of transferring the management of its assets from a number of individual managers to the Brunel Pension Partnership. They are now responsible for the management of over 81% of total assets, up from 50% three years ago. This percentage will increase further over time, but is now very much determined by the speed of drawdowns to fund further investments in Infrastructure, Secured Income and Private Debt. In large part this will be funded by the disposal of the Insight Diversified Growth Fund holding and our remaining Bond mandate managed by LGIM.







Performance against benchmarks and targets is very important in ensuring that the Fund continues to increase the value of the assets so as to continue to keep pace with the increase in the liabilities, or rather the ability of the Fund to be able to pay pensions now and into the future. Although we do take an interest in shorter term performance, really to try to spot signs that investments might not meet expectations over the expected periods, in terms of scrutiny at the strategic level it is more important to focus on longer term performance.

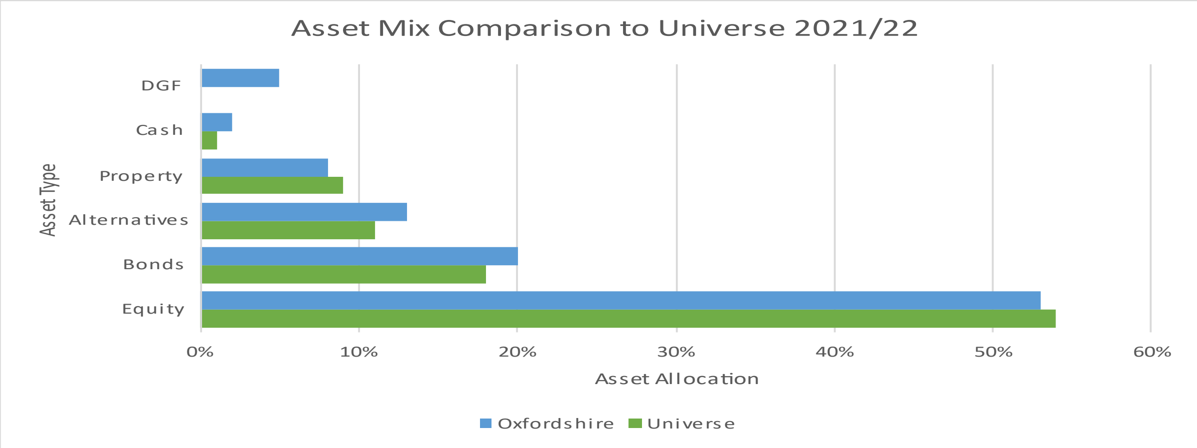
However, as was flagged in the last SAA review, the new investment management arrangements are still pretty much in their infancy, so although what information is available should be noted in general terms a ten-year period is considered to be the norm for proper assessment to begin. This is to accommodate the stresses and opportunities placed on investment performance by unforeseen circumstances, such as Covid-19 and more recently the implications of the invasion of Ukraine. It should also be noted that the transition to portfolios that better match the Fund's aspirations around ESG and climate change issues has involved some disruption as well, particularly in the shorter term.

You will observe from the table below that we deliberately focus on three main asset groups; Equities, Bonds and Alternative Investments at the Strategic level. It is not being proposed in this review that the allocations to these groups be altered, but over time the sub allocations within them may well change, including some that might be as a result of the refinements being discussed within this report.

The current asset allocation, actual and targeted is below:

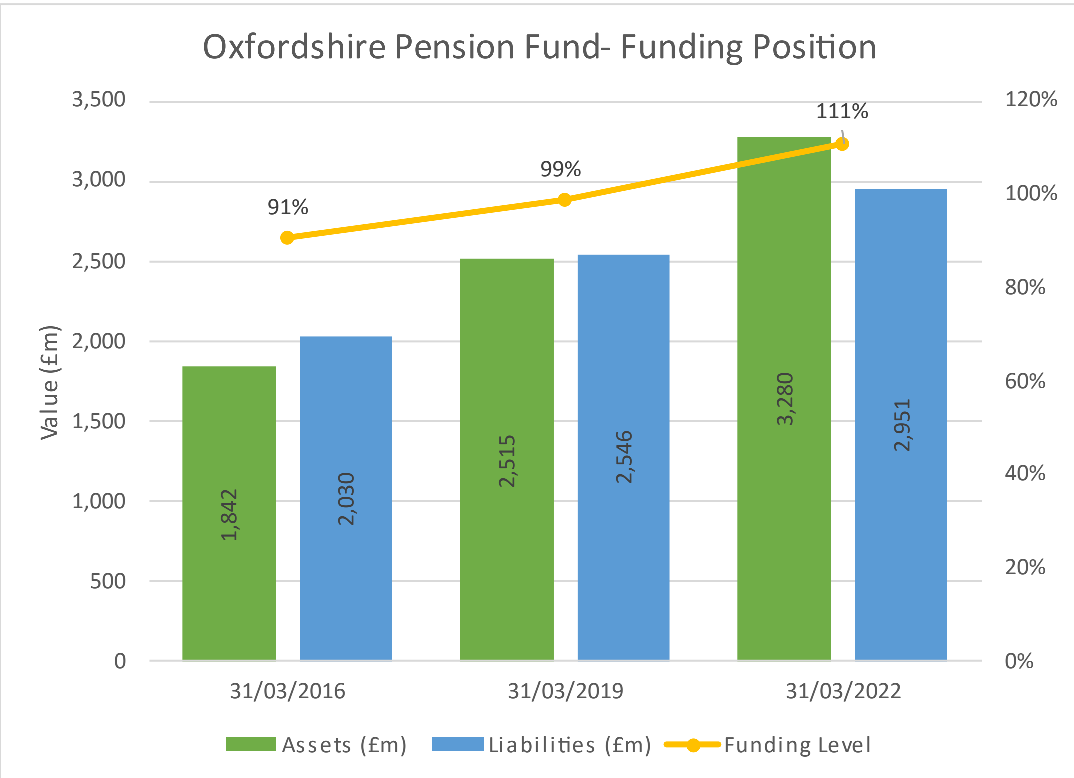
Investment	COMBINED PORTFOLIO 31.12.2022 Value £' 000	% of Total Value	Target %
EQUITIES			
UK Equities*	**507,611**	**16.6%**	**15.0%**
Emerging Market Equities			
Global Equities			
Overseas Equities			
Total Overseas Equities	**1,133,457**	**37.1%**	**36.0%**
-			
BONDS			
UK Gilts	12,143	0.4%	
Corporate Bonds	119,197	3.9%	
Overseas Bonds	11,826	0.4%	
Index-Linked	160,946	5.3%	
Multi Asset - Credit	130,910	4.3%	
Total Bonds	**435,022**	**14.2%**	**16.0%**
ALTERNATIVE INVESTMENTS			
Property	206,112	6.7%	8.0%
Private Equity	351,740	11.5%	10.0%
Multi Asset - DGF	115,390	3.8%	0.0%
Infrastructure	87,113	2.9%	5.0%
Secured Income	96,567	3.2%	5.0%
Private Debt	39,917	1.3%	5.0%
Total Alternative Investments	**896,839**	**29.4%**	**33.0%**
CASH	**81,884**	**2.7%**	**0.0%**
TOTAL ASSETS	**3,054,813**	**100.0%**	**100.0%**

To give some sort of perspective, this chart gives a comparison between Oxfordshire's asset allocation and the wider PIRC universe of LGPS Funds. As you will see, there isn't a huge divergence from the universe.



Funding level

While I acknowledge that there is probably too much attention given to Funding levels it is hard to not like having a healthy one, regardless of the debate around how it is calculated and the relevance around being actually able to pay pensions. Most LGPS Funds have enjoyed a strong recovery in their Funding levels over the last six years and longer, in most part due to still having a relatively high asset weighting to equities, particularly public and to some degree private equity.
The chart below shows the progression over the last three triennial valuation points, so while the liabilities have increased the asset values have more than matched that.



As at the end of March the Funding level was stated as being at 111%, it will have fluctuated rather a lot since then (due to changing interest rates) but currently I would expect it to be around that level. Ideally on a relatively conservative basis (which Hymans tend to be), a Funding level in the range of 90 – 110% is a good place to be as it means there is no need to take excess risk to try to catch up. It is worth including Hymans input on this from their interim report, as it fits in with consideration of the strategic asset allocation. I would like to emphasis what is underlined in the final paragraph.

Initial whole fund results

A key output of the valuation is a measurement of past service liabilities at the valuation date to determine the funding level. To calculate a current funding level, the actuary compares the market value of assets against a value of the benefits accrued to date. The value of assets is easily obtained via market valuations. Placing a single value on the liabilities requires a single set of assumptions about the future, so it is important to acknowledge the results are very sensitive to the choice of assumptions.

Using this approach, a high-level snapshot of the funding position on 31 March 2022 is below:

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	(£m)	(£m)
Employees	945	790
Deferred Pensioners	745	631
Pensioners	1,260	1,125
Total Liabilities	**2,951**	**2,546**
Assets	**3,280**	**2,515**
Surplus/(Deficit)	**329**	**(31)**
Funding Level	**111%**	**99%**

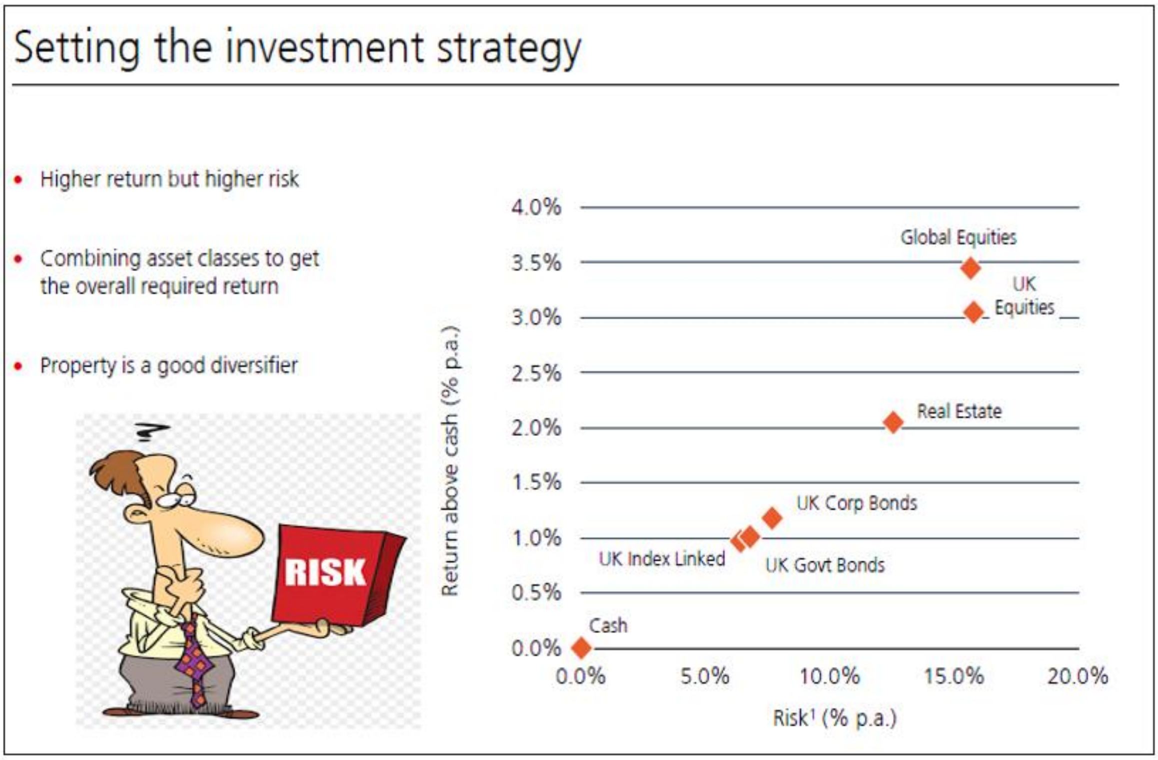
As at 31 March 2022, the past service funding position has improved from a funding level of 99% at the last valuation to 111%. This is based on assumed future investment returns of 4.6% pa.

The future investment return the Fund would need to generate to be 100% funded is now 4.0% pa (compared to 4.4% pa at 2019). The likelihood of the Fund's investment strategy achieving this required return of 4.0% pa is now 77% (there was a 66% of the Fund achieving the required 4.4% pa at 2019). Put another way, the Fund is putting less reliance on future investment return to pay for benefits already accrued by members than at 2019.

The main factor driving the funding position improvement is stronger than expected investment returns since the 2019 valuation. These have more than offset the increase in liabilities due to the short- to medium-term inflation expectations. Despite the Covid-19 pandemic, the funding impact of mortality experience has not been significantly different from expectations.

However, it is important to understand reported funding level does not directly drive employers' contribution rates. Contribution rates consider how assets and liabilities will evolve over time in different economic scenarios and reflect each employer's funding profile and covenant.

Asset allocation; getting the mix of assets right



This graphic is just to serve as a reminder about the importance of getting the mix of assets right to ensure that we continue to maintain a balanced portfolio. As stated above by Hymans we can now afford to take slightly less risk than might have been the case historically. We should however remember that the LGPS, of which Oxfordshire Pension Fund is part, is still an open Defined Benefit Scheme, which means that our liabilities currently have no finite end and that the profile of the Fund membership is continuing to change. I would therefore not be proposing any significant change to the Fund's risk appetite, despite the improved Funding level.

Cashflow, how much income is required to pay pensions? (Recommendation 1)

As you will be aware, our pensioners are due to receive a 10.1% increase as from 1st April 2023, based on the Consumer Prices Index (CPI) level for September last year.

This has prompted a review of cashflow expectations, not only to meet this increase, but to consider what actions, if any, are necessary to ensure that funds are readily available in an environment that is likely to see higher inflation in the medium term. Based on the analysis undertaken by Hymans, details below, careful cashflow management will ensure that the Fund is able to comfortably meet the challenge of higher pension payments for the immediate future.

Looking forwards, a discussion has been held with Brunel to explore some options should we need to boost distributable income from the Fund's investments at some point in the medium term to help meet the increased payment requirements. Currently the Fund's investments in Property and Secure Income are in accumulation units, such that income received is reinvested into more units. This could be switched to a distribution basis, although there is a risk that at some points in time we might have excessive cash balances if not managed actively. This could be resolved by continuing to use accumulation units, but selling what is required as and when additional cash is required, or a combination of both.

It is likely that by the time the next full Strategic Asset Allocation review is undertaken, a more detailed analysis will need to take place to identify the sort of assets that can offer a harvestable income flow while maintaining the value of the asset.

It should be noted that this exercise is separate from the asset management that is required to meet drawdown requirements from our Alternatives investments with Brunel.

What follows is the summary of conclusions from Hyman's Cashflow Projections report:

• *In the absence of investment income, the Fund is likely to be cashflow negative by 2025 allowing for an expected pension increase of 10.1% in April 2023 and inflation thereafter that is in line with the valuation assumption. Furthermore, even when the current investment income yield (net of fees) of around 0.1% pa is factored in, the Fund would still be cashflow negative by 2025.*

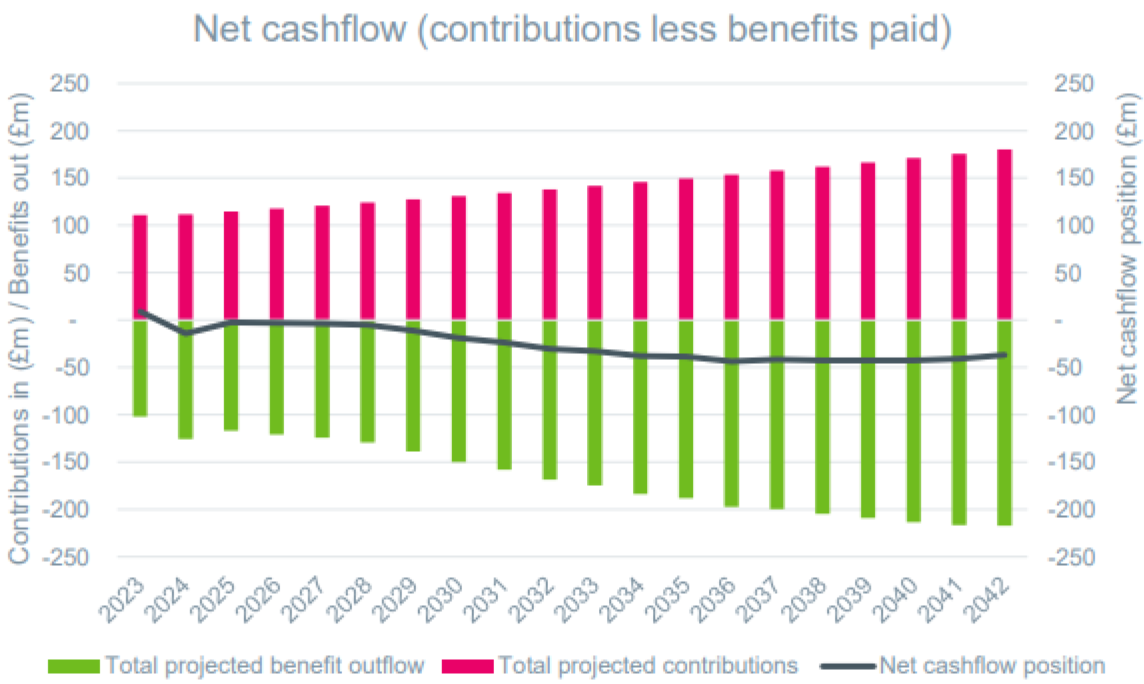
• *The cashflow position of the Fund is sensitive to future levels of inflation. If higher inflation continues to persist into 2023 and 2024, the Fund will become more cashflow negative in the next couple of years. This is exhibited in our recession scenario. This highlights the importance of reviewing the cashflow position on a regular basis in a high inflation environment.*

• *In the longer-term, the most significant risk to the fund (in respect of its cashflow position) is a stagflation scenario, were inflation remains elevated for a longer period of time. Under this scenario, the Fund is cashflow negative in the next couple of years, with the gap increasing to a material level over the longer-term.*

• *An immediate 10% reduction to active membership would likely result in the Fund becoming cashflow negative immediately. The Fund should continue to monitor its membership numbers to manage this particular risk.*

Within their report Hymans has modelled scenarios that include looking at a recessionary environment, a stagflation environment and also included the likely implications should there be a 10% fall in active members paying into the Fund. These are effectively "what if" scenarios. However, for the purposes of this report I will focus on their baseline scenario.

This looks forwards over 20 years, during which time the assumptions used will almost certainly change, but what it does show is that it is very unlikely that dramatic changes will need to be made to the Fund's Strategic Asset Allocation in the foreseeable future to accommodate the continued payment of pensions.



The baseline scenario illustrated above represents the median CPI assumption within the Hymans Robertson economic scenario service (ESS) model as at 31 March 2022 (this is the assumption used for the 2022 valuation). This is a combination of short-term market expectations and longer-term expectation that the rate will tend to the Bank of England's 2% pa target. The payroll assumption remains constant at 2.7% pa.

Asset allocation considerations

Rather than go through a tedious piece on the pros and cons of each asset class, I intend to focus on some of the issues that have arisen in the run up to this review, which can be considered to be part of the ongoing process of refining the Fund's investment strategy.

Commodities

A question was raised about the possibility of investing in commodities in the aftermath of the invasion of Ukraine. There was a piece in the June Pension Committee report that looked at this subject, some of which I have loosely reproduced below, as it is still pertinent. Commodities is a very diverse asset class, ranging from high value materials (gold) right the way through to basics (potatoes). The Fund already has some exposure to commodities. About 8% of the investment in Insight's Diversified Growth Fund is in commodities. There will be some exposure within Brunel's equity portfolios, but that is likely to have reduced somewhat with the recent switch to the Passive Developed Equities Paris Aligned Fund, as that will have a low exposure to certain types of commodity. Which leads us to quite an important question, where do you draw the line as to which commodities you would be prepared to invest in, or put another way, which do you exclude? Given the Fund's stance on environmental issues, it would be fair to assume that carbon related commodities would be excluded. But what about the broader issue of mining? That tends to be disruptive and generally environmentally unfriendly. Include lithium as well, needed for batteries in electric vehicles and power generation transition. Not exactly as friendly as it appears at first sight. Agricultural commodities bring their own challenges beyond simple supply and demand, as supply is often subject to the vagaries of the weather and other factors.

The essay included a useful article on the subject by Vontobel. To give a balanced perspective, their conclusion was, "*From a strictly rational perspective aimed at mitigating inflationary and geopolitical risks in a portfolio, it seems reasonable to hold a position in commodities, an asset class that has rallied by 26.5% so far this year.*" (written in May)

My conclusion was this: "Investing in commodities tends to be high on the risk spectrum. Big gains can clearly be made, but generally the successful investor needs to be nimble and ahead of the crowd. Historically I have gained exposure to commodities via equities, rather than via commodity funds, which tend to charge high fees and in general terms have erratic performance over the longer term." I would add to this by saying that although pension funds have invested in commodities historically, the longer term track record wasn't good, so many have divested.

Brunel do not currently have a suitable sub fund that directly invests in commodities, so if OPF wish to pursue this, either they would have to consider providing this option, or the Fund would need to look elsewhere.

Given the long term nature of the investment strategy of this Fund, my opinion is that it would not be appropriate to invest in "hard" commodities, while acknowledging that exposure to commodities is available via equity markets.

Currency exposure risk (Recommendation 2)

What goes down must come up?

Many Funds have spent a lot of money paying for insurance policies (hedging) over the years in anticipation of the day when the tide finally turns and sterling reverses a long term trend of depreciation against the US dollar and the euro.

Over time the Fund has benefitted considerably from unhedged positions in dollar denominated investments.

Conventional "wisdom" suggests that hedging bond positions is appropriate, as returns could be seriously impacted by negative exchange rate movements. With equities it is more likely that returns could be impaired, but not so dramatically as a percentage of total return.

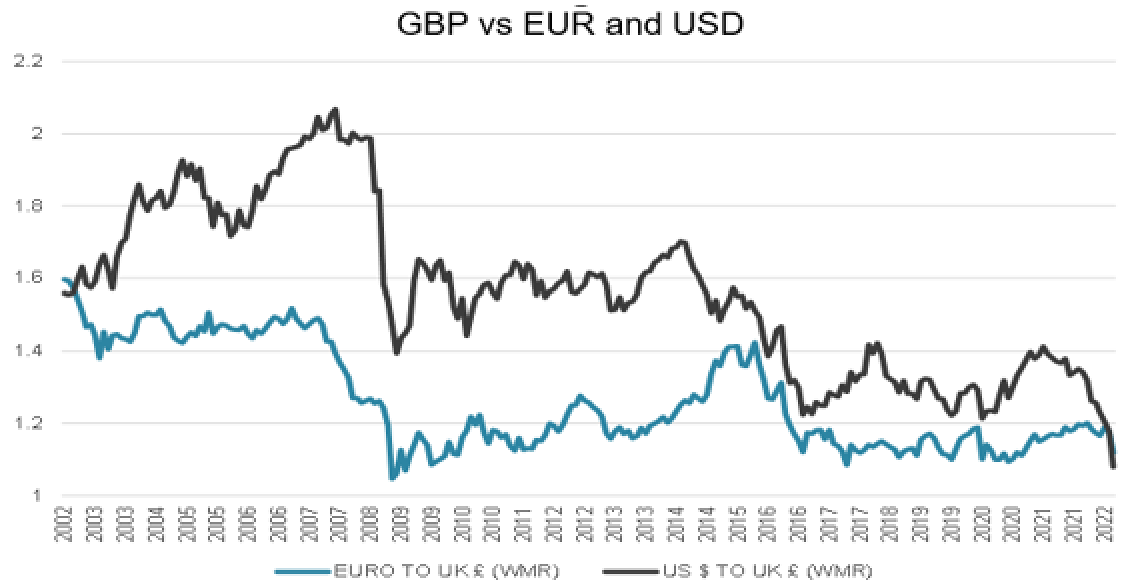
The counter argument is that over time currency fluctuations tend to balance out, so for long term investors the costs involved in having a constant hedging strategy cancel out any benefit, or indeed are a net cost, thus diminishing returns. The spread of assets across currencies has provided some diversification of currency risk.

My own view is that occasionally some movements are such that a currency becomes fundamentally over or under valued and that if the appropriate means to put in place some protection in a timely and cost-effective way would be advantageous, such as sterling being worth over \$2 to £1 in 2007. Historically the problem has been that this mechanism isn't readily available and the opportunity passes.

With the advent of Pooling, this is now more readily available at that level which Funds can utilise. Given the strength of the dollar recently, the question quite understandably has arisen about how long that could last, and some weakening is likely, or even desirable.

It is on this basis that the proposal is being made that the Fund should investigate the cost and options of selective hedging through Brunel. This could form part of the analysis of the possible divestment from UK Equities, in whole or part, which would almost certainly increase our US dollar exposure.

The chart below records sterling versus the US dollar and the euro over the last 20 years and shows how sterling has depreciated over that time. The tide will turn, but when?



<u>The UK Equities conundrum (UK Active) (Recommendation 3)</u>

As someone who spent the first 30 years of his working life intimately involved with UK Equities, this is a bit of a tricky subject within the modern globally based world that UK investments have become just a small part of. Many Funds do retain an allocation to UK Equities, alongside their Global Equity allocations. There are various reasons for that, including the entirely understandable loyalty to the home market linked to the notional lack of a currency translation effect at market level. But read on.

As has been stated before the FTSE All Share index is not a true reflection of UK plc as a result of overseas earnings representing 82% of the FTSE 100 earnings. There is an additional twist here, because although the UK market is clearly sterling based, the earnings of the companies included in the index have substantial overseas earnings, which are translated back to sterling for accounting purposes. With sterling being generally weak versus other currencies, particularly the US dollar, earnings have seen a boost on translation. If this trend reverses, then sterling adjusted earnings may suffer, depending on what currency hedges any individual company has in place.

Another factor to bear in mind is that due to the sector breakdown having a heavy bias towards Non-renewable Energy (Oil & Gas) and to Industrial Metals and Mining the FTSE All Share index is not environmentally friendly in comparison to the Global indices.

The Fund currently has a weighting of 14.7% in total portfolio terms, out of the total of 52% held in Equities. As a representation of the exposure to the Global index this would be 28%, and adding in a notional exposure held within the global funds this would be closer to 29.4%. The actual weighting to the UK within the Global index is c.4%, so we are approximately 25% overweight on that basis.

So, what to do?

1. The "easy" option is to transition UK Active into a considered mix of the Global sub funds, which provide a selection of Passive Developed Paris Aligned Equities, Global Sustainable Equities (active) and Global High Alpha Equity. This last named may well form part of the next leg of ensuring that Fund investments comply with Paris Alignment, so should be considered in that context.
2. It would be quite understandable if regardless of the UK weighting in the context of the Global picture that there is a desire to maintain a discrete presence in the home market, while addressing to some degree the issues of being representative of UK business and without the negative environmental slant. To some extent we are probably somewhat constrained by what Brunel can realistically offer in this respect, but a dialogue with them about possible options would be helpful. Two possible options that could be considered are here, but there are probably others as well.
   i) A Paris Aligned variant of the FTSE All Share index. There would then need to be consideration about this being a passive or active mandate, along with a study of how the indices differ.
   ii) The FTSE 250 index (mid market capitalisation) has a much lower exposure to overseas earnings, at 57%. There is also a much lower exposure to the main "polluting" sectors, as the main companies involved are predominantly large cap stocks.
3. Or a combination of the two, with the UK weighting being reduced over time.

<u>The Emerging Markets Conundrum (Recommendation 4)</u>

China represents a sizeable proportion of the global Emerging Markets index (35%), so this has had a detrimental impact on sentiment towards emerging markets in general. Some managers are now considering creating portfolios that treat China as a separate sleeve, that reflects the inherent dominance of China in the existing indices, but also provides investors with a means of limiting their exposure to China in particular. If this is looked at from the angle of a potential conflict risk with Taiwan, then some would consider that investment in Taiwan is also an unacceptable risk, which in itself represents 15% of the MSCI EM index.

To provide some context, our EM exposure is just 2.6% (estimate) of Fund assets. It is 5.4% of the total Equity portfolio. The weighting of Emerging Markets in the MSCI index is 10.9% (as at end December 2022), so compared to that we are substantially underweight.

There are two headline options here:

1. Consider that the allocation is sub scale in terms of impact to the total Fund and divest. Realistically the switch would be either to Global Equities, bearing in mind that there currently isn't a proposal to reduce the total Equity allocation.

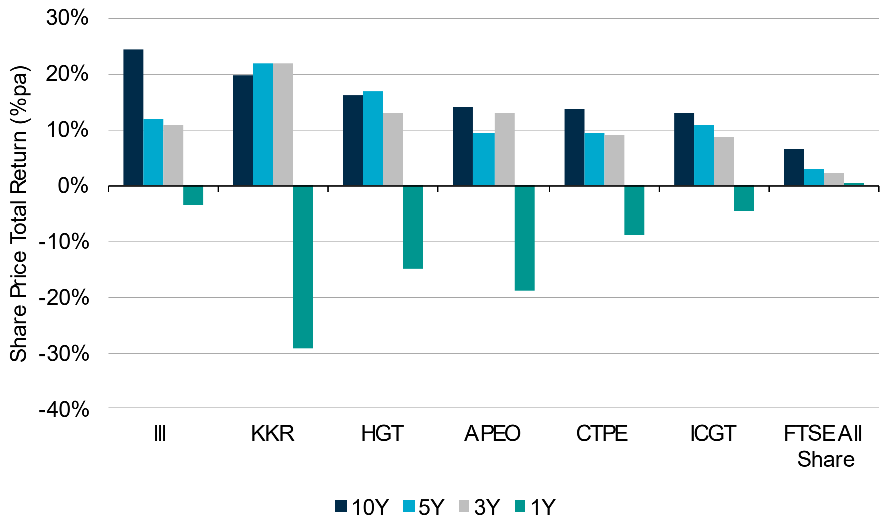
2. Bring the allocation up to c.11% to reflect the global weighting and to make the allocation meaningful in Fund terms (5% plus).
   This could be achieved either by:
   i) A straightforward increase in allocation to the Brunel EM sub fund, funded from either Global Equities and/or UK equities,
   ii) Or by exploring with Brunel the possibility of creating a separate "China" sleeve alongside the restructured main EM portfolio, by which Funds could then choose their weighting to China to match their appetite to invest there.
3. Or keep the allocation the same while introducing one or other approaches outlined in Option 2.

The listed Private Equity portfolio (Recommendation 5)

This portfolio of holdings in 6 listed private equity companies has been retained under "in house" management, as Brunel do not currently have an appropriate sub fund for this type of investment, nor do they have any immediate plans to offer this. The returns from this portfolio have been excellent over the medium and long term, substantailly outperforming the FTSE All Share index.

Over the short term, basically last year, the sector has seen some significant falls in share price value, reflecting the uncertainties prevalent in listed equity markets and some adjustments to valuations reflecting a more uncertain outlook.

Share price total return

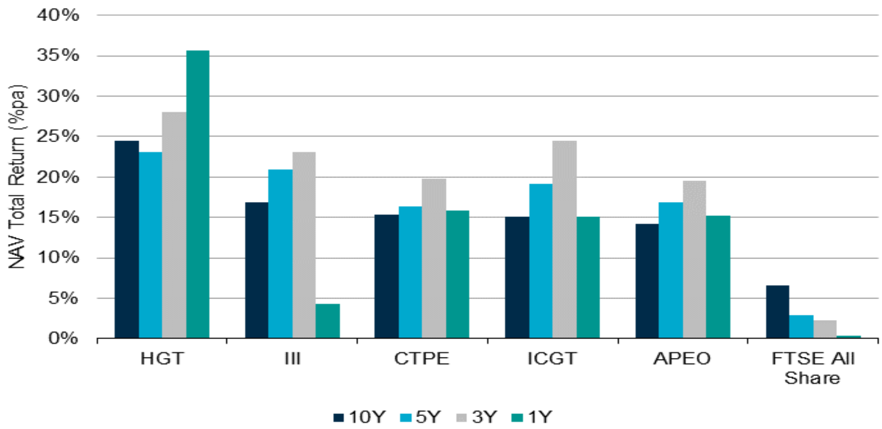


Share prices, total return, annualised

	3i	KKR	HGT	APEO	CTPE	ICGT	FTSE All Share
10Y	24.6%	20.0%	16.4%	14.1%	13.7%	13.1%	**6.5%**
5Y	12.1%	21.9%	17.1%	9.5%	9.4%	10.9%	**2.9%**
3Y	10.9%	22.1%	13.0%	13.1%	9.1%	8.9%	**2.3%**
1Y	-3.4%	-29.1%	-15.1%	-19.0%	-8.9%	-4.4%	**0.3%**

Net Asset Values (NAV) have actually held up well, so with the falls in share prices the discounts to NAV have widened considerably, in some cases as wide as 50% on the really bad days.

NAV total return



The value of this portfolio at 31 December 2022 was £157.74m, representing 5.2% of the total assets of the Fund.

The values of each holding are:

3i	15,687,970.00
Abrdn PEO	22,031,243.00
CTPE	18,325,963.00
HG Capital	67,690,000.00
ICG Enterprise	10,076,691.00
KKR	8,248,678.03
TOTAL	**157,740,950.00**

The portfolio has been managed on a "care and maintenance" basis for some time now. As appropriate, particularly during 2022, dividends have been reinvested where this option has been offered by the company when the discount to NAV has warranted this.

However, as can be seen from the table above, a wide range between the highest and lowest value holdings has opened up over time. At one stage the HG Capital holding represented half of the total value of the portfolio.

A recommendation is therefore being made that the management of this portfolio is moved to a semi active basis, so as to facilitate:

1. Rebalancing the size of holdings in the portfolio
2. To ensure that we seek to hold the best companies in the sector, so enabling occasional additions and/or deletions from this portfolio.

<u>The evolution of Oxfordshire Pension Fund's Climate Policy in partnership with Brunel (Recommendation 6)</u>

The Fund agreed its first Climate Change Policy in June 2020 with the aim of all the portfolios it invests in being net-zero by 2050, consistent with the Paris Agreement goal to limit the global temperature increase to 1.5°C above pre-industrial levels. The Fund also produced an Implementation Plan setting out the steps it would take to achieve the Policy aims and has been working on the actions in the plan. Good progress has been made in a number of areas including the meeting of the annual carbon emission reduction target of 7.6%, asset allocation changes aligned with the Policy including investing in a newly developed Paris-Aligned Benchmark passive equity fund, and the production of the Fund's TCFD report.

Priority climate actions for the year ahead include:

1. An assessment of the Fund's current investment in climate solutions and the setting of a target for increasing the level of investment. This may then require the Fund to request a new climate solutions portfolio from Brunel and the Fund will need to consider any asset allocation implications.
2. Continuing to work with Brunel to produce climate metrics for all portfolios.

In February 2023 Brunel released the latest version of their Climate Change Policy which was developed in consultation with the ten client funds through a climate stocktake process. The Fund will continue to work closely with Brunel to ensure it enables the Fund to deliver against its climate priorities.

It is recommended that the Fund continues to work on implementing the actions it has set out to deliver against its Climate Change Policy with the priorities set out above.

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LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 20 January 2023 commencing at 10.30 am and finishing at 12.30 pm

Present:

Voting Members:	Matthew Trebilcock – in the Chair Alistair Bastin Stephen Davis Elizabeth Griffiths Angela Priestley-Gibbins Marcia Slater
Members of Pension Fund Committee in Attendance:	Councillor Bob Johnston Steve Moran
Officers:	Sean Collins (Service Manager for Pensions, Insurance and Money Management), Sally Fox (Pension Services Manager), Mukhtar Master (Governance & Communications Manager), Rebecca O'Shea (Communications Manager and Khalid Ahmed (Law and Governance).

The Board considered the matters, reports and recommendations contained or referred to in the agenda for the meeting and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports, copies of which are attached to the signed Minutes.

1/23 MINUTES
(Agenda No. 3/23)

The minutes of the meeting held on 21 October 2022 were agreed as a correct record.

[The Service Manager for Pensions, Insurance and Money Management reported that the vacancy for a Scheme Member representative on the Local Pension Board had been advertised and there had been a good response. Shortlisting and interviews would be taking place and it was hoped the vacancy would be filled.]

2/23 UNCONFIRMED MINUTES OF THE PENSION FUND COMMITTEE - 2 DECEMBER 2022
(Agenda No. 4)

The meeting had before it the draft minutes of the last Pension Fund Committee meeting of 2 December 2022 for consideration. The draft Minutes were noted.

3/23 SCHEME MEMBER ENGAGEMENT
(Agenda No. 5)

The Board was provided with a report which set out the current approach to scheme member engagement and the options for further improvements in the arrangements.

The Board was invited to consider the report and provide advice to the Pension Fund Committee on changes to the Communications Policy to improve scheme member engagement in the future.

The Governance & Communications Manager and the Communications Manager for the Pension Fund introduced the report.

The Board was informed that Member engagement was important for regulatory purpose. Details of what was currently in place was reported and included:-

- Reporting Pensions –quarterly newsletter
- Annual benefit statement plus notes
- Annual Deferred newsletter (in collaboration with other Funds)
- Deferred Annual Pensioner newsletter
- Member talks.
- My Oxfordshire Pension
- Use of Altair email tool
- Use of Gov.UK Notify email tool (Bulk Email)
- Annual activation codes mailing
- Partnership working with other funds – Oxfordshire is represented on: Communications working group (LGA) Joint communications working group
- Translation Services
- Oxfordshire Pension Fund Website

Paragraph 8 of the report contained new ideas to improve engagement.

In response to a question relating to how engagement was measured, the Board was informed that it was difficult to do so now as more training was required on analytics.

The Board was informed that the statistics of how many members were registered for the on-line portal was in line with other funds. There were 56.3% of Active Members registered and using the on-line portal; 49.5% Deferred Members registered and 91.1% of Pensioners who had registered. However, there were many members who had not made the decision to register for the on-line portal or to receive paper statements and communications.

The National and Local Engagement Group was looking at benchmarking.

Reference was made to many members who had not decided to register or receive paper notifications.

Discussion took place on the current methods of communication which relied on employers initiating communication with its employees. There was an issue with employee engagement in relation to how many within each Pension Fund employer had registered.

Reference was made to difficulty in getting new addresses, email addresses and telephone contact numbers for members that had changed their addresses. Annual address chasing exercises do take place.

There were ideas to improve engagement which included introducing QR codes which would take members directly to the correct Pensions page and on letters, newsletters, and leaflets. There would be Webinars on common subjects and improvements would be made to the website to improve access.

The Board agreed that Board Members would provide articles in the newsletter.

A Board Member referred to including information on the website on where the Pension Fund invested members' funds, which would increase engagement and interaction with members. The Service Manager for Pensions, Insurance and Money Management explained that such improvements were being introduced on the website and would be linked to the Fund's Climate policy.

The Board noted and reviewed the outcome of Member Engagement Review carried out by the Governance and Communications Team of the fund and that an amended Communications Policy would be submitted to the next Pension Fund Committee. Board Members would receive a draft of the Communications Policy by email prior to its submission to the Committee.

The Board noted the report.

4/23 REVIEW OF THE ANNUAL BUSINESS PLAN
(Agenda No. 6)

The Board was asked to review the position against the Annual Business Plan for 2022/23 as considered by the Pension Fund Committee at their meeting on 2 December 2022 and to offer any comments to the Committee.

The report also included the results of the National Knowledge Assessment, and the Board was invited to consider the results and priorities for future training.

Reference was made to data quality scores which were very good. It was hoped that the introduction of the national Pensions Dashboards would increase awareness of pension provision and make it easier for scheme members to keep track of all pension benefits and how to keep their details up to date.

In relation to cyber security, the score had remained as Amber in light of the breaches already reported this year, and the need to strengthen the monitoring arrangements in respect of the wider cyber risks.

Stewardship Code was on Red, in relation to the appointment of a new Responsible Investment Officer. The Board was informed that interviews would be taking place next week so this key measure of success would be carried over.

The Board was informed that Oxfordshire County Council's Staff Climate Action Group had submitted correspondence asking the Pension Fund Committee to consider climate change suggestions. The Board was informed that a response to this request would be reported to the next Pension Fund Committee.

In relation to Scheme Member Engagement Policy, as reported on an earlier agenda item, an Engagement Policy was being developed and implemented.

In relation to the Budget, there was an underspend with the delays in the recruitment of staff across the service being a contributory factor. The underspend will grow if there are any further delays in the recruitment process.

The Board was informed of the National Knowledge Assessment results which had Oxfordshire first out of the sixteen Funds in terms of having a top score of 62.5 and with 100% engagement. The overall score for the Board was higher than that for Pension Fund Committee Members.

Areas of weakness were Pension investment which was understandable for the Board as a regulatory body, and Accounting and Audit Standards which would be concentrated on in terms of training.

The Board asked that Members of both the Board and the Pension Fund Committee continue to be invited to seminars and conferences as there was a correlation between training and scores in the assessment.

Based on the results of this assessment and with individual Committee and Board results, a training plan would be developed which would be presented to the Pension Fund Committee at the March meeting.

The Board noted the report and that Pension Fund Committee had agreed the following:

(1) That the Committee reviewed progress against each of the key service priorities as set out in the report.

(2) That approval be given to the further actions to be taken to address those areas not currently on target to deliver the required objectives.

(3) That the provisional results from the National Knowledge Assessment be noted.

(4) That approval be given to holding a 2023/24 Business Planning session on the morning of Friday 3 February 2023.

5/23 RISK REGISTER

(Agenda No. 7)

The Board was provided with the latest risk register which had been considered by the Pension Fund Committee on 2 December 2022. The Board was invited to review the report and offer any further views back to the Committee.

Reference was made to Risk 15 in relation to Fund officers having sufficient skills and knowledge to carry out their roles effectively, work was taking place with HR as the Fund was struggling to get the roles adequately graded because of the nuances of working in local government.

It was hoped that there would be an appointment to the Responsible Investment post, but the process took time.

The Board noted the report and the change in risk status for Skills and Knowledge.

6/23 ADMINISTRATION REPORT
(Agenda No. 8)

The Board considered the latest Administration Report which was presented to the Pension Fund Committee on 2 December 2022, including the latest performance statistics for the Service.

The Board was informed that there were still a couple of vacancies in the Team with over 50% of administrators in training and only 25% of the Team fully trained.

In relation to performance statistics, the Team was in a better position, although the clearance of returns was down but there was confidence that this would be up by the end of the financial year. There was a backlog of a number of open tasks which was being managed.

The Benefits Team had been restructured the way it was organised to improve efficiency.

Reference was made to complaints and the Board was informed there was one complaint from a member, over a period of several years, which produced lengthy correspondence. Unfortunately, some of the responses had been incorrect and during 2020/2021 tax year those queries were either not answered or not answered in a reasonable time frame which resulted in the member losing the opportunity to make additional pension contributions and also losing the tax relief associated with this. This resulted in the complainant being awarded a compensatory payment of £1,400 for loss of tax relief and the distress caused by this matter.

In relation to debt management, in the last quarter one overpayment of £10,000 had been recovered by Debt Management.

There had been one data breach during the last quarter where national insurance numbers for four scheme members were sent to the wrong scheme employer. The scheme employer had confirmed that this information had been deleted.

The Director had agreed the release of an ill health pension under delegated powers.

There had been an improvement in Prudential's performance in relation to Additional Voluntary Contributions (AVC).

The Board noted the report and the following recommendations which were agreed by the Pension Fund Committee:-

(1) That the compensatory payment made in line with Scheme of Delegation be noted.

(2) That the release of deferred benefits on grounds of ill-health in line with Scheme of Delegation be noted.

(3) That approval be given to the write off for the last quarter of £23.93.

7/23 EXEMPT ITEMS
(Agenda No. 9)

The Board agreed that the public be excluded for the duration of the following items on the Agenda (during discussion on confidential matters) since it is likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it is considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

8/23 CYBER SECURITY
(Agenda No. 10)

The Board was provided with a report which had been considered by the Pension Fund Committee at its last meeting. The report contained details on the security of data held and used by third party providers to the fund.

The Pension Fund Committee had agreed that there would be an annual report submitted on cyber security.

The Board noted the confidential report.

The public was excluded during this item because its discussion in public would likely lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

9/23 PENSION ADMINISTRATION SYSTEM REVIEW
(Agenda No. 11)

The Board was provided with the final report on Review of Pension Administration System Technology which had been considered by the Pension Fund Committee at its last meeting.

Reference was made to the use of email addresses in relation to the Common Data exercise and the Board agreed that the Chair of the Board would write to the Pension Regulator on the legality of this.

The Board noted the report.

The public was excluded during this item because its discussion in public would likely lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

10/23 ITEMS TO INCLUDE IN THE REPORT TO THE PENSION FUND COMMITTEE
(Agenda No. 12)

It was agreed that the following be included in the report to the next Pension Fund Committee:

- Correspondence being sent to the Pension Regulator in relation to capturing email addresses as part of the Common Data exercise.
- Member Engagement Report – comments of the Board to be included in the report which will be submitted to the Pension Fund Committee.

11/23 ITEMS TO BE INCLUDED IN THE AGENDA FOR THE NEXT BOARD MEETING
(Agenda No. 13)

The Communication Policy report which will be considered by the Pension Fund Committee.

.... in the Chair

Date of signing ....

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The Division(s): n/a

ITEM

PENSION FUND COMMITTEE – 3 MARCH 2023

REPORT OF THE PENSION BOARD

Report by the Independent Chairman of the Pension Board

RECOMMENDATION

The Committee is RECOMMENDED to note the comments of the Board as set out below,

Introduction

1. This report is part of the process by which the Local Pension Board works with the Committee in fulfilling its duty to support the work of the Committee and ensure that the Committee delivers its responsibilities in line with the regulatory framework. The report covers the key issues discussed by the Board and any matters that the Board wishes to draw to the attention of the Committee.

2. This report reflects the discussions of the Board members at their meeting on 20 January 2023. The virtual meeting was attended by Matthew Trebilcock as the independent Chairman, and the five voting members of the Board. (N.B. At the time of the meeting, there was a vacancy for a scheme member representative which has subsequently been filled). Cllr Bob Johnston attended in his role as Chair of the Pension Fund Committee to facilitate the improved working relationship between the Committee and Board, and the meeting was observed by Steve Moran.

Matters Discussed and those the Board wished to bring to the Committee's Attention

3. The Board received a report from the Governance and Communications Manager, and the Communications Officer on engagement with scheme members. The report covered current practice, ideas tried before to improve engagement and ideas to be considered going forward. The Board engaged in a good discussion on the issues.

4. Amongst the key points noted by the Board were:

    - the difficulty in measuring the level of engagement and for assessing the effectiveness of the various measures currently in place
    - the important role that scheme employers should play in supporting communications to their staff

- the focus on home addresses within the current data quality framework set by the Pension Regulator was outdated, and scheme members should be encouraged to share personal email addresses and mobile phone numbers with the Pension Fund to increase the range of communications options open to the Fund. The Board recommended the Committee wrote to the Pension Regulator to seek an amendment to the current data quality framework to include email addresses as an alternative to the home address.
- Improvements to the website, particularly around investments should hopefully lead to improved engagement on investment issues.

5. The Board welcomed the range of new proposals seeking to improve scheme member engagement. As part of the new proposals, Board members agreed to produce a regular article on the work of the Board for the Member and Employer newsletters.

6. The Board then considered a number of reports as presented to the last meeting of the Pension Committee. These were the review of the Annual Business Plan, the Risk Register, the Administration report, the report on Cyber Security and the report on the review of the Administration System.

7. Whilst the Board had a detailed discussion on each of the reports, in each case they were happy with the approach taken to the report by the Pension Fund Committee and determined not to offer any specific feedback.

Matthew Trebilcock
Independent Chairman of the Pension Board

Contact Officer: Sean Collins
Tel: 07554 103465

February 2023

Division(s): n/a

ITEM

PENSION FUND COMMITTEE – 3 MARCH 2023

BUSINESS PLAN AND BUDGET 2023/24

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to:**
   a. **Note the progress against the service priorities for 2022/23;**
   b. **approve the Business Plan and Budget for 2023/24 as set out at Annex 1;**
   c. **approve the Pension Fund Cash Management Strategy for 2023/24.**
   d. **delegate authority to the Director of Finance to make changes necessary to the Pension Fund Cash Management Strategy during the year, in line with changes to the County Council's Treasury Management Strategy;**
   e. **delegate authority to the Director of Finance to open separate pension fund bank, deposit and investment accounts as appropriate;**
   f. **delegate authority to the Director of Finance to borrow money for the pension fund in accordance with the regulations.**

Introduction

2. This report sets out the business plan and budget for the Pension Fund for 2023/24. It follows on from the Workshop held on 3 February 2023 to which all members of the Committee and the Local Pension Board were invited. The Plan sets out the key priorities for the Fund as agreed at the workshop, details the key service activities for the year, and includes the proposed budget and cash management strategy for the service.

3. The report also reviews the progress against the key service priorities included in the 2022/23 Plan as context for setting the key priorities going into the next financial year.

4. The key objectives for the Oxfordshire Pension Fund are set out on the first page of the Business Plan for 2023/24 (contained in annex 1) and remain consistent with those agreed for previous years. Following on from the discussion at the workshop, the overall Service Definition has been updated to make clear the underlying Fiduciary Duty of the Committee in administering the Fund.

5. The overall objectives are summarised as:

- Fulfil the Fiduciary Duty to all key stakeholders
- To administer pension benefits in accordance with the relevant regulations, and the guidance set out by the Pensons Regulator to a high service standard for our members
- To achieve a 100% funding level
- To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
- To maintain as near stable and affordable employer contribution rates as possible.

6. Part A of the plan sets out the broad service activity undertaken by the Fund. These are unchanged from previous years. The service priorities for the forthcoming financial year are then set out in more detail in Part B. These priorities do not include the business as usual activity which will continue alongside the activities included in Part B.

Key Service Priorities – A review of 2022/23

7. There were 4 service priorities included in the 2022/23 Plan each with a number of key measures of success. The latest position on each is set out in the paragraphs below. The assessment criteria for each measure of success is as follows:

- Green – measures of success met, or on target to be met
- Amber – progress made, but further actions required to ensure measures of success delivered
- Red – insufficient progress or insufficient actions identified to deliver measures of success

8. Review and Improve the Scheme's Data The position against the 5 agreed measures of success are set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Data Quality scores submitted to the Pension Regulator within acceptable bounds and no follow up action. GREEN	Scores now submitted to the Pension Regulator – common data score is 94.8%, which is slightly down on last year. Scheme specific score is 98.2% up on last year.	Continue to review issues with common data, largely missing member addresses.
Valuation completed with data signed off as fit for purpose and scheme employers raising no concerns with outcome. GREEN	Data File Submitted to Actuary. Initial Whole Fund Results Received Draft results issued to scheme employers.	

Data of a standard to support delivery of all service KPI's as reflected in quarterly performance reports. AMBER	Limited development of reports to date.	More extensive use of new Insights Reporting tool to deliver full suite of performance reports and enable data quality to be assessed.
No data security breaches reported. AMBER	One issue of a personal data breach by one of the Fund's third party suppliers.	Breaches Policy to be reviewed
Cyber Security Policy is updated (where required) with clear information on roles and responsibilities. AMBER	Report on approach to Cyber Security produced. Gap Analysis undertaken and Action Plan developed	

9. In respect of the gap in our data quality score in respect of scheme member addresses, the Pension Board has noted that this measure fails to reflect the modern digital communication word and recommend that the Committee follow up with the Pension Regulator with a proposal to extend this indicator to include email addresses and mobile phone numbers to facilitate the move to electronic communications.

10. We have not made any real progress on developing data for the standard service kpi's to be included in the quarterly performance reports, so the risk level against this outcome is still showing as Amber. Making better use of the Insight Reporting tool was identified as one of the key priorities in the recently held meeting with our software supplier in terms of quick wins within the technology development programme.

11. The issues around cyber risk and data security are covered elsewhere on today's agenda with the first of the annual reports on cyber security. The score has been retained as Amber in light of the breaches already reported this year, and the need to strengthen the monitoring arrangements in respect of the wider cyber risks.

12. <u>Develop a holistic approach to technology across Pension Administration Services.</u> There were 3 specific measures of success set out in the 2022/23 Business Plan in respect of this priority. The progress against these in set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Committee Decision on whether to extend current contract and tender for bolt on solutions as appropriate to deliver full	Key Requirements of system identified. Review completed of current offerings on the LGPS National	Set out a programme of work to maximise use of the current system software.

specification, or to run full tender exercise for single holistic solution. GREEN	Procurement Framework and decision to extend current contract agreed	
Tender project plans agreed consistent with the end date of the current system contract. GREEN	No longer applicable.	
Clear targets established for increase in on-line completion of services. AMBER		Review of current functionality of existing software, and re-design processes to maximise the potential for on-line submission of paperwork and benefit requests.

13. A full day's workshop with our current software supplier was held on 15 February 2023 which reviewed those elements of the current system which Oxfordshire are not currently using to the full potential and those areas where further system enhancements would improve the overall efficiency and effectiveness of the system. A number of short-term priorities were agreed to be delivered within the next three months, focusing on improved understanding of the reporting tool, and the use of on-line tools for certain member tasks. A full work programme is currently being prepared which will be kept under review throughout 2023/24.

14. <u>Enhanced Delivery of Responsible Investment responsibilities.</u> There were 5 measures of success set for this service priority within the Business Plan, and progress against these measures is set out below.

Measure of Success	Key Progress Achieved	Outstanding Actions
RI Officer in post GREEN	Job Description and grade agreed. Recruitment undertaken and appointment agreed.	Selected candidate to take up post.
Engagement Policy signed off and reflected in overall Engagement Policy agreed by Brunel Pension Partnership. GREEN	Policy signed off at the June committee. Policy shared with colleagues within Brunel, and confirmation that broadly in line with	On-going discussions with Brunel and partner funds to develop single Brunel approach.

	Brunel's preferred approach.	
Improved quarterly reporting in place to both Committee and on Fund webpages, including wider ESG targets and performance measures, reflected in positive feedback from all stakeholders. GREEN	Initial presentation by Brunel of new reporting being developed for the Private Markets. New Investment Webpages launched including links to relevant Brunel webpages, and data on current investments.	Need to work alongside Brunel to draft new reports to ensure they meet our requirements.
Successful application in respect of Stewardship Code. RED		To be carried forward to 2023/24 and taken forward by new Responsible Investment Officer once they have taken up post.
Revised Funding Strategy Statement and Investment Strategy Statement including revised Strategic Asset Allocation signed off at March 2023 Committee. GREEN		Approach to Strategic Asset Allocation on today's agenda.

15. Since the last meeting we have successfully completed the recruitment of a new Responsible Investment Officer, with the final contract issues including start date being finalised at the time of writing this report. Once in post, this appointment will strengthen our ability to deliver against the Fund's responsible investment objectives and in particular to take forward an application in respect of the Stewardship Code.

16. Other aspects of the work on responsible investment are on-going and will be taken forward alongside Brunel as part of the work on their recently updated Climate Change Policy.

17. <u>Deliver improved and consistent service performance to scheme members.</u> Progress against the 3 measures of success for this service priority are set out below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Services delivered to SLA Standards consistently throughout the year. RED	Performance figures show a number of areas below SLA targets.	Recruit additional staff. Clear remaining backlog of work.

All services delivered in line with regulatory guidance with scheme changes implemented in accordance with stipulated timescales. AMBER		Final guidance received from Government on TCFD, Pooling and McCloud. Review of current arrangements and data against new requirements. Action Plan developed, additional resources required and plan delivered.
Scheme Member Engagement Policy adopted and positive feedback collected from scheme members. AMBER	The Pension Board has reviewed the current arrangements in respect of scheme member engagement and proposed changes going forward, and these are on today's agenda for approval.	New communications Officer appointed. Implementation Plan for new approach to scheme member engagement developed. .

18. The Administration report elsewhere on today's agenda presents the latest performance information and shows that whilst performance has been steadily improving, it does remain below the Service Level Agreement (SLA) targets on a number of measures. As the objective for this year was to deliver consistent service at target or above every month, we have scored this indicator red. Going forward, if we are successful in recruiting the additional staffing as set out within the Administration report elsewhere on today's agenda, performance standards should be increased and brought back into line with the SLA.

19. The measure of success around successful management of scheme changes is currently amber as we are still awaiting the publication of the long-promised consultation papers from the Government. The outstanding publications includes guidance on pooling in general, and the implementation of the McCloud remedy. In the absence of the detailed guidance it is not possible to assess the level of work involved and whether we have sufficient staffing to complete it, and whether we have all the data we need from scheme employers, and other LGPS Funds where scheme members have transferred into Oxfordshire during the transition period of 2014 to 2022.

20. A report was taken to the local Pension Board in January on scheme member engagement and the outcome of this discussion has been fed into the review of the communications Policy elsewhere on today's agenda. At this stage we have left the rating for this objective as Amber, until the policy has been signed off and the implementation plan to deliver the proposed changes has been developed.

21. Delivery of the above priorities has been inside the administrative and oversight and governance budgets which in total are expected to underspend by £294,000. There is estimated to be a further £68,000 underspend on investment management fees, bringing the total underspend against the budget to £362,000.

	Budget	YTD	%	Forecast Outturn	Variance
	£'000	£'000		£'000	£'000
Administrative Expenses					
Employee Costs	1,402	1,000	71%	1,352	-50
Support Services Including ICT	886	553	62%	886	0
Printing & Stationary	82	45	55%	67	-15
Advisory & Consultancy Fees	315	13	4%	165	-150
Other	59	4	7%	59	0
Total Administrative Expenses	**2,744**	**1,615**	**59%**	**2,529**	**-215**
Investment Management Expenses					
Management Fees	12,836	6,005	47%	12,750	-86
Custody Fees	40	24	60%	40	0
Brunel Contract Costs	1,160	1,178	102%	1,178	18
Total Investment Management Expenses	**14,036**	**7,207**	**51%**	**13,968**	**-68**
Oversight & Governance					
Investment Employee Costs	405	219	54%	350	-55
Support Services Including ICT	12	0	0%	12	0
Actuarial Fees	190	199	105%	199	9
External Audit Fees	50	0	0%	50	0
Internal Audit Fees	16	0	0%	16	0
Advisory & Consultancy Fees	135	42	31%	135	0
Committee and Board Costs	63	14	23%	30	-33
Subscriptions and Memberships	69	11	16%	69	0
Total Oversight & Governance Expenses	**940**	**485**	**52%**	**861**	**-79**
Total Pension Fund Budget	**17,720**	**9,308**	**53%**	**17,358**	**-362**

22. The main cause of the underspend has been the continued issues in recruitment, both for permanent staffing and for the additional support agreed by the Committee last year to be appointed in a temporary basis from the National LGPS Procurement Frameworks.

Service Priorities for 2023/24

23. Following on from the successful workshop delivered last year under one of the recommendations of the Independent Governance Review undertaken during 2020/21, it was again agreed by the Committee to hold a separate business planning meeting to enable the Committee members to be fully engaged in setting the priorities for the Committee for the year ahead. This meeting was held in workshop form on 3 February 2023.

24. The Workshop was attended by 4 of the 5 voting members of the Committee, 2 of the non-voting members and 5 members of the Local Pension Board including the newest member, appointed earlier in that week. Also in attendance was the Independent Investment Adviser to the Fund. The Workshop was facilitated by Hymans Robertson and the Fund's Officers.

25. The workshop including two group sessions to enable those present to consider the priority areas for the Fund in light of the potential resources available and to determine the measures of success that they would want to see to assess whether the priorities had been delivered to the standard expected. It is proposed that the 2023/24 Business Plan should focus on four key priorities which are summarised as follows.

26. Priority one is to meet all the requirements of regulatory change as directed by the Government. It was accepted that at this point of time there was considerable uncertainty over what this would entail, with the long-promised Government guidance on pooling, climate change reporting, and McCloud amongst otherwise continually delayed. The measures of success for this priority therefore may need to be amended during the year as regulations are published.

27. In light of the uncertainty, it was agreed that the Committee should follow a pragmatic approach and focus on delivering against the minimum standard set by Government. For example it was agreed that best estimates should be used in place of missing data for McCloud calculations rather than spending considerable resources trying to ensure 100% of data is collected where payroll providers have changed etc and the data is not readily available. All estimates should be in favour of the scheme member.

28. It was accepted in some areas such as the Pension Dashboard, the Fund would have very little flexibility and would need to deliver to the standard set out by Government. In other areas where Government simply issued guidance, the consensus was that the Fund should focus on what they felt was in the best interests of the stakeholders e.g. unless there are specific regulatory requirements, investment decisions should be led by the Fiduciary Duty and our Strategic Asset Allocation rather than any focus on guidance on levelling up.

29. Wherever possible it was agreed that the Fund should work in partnership with other Funds and with the support and guidance from the Scheme Advisory Board.

30. A second priority was agreed to continue to strength the governance arrangements of the Fund. It was noted that following the implementation of the recommendations of the Independent Governance Review completed by Hymans Robertson, the Fund was in a good place governance wise, but this is an area that requires continuous review.

31. The key element of this priority was seen as the development of a Workforce Strategy as this would underpin the delivering of all remaining objectives, as well as ensuring the effective delivery of all business as usual activities.

32. It was also noted that a key development within this area would be the implementation of the Pension Regulators new Single Code of Practice. This was identified as an area meriting further training for the Committee and Board. It would also be important to ensure that measures of success included the development of a full suite of key performance indicators that would enable the Committee to assure itself that they were complying in full with the Code of Practice.

33. A final element of this priority was seen as ensuring that all scheme employers were meeting their responsibilities under the Regulations and Code of Practice and that the Pension Services Team were not being diverted to tasks which should properly fall to the scheme employers.

34. The continued development of technology was seen as a third priority area for the Fund during the forthcoming year. In particular, those present at the workshop were keen to priorities the developments in technology which would free up time for members of the Pension Services Team, enabling them to focus on the many challenges within the other priority areas and business as usual.

35. It was generally felt that developing technology would improve both operational efficiency (especially through self-service options for both scheme members and scheme employers) and communications. Improving the investment webpages was seen as important to both improve operational efficiency and scheme member engagement.

36. The fourth priority area was seen to be the continued development of our approach to responsible investment. Whilst it was noted that there was some overlap in this priority and the first three (e.g. TCFD reporting under the Regulatory priority), it was agreed that this priority was largely resourced out of the Investment Team rather than the Administration/Governance Teams and as such was not competing for resources in the same way that the first three priorities would need to be managed.

37. The full details of the four priority areas, action plans and measures of success are included in Part B of the draft Business Plan included at Annex 1.

Budget 2023/24

38. The proposed budget for 2023/24 is set out as Part C of the Business Plan and includes a comparison with the budget for 2022/23. Overall, there is a small decrease in the budget from £17,720,000 to £17,662,000. The main elements of this variation are explained in more detail below. A report comparing the Pension Fund budget for the full 2022/23 financial year against the actual expenditure will be produced for the June 2023 Committee meeting.

39. Other than inflationary increases, the two main increases in the budget are on Administration Staffing and Brunel Fees. The increase in the Administration Staffing budget reflects a hope that we will be able to operate for the majority of 2023/24 at full establishment. The increase in the Brunel costs is set out in the item on the Special Reserved Matter (SRM) elsewhere on today's agenda and assumes that the SRM is approved by all 10 Funds.

40. There are three areas where the budget has been reduced in comparison to the current financial year. The first of those is the budget for Investment Management Fees and reflects a lower assumed average asset value over the course of the next year on which fees are payable. The Investment employee costs has been reduced following the decision not to replace the Investment Officer who left during the year. Workloads have reduced in comparison to when the post was established due to the transition of responsibilities to Brunel. The position will be kept under review throughout the year. The final area of reduction is in Advisory and Consultancy Fees where the one-off costs agreed last year to cover the AVC review and the review of the strategic asset allocation have been deleted. The additional one-off allocation made for project work in last year's budget has been retained as it was not spent this year due to the difficulties of finding suitable resources through the LGPS National Procurement Framework.

Training Plan

41. Part D of the Business Plan sets out the broad Training Plan for Committee Members. This reflects the results of the National Knowledge Assessment and includes sessions on Audit and Accounting which was the weakest area under the Assessment as well as McCloud and the new Code of Practice issued by the Pension Regulator, identified by Members at the Business Planning workshop as key areas in light of the agreed objectives for 2023/24.

42. The Plan also includes reference to the on-line training offered by Hymans Robertson which all Members are encouraged to complete, a list of recommended external courses and conferences which Members are invited to consider as well as the offer of individual sessions with Officers and the development of a specific training plan to meet individual needs.

Cash Management

43. The final section of the business plan, Part E, provides the annual cash management strategy for the Fund. The Strategy is based on the Treasury Management Strategy for the Council but has a significantly reduced number of counter-parties reflecting the lower sums of cash involved, and the wider set of alternative investment classes open to the Pension Fund.

Lorna Baxter
Director of Finance

Contact Officer
Sean Collins
Tel: 07554 103465

February 2023

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Annex 1

Oxfordshire Pension Fund: Business Plan 2023/24

Service Manager - Pensions: Sean Collins

Service Definition:

- To administer the Local Government Pension Scheme and the Fire Fighters Pension Schemes on behalf of Oxfordshire County Council in line with the Regulatory Framework and the Committee's Fiduciary Duty.

Our Customers:

- Scheduled scheme employers e.g. County Council, District Councils, Oxford Brookes University, other Colleges and Academies
- Designating scheme employers e.g. Town & Parish Councils
- Admission Bodies including charitable organisations with a community of interest, and bodies where services have been transferred on contract from other Scheme Employers
- Contributory Employees
- Pensioners and their Dependants
- Council Tax payers

Key Objectives:

- Fulfil the Fiduciary Duty to all key stakeholders
- Administer pension benefits in accordance with the relevant regulations and the guidance as set out by the Pension Regulator, to a high service standard for scheme members
- Achieve a 100% funding level (LGPS only)
- Ensure there are sufficient liquid resources available to meet the Fund's liabilities and commitments (LGPS only) and
- Maintain as nearly a constant employer contribution rate as is possible (LGPS only).

Part A: Service Activities

Service Activity	**Outputs**	**Outcomes**
Investment Management – LGPS Only		
Management of the Pension Fund Investments	The Fund is invested in assets in accordance with the Committee's wishes. The Fund's assets are kept securely. Quarterly reports to the Pension Fund Committee.	Sufficient resources available to pay all pension benefits as they fall due. Employer contribution rates maintained at a stable and affordable level. Investments achieved in line with the Fund's Climate Change Policy
Management of the Pension Fund Accounts	Completion of the Annual Report and Accounts.	No adverse comments from the Fund's auditors.
Management of the Pension Fund Cash	Cash management strategy and outturn reports. Cash Managed in accordance with the strategy.	The Pension Fund cash is managed securely and effectively.
Scheme Administration		
Management of the Pension Fund Administration	The administration procedures are robust and in accordance with regulations and service standards, with particular focus on regular reviews to safeguard scheme members from Pension Scams.	The workload is completed & checked in accordance with regulations and procedures. Work is completed within specified time scales No adverse comments from the Fund's auditors, the Pension Regulator and Scheme Members/Employers
	Changes to regulatory framework of the scheme	Implementation of actions arising from regulation changes

Part B – Service Priorities

Objective	Actions	Measures of Success
Deliver the Regulatory Changes as set out by the Government.	Identify new requirements arising from regulatory changes or court guidance, to include Goodwin, McCloud/Sargeant, Pensions Dashboard Collect any outstanding data to run McCloud calculations on a pragmatic basis (estimate missing data, with balance of risk in favour of scheme member). Review data quality in light of Pension Dashboard requirements and address any gaps. Put in place secure arrangements to link to Pension Dashboard.	No regulatory breaches that require reporting to the Pension Regulator. All Pension Benefit Calculations and Annual Benefit Statements issued with required information on McCloud remedy. Scheme Member records available via the Pension Dashboard.
Deliver further improvements to the governance arrangements of the Fund.	Appoint Governance Officer Deliver training session on Single Code of Practice Review level of current compliance with the Code of Practice and develop action plan to resolve any shortfalls. Review Administration Strategy and service agreements between Pension Services and Scheme employers Review Breaches Policy and reporting arrangements Develop full workforce strategy for the Fund in line with any Government guidance.	Governance Officer In post Annual Report on Compliance with the Code of Practice presented to Committee and no significant shortfalls identified. Revised Administration Strategy agreed by Committee with clear Service Level Agreement established with all scheme employers. Revised Breaches Policy agreed by Committee and Committee signed off quarterly key performance indicator report provides all information they require to gain assurance on compliance with Code of Practice and Regulatory Requirements.

		Full Workforce Strategy agreed by Committee. Increase in average scores for the National Knowledge Assessment.
Enhanced delivery of Responsible Investment responsibilities.	Continued delivery of current Climate Change Implementation Plan to include reporting across all asset classes and investments in climate change mitigations and solutions. Work with Brunel to improve current reporting to cover all asset classes and widen areas covered across full Environmental, Social and Governance issues. Improve reporting to scheme members and other key stakeholders through the Fund's webpages. Develop project plan to enable Fund to sign up to the Stewardship Code.	Improved quarterly reporting in place to both Committee and on Fund webpages, including wider ESG targets and performance measures, reflected in positive feedback from all stakeholders. Successful application in respect of Stewardship Code. Benchmark position established on investments in climate solutions/mitigations and target set for increased investment (with action plan to deliver). Continue to meet decarbonisation target, within a balanced suite of metrics to include % of Fund invested in Paris Aligned portfolios.
Deliver further improvements in efficiency and effectiveness of scheme operations through enhancements to technology.	Complete review of Best Practice use of the current System Software and develop action plan to address any gaps. Work with system supplier on system developments identified as outside current offering. Look to improve scheme member engagement via increase communications through personal emails and mobile phones. Review arrangement for assessing scheme member/employer satisfaction.	Increased operational effectiveness as measured through improved SLA performance scores. Improved scheme member/employer satisfaction, measured via positive assessment or a reduction in complaints. Increase take-up of Member Self Service Action plan in place with targets to collect an email address and/or mobile phone number for scheme members. Reduction in postage costs reflecting greater use of electronic communications.

Part C. Budget:

	2023/24 Budget £'000	2022/23 Budget £'000
Administrative Expenses		
Administrative Employee Costs	1,607	1,402
Support Services including ICT	930	886
Printing and Stationery	132	82
Advisory and Consultancy Fees	315	315
Other	59	59
	3,043	**2,744**
Investment Management Expenses		
Management Fees	12,450	12,836
Custody Fees	30	40
Brunel Contract Costs	1,258	1,160
	13,738	**14,036**
Oversight and Governance		
Investment Employee Costs	380	405
Support Services Including ICT	12	12
Actuarial Fees	190	190
External Audit Fees	50	50
Internal Audit Fees	17	16
Advisory and Consultancy Fees	98	135
Committee and Board Costs	64	63
Subscriptions and Membership	70	69
	881	**940**
Total Pension Fund Budget	**17,662**	**17,720**

Part E - Pension Fund Cash Management Strategy 2022/23

Introduction

1. The Oxfordshire Pension Fund maintains a balance of cash arising from the receipt of employer and employee contributions, and income from internally managed investments. This incoming cash currently exceeds the amount of payments made on behalf of the Fund. The situation is forecast to continue for the whole of 2022/23. Income generated in investment portfolios is generally reinvested, the exceptions being listed private equity and some private market investments. Were the Pension Fund's cashflow to turn negative the Fund could look to have income generated from its portfolios paid back to the Fund as required to make up any cash shortfall. At present a number of the Brunel portfolios do not have income share classes and so the fund would need to request these. The cash managed in-house by the Administering Authority, provides a working balance for the fund to meet its short-term commitments.

2. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 state that administering authorities must hold in a separate bank account all monies held on behalf of the Pension Fund. The regulations also state that the Administering Authority must formulate an investment strategy to govern how the authority invests any Pension Fund money that is not needed immediately to make payments from the fund. This document sets out the strategy for cash for the financial year 2022/23.

Management Arrangements

3. The Pension Fund cash balances are managed by the Council's Treasury Management team and Pension Fund Investments team. Cash balances are reviewed on a daily basis and withdrawals and deposits arranged in accordance with the current strategy. Pension Fund cash deposits are held separately from the County Council's cash.

Rebalancing

4. The Oxfordshire County Council Pension Fund has a strategic asset allocation range of 0-5% for cash. The cash balance is regularly monitored and reviewed as part of a quarterly fund rebalancing exercise undertaken by officers and the Independent Financial Adviser.

5. Arrangements will be made for cash balances which are not required for cashflow purposes, to be transferred to the Pension Fund's Investment Managers in accordance with the decisions taken during the rebalancing exercises.

6. In general, a minimum cash balance of £40million will be retained following a fund rebalancing exercise, to meet cashflow requirements and private market investment transactions. The level of cash balances will fluctuate on a daily basis and may be considerably higher than the minimum balance dependent upon the timing of transactions and strategic asset allocation decisions.

Investment Strategy

7. The Pension Fund cash investment policies and procedures will be in line with those of the administering authority. Priorities for the investment of cash will be:-

(a) The security of capital
(b) The liquidity of investments
(c) Optimum return on investments commensurate with proper levels of security and liquidity

Investment of Pension Fund Cash

8. Management of the Pension Fund's cash balances will be in accordance with the Administering Authority's approved Treasury Management Strategy and policies and procedures.

9. The Pension Fund cash balances will be held predominantly in short-term instruments such as notice accounts, money market funds and short-term fixed deposits. Approved instruments for pension fund cash deposits will be the County Council's list of specified investments for maturities up to 1 year, excluding the Debt Management Account deposit facility which is not available to pension funds and UK Government Gilts which are managed by an external fund manager. The County Council's current approved list of specified investments is attached at appendix 1.

10. Pension Fund deposits will be restricted to a subset the County Council's approved counterparties at the time of deposit and will include the Fund's custodian bank. Approved counterparties as at 31st January 2022 are shown in annex 2. There will be a limit of £30m for cash held with each counterparty.

Borrowing for Pension Fund

11. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 give administering authorities a limited power to borrow on behalf of the pension fund for up to 90 days. The power cannot be used to invest, but only for cashflow management in specified circumstances which should in practice be exceptional, i.e. to ensure that benefits are paid on time, and in transition management situations when the allocation of a pension fund's assets is being amended. Money can only be borrowed for these purposes if, at the time of borrowing, the administering authority reasonably believes that the sum borrowed, and any interest charged as a result, can be repaid out of the pension fund within 90 days of the date when the money is borrowed.

12. Pension Fund management arrangements presume no borrowing normally, but the possibility remains of unexpected pressures occurring and in these circumstances the power would enable the Pension Fund to avoid becoming forced sellers of fund assets due to cashflow requirements.

13. The Director of Finance (S.151 Officer) has delegated authority to borrow money for the Pension Fund in accordance with the regulations but only in exceptional circumstances. It is proposed that the authority to borrow on behalf of the Pension Fund continues to be delegated to the Director of Finance during 2022/23.

Appendix 1

Oxfordshire County Council 2022/23 Approved Specified Investments for Maturities up to one year

Investment Instrument	Minimum Credit Criteria
Term Deposits – UK Government	N/A
Term Deposits – other Local Authorities	N/A
Term Deposits – Banks and Building Societies	Short-term F1, Long-term BBB+, Minimum Sovereign Rating AA+
Certificates of Deposit issued by Banks and Building Societies	A1 or P1
Money Market Funds	AAA
Other Money Market Funds and Collective Investment Schemes[1]	Minimum equivalent credit rating of A+. These funds do not have short-term or support ratings.
Reverse Repurchase Agreements – maturity under 1 year from arrangement and counterparty of high credit quality (not collateral)	Long-term Counterparty Rating A-
Covered Bonds – maturity under 1 year from arrangement	Minimum issue rating of A-

[1] I.e., credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

Appendix 2

Approved Counterparties

Aberdeen Standard Sterling Liquidity Fund

State Street Bank & Trust Company
Lloyds Bank Plc
Oversea-Chinese Banking Corp
Svenska Handelsbanken
Santander Plc

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Oxfordshire Pension Fund
Training Plan 2023/24

Regulatory Requirements

Pension Fund Committee and Local Pension Board Members face different requirements for gaining and maintaining knowledge and understanding. This reflects that their remit and responsibilities originate from different pieces of legislation. Knowledge requirements falling on Board members are defined statutorily under section 248a of the Public Service Pensions Act 2013 and are personal to each individual. Learning requirements for Committees have been less stringently defined in legislation and fall collegiately on Committees as collective bodies rather than on their members as individuals.

Though their learning obligations under legislation are different, Committee and Board members share significant common ground in terms of the sphere of knowledge and understanding they need to be conversant with. Across the range of Technical Knowledge and Skills Frameworks it has published to date, CIPFA has identified a syllabus of 8 core areas of knowledge under the CIPFA Knowledge and Skills Framework (2021) for LGPS Committee Members and LGPS Officers. These 8 core areas are as follows:

1. Pensions Legislation and Guidance;
2. Pensions Governance;
3. Fund Strategy and Actuarial Methods;
4. Pensions Administration and Communications;
5. Pensions Financial Strategy, Management Accounting, Report and Audit Standards;
6. Investment Strategy, Asset Allocation, Pooling, Performance and Risk Management;
7. Financial markets and product;
8. Pension Services Procurement, Contract Management and Relationship Management;

There is a separate technical knowledge and skills framework which is CIPFA Local Pension Boards (2015) with the following 8 core areas:

1. Pensions Legislation;
2. Pensions Governance;
3. Pensions Administration;
4. Pensions Accounting and Auditing Standards;
5. Pension Services Procurement and Relationship Management;
6. Investment Performance and Risk Management;
7. Financial Markets and Product Knowledge;
8. Actuarial Methods. Standards and Practices.

Training Needs Analysis 2022

To best meet the training needs of the Pension Fund Committee and Local Pension Board members a training needs analysis needs to be carried out. This was undertaken in November 22 using Hyman Robertson's '2022 LGPS National Knowledge Assessment'. The assessment consisted of 48 multiple choice questions across 8 key areas, with each question containing the option "I currently have no knowledge relating to this topic" to discourage individuals guessing answers and therefore potentially distorting the results. The 8 areas covered were:

- Committee Role and Pension Legislation
- Pensions Governance
- Pensions Administration
- Pensions Accounting and Audit Standards
- Procurement and Relationship Management
- Investment Performance and Risk Management
- Financial Markets and Product Knowledge
- Actuarial Methods, Standards and Practices

Key Findings of the Training Needs Analysis

- All the Pension Fund Committee and Local Pension Board members carried out the assessment. Oxfordshire was one of only 2 funds with 100% engagement from a total of 16 funds;
- The Board outscored the Committee in all 8 areas, reflecting the fact that the Board has a greater percentage of longer serving members, as well as the Independent Chair who is the Head of Pensions at the Gloucestershire Fund. The area of greatest divergence was in relation to 'Pensions Administration', where the Board scored 30% higher than the Committee. The overall scores for the Board and Committee were 74% and 56% respectively.
- The areas of 'Investment Performance and Risk Management' and 'Pensions Accounting and Audit Standards' were the lowest scoring for both the Committee;
- Each member of the Committee and Board was given an individual score and assessment, enabling better targeted training.

<u>**Training Plan 2023-24**</u>

Hymans Robertsons – LGPS Online Learning Academy (LOLA)

All members of the Pension Fund Committee and the Local Pension Board to undertake all 6 modules of the LGPS Online Learning Academy. The modules cover the following topics:

- An introduction to LGPS oversight bodies, governance, legislation and guidance;

- LGPS administration, including policies and procedures, pension fund auditing;
- LGPS valuations, funding strategy and LGPS employers;
- Investment strategy, pooling and responsible investment;
- Performance monitoring and procurement;
- Current issues in the LGPS.

This training is highly recommended for all Committee and Board Members.

Hymans are to release a new version of LOLA in February 2023 and Committee and Board members are recommended to complete all modules during the course of the year.

Business Plan and Current Issues Training

Additional planned training for the year will include:

- A training workshop on the Oxfordshire Pension Fund Accounts & Audit Standards – date to be confirmed;
- The Committee and the Local pension Board have also identified additional training needs regarding McCloud and the Pensions Regulator's new General Code of Practice (formerly Single Code of Practice).

Individual Training for Committee and Board Member

All members can arrange to meet with fund officers to discuss their individual training needs. Based on this meeting, an individualised training plan can be developed to best suit each individual member.

External Training

Training	Dates
CIPFA: 1. LGPS Local Pension Board Members Annual Event 2023 2. Introduction to the LGPS	 18th May 2023 September 2023(Exact date TBC)
Local Government Association: LGPS Fundamentals Training for newly Elected Members.	 TBC – 3 days

LGA Annual Conference (Bournemouth)	4-6 July 2023 Link: LGA Annual Conference 2023 | Local Government Association
PLSA Conference	26-28 June 2023 (Gloucestershire)
LAPF Strategic Investment Forum	4-6 July 2023 (Hertfordshire)
LAPFF Annual Conference	6-8 Dec 2023 (Bournemouth)
The Pensions Regulator's Public Service Toolkit	The Pensions Regulator offers online training consisting of seven separate modules which support the Code of Practice No 14 guidance. The toolkit can be accessed using the following link: https://education.thepensionsregulator.gov.uk/login/

Division(s): n/a

ITEM

PENSION FUND COMMITTEE – 3 MARCH 2023

RISK REGISTER

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the latest risk register and agree that the risk register covers all key risks to the achievement of their statutory responsibilities, and that the mitigation plans, where required, are appropriate.**

Introduction

2. Previously, the Committee has agreed that the risk register should form a standard item for each quarterly meeting. A copy of the report also goes to each meeting of the Pension Board for their review. Any comments from the Pension Board are included in their report to this meeting.

3. The risk register sets out the current risk scores in terms of impact and likelihood, and a target level of risk and a mitigation action plan to address those risks that are currently not at their target score. This report sets out any progress on the mitigation actions agreed for those risks not yet at target and identifies any changes to the risks which have arisen since the register was last reviewed.

4. A number of the mitigation plans are directly linked to the key service priorities identified in the Annual Business Plan. This report should therefore be considered in conjunction with the business plan report elsewhere on this agenda.

Comments from the Pension Board

5. At their meeting on 20 January 2023, the Pension Board considered the latest risk register and there were no comments to feedback.

Latest Position on Existing Risks/New Risks

6. Risk 15 is in relation to Fund officers having sufficient skills and knowledge to carry out their roles effectively. Unfortunately, the Fund are still struggling to ensure that posts are adequately graded and are consistent with other LGPS funds. The consequence of this is that it is negatively affecting the recruitment and retention of good staff. The Fund are working closely with HR, but are constrained by local authority practices. This problem is an industry-wide issue, which will require a particular focus, due to Central Governments requirement

for Funds to produce a Workforce Strategy as part of the 'Good Governance' Project, sometime during 2023. The risk rating remains a high-risk Red 12.

7. Five other risks on the current risk register remain at Amber. Two of the Amber risks relate to the skills and knowledge of the Pension Fund Committee and the Local Pension Board. Both the Committee and Board members have completed the National Knowledge Assessment and the results were presented to the last meeting of this Committee meeting, which noted that the Oxfordshire Fund combined score ranked first amongst the Fund's which completed the Assessment. Elsewhere on today's agenda the new training plan is presented which seeks to address the key gaps in the skills and knowledge of the Committee and Board members.

8. Actions are set out in the risk register for the other three risks which are still assessed as Amber, namely:

    a. Risk 16 – Key System Failure.
    b. Risk 17 – Breach of Data Security.
    c. Risk 21 - Insufficient Resource and/or Data to comply with consequences of McCloud Judgement

9. A new column has been added to the risk register to clearly identify which scheme the risk relates to, i.e., LGPS or the Fire Service Pension Scheme.

10. There has been very little change to the risk register this quarter.

Lorna Baxter
Director of Finance

Contact Officer: Mukhtar Master
Tel: 07732 826419

February 2023

Risk Register

Identification of Risks:

These are the risks that threaten the achievement of the Pension Services objectives. Risks have been analysed between:

- Funding, including delivering the funding strategy;
- Investment;
- Governance
- Operational; and
- Regulatory.

Key to Scoring

	Impact	Financial	Reputation	Performance
5	Most severe	Over £100m	Ministerial intervention, Public inquiry, remembered for years	Achievement of Council priority
4	Major	Between £10m and £100m	Adverse national media interest or sustained local media interest	Council priority impaired or service priority not achieved
3	Moderate	Between £1m and £10m	One off local media interest	Impact contained within directorate or service priority impaired.
2	Minor	Between £100k and £500k	A number of complaints but no media interest	Little impact on service priorities but operations disrupted
1	Insignificant	Under £100k	Minor complaints	Operational objectives not met, no impact on service priorities.

Likelihood

4	Very likely	This risk is very likely to occur (over 75% probability)
3	Likely	There is a distinct likelihood that this will happen (40%-75%)
2	Possible	There a possibility that this could happen (10% - 40%)
1	Unlikely	This is not likely to happen but it could (less than 10% probability)

RAG Status/Direction of Travel

	Risk requires urgent attention
	Risks needs to be kept under regular review
	Risk does not require any attention in short term
↑	Overall Risk Rating Score is Increasing (Higher risk)
↔	Risk Rating Score is Stable
↓	Overall Risk Rating Score is Reducing (Improving Position)

Ref	Risk	Scheme	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
								Impact	Likelihood	Score				Impact	Likelihood	Score		
1	Investment Strategy not aligned with Pension Liability Profile	LGPS	Investment	Pension Liabilities and asset attributes not understood and matched.	Long Term - Pension deficit not closed.	Service Manager	Triennial Asset Allocation Review after Valuation.	4	1	4	↔			4	1	4	March 2023	At Target
2	Investment Strategy not aligned with Pension Liability Profile	LGPS	Investment	Pension Liabilities and asset attributes not understood and matched.	Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	4	1	4	↔			4	1	4	March 2023	At Target
3	Investment Strategy not aligned with Pension Liability Profile	LGPS	Investment	Poor understanding of Scheme Member choices.	Long Term - Pension deficit not closed. Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	3	1	3	↔			3	1	3	March 2023	At Target
4	Under performance of asset managers or asset classes	LGPS	Investment	Loss of key staff and change of investment approach at Brunel or underlying Fund Managers.	Long Term - Pension deficit not closed.	Financial Manager	Quarterly assurance review with Brunel. Diversification of asset allocations.	3	2	6	↔			3	2	6	March 2023	At Target
5	Actual results vary to key financial assumptions in Valuation	LGPS	Funding	Market Forces	Long Term - Pension deficit not closed.	Service Manager	Actuarial model is based on 5,000 economic scenarios, rather than specific financial assumptions.	3	2	6	↔			3	2	6	March 2023	At Target
6	Under performance of pension investments due to ESG factors, including climate change.	LGPS	Investment	Failure to consider long term financial impact of ESG issues	Long Term - Pension deficit not closed.	Financial Manager	ESG Policy within Investment Strategy Statement requiring ESG factors to be considered in all investment decisions. The Fund have a Climate Change Policy and implementation plan.	4	1	4	↔			4	1	4	March 2023	At Target.

Ref	Risk	Scheme	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
								Impact	Likelihood	Score				Impact	Likelihood	Score		
7	Loss of Funds through fraud or misappropriation.	LGPS	Investment	Poor Control Processes within Fund Managers and/or Custodian	Long Term - Pension deficit not closed	Financial Manager	Review of Annual Internal Controls Report from each Fund Manager. Clear separation of duties.	3	1	3	↔			3	1	3	March 2023	At Target
8	Employer Default – LGPS	LGPS	Funding	Market Forces, increased contribution rates, budget reductions.	Deficit Falls to be Met by Other Employers	Pension Services Manager	All new employers set up with ceding employing under-writing deficit, or bond put in place.	3	2	6	↔			3	2	6	March 2023	At Target
9	Inaccurate or out of date pension liability data	LGPS	Funding	Late or Incomplete Returns from Employers	Errors in Pension Liability Profile impacting on Risks 1 and 2 above.	Pension Services Manager	Monitoring of Monthly returns	3	1	3	↔			3	1	3	March 2023	At Target
10	Inaccurate or out of date pension liability data from Employer	LGPS	Operational	Late or Incomplete Returns from Employers	Late Payment of Pension Benefits.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	3	1	3	↔			3	1	3	March 2023	At Target
11	Inaccurate or out of date pension liability data from Employer	LGPS	Operational	Late or Incomplete Returns from Employers	Improvement Notice and/or Fines issued by Pension Regulator.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	4	1	4	↔			4	1	4	March 2023	At Target
12	Insufficient resources from Committee to deliver responsibilities-	LGPS	Operational	Budget Reductions	Breach of Regulation	Service Manager	Annual Budget Review as part of Business Plan.	4	1	4	↔			4	1	4	March 2023	At Target
13	Insufficient Skills and Knowledge on Committee	LGPS	Operational	Poor Training Programme	Breach of Regulation. Loss of Professional Investor Status under MIFID II	Service Manager	Training Review	4	2	8	↔	Implement new training plan 23/24	April 2023	4	1	4	March 2023	Reviewed in light of second set of National Knowledge Assessment scores at December 2022 Committee.
14	Insufficient Skills and Knowledge amongst Board Members	LGPS	Operational	Turnover of Board membership	Insufficient Scrutiny of work of Pension Fund Committee leading to Breach of Regulations	Service Manager	Training Policy	4	2	8	↔	Implement new training plan 23/24	April 2023	4	1	4	March 2023	Reviewed in light of scores from second National Knowledge Assessment.

Ref	Risk	Scheme	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
								Impact	Likelihood	Score				Impact	Likelihood	Score		
15	Insufficient Skills and Knowledge amongst –	LGPS	Operational	Poor Training Programme and/or high staff turnover. Pay grades not reflecting market rates and affecting recruitment and retention.	Breach of Regulation,Errors in Payments and ineffective scheme member engagement. Inability to effectively meet RI and Climate related objectives.	Service Manager	Training Plan. Control checklists. Use of staff from 3rd party agencies	3	4	12	↔	Complete recruitment/procurement of additional staff. Urgent piece of work with HR to support payment of Market Supplements and ensuring appropriate pay grades for new posts – pending the Workforce Strategy required next year as part of the ‘Good Governance’ Project from Central Government.	April 2023	3	1	3	March 2023	Proposed Business Plan for 2023/24 depends on appointment of a number of new posts.
16	Key System Failure	LGPS	Operational	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme, and Cyber Security Policy	4	2	4	↔	Complete Actions identified in review of approach to Cyber Security	April 2023	4	1	4	March 2023	Review in light of first annual report presented to the March 2023 Committee.
17	Breach of Data Security	LGPS / FPS	Operational	Poor Controls	Breach of Regulation, including GDPR	Pension Services Manager	Security Controls, passwords etc. GDPR Privacy Policy and Cyber Security Policy.	4	2	4	↔	Complete actions identified in review of approach to Cyber Security. Review the Fund Breaches Policy.	April 2023	4	1	4	March 2023	Review in light of first annual report presented to the March 2023 Committee
18	Failure to Meet Government Requirements on Pooling	LGPS	Governance	Inability to agree proposals with other administering authorities.	Direct Intervention by Secretary of State	Service Manager	Full engagement within Brunel Partnership	5	1	5	↔	Review once Government publish revised pooling guidance.	TBC	5	1	5	March 2023	At Target
19	Failure of Pooled Vehicle to meet local objectives	LGPS	Investment	Sub-Funds agreed not consistent with our liability profile.	Long Term - Pension deficit not closed	Service Manager	Full engagement within Brunel Partnership	4	1	4	↔		On-going	4	1	4	March 2023	At Target

Ref	Risk	Scheme	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
								Impact	Likelihood	Score				Impact	Likelihood	Score		
20	Significant change in liability profile or cash flow as a consequence of Structural Changes	LGPS	Funding	Significant Transfers Out from the Oxfordshire Fund, leading to loss of current contributions income.	In sufficient cash to pay pensions requiring a change to investment strategy and an increase in employer contributions	Service Manager	Engagement with key projects to ensure impacts fully understood	4	1	4	↔	Need to Review in light of current Government consultation to switch HE and FE employers to Designating Bodies, and potential reclassification and introduction of a Government guarantee.	TBC	4	1	4	March 2023	At Target
21	Insufficient Resource and/or Data to comply with consequences of McCloud Judgement & Sergeant.	LGPS / FPS	Operational	Significant requirement to retrospectively re-calculate member benefits	Breach of Regulation and Errors in Payments	Pension Services Manager	Engagement through SAB/LGA to understand potential implications and regular communications with scheme employers about potential retrospective data requirements.	4	3	12	↔	Signed up with the LGPS Framework. Now in procurement process to get additional resource to support the McCloud Project. Review resources for FPS	On-Going	2	2	4	March 2023	Awaiting Government response to consultation exercise on new Regulations to assess full impact.
22	Legal Challenge on basis of age discrimination in Firefighters Pension Schemes - Sergeant	FPS	Governance (FPS)	Pressure from Fire Brigades Union to act in advance of new Regulations	Court Order to deliver remedy	Deputy Chief Fire Officer	Seeking to follow consistent approach in line with Scheme Advisory Board guidance.	4	1	4	↔			4	1	4	March 2023	At Target.
23	Loss of strategic direction		Governance	Loss of key person	Short term lack of direction on key strategic issues	Director of Finance	Governance & Communications Manager has started and as a consequence provides resilience to the team.	2	1	2	↔			2	1	2	March 2023	At Target.

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Division(s): n/a

PENSION FUND COMMITTEE – 3 MARCH 2023

REVISED COMMUNICATIONS POLICY & MEMBER ENGAGEMENT REVIEW

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to**
   a) **approve the revised Communications Policy,**
   b) **note the outcome of the Member Engagement Review carried out by the Governance and Communications Team and**
   c) **ask Officers to develop an implementation plan based on the outcome of the Member Engagement Review.**

Introduction

2. Regulation 61 of the Local Government Pension Scheme Regulations 2013 sets out the administering authority's policy requirements concerning communications with members and Scheme employers. Specifically, it states that 'an administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with members, representatives of members, prospective members and Scheme employers.

3. Furthermore, the policy must set out the following:

   i) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
   ii) the format, frequency and method of distributing such information or publicity; and
   iii) the promotion of the Scheme to prospective members and their employers.

   The current Communications Policy for the fund can be found on the website here:

   CommunicationPolicy (oxfordshire.gov.uk)

4. The fund Communications Policy was last reviewed and refreshed in 2019. It is good practice to review all policies regularly. This policy has been reviewed as set out at **Appendix 1**.

5. The review of the policy just refreshes it to reflect current practice and agreed arrangements. It is worth noting that the annual 'Employer Forum' has not happened over the last few years, mainly due to Covid. However, the forum will

be re-instigated in 2023, with a provisional date of December 2023. The Communications Manager will facilitate and lead the organisation of the event.

MEMBER ENGAGEMENT REVIEW FINDINGS

6. It was decided to structure the Member Engagement Review to cover 3 particular aspects:
   a) What is currently in place;
   b) What has been tried previously;
   c) New ideas to improve member engagement.

7. What is currently in place:

Engagement Activity	Target Audience	Comments
Reporting Pensions – quarterly newsletter	Actives	Sent by email and post and via employers
Annual benefit statement plus notes	Actives and Deferred	
Annual Deferred newsletter (in collaboration with other Funds)	Deferred	
Annual Pensioner newsletter	Pensioners	
Member talks	Actives	Arranged by employer but advertised in member newsletter.
My Oxfordshire Pension	Actives, Deferred and Pensioners	Those who have signed up
Use of Altair email tool	Actives, Deferred and Pensioners	Those with email address
Use of Gov.UK Notify email tool (Bulk Email)	Actives, Deferred and Pensioners	Those with email address
Annual activation codes mailing	Actives, Deferred and Pensioners	For those who have not chosen a communication method.
Partnership working with other funds – Oxfordshire is represented on: Communications working group (LGA) Joint communications working group	N/A	Ensures our communications and engagement practices are in line with standards across the LGPS.
Translation services	Actives, Deferred and Pensioners	Invoiced to employer
Oxfordshire Pension Fund Website	Everyone	

8. What has been tried previously.

Various activities have been tried previously to try and improve engagement with all types of members and potential member. These include:

- Survey – sent to members at the end of a transaction by email
- Pension Attention campaign – national campaign (Oct 22)
- Updating and modernising member newsletter - Reporting Pensions (2020);
- Encouraging employers to better engage with their members;
- Ensuring accessibility using the latest WCAG (Web Content accessibility Guidance);
- Formal "Plain English" training undertaken and principles applied to all new letters produced by the team;
- Undertaken a 'survey' of employers to ensure that the most appropriate means of communications is used to target members who may have difficulties accessing their pension information;
- Offered pension surgeries, talks and seminars free of charge
- Use of the LGA's resources such LGPSMember.org and videos;
- Relaunched member webpages – making it a more logical 'member journey' and easier to understand.
- Offered support and contribution for member induction sessions and retirement training
- Engagement has been added to agendas on both national and local Communications Working Groups as all authorities are facing the same engagement challenges.

9. New Ideas to Improve Member Engagement.

Ease of Access • Introducing QR codes – take members directly to the correct page. On letters and newsletters and leaflets • Webinars on common subjects • Improvement of current website for ease of access;
Board Member Representative Engagement Board Member Representatives providing feedback and information from the Local Pension Board to fund members. This can be facilitated through contributions to the various member newsletters that go out throughout the year.
Effective Targeting

- Text messaging through Gov.UK Notify –evidence suggests that Generation Z (born 1997-2012) do not use personal email as much, or in the same way that older cohorts do .
- Proactively collecting email addresses and mobile numbers to use for targeting members. These data items are not currently collected for all members;
- Breaking down membership by various demographics so we could target our comms eg
  - age bands,
  - gender,
  - post SPA,
  - paying AVCs,
  - 50/50,
  - underpensioned segments where we can identify this eg part timers, multiple job holders
- Working closer with the unions;
- Establishing a member panel to discuss and review improvements and changes to scheme member engagement;

Use of Social Media or other technologies

- Better use of analytics from My Oxfordshire Pension and the fund website;
- Use of Linkedin – another channel for engagement;

Future/Aspirational

- Use of a Chatbot – chatbots are programs built to automatically engage with received messages. It can be used to filter and signpost members to the right information/place. The Chatbot would be available from out website, My Oxfordshire Pension and a link on email/other communications;
- Benchmarking against other 'good' performing funds regarding scheme member engagement.
- Use of fund created media such as videos eg. Videos on understanding your benefits statement or the 'retirement process'.

10. There can be many barriers to engagement for a member:

i) Apathy – generally until members are in their 50s;
ii) Pensions can seem daunting, particularly for those with limited knowledge;
iii) Pensions are less pressing or demanding compared to other aspects of finance, such as bank accounts;
iv) Pensions for deferred members are in effect frozen and hence less relevant;
v) Missing email addresses on Altair; and
vi) Employers – busy, stressed, for most it's less than 5% of their day job, and with huge increase in number of employers, pension knowledge is very diluted.

11. In conclusion, the fund are doing and have also tried much to ensure that effective communications are maintained with all members of the fund. This review has identified a number of 'new' methods of engagement which may provide improved outcomes. If the outcome of the review is agreed – an implementation plan will be developed to deliver the recommended approach.

Lorna Baxter
Director of Finance

Contact Officer: Mukhtar Master
Tel: 07732 826419 March 2023

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Oxfordshire Pension Fund
www.oxfordshire.gov.uk/pensions

APPENDIX 1

Oxfordshire Pension Fund

Communication Policy Statement

Version: 2023

Introduction

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

Purpose

2. This policy sets out the Oxfordshire Pension Fund's approach for its communications with members and Scheme Employers.

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

   - Active members
   - Deferred members, and
   - Pensioner members
   - Pensioner credit members

4. Scheme Employers, as defined within the regulations, including Teckal companies:

   - Statutory Scheduled Bodies such as the County and District Councils, Colleges of Further Education and Oxford Brookes University; Academies
   - Designating Bodies, including the Town and Parish Councils
   - Admission Bodies, where the Pension Fund Committee have granted scheme admission within the terms of Part 3 Schedule 2 of the Regulations

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

Aim

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

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

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

Communication Policy

9. The LGPS is supported nationally by websites and guidance for both employers and scheme members. Our Fund communications will reference these national resources as well as material provided by the Fund's advisors.

10. Local communications, intended audience, publication media and frequency are explained in the annex to this policy, which should be read in conjunction with the Administration Strategy.

11. The Fund will aim to use national resources in a way which will avoid duplication with the Fund's own resources. Oxfordshire Pension Fund supports those national developments financially and by active engagement with the working group which concentrates on member communications. The Fund will continue to support collaboration and development of communication media with other administering authorities.

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

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

14. The Fund maintains a dedicated area of the website to provide resources and information about investments activity.

15. Member Self Service (My Oxfordshire Pension) using a secure online web portal hosted by Aquila Heywood, is available for the whole membership. Registered members can a) look at generic scheme information b) view personal correspondence such as letters and annual benefit statements c) run their own personalised calculations and d) keep their personal details up to date.

16. The Fund uses secure email, or My Oxfordshire Pension to communicate with members wherever possible, with paper letters only being sent on specific request or where no email address is available.

17. My Oxfordshire Pension is now integrated with most standard work processes.

18. Mailshots aimed at increasing take up of My Oxfordshire Pension across all membership groups are undertaken annually.

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

20. The fund informs members and Scheme Employers of material changes to the Scheme via the website, email alerts or the appropriate newsletter.

21. The Fund aims to produce communications which are factual, easy to understand and accessible.

22. The Fund strives for efficiency in delivering communications through better use of technology, whilst ensuring that the needs of all stakeholders are taken into account.

23. The Fund strives to continually improve member and employer engagement.

Review of the Policy

24. We will undertake annual reviews of the Communication Policy considering feedback invited at meetings, training, via the survey and through monthly newsletters.

Annex A

Fund Publications

	Available to:	Media	Frequency
Pension Fund Report & Accounts	Scheme employers Pension Fund Committee MHCLG Scheme members	Website Paper on request Email on request 'My Oxfordshire Pension'	Annual
Annual Benefit Statement	Scheme members	Paper on request 'My Oxfordshire Pension'	Annual
Newsletter – Members	Active Scheme members,	Website Paper on request Email (assisted by employers) 'My Oxfordshire Pension'	Quarterly
	Deferred	Website Paper on request 'My Oxfordshire Pension'	Annual
	Pensioner members	Website Paper on request 'My Oxfordshire Pension'	Annual to tie in with pensions increase notification
Newsletter - Employers	Scheme employers	Email	Monthly
P60	Pensioner members	Paper on request 'My Oxfordshire Pension'	Annual
Payslip	Pensioner members	Paper on request 'My Oxfordshire Pension'	Posted where variance is >£1 Monthly on 'My Oxfordshire Pension'

	Available to:	Media	Frequency
Guides for New Employers	Scheme employers	On line employer toolkit, includes essential guidance for new employers Paper on request Email on request	As required

Meetings and forums

Meeting Type	Available to:	Purpose of meeting	Frequency
Employer Forum	Scheme employers	Review of topical issues in fund investment and scheme administration affecting fund employers and members benefits	Annual
Employer User Group	Scheme employers	Review administration, regulation changes, share experience with peer group	Twice yearly
Intro to LGPS Training	Scheme employers	Brief course to cover the statutory employer role and regular returns	4 per year or as required
Ad hoc training	Scheme employers	Cover specific subjects for either single employer or a group of employers	By appointment
Presentations	Scheme members Scheme employers		By appointment
Attendance at employer pre-retirement seminars or new member/ employee inductions	Scheme members		By appointment
One to one meeting	Scheme members		By appointment

Oxfordshire Pension Fund
www.oxfordshire.gov.uk/pensions

Other Services

Telephone helpline to Pension Services (Low call rate) Pensioner payroll enquiry help line Employer helpline
Dedicated email addresses to Pension Services Member and employer enquiries Dedicated email address for employer monthly returns
‘My Oxfordshire Pension’ web portal dedicated telephone help line
Oxfordshire Pension Fund website (promoted in our publications above)
National websites (promoted in our publications above)
Customer service survey (sent to members at the end of transactions)

*”Scheme members” unless otherwise described includes prospective members, active members, deferred members, pensioners and members’ representatives.

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PENSION FUND COMMITTEE – 03 MARCH 2023

ADMINISTRATION REPORT

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to

a) Approve the increase in establishment of two administrator posts
b) Comment on changes to way in which performance information is presented and what other information should be included
c) Confirm whether this committee would like to receive a copy of the fire administration report to the fire pension board minutes with this report
d) Confirm if the proposed changes to the nomination process is acceptable
e) Confirm if the proposed changes to the recovery of overpayments in cases where the pensioner has died, is acceptable

Introduction

1. This report updates the Committee on the key administration issues including the iConnect project, service performance measurement and any write offs agreed in the last quarter.

Administration

Staffing

2. Members will be aware that the advertisement using the LGPS national framework failed to attract any response. An advertisement for temporary staff was immediately put out and to date has attracted several candidates with some pension experience. The first successful candidate has started working in the benefit administration team and interviews are taking place for two roles in the employer team to start work on the McCloud data.

3. As there has been some internal movements the overall staffing structure has been reviewed / tidied up. The employer team is seeking approval to increase the establishment by two administrator posts to strengthen the team ahead of OCC going live on i-connect and to support the current and pending changes to process to ensure that the incoming employer data is reviewed and managed in a proactive and timely way.

4. There is also on-going recruitment in the benefit administration team to fill the two remaining permanent posts of administrator and administration assistant.

5. In reviewing the overall team

- The overall fifth senior administrator post (benefit administration) is being held pending a review of the effect of the recent changes to team structure. 1 FTE.
- The communications manager has moved under governance structure. 0.54 FTE
- Administrator posts deleted from systems team. 0.50 FTE, and
- Office administrator post deleted 1 FTE

6. It should also be noted that there are some continuing individual issues of under performance in the team which are being actively managed.

A copy of the establishment can be found at annex 1.

<u>Performance Statistics</u>

7. This quarter the information below has been updated to give a better overview of the current progress as information is received and vetted. The committee's comments on these changes would be appreciated.

8. The incoming returns for any given month are due in by the 19th of the following month and then due to be cleared by the 19th of the month after this. During the period November 2022 – January 2023 There were 21 returns made after deadline. Of these 19 have now been received. The two outstanding returns are for KGB Cleaning, which we understand was due to a change in their staffing (where we hadn't been notified) so that emails were not being received and Aspens who have not yet responded to any communications. In both cases fines have been levied and cases escalated.

9. The ongoing improvements in reporting now enable the team to identify which employers are consistently late in making their returns and by how many days which will mean that fines can made immediately, and the escalation process will be more proactively managed. This information will be provided to committee on a quarterly basis from April 2023.

10. As of January 2023 84.1%, of the incoming returns have been vetted in line with the SLA which leaves 15.9%* of the returns being vetted outside of that standard. This backlog continues to reduce, and the aim is that all will be in specification by 19 April 2023.

* for comparison the number of returns not vetted at January 2022 was 32.30%.

11. During the period 01 November 2022 to 31 January 2023, 2,009 cases were completed. Of these 30 % were completed out of specification as the team work through the backlog. There are currently 1,329 open cases of which 449 are out of SLA which equates to 33.78% (down from 64.4% in December 2022).

12. There are no outstanding admission cases.

13. Since March 2022 this committee expected that the standard SLA, for benefit administration, would be used for performance measurement, although it was acknowledged that additional resources may well be required to meet normal SLA. The current statistics below are showing the progress towards meeting SLA.

	SLA Overall %	Statutory Overall %	Total Cases Completed	Total of Open Cases
December	85.01	82.03	1316	
January	85.54	90.75	1363	
February	87.01	78.83	1490	
March	88.67	94.69	1892	
April	82.67	93.50	1274	1800
May	81.53	95.80	1795	1559
June	85.86	96.24	1559	1197
July	93.07	97.94	1508	1200
August	89.66	98.72	1374	2383
September	90.78	95.28	1313	2680
October	85.60	96.19	1531	3310
November	83.35	94.73	1898	3055
December	83.09	94.50	1721	2626
January	85.15	94.24	1723	2990

14. The fluctuation in completion rates, during the last quarter, is due to several factors: the team is still carrying vacancies; on-going training; individual performance; annual leave and sickness.

15. In terms of the number of open cases the sheer volume of leavers and re-employments to be processed is a constant challenge. There are currently 696 cases in backlog to be cleared ahead of the next annual benefit statements being issued.

16. The open cases include the number of cases in pending waiting further information. This information has not been able to be reported on previously but in January there were 451 cases where further information has been requested. This reporting is still being developed and the intention is to give more information as this happens.

Complaints

17. For the year 2022/2023 the team has received 21 informal complaints to date. Several of the complaints are on the same subject, detailed below, whereas the remainder are more specific individual queries.

- Having to give 3 months’ notice of intention to take pension (regulatory requirement)
- Delay in payment as final pay information is not received until after member has left.

- Not being regularly updated of progress with case
- Trivial commutation of pensions
- Additional contributions
- Member didn't understand automatic aggregation and is unhappy with records being merged.

18. To address these issues the following actions have been taken:

    - Telling members about requirement to give 3 months' notice of intention to take benefits – making sure this is regularly and clearly communicated.
    - Introduction of a form to enable scheme employers to confirm final pay information ahead of the i-connect submission for people who are retiring.
    - Working with team members to improve customer service by updating members more regularly
    - Change to process for trivial commutation.

19. In addition, there are the formal complaints received by the fund. Depending on the nature of the complaint, and who made the original decision the stage 1 complaints will either be dealt with by the scheme employer, or the fund. However, all stage 2 complaints are dealt with by the Head of Pensions.

20. To date thirteen formal complaints have been received during current year. Three complaints related to release of benefits on grounds of ill-health, which the scheme employer reviewed at stage 1. Three complaints have been referred to stage 2 and in two cases the Adjudicator has referred back to the scheme employer to review their processes.

21. The remaining applications covered:

    - Retrospective decision to link pension records
    - Interpretation of regulation 10 and years used for pension calculation
    - Request to retrospectively apply for scheme pays
    - Requirement for 3 months' notice to bring benefits into payment
    - Poor level of service, provision of incorrect information and delays in replying leading to loss of tax relief.
    - Refund rather than transfer of benefits

Fire Service

22. Statistics for the Fire Service are as follows:

	SLA Overall %	Total Cases Completed
January	98.61	29
February	100.00	39
March	99.31	56
April	97.78	47

May	77.46	65
June	91.67	46
July	91.11	37
August	100.00	21
September	84.68	35
October	94.02	52
November	84.43	43
December	85.68	35
January	98.61	23

23. As at the end of January there are 17 open cases.

24. Further information on the administration of the Fire Service Pension Schemes is included in the administration report to the Fire Service Pension Board, a copy of which can be found at annex 2

Data Quality

25. The team is continuing to work on data cleansing but no figures have been produced to update the information held against the standards.

Contribution monitoring

26. As previously highlighted in this report the two scheme employers who have not made contributions on time are KGB Cleaning and Aspens. Colleagues in the investment team are working with the employer to ensure that this is included in the chases and fines.

Projects

27. The work that has, so far been identified as project work is detailed below.

- Work has started on reviewing the death process which will include the review of the historic death cases where there is outstanding information which is needed to enable files to be finalised. Target date for completion – 31 May 2023

- This review of the death process has identified two areas where officers are seeking committee views:

    - The fund asks members to make and maintain an expression of wish form so that payment of the death grant can be made to their named beneficiaries. Despite best attempts many of these are not updated regularly which given the changes in relationships and families can result in work for the fund to gather information and delays in payment to the beneficiaries. The proposal is that if the nomination form has been completed 5 years, or less, before the date of death the death grant would automatically be paid to the nominated beneficiary thereby preventing delays in making payments. If the nomination form is older than this, then the current process of identify and verifying those with an interest in the death grant would be applied. If this is approved by members, then fund communication will be sent out.

- The second request to amend the process is that of recovery of over payments to deceased pensioners. At present recovery is made in all cases where the value of the over payment is more than £10.00. The proposed changes are:

Request Number	Escalation Level	Communication	Overpayment Amount	Details
1	Pension Services	Overpayment Letter	Minimum £25	No recovery for overpayment under £25 due to cost effective level (Mirrors DWP and is less than other Local Authority limits)
2	Pension Services	Overpayment Chase	Under £100	Send one chase letter and write off if no response by deadline
3	Invoice / OCC debt collection	Debt Collector	£100 - £250	Refer to debt collection in OCC to follow up via invoice etc. Close down after 'x' chases as HMRC will not seek tax collection on amounts under £250 and you don't need to report this due to administration costs
4	Small Courts	Letter	Over £250	Anything over £250 is classed as unauthorised payment under HMRC rules, so additional reporting and tax implications. For this reason, the amount and above deemed reasonable to pursue recovery via small courts
				PTM146300 - Other authorised payments: genuine errors: inadvertent payments of pension instalments or lump sums not exceeding £250 - HMRC internal manual - GOV.UK (www.gov.uk)

- AVC – a review of data held by Fund vs data held by Prudential is currently being undertaken.

- A2P – a revised project plan has been set out which will initially review the work already done on transfer out; interfund out and refunds. Existing workflow processes will then be amended so that the new process can be implemented by end of November 2022.

- This leaves three subjects - retirements, deaths and recalculations – to be reviewed and new workflow processes implemented. Work has started on death process which will be implemented by May 2023. Other dates have yet to be finalised.

- I-connect project for OCC onboarding – the main concern is the amount of manual intervention, by the IBC, has been addressed in part by software changes. The initial file reporting these is promising and after a final review of these the April go live will be confirmed.

Debt Management

28. Discussions with the OCC debt management team have moved on and it is anticipated that resource will be available from April 2023 for the team to pick up the debt recovery process.

29. As of 01 January, the total value of outstanding invoices amounted to £93,843.76, of which £92,381.90 is overdue. An update on this information will be provided at the meeting since work is in progress to review the information held.

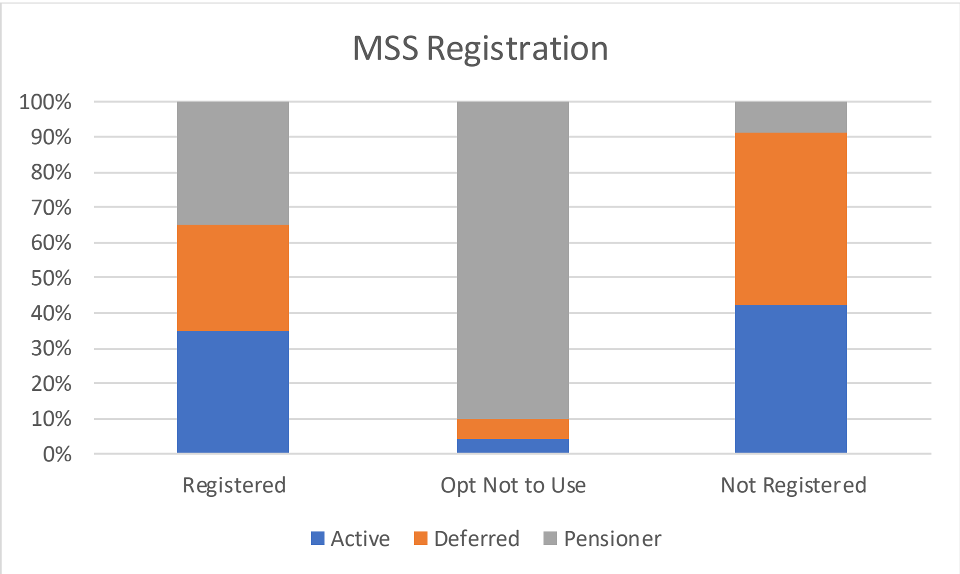
30. No payments were written off in the last quarter.

Data breaches

31. No data breaches have been reported.

Member Self - Service

32. The table below shows the latest information on members signing up to use member self-service.



Release of Ill-Health Pension

33. In line with the Scheme of Delegation, the Director of Finance has reviewed a case of ill-health for a deferred member whose ex-employer is no longer an active scheme employer.

34. The member became a deferred beneficiary in 2005. Following the review and independent medical assessment it was confirmed that benefits should be brought into payment from October 2022.

Contact Officer: Sally Fox - Pension Services Manager - Tel: 01865 323854
Email: sally.fox@oxfordshire.gov.uk February 2023

Employee		Grade	FTE - Budget	Actual Hours	Actual FTE	Plus / Minus
3260295		Manager	1.00	37.00	1.00	0.00
		Manager	1.00	37.00	1.00	0.00
3260296		Senior	1.00	37.00	1.00	0.00
3260301		Senior	1.00	37.00	1.00	0.00
		Senior	1.00	37.00	1.00	0.00
		Senior	1.00	37.00	1.00	0.00
3260315		Administrator	1.00	37.00	1.00	0.00
3260314		Administrator	0.43	20.00	0.54	0.11
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
	Vacancy	Administrator	1.00	37.00	0.00	-1.00
		Assistant	1.00	37.00	1.00	0.00
	Vacancy	Assistant	1.00	37.00	0.00	-1.00
			19.43	723.00	17.54	-1.89
3260297		Manager	1.00	30.00	0.81	-0.19
		Manager	1.00	30.00	0.81	-0.19
		Senior	1.00	32.00	0.86	-0.14
		Senior	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	32.00	0.86	-0.14
	Vacancy	Adminstrator	1.00	37.00	0.00	-1.00
	Vacancy	Administrator	1.00	37.00	0.00	-1.00
			10.00	346.00	7.34	-2.66
3260300		Manager	1.00	37.00	1.00	0.00
		Senior	1.00	23.00	0.62	-0.38
3260305		Senior	0.78	29.00	0.78	0.00
3260307		Administrator	0.54	18.00	0.49	-0.05
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	29.60	0.80	-0.20
		Administrator	1.00	23.50	0.64	-0.36
			6.32	197.10	5.33	-0.99
3260292	Sally Fox	Manager	1.00	37.00	1.00	0.00
			1.00	37.00	1.00	0.00
			36.75		31.21	-5.54

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FIREFIGHTERS PENSION BOARD – 31 JANUARY 2023

Administration

Staffing

1. The Fire Pensions team is fully staffed, but the Pensions team in general are carrying a number of vacancies.

2. As approved by the Pension Fund Committee, the appointment of 6 FTE to undertake project work and deliver work as set out in the business plan is underway as a procurement exercise via the National LGPS framework

3. One, newly appointed administration assistant stared work in November. The second candidate has withdrawn and so recruitment has re-started for this post. Two newly appointed administrators have joined the team in November.

Performance Statistics

	SLA Overall %	Total Cases Completed	Open Cases at end of month
January 22	98.61	29	14
February	100.00	39	21
March	99.31	56	27
April	97.78	47	29
May	77.46	65	32
June	91.67	46	25
July	91.11	37	22
August	100	21	26
September	84.68	27	44
October	94.02	52	29
November	84.43	43	22
December	85.68	35	17

4. Looking at the individual subjects at the end of December, 4 cases were out of specification. Training is ongoing for team members.

Complaints

5. No formal complaints have been received

Data Quality

Common Data 2022 figures

Scheme	Total records tested	Records without a fail	Pass Rate	TPR Pass Rate
090 + FIR	1624	1566	96.4%	96.9%

This compares to 2021 figures of 99.6% and TPR 97%

Scheme Specific Data 2022 figures

Scheme	Total records tested	Records without a fail	Pass Rate
090 + FIR	2503	2080	96.56%

This compares to 2021 figures of 95.8%

These figures have been reported to the Pension Regulator for the return due in November 2022.

Projects

6. The work that has, so far been identified as project work is:

- Age Discrimination Remedy – work is ongoing on this. Immediate Detriment quotes continue to be provided where member has formally resigned. Quotations are provided within the framework timeline of 62 days of receipt. Estimates for retirements after the proposed remedy date, or if no formal resignation has occurred are being provided using current regulations only.
- On-Call Second options exercise – preparations are underway for this exercise to identify eligible employees. Consultation will take place, with Regulations expected to be issued and actionable within the same timeframe as the remedy exercise. A working group will be established to look at the eligible group and to collate data / undertake an address tracing exercise if required for former employees.
- Pension Dashboards – officers are attending webinars and reviewing requirements for the dashboard programme
- Technology review. A report was submitted to the December Pension Fund Committee to agree the extension of the current system contract for 5 years

from the summer of 2024. A full procurement exercise will be run at the end of the agreed extension

- The I-connect project is in the final stages for the LGPS. IBC have indicated that there will be a charge for configuring the extract for Fire Pension Scheme members. We are in discussion with OCC and IBC regarding improvements to the data submitted each month as an alternative to developing the I-Connect extract.

7. **Cyber security review –**

A commercially sensitive, exempt report was submitted to the December Pension Fund Committee to update members on the certification held by software suppliers to the Fund.

Suppliers were asked to provide documentation to confirm that they met the standards detailed below.

The Standards

- During more recent procurement exercises the focus has been on ensuring that any tenders are compliant with ISO 27001 to ensure that any company meets standards set by OCC ICT.

- ISO 27001 is a framework for managing IT security and sets out the specification for an information security management system (ISMS) that helps keep consumer data safe. Following the completion of an audit, an organization can be ISO 27001 certified by an auditor. There are 114 controls in total among 14 categories, and the ISO 27001 Security Standard requires that you assess your organization, your data, and your information security management system, implementing the controls that make sense for your business.

- ISO/IEC 27002:2022 is an information security standard published by the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). ISO 27002 has a close association with ISO 27001. Broadly speaking, it gives guidance on implementing an ISO 27001 ISMS.
- ISO/IEC 27002 provides a reference set of information security, cyber security and privacy protection controls, including implementation guidance based on internationally recognised best practices.
- While ISO 27002 is not a certifiable standard by itself, compliance with its information security, physical security, cyber security and privacy management guidelines brings your organisation one step closer to meeting ISO 27001 certification requirements.

Conclusion

- Whilst ensuring compliance with ISO standards during more recent procurement exercises this has not always been the case, which is underlined by the lack of documentation in some areas.

- Equally whilst having ensured this information is, in most case, in place there hasn't been a robust process of requesting or checking compliance reports. To correct this officers will request information from all third party providers on an annual basis, which can then be reviewed in conjunction with ICT.

- A report will be made to the March committee to bring together all of the information gathered to date. This will then become an annual update.

Data breaches

8. No data breaches

9. Member self-services sign up

1992 / 2015 Scheme

	Registered	Percentage registered	Number Opting not to use	Percentage opting not to use
Active	86	86.00	0	0
Deferred	33	73.33	0	0
Pensioner	208	63.03	97	29.39

2006 / 2015 Scheme

	Registered	Percentage registered	Number Opting not to use	Percentage opting not to use
Active	228	49.14	1	0
Deferred	393	52.26	4	0.86
Pensioner	61	82.43	11	14.86

Contact Officer: Sally Fox - Pension Services Manager - Tel: 01865 323854
Email: sally.fox@oxfordshire.gov.uk January 2023

PENSION FUND COMMITTEE – 03 MARCH 2023

CYBER SECURITY REPORT

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to

a) To review this report and determine any further actions to be taken
b) To confirm that this report is to be produced on an annual basis
c) To decide if pension specific fund penetration testing should be carried out

Introduction

1. This report reviews the actions taken to date and sets out future plans to review and update the fund's cyber security.

Initial Review

2. In May 2022 the fund's actuaries Hyman Robertson carried out a review of the fund's cyber risk prevention and response approach. Following a review of the documents provided a workshop was held to:

- Explore participants' current understanding of the fund's business continuity plan in the event of a cyber incident, and
- Explore the policies and procedure in place which are designed to reduce the likelihood or impact of a cyber event occurring.

3. The findings and actions from this meeting were:

- To consider updating the business continuity plan to provide more explicitly for cyber-attack.
- Council policies contained many basic cyber controls, but these were not always acknowledged as part of the fund's cyber response.
- Protections provided by the Council's Information and Technology Management were not always clearly documented or acknowledged as part of the fund's cyber response.
- Determine what additional reporting, or assurance is available from the Council's Information and Technology Management relating to their actions to safeguard systems and monitor suppliers.
- The fund should consider improving restricted access to information and reduce key man risk in relation to systems knowledge.

- Regular meetings to be arranged with the Council's Information and Technology Management team.
- The fund to review its compliance with relevant policies and take steps in relation to information access management and systems training.
- Regular review of the fund's risk register should include consideration of the impact of the completion of these actions.

4. Hymans Robertson produced a further, more detailed report, in July 2022. A report and this document from Hymans Robertson were included on the agenda in September 2022, which set out the following actions to be taken:

   - Update team of policy champion role.
   - Include a standard agenda item at team meeting for policy updates / queries.
   - Document specific training sessions
   - Schedule an interim review of the asset register
   - Continue discussions with Heywood and ICT to move to single sign on.
   - ICT to provide annual report re ransomware / malware
   - To clarify timetable for introduction of 2FA when using public network access.
   - To review records held by System Manager
   - Use team meetings to keep all team members trained and up to date with policies.
   - ICT will provide fund with a copy of the penetration test report.

Progress to Date

5. One of the key actions since September has been the review of the fund's supplier cyber security arrangements. Information from the suppliers, which was reviewed by the Council's Information and Technology, was reported to the Committee in December 2022. At the time of writing that report there was one supplier's information outstanding. This has now been received and is with Council's information and Technology for review.

6. Team training has been undertaken and cyber security is now a standard agenda item at team meetings. The intention here is to include an annual training session for all team members.

7. Quarterly meetings have been set up with the Council's Information and Technology to ensure that the fund's processes are kept under review. Colleagues in the Council's Information and Technology have confirmed:

   - That penetration testing has been undertaken with nothing to report.
   - That producing a list of patches / security updates is not feasible given that there have been over 70 patches for Microsoft Edge alone in the last year.

8. Pension specific penetration testing could be carried out, but this would be at cost to the fund.

9. The main outstanding action is that of finalising the documentation so that all relevant information is in one place.

Threats and Breaches

10. No targeted or successful attacks were encountered during the period. This information will be reported annually except for any incidents which occur during the year.

Risks

11. Discussions are continuing with the fund's software supplier Aquila Heywood regarding single sign on, which is due to be implemented during 2023.

12. The last fund technology audit was carried out in 2016. Audit has contacted officers and the fund is now included in the audit plan proposal for 2023. Confirmation of if the fund is included will be confirmed in April.

Conclusion

13. The key systems and controls are in place with a mechanism to review this information on a quarterly basis.

Contact Officer: Sally Fox - Pension Services Manager - Tel: 01865 323854
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Agenda Item 18

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