



To: Members of the Local Pension Board

Notice of a Meeting of the Local Pension Board

Friday, 21 October 2022 at 10.30 am

IF YOU WISH TO VIEW PROCEEDINGS ONLINE, PLEASE CLICK ON [LIVE STREAM LINK](#)

AS THE PENSION BOARD WAS NOT SET UP UNDER THE LOCAL GOVERNMENT ACT BUT UNDER SEPARATE PENSION ACT PROVISIONS, IT IS NOT COVERED BY THE REGULATIONS REQUIRING FACE TO FACE MEETINGS. ALSO, AS THE BOARD IS NOT A DECISION-MAKING BODY BUT OFFERS ADVICE TO THE PENSION FUND COMMITTEE, THERE ARE NO MATTERS WHICH WOULD REQUIRE VOTING

Stephen Chandler
Interim Chief Executive

13 October 2022

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

Membership

Chairman – Matthew Trebilcock

Scheme Members:

Alistair Bastin	Stephen Davis	Sarah Pritchard
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Employer Members:

Marcia Slater	Elizabeth Griffiths	Angela Priestley-Gibbins
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Notes:

- ***Date of next meeting: 20 January 2023***

Declarations of Interest

The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

- (a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
- (b) provide false or misleading information on registration, or
- (c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?

The Act provides that the interests which must be notified are those of a member or co-opted member of the authority, **or**

- those of a spouse or civil partner of the member or co-opted member;
- those of a person with whom the member or co-opted member is living as husband/wife
- those of a person with whom the member or co-opted member is living as if they were civil partners.

(in each case where the member or co-opted member is aware that the other person has the interest).

What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?.

The Code requires that, at a meeting, where a member or co-opted member has a disclosable interest (of which they are aware) in any matter being considered, they disclose that interest to the meeting. The Council will continue to include an appropriate item on agendas for all meetings, to facilitate this.

Although not explicitly required by the legislation or by the code, it is recommended that in the interests of transparency and for the benefit of all in attendance at the meeting (including members of the public) the nature as well as the existence of the interest is disclosed.

A member or co-opted member who has disclosed a pecuniary interest at a meeting must not participate (or participate further) in any discussion of the matter; and must not participate in any vote or further vote taken; and must withdraw from the room.

Members are asked to continue to pay regard to the following provisions in the code that *"You must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself"* or *"You must not place yourself in situations where your honesty and integrity may be questioned....."*

Please seek advice from the Monitoring Officer prior to the meeting should you have any doubt about your approach.

List of Disclosable Pecuniary Interests:

Employment (includes *"any employment, office, trade, profession or vocation carried on for profit or gain"*.), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members' conduct guidelines. <http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/> or contact Glenn Watson on **07776 997946** or glenn.watson@oxfordshire.gov.uk for a hard copy of the document.

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named on the front page, but please give as much notice as possible before the meeting.

AGENDA

1. **Apologies for Absence**
2. **Declarations of Interest - see guidance note opposite**
3. **Minutes of the last meeting** (Pages 1 - 6)

To approve the minutes of the meeting held on 8 July 2022 and to receive information arising from them.

4. **Unconfirmed Minutes of the Pension Fund Committee - 10 October 2022**

TO FOLLOW.

5. **Funding Strategy Statement and 2022 Valuation** (Pages 7 - 74)

This report which was considered at the Pension Fund Committee on 10 October 2022 set out the high-level results for the whole Fund following the 2022 Valuation, with further work required before the results for the individual scheme employers are available. The report also set out the revised Funding Strategy Statement which sets the ground rules on which the Valuation is based.

The Pension Fund Committee approved the draft Funding Strategy Statement as the basis for consultation and noted the position on the 2022 Valuation and agree the draft Funding Strategy Statement and accompanying annexes as the basis of consultation with scheme employers.

6. **Review of Business Plan 2022/23** (Pages 75 - 82)

The Board is asked to review the report which provides an update on progress against the key priorities set out in the Annual Business Plan for 2022/23.

7. **Risk Register** (Pages 83 - 90)

The Board is asked to review the report which presents the latest position on the Fund's risk register, including any new risks identified since the report to the last meeting of the Pension Fund Committee.

8. **Administration Report** (Pages 91 - 100)

The Board is asked to review the report which updated the Pension Fund Committee at its meeting on 10 October 2022 on the key administration issues including service

performance measurement, the debt recovery process and any write offs agreed in the last quarter.

The Committee **RESOLVED** the following:

- a) agreed the change to wording of the fund's discretionary statement relating to trivial commutation and small pots.
- b) agreed to write off £37.46 of irrecoverable payroll adjustments.

9. Cyber Security (Pages 101 - 118)

The Board is asked to review the report which Pension Fund Committee considered which set out the approach for managing the cyber security risks facing the Committee and how the Committee can monitor the success of this approach.

10. Taskforce on Climate-related Financial Disclosures report (Pages 119 - 134)

The Board is asked to review the report which set out the performance of the Pension Fund on the Implementation of its Climate Change Policy and the priorities for the forthcoming period.

NB The total for investments in Bonds on page 211 of the agenda pack has been duplicated across both 2021/22 and 2020/21. The correct figure for 2021/22 should be amended to read 80,934.

The Pension Fund Committee **RESOLVED** to

- a) approve the draft Task-Force for Climate-related Financial Disclosures Report 2021/22, and b) delegate to the Director for Finance responsibility for submitting a response to the Government on their recent consultation of future Task-force for Climate-related Financial Disclosures reporting, having first taken the advice of the Climate Change Working Group.

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LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 8 July 2022 commencing at 10.30 am and finishing at 12.30 pm

Present:

Voting Members: Matthew Trebilcock – in the Chair

Alistair Bastin
Stephen Davis
Angela Priestley-Gibbins
Marcia Slater

Member(s) of Pension Fund Committee in attendance: Councillor Bob Johnston

Officers: Sean Collins (Service Manager Pensions Insurance and Money Management) 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.

20/22 APOLOGIES FOR ABSENCE

(Agenda No. 1)

An apology for absence was received from Elizabeth Griffiths.

21/22 MINUTES

(Agenda No. 3)

The Minutes of the meeting held on 22 April 2022 were approved.

22/22 UNCONFIRMED MINUTES OF THE PENSION FUND COMMITTEE - 10 JUNE 2022

(Agenda No. 4)

The meeting had before it the draft minutes of the last Pension Fund Committee meeting of 10 June 2022 for consideration. The draft Minutes were noted.

[In relation to Minute No. 20/22 – Report of the Local Pension Board, reference was made to Alistair Bastin being appointed to the Brunel Oversight Board as a Scheme Member representative. The Board congratulated Alistair on his appointment.]

23/22 ANNUAL REPORT OF THE LOCAL PENSION BOARD

(Agenda No. 5)

The Board was provided with a report which set out the work undertaken by the Board during 2021/22 for inclusion in the Annual Report and Accounts of the Pension Fund.

Discussion took place on the content of the Annual Report and it was agreed that details of Local Pension Fund training be included in the report.

The report was noted.

24/22 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 which was considered by the Pension Fund Committee on 10 June 2022 and were asked to offer any comments to the Committee.

The Service Manager for Pensions, Insurance and Money Management updated the Board on progress made on key priorities.

- Review and Improve the Scheme's Data

Members were informed that the two amber actions which required improvement to had to be good enough to perform a valuation of the data.

In relation to Cyber Security Policy, the Board was informed that rather than developing a Cyber Security Policy there was a document which covered all risks around cyber security and approaches the Council took to mitigate. This document would be drafted for September Pension Fund Committee.

- Develop a holistic approach to technology across Pension Administration Services

Reference was made to little progress being made on this key priority. The Service Manager for Pensions, Insurance and Money Management reported that support had been secured to work on the project. There was a clear timetable which would enable the Pension Fund to consider whether they would want to re-tender. There would be a further report to the next Pension Fund Committee and the Board.

- Enhanced delivery of Responsible Investment opportunities

The Board was informed that the recruitment of the Responsible Officer would commence later in June. A suggestion was made regarding making the post more attractive by providing a market supplement to the post holder. This would be taken back to the Pension Fund Committee.

- Deliver improved and consistent service performance to scheme members

Discussion took place on the services delivered to SLA Standards consistently throughout the year being on red, in terms of an assessment of progress. Reference was made to there being a backlog of work and a shortage of staff, which was the cause of performance figures being below SLA targets in a number of cases.

The Board was informed that the recruitment and retention of Pension Fund Administration staff was a national issue. The Board was assured that the Pension Fund Committee had provided the resources and had supported officers. Reference was made to the possibility of using resource from other sources to help.

The Board was informed that the new Governance Officer would be attending the next meeting of the Board.

The Board noted the report.

25/22 RISK REGISTER

(Agenda No. 7)

The Board was invited to review the latest risk register as considered by the Pension Fund Committee on 10 June 2022 and offer any further views back to the Committee.

Reference was made to the key issue of the risk of insufficient skills and knowledge amongst the Pension Fund Members of both the Committee and Board. There was difficulty getting Members for both the Committee and Board because of the high skill set required.

Discussion took place on the issue of training and the Board was informed that it was important that there was engagement in training to enable the risk to move to green (Risk does not require any attention in short term). A training plan was important to ensure the required skills and knowledge were being reviewed.

In relation to Risks 16 and 17 - Key System Failure – LGPS and FSPS and Breach of Data Security – LGPS and FSPS the Board was informed that there was not a single policy document on cyber security, however, there were a number of policies in place across the Pension Fund. A Board Member expressed concern as he did not feel this was sufficient.

Action

After discussion, the Board requested that the Pension Fund Committee be asked to consider that there be an overarching single cyber policy for the Pension Fund and the risk should be classified as being a higher risk.

The Board noted the report and the Pension Fund Committee be asked to consider that there be an overarching single cyber policy for the Pension Fund and the risk should be classified as being a higher risk.

26/22 ADMINISTRATION REPORT

(Agenda No. 8)

The Board was asked to review the latest Administration Report as presented to the Pension Fund Committee on 10 June 2022, including the latest performance statistics for the Service.

The Board was informed that there had been another resignation from the Administration Team so there was now another vacancy. This shortage of staff created a challenge to the Team, although performance had improved, which was recognised by the Pension Fund Committee. There would be an impact on work in relation to the Government response to McCloud.

Reference was made to informal complaints received and in particular in relation to scheme members having to give the 3 months' regulatory requirement notice of intention to take pension before they retired.

The Board was updated on the data breach by the fund's AVC provider who had sent the monthly schedule of changes and new contributions to another fund. There had not been a satisfactory response received to this breach.

Discussion took place on the need for a protocol to be in place to ensure the correct process was followed in relation to what to do with a data breach and that this should be tied in with a data security policy for the Fund.

Action

The Board asked that the Pension Fund be requested to consider introducing a protocol/policy on data breaches to the Fund.

The report was noted, and the Pension Fund be requested to consider introducing a protocol/policy on data breaches to the Fund.

27/22 ACTUARIAL VALUATION

(Agenda No. 9)

The Board was invited to review the assumptions paper as agreed by the Pension Fund Committee at their meeting on 10 June 2022.

The Pension Fund Committee agreed with the assumptions recommended by the Fund Officers and Fund Actuary for the 2022 triennial valuation of the Oxfordshire County Council Pension Fund, including the small increase in level of prudence.

The report was noted.

28/22 INVESTMENT MANAGEMENT FEES

(Agenda No. 10)

The Board was invited to review the latest report on the investment management fees paid in respect of the Fund's investment portfolios and the performance of these portfolios and offer any comments to the Pension Fund Committee for their consideration of the value for money obtained from active management in advance of the next Strategic asset review scheduled for March 2023.

The Board was informed that there had been significant increase in fees paid to the Fund's investment managers. Members discussed the detail in the report and expressed the view that more detail was required on trend data and more information on portfolio changes to enable comparisons to be made. In relation to equities, officers were asked to provide disaggregated information in the report which was provided for the Pension Fund Committee.

The Board noted the report and agreed that this report be submitted to the Pension Fund Committee with the changes requested.

29/22 ITEMS TO INCLUDE IN REPORT TO THE PENSION FUND COMMITTEE

(Agenda No. 11)

It was agreed that the following be included in the Board's report to the Pension Fund Committee:-

- An overarching single cyber policy for the Pension Fund and the risk being classified as being a higher risk.
- Report on the Investment Management Fees with more background detail
- Local Pension Fund Annual Report

30/22 ITEMS TO BE INCLUDED IN THE AGENDA FOR THE NEXT BOARD MEETING

(Agenda No. 12)

Items to be included on the agenda for the next meeting of the Board:-

- Introduction of Governance Officer
- Scheme Member Engagement
- Proposed Hyman Robertson Overarching Cyber Security document.

31/22 EXEMPT ITEMS

(Agenda No. 13)

It was agreed that the public be excluded for the duration of the following item on the Agenda since it is likely that if they were present during this item 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 item 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.

32/22 PROVISION OF ADDITIONAL VOLUNTARY CONTRIBUTION SCHEME

(Agenda No. 14)

The confidential report set out the latest review of the provision of Additional Voluntary Contribution services to the Pension Fund.

The Board noted 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, in that such disclosure would prejudice the trading activities of the Scheme Provider involved and would prejudice the Administering Authority in negotiating new commercial arrangements and therefore their ability to properly discharge their statutory duties and their fiduciary duty to scheme members.

..... in the Chair

Date of signing

2022 valuation update and FSS review

Address and purpose

The below wording has been requested by Oxfordshire County Council in its capacity as Administering Authority to the Oxfordshire Pension Fund. It has been prepared by Hymans Robertson LLP (as Fund Actuary) to summarise the initial results of the 2022 Valuation (as issued on 22 August 2022) and the changes made as part of the regular review of the Fund's Funding Strategy statement to the Pension Committee.

Prepared by:-

Robert McInroy FFA and Tom Hoare FFA

For and on behalf of Hymans Robertson LLP

August 2022

Funding Strategy Statement (FSS)

Background

Under LGPS Regulations, all funds have a statutory obligation to produce an FSS. It is key document for the Fund, in two ways:

- 1 The inputs it requires: the Fund's officers and Pensions Committee need to go through a process to be satisfied that the Fund is managing funding risks and will be collecting an appropriate level of contributions from all employers in the Fund. The FSS provides a helpful framework for organising this process and covering all the necessary areas.
- 2 The outputs it gives: the finalised FSS itself should be a clear and transparent reference point for the Fund's stakeholders, to set out how the Fund manages funding risks and provide proof that the contribution arrangements are solidly derived, fair and consistent. It will also help in any future discussions with employers, perhaps where an approach is queried or questions are raised.

The FSS is prepared in collaboration with the Fund Actuary and forms an integral part of the framework within which to carry out the triennial valuation to set employer contributions. The FSS also outlines how the funding strategy fits in with the investment strategy.

The current FSS was approved by the Pensions Committee in the December 2020 meeting following updates to allow for regulation amendments for exit credits and employer flexibilities.

2022 FSS review

The 2022 review has focussed on adapting the FSS to fit in with the changing environment and circumstance within which the Fund operates.

The evolving challenges, increasing diversity of employers and the growing complexity and regulation in the LGPS over the last few years has meant the FSS has become increasingly unwieldy. While the purpose of the FSS is to act as a compliant and robust reference document, it is acknowledged that a more streamlined document and modular approach to policies would enhance the accessibility and useability - ultimately making it more practical for all stakeholders (particularly employers).

The revised structure is a streamlined "core" FSS document which is complemented by a number of "satellite" policy documents. The core document includes all the funding information required by LGPS Regulations and

Statutory Guidance. It has also been restructured into sections within an LGPS employer's lifecycle (ie arrangements on joining, calculating assets and liabilities, setting contributions, arrangements on leaving, etc)

The satellite policies work both to complement the FSS and as standalone documents in their own right. These documents set out the Fund's policies with regards to specific elements of strategy and include more details on process and practicalities. Working with the actuary we have created policies to cover: employer cessations, contribution reviews, contribution prepayment requests, bulk transfers, academies and "passthrough" employers.

Alongside the restructure there has been relatively few technical or regulatory updates required since the December 2020 FSS review. The most significant changes to bring to the Committee's attention include:

1. Review of funding parameters to focus on likelihood of achieving the funding target

As part of the 2019 valuation the Fund introduced a "risk-based" approach for setting employer contributions. This approach focusses on a suitable likelihood of each employer achieving their funding target at the end of a specified time horizon. As part of the 2022 valuation, the time horizon parameter has been set to 20 years for all employers which are open to new staff joining the Fund. Instead, the Fund will adjust the likelihood of achieving the funding target to allow for employer risk based on the strength of each employer's covenant and its funding profile.

2. Further Education (FE) Sector employers

The Office for National Statistics (ONS) announced on 31 May 2022 that they will review the sector classification of Further Education Corporations, Sixth Form College Corporations and Designated Institutions in England. Since 2012, these bodies have been classified as part of the private sector. A reclassification has potentially significant implications for the LGPS. With the current classification and no central government guarantee, there is a high risk of a poor outcome for the Fund if a FE body becomes insolvent. This poorer covenant means the Fund has taken a more prudent funding approach to FE bodies and set higher contributions than for academies or councils. One of the options DfE is considering for FE bodies, if reclassified, is to provide a guarantee similar to the guarantee already provided to academies.

However, the timeline of the potential reclassification and subsequent review makes it challenging to consider any significant covenant changes as part of the 2022 valuations. The FSS has therefore been drafted to allow for both review outcome scenarios. This will enable well-informed discussions and avoid rushed engagement, decisions and Funding Strategy Statement updates later in the year.

3. Risk-based cessations

When an employer ceases participation in the Fund with no guarantor, the LGPS Regulations suggest that any future deficit arising should be met via increased contributions from all other employers in the Fund. Therefore, when assessing the final funding position of the ceasing employer, the Fund has a duty to protect the interests of the other unconnected employers. The actuary allows for this added protection by assessing the ceasing employer's liabilities using a more prudent investment return assumption based on the yield available on UK government bonds of long duration at the cessation date i.e. a gilts basis.

However, the Fund does not have a different investment strategy for ceased employers, there is therefore a mismatch between the cessation basis (based on gilt markets) and the invested assets of the ceased employer (largely growth-oriented). In addition, there are supply and demand issues in the gilts market, which cause distortions to market yields – it is becoming more difficult to say that gilt yields represent a true 'risk-free' rate of return.

The actuary has therefore recommended updating the cessation approach to calculate the final funding position in a risk-based way, akin to the approach used for setting employer contributions. Under the approach, the cessation liabilities will be calculated using an investment return assumption that the Fund's assets could expect

to achieve with a given level of likelihood. This allows the Fund and actuary more control over the incorporated level of prudence and ensures the cessation debt/credit is more predictable for employers to plan for (ie as it no longer be linked to gilt yields).

4. Climate risk

The Fund recognises that climate change is a key risk due to the open-ended time horizons of the liabilities. As part of the modelling analysis for reviewing the contribution strategy for the large employers in the Fund, the actuary stress-tested the results under additional climate scenarios. This has allowed climate risk considerations to be built directly into funding strategy decisions. This approach has been documented in the FSS to meet the regulatory requirements.

5. 'McCloud' judgement treatment

The benefits accrued by certain members between 2014 and 2022 are expected to increase following the McCloud case, which ruled that transitional protections introduced in 2014 for older members were discriminatory. At the 2019 valuation there was uncertainty around if and how to allow for the potential extra costs. The Fund made an approximate allowance for the potential impact in setting employer contribution rates by building in a slightly higher level of prudence. However, the Department of Levelling Up, Housing and Communities has since provided guidance (dated 22 March 2022). The actuary has therefore now been able to use the guidance to build the expected impact of the benefit improvements directly into the liability calculations. The extra prudence allowed for at 2019 can now be removed from the assessment of employer contributions.

6. Ill health risk management

If a member retires early due to ill-health, an additional funding strain will usually arise, which can be very large. Such strain costs are the responsibility of the member's employer to pay. The FSS has been updated to clarify the Fund's policy of protecting smaller employers (who are part of a pool) by sharing this risk with other employers within the pool. Employers who are not part of a pool are more exposed to this risk.

FSS Next steps

Once approved by Committee, a draft version of the FSS and policies will be issued to all participating employers in late September with any comments to be submitted within 6 weeks. Following the end of the consultation period, any comments received may lead to amendments to the document. The Committee will then be asked to approve the final version of the FSS at the December meeting thus allowing the Actuary to sign off the final valuation report in time for the statutory deadline of 31 March 2023.

2022 valuation update

Background

The 2022 valuation of the Fund is a Regulatory requirement and is used to determine contribution rates payable by participating employers for the period commencing 1 April 2023. The valuation is carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Fund officers are currently working with the actuary to progress the valuation. To date this has included: contribution modelling analysis and discussion with the large employers (Councils and Oxford Brookes University); assumptions analysis (as approved by the Committee at the June meeting); and provision and cleansing of membership and cashflow data. The actuary has now used the data to calculate the initial results of the Fund as a whole.

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.

Outlook for employer contributions

Every employer is responsible for their own 'share' of the pension fund. While individual employer results will be varied depending on each employer's own membership, the main drivers of change such as investment performance and market conditions effect all employers to a similar degree. Therefore, we expect most employers will see improvements in their funding positions.

Being 100% funded in a scheme like the LGPS which is both open to future accrual and new entrants, is not the endgame. For the average fund employer, two-thirds of the benefit payments made over the next 50 years will be in respect of future service benefits, i.e. benefits yet to be earned. This will include benefits earned by existing members (new accrual) and benefits earned by new members who begin service in the LGPS after the valuation date (new joiners). The assets held today only cover past service benefits – we still need to fund those benefits yet to be earned.

The worsening future economic outlook, notably short-term inflationary pressures, will lead to upward pressure on the cost of future benefit accrual (Primary contribution rates). The improvement in past service funding position may see a reduction in Secondary contribution rates for most employers. The net impact on total contributions will

vary across employers. The contribution modelling analysis carried out for the Fund's larger employers has supported contribution freezes or moderate reductions.

Valuation next steps

The next major step in the valuation process is to calculate the funding positions and set the contribution rates for all employers in the Fund. The results will then be issued to employers who will be invited to ask questions and comments as part of an employer consultation period, including at the planned employer forum.

As above, this consultation process is already underway for the Councils and Oxford Brookes University.

The outcome of these discussions and final contribution rates will be presented to the Committee for approval at the March meeting. The contribution rates will then come into payment from 1 April 2023.

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Oxfordshire Pension Fund
Funding Strategy Statement
September 2022

DRAFT

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Appendices

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- Appendix B – Roles and responsibilities
- Appendix C – Risks and controls
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1 Welcome to Oxfordshire Pension Fund's funding strategy statement

This document sets out the funding strategy statement (FSS) for Oxfordshire Pension Fund.

The Oxfordshire pension fund is administered by Oxfordshire County Council, known as the administering authority. Oxfordshire County Council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from [DATE POST CONSULTATION].

There's a regulatory requirement for Oxfordshire County Council to prepare an FSS. You can find out more about the regulatory framework in [Appendix A](#). If you have any queries about the FSS, contact sean.collins@oxfordshire.gov.uk

1.1 What is the Oxfordshire pension fund?

The Oxfordshire pension fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in [Appendix B](#).

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a fair and transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.
- ensure fairness and minimise cross-subsidies between different generations of taxpayers. .

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the fund, because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.

Different types of employers participate in the fund:

Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers

Employers like town and parish councils can join the LGPS through a resolution. If a resolution is passed, the fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies

Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy at [link](#).

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund won't be able to pay benefits, so higher contributions would be required from employers.

1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see [Appendix A](#))

1.6 How is the funding strategy specific to the Oxfordshire pension fund?

The funding strategy reflects the specific characteristics of the fund employers and its own investment strategy.

2 How does the fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer total contributions are calculated and set by the Fund actuary and are expressed into two elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – any adjustment to the primary contribution rate (such as additional contributions to repair any deficits)

The primary rate also includes an allowance for the fund's expenses.

The fund actuary uses a model to project each employer's asset share over a range of future economic scenarios (as detailed in [Appendix D](#)). The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in [Appendix D](#).

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

2.2 The contribution rate calculation

Certain fund employers (such as academies and admission bodies with pass-through arrangements) participate within funding pools, as described in Sections 2.5 and 2.6. Where this applies the contribution rate will be calculated for the pool as a whole using the parameters in Table 2. This results in each employer in their respective pool paying the same contribution rate (in % of pay terms).

Table 2: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies			CABs and designating employers		TABs*
	Local authorities and university	Colleges	Academies	Open to new entrants	Closed to new entrants	(all)
Funding target**	Ongoing	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Ongoing
Minimum likelihood of success	70%	70-75%	70%	75%	70%	55% (dependent on outstanding contract term)
Maximum time horizon	20 years	20 years	20 years	20 years	Average future	Same as the letting employer

Type of employer	Scheduled bodies			CABs and designating employers		TABs*
Sub-type	Local authorities and university	Colleges	Academies	Open to new entrants	Closed to new entrants	(all)
					working lifetime	
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon					
Secondary rate	% of payroll	% of payroll	% of payroll	Monetary amount or % of payroll	Monetary amount	Monetary amount or % of payroll
Stabilised contribution rate?	Yes	No	No	No	No	No
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at primary rate. Reductions may be permitted by the administering authority			Reduce contributions by spreading the surplus over the remaining contract term	
Phasing of contribution changes	Covered by stabilisation arrangement	3 years	3 years	3 years	3 years	None

* Employers participating in the fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority (in most cases this is set equal to the letting authority's total contribution rate). The fund's policy on pass-through arrangements is available [here](#).

**See [Appendix D](#) for further information on funding targets.

2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. The fund may adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year.

After taking advice from the fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy.

Table 1: current stabilisation approach

Type of employer	'Standard' council	'Closed' Council	University
Maximum contribution increase per year	+1% of pay	+2% of pay	+1% of pay
Maximum contribution decrease per year	-1% of pay	-2% of pay	-1% of pay

Stabilisation criteria and limits are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes.

2.4 Reviewing contributions between valuations

The fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The fund's contribution review policy is available [here](#). The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.5 What is pooling?

The administering authority operates funding pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. Employers which are closed to new entrants aren't usually allowed to enter a pool.

Employers in a pool share all pension funding risks (including individual membership experience). This means that full cross-subsidy exists between employers within the pool. If pooled employers choose to leave the pool then their future funding position and contribution rates could be higher or lower than their contribution rate as a member of the pool.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified.

If a pooled employer ceases (or plans to cease) participation in the Fund its funding will be immediately removed from the pool.

2.6 What are the current contribution pools?

- **Smaller CABs** (small admitted bodies) – sharing experience and smoothing the effects of costly but rare events like ill-health retirement or deaths in service.
- **Designating employers** - Town & Parish councils are pooled together.
- **Academies** – academies with up to 50 members must join the pool but have an option to opt out on a permanent basis. Larger academies can request to join the pool on a permanent basis. The fund's Academies policy (including the pooling arrangements) is available [here](#).
- **TABs** (pass-through) – employers participating under a pass-through agreement are pooled with the letting authority.

2.7 Administering authority discretion

The administering authority may exercise its discretion in managing employer risks and adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

The fund permits the prepayment of employer contributions in specific circumstances. However, in general, this is most appropriate for large, secure employers with stable active memberships.

Further details are set out in the fund's prepayment policy available [here](#).

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread in exceptional circumstances if the administering authority agrees.

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer is responsible for paying the funding strain, which may be a large sum. In general, this will be picked up as part of future employer contributions.

Where an employer participates within a pool (as detailed in 2.6), ill health strain risk is spread across all employers within the pool.

The administering authority does not offer any further arrangements to mitigate this risk (other than pooling for certain employers). Individual employers should make their own arrangements if they are concerned about the risk of unmanageable ill-health strain costs increasing future employer contributions.

4 How does the fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The fund adopts a cashflow approach to track individual employer assets.

The fund uses Hymans Robertson's HEAT system to track employer assets monthly. Each employer's assets from the previous month end are added to monthly cashflows paid in/out and investment returns to give a new month-end asset value.

If an employee moves one from one employer to another within the fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the fund actuary will calculate assets linked to the value of the liabilities transferring (see section 5).

4.2 How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in [Appendix D](#), the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on contribution rates.

5 What happens when an employer joins the fund?

5.1 When can an employer join the fund

Employers can join the fund if they are a new scheduled body or a new admission body. New designated employers may also join the fund if they pass a designation to do so.

On joining, the fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.4 below.

5.2 New academies

New academies join the fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Newly established academies do not transfer active members from a locally maintained school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%. The council's estimated funding level will be based on market conditions on the day before conversion.

The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. The new academy's contribution rate (where not joining an existing MAT or the academies pool) is based on the current funding strategy (set out in section 2) and the transferring membership.

Academies joining an existing MAT within the fund will be pooled with this MAT and will fully share all risks and costs. Academies within a MAT pay the same total contribution rate. If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT (unless it is not possible to identify all deferred and pensioner members of the transferring academy).

The fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

The Fund's Academies Policy is available [here](#).

5.3 New admission bodies as a results of outsourcing services

New admission bodies usually join the fund because an existing employer (usually a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

There is flexibility for outsourcing when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement. However, in general, the funding arrangements are set up as one of the following two options:

(i) Pass-through admissions

The Fund's preference is that all new admission bodies will be set up via a pass-through arrangement. The Fund's pass-through policy is available [here](#).

(ii) Other admissions

Liabilities for transferring active members will be calculated by the fund actuary on the day before the outsourcing occurs. New contractors will then be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the fund, eg set up of a wholly owned subsidiary company by a Local Authority. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the fund. These are usually town and parish councils. Contribution rates will be set using the same approach as other designated employers in the fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

The bulk transfer policy is available [here](#).

7 What happens when an employer leaves the fund?

7.1 What is a cessation event?

Triggers for considering cessation from the fund are:

- the last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor

On cessation, the employer may be permitted to enter into a deferred debt arrangement (DDA) and become a deferred employer in the Fund (as detailed in Section 7.4). If no DDA exists, the administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the fund leaves the scheme.

7.2 What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in [Appendix D](#).

- (a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in [Appendix D](#).
- (b) Where there is a guarantor, the guarantee will be considered as part of the cessation valuation. For example:
 - the cessation may be calculated using the ongoing participation basis; or
 - it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

However, where the guarantor is a 'guarantor of last resort' only, this will have no effect on the cessation valuation.

If the fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The fund actuary charges a fee for cessation valuations. Fees and expenses are at the employer's expense and may be deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and fund.

The cessation policy is available [here](#).

7.3 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a deferred spreading agreement (DSA)
- if an exiting employer enters into a DDA, it stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

Further details are set out in the cessation policy available [here](#).

7.4 What if an employer has no active members?

When employers leave the fund because their last active member has left, they may pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the fund and either:

- a) their asset share runs out before all ex-employees' benefits have been paid, in which case the other fund employers will be required to contribute to the remaining benefits. The fund actuary will apportion the liabilities on a pro-rata basis at the formal valuation.
- b) the last ex-employee or dependant dies before the employer's asset share is fully run down, in which case the fund actuary will apportion the remaining assets to the other fund employers on a pro-rata basis at the formal valuation.

7.5 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – an exit credit – the administering authority can decide how much will be paid back to the employer based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The exit credit policy is set out within section 3.3 of the Fund's cessation policy, available [here](#).

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department (GAD) to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the fund's solvency and long-term cost efficiency.

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

- (a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level
- or
- (b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund's actuarial bases don't offer straightforward comparisons.

Appendices

Appendix A – The regulatory framework

A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward
- support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**
- ensure the fund meets its **solvency and long-term cost efficiency** objectives
- take a **prudent longer-term view** of funding those liabilities.

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "persons the authority considers appropriate". This should include 'meaningful dialogue... with council tax raising authorities and representatives of other participating employers'.

The consultation process included issuing a draft version to participating employers and invitation to attend an open employers' forum. The administering authority should circulate the CIPFA guidance, and consult on actual funding policy and methodologies, before preparing and issuing a draft. The draft should include an estimate of the impact of any variations from the previous funding strategy.

A3 How is the FSS published?

The FSS is emailed to participating employers and employee and pensioner representatives. Summaries are issued to members and a full copy is included in the fund's annual report and accounts. Copies are freely available on request and is published on the website at www.oxfordshire.gov.uk/pensions

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall fund documentation?

The FSS is a summary of the fund's approach to funding liabilities. It isn't exhaustive – the fund publishes other statements like the statement of investment principles, investment strategy statement, governance strategy and communications strategy. The fund's annual report and accounts also includes up-to-date fund information.

You can see all fund documentation at www.oxfordshire.gov.uk/pensions

Appendix B – Roles and responsibilities

B1 The administering authority:

- 1 operates the fund and follows all Local Government Pension Scheme (LGPS) regulations
- 2 manages any conflicts of interest from its dual role as administering authority and a fund employer
- 3 collects employer and employee contributions, investment income and other amounts due
- 4 ensures cash is available to meet benefit payments when due
- 5 pays all benefits and entitlements
- 6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy
- 7 communicates with employers so they understand their obligations
- 8 safeguards the fund against employer default
- 9 works with the fund actuary to manage the valuation process
- 10 provides information to the Government Actuary's Department so they can carry out their statutory obligations
- 11 consults on, prepares and maintains the funding and investment strategy statements
- 12 tells the actuary about changes which could affect funding
- 13 monitors the fund's performance and funding, amending the strategy statements as necessary
- 14 enables the local pension board to review the valuation process.

B2 Individual employers:

- 1 deduct the correct contributions from employees' pay
- 2 pay all contributions by the due date
- 3 have appropriate policies in place to work within the regulatory framework
- 4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain
- 5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.
- 6 make any required exit payments when leaving the fund.

B3 The fund actuary:

- 1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency
- 2 provides information to the Government Actuary Department so they can carry out their statutory obligations
- 3 advises on fund employers, including giving advice about and monitoring bonds or other security
- 4 prepares advice and calculations around bulk transfers and individual benefits

- 5 assists the administering authority to consider changes to employer contributions between formal valuations
- 6 advises on terminating employers' participation in the fund
- 7 fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

- 1 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement
- 2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS
- 3 auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements
- 4 governance advisers may be asked to advise the administering authority on processes and working methods
- 5 internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures
- 6 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Risks and controls

C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

A summary of the key fund-specific risks and controls is set out below. For more details, please see the Fund's risk register.

C2 Financial risks

Risk	Control
Fund assets don't deliver the anticipated returns that underpin the valuation of liabilities and contribution rates over the long-term.	<p>Anticipate long-term returns on a prudent basis to reduce risk of under-performing.</p> <p>Use specialist advice to invest and diversify assets across asset classes, geographies, managers, etc.</p> <p>Analyse progress at three-year valuations for all employers.</p> <p>Roll forward whole fund liabilities between valuations.</p>
Inappropriate long-term investment strategy.	<p>Consider overall investment strategy options as part of the funding strategy. Use asset liability modelling to measure outcomes and choose the option that provides the best balance.</p> <p>Operate various strategies to meet the needs of a diverse employer group.</p>
Active investment manager under-performs relative to benchmark.	Use quarterly investment monitoring to analyse market performance and active managers, relative to index benchmark.
Pay and price inflation is significantly more than anticipated.	<p>Focus valuation on real returns on assets, net of price and pay increases.</p> <p>Use inter-valuation monitoring to give early warning.</p> <p>Invest in assets with real returns.</p> <p>Employers to be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>
Increased employer's contribution rate affects service delivery and admission/scheduled bodies.	Agree an explicit stabilisation mechanism, with other measures to limit sudden increases in contributions.
Orphaned employers create added fund costs.	<p>Seek a cessation debt (or security/guarantor).</p> <p>Spread added costs among employers.</p>

C3 Demographic risks**Risk****Control**

Pensioners live longer, increasing fund costs.

Set mortality assumptions with allowances for future increases in life expectancy.

Use the fund actuary's experience and access to over 50 LGPS funds to identify changes in life expectancy that might affect the longevity assumptions early.

As the fund matures, the proportion of actively contributing employees declines relative to retired employees.

Monitor at each valuation, consider seeking monetary amounts rather than % of pay.

Consider alternative investment strategies.

Deteriorating patterns of early retirements

Charge employers the extra cost of non ill-health retirements following each individual decision.

Pool small employers to facilitate the sharing of ill health risk.

Monitor employer ill-health retirement experience.

Reductions in payroll cause insufficient deficit recovery payments.

Buy-out employers in the stabilisation mechanism to permit contribution increases.

Review contributions between valuations. This may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks**Risk****Control**

Changes to national pension requirements or HMRC rules.

Consider all Government consultation papers and comment where appropriate.

Monitor progress on the McCloud court case and consider an interim valuation or other action once more information is known.

Build preferred solutions into valuations as required.

Time, cost or reputational risks associated with any DLUHC intervention triggered by the Section 13 analysis

Take advice from the actuary and consider the proposed valuation approach, relative to anticipated Section 13 analysis.

Changes to employer participation in LGPS funds leads to impacts on funding or investment strategies.

Consider all Government consultation papers and comment where appropriate.

Take advice from the fund actuary and amend strategy.

C5 Governance risks

Risk

Control

The administering authority is not aware of employer membership changes, for example a large fall in employee members, large number of retirements, or is not advised that an employer is closed to new entrants.

The administering authority develops a close relationship with employing bodies and communicates required standards.

The actuary may revise the rates and adjustments certificate to increase an employer's contributions between valuations

Deficit contributions may be expressed as monetary amounts.

Actuarial or investment advice is not sought, heeded, or proves to be insufficient in some way

The administering authority maintains close contact with its advisers.

Advice is delivered through formal meetings and recorded appropriately.

Actuarial advice is subject to professional requirements like peer review.

The administering authority fails to commission the actuary to carry out a termination valuation for an admission body leaving the fund.

The administering authority requires employers with Best Value contractors to inform it of changes.

CABs' memberships are monitored and steps are taken if active membership decreases.

An employer ceases to exist with insufficient funding or bonds.

It's normally too late to manage this risk if left to the time of departure. This risk is mitigated by:

Seeking a funding guarantee from another scheme employer, or external body.

Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.

Vetting prospective employers before admission.

Requiring a bond to protect the fund, where permitted.

Requiring a guarantor for new CABs.

Regularly reviewing bond or guarantor arrangements.

Reviewing contributions well ahead of cessation.

Risk

An employer ceases to exist, so an exit credit is payable.

Control

The administering authority regularly monitors admission bodies coming up to cessation.

The administering authority invests in liquid assets so that exit credits can be paid.

C6 Employer covenant assessment and monitoring

Many of the employers participating in the fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

C7 Climate risk and TCFD reporting

The fund has considered climate-related risks when setting the funding strategy. In particular, through analysing the resilience of the strategy via in-depth asset liability modelling to stress test the funding and investment strategies against possible future climate scenarios. The current strategies were proven to be resilient to climate transition risks within an appropriate level of prudence. The fund will continue to monitor the resilience of the funding strategy to climate risks at future valuations or when there has been a significant change in the risk posed to the fund (eg global climate policy changes).

Further details on how the fund manages climate risks is set out in the fund's climate policy [here](#).

Appendix D – Actuarial assumptions

The fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the funding strategy statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the fund actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

		Annualised total returns							RPI inflation expectation	17 year real govt yield (RPI)	17 year govt bond
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (Medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)			
10 Years	16 th %ile	0.8%	-1.9%	-0.3%	-0.4%	-0.7%	-0.6%	-0.1%	2.4%	-1.7%	1.1%
	50 th %ile	1.8%	0.2%	1.1%	5.7%	5.6%	4.4%	1.6%	4.1%	-0.5%	2.5%
	84 th %ile	2.9%	2.4%	2.4%	11.6%	11.7%	9.5%	3.2%	5.7%	0.7%	4.3%
20 Years	16 th %ile	1.0%	-1.5%	0.7%	1.7%	1.5%	1.4%	1.1%	1.6%	-0.7%	1.3%
	50 th %ile	2.4%	0.1%	1.5%	6.2%	6.1%	5.0%	2.1%	3.1%	1.0%	3.2%
	84 th %ile	4.0%	1.9%	2.2%	10.6%	10.8%	8.9%	3.2%	4.7%	2.7%	5.7%
40 Years	16 th %ile	1.2%	-0.3%	1.5%	3.2%	3.1%	2.6%	2.0%	1.1%	-0.6%	1.1%
	50 th %ile	2.9%	1.2%	2.3%	6.7%	6.5%	5.5%	3.1%	2.4%	1.3%	3.3%
	84 th %ile	4.9%	3.1%	3.5%	10.2%	10.2%	8.8%	4.4%	3.9%	3.2%	6.1%
Volatility (5 yr)		2%	7%	6%	18%	19%	15%	7%	3%		

D3 What financial assumptions were used?

Future investment returns and discount rate (for setting contribution rates)

The fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate at the end of the funding time horizon.

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate (at end of funding time horizon)
Ongoing basis	All employers except employer approaching exit	2.4%
Low-risk exit basis	Employer approaching cessation	TBC

Discount rate (ongoing basis for funding level calculations)

For the purpose of calculating the ongoing funding level, the discount rate is based on a prudent estimate of future returns, specifically that there is a 70% likelihood of these returns being achieved over the 20 years following the calculation date.

At the 2022 valuation, the ongoing basis discount rate of 4.6% applies. This is based on a there being a 70% likelihood that the fund's assets will achieve future investment returns of 4.6% over the 20 years following the 2022 valuation date.

If an employer is funded on the low risk exit basis, a higher discount rate may apply – see section D5 below.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's Economic Scenario Service (ESS) model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to CPI pa plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by +0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long-term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

Other demographic assumptions

Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below
Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	50% of maximum tax-free cash
50:50 option	1% of members will choose the 50:50 option.

Males

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.17	485	1301	0.00	0.00	0.00	0.00
25	117	0.17	320	859	0.00	0.00	0.00	0.00
30	131	0.20	227	610	0.00	0.00	0.00	0.00
35	144	0.24	178	476	0.10	0.07	0.02	0.01
40	150	0.41	143	383	0.16	0.12	0.03	0.02
45	157	0.68	134	360	0.35	0.27	0.07	0.05
50	162	1.09	111	296	0.90	0.68	0.23	0.17
55	162	1.70	87	233	3.54	2.65	0.51	0.38
60	162	3.06	78	208	6.23	4.67	0.44	0.33

Females

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT & PT	FT	PT	FT	PT	FT	PT
20	105	0.10	423	654	0.00	0.00	0.00	0.00
25	117	0.10	285	440	0.10	0.07	0.02	0.01
30	131	0.14	239	369	0.13	0.10	0.03	0.02
35	144	0.24	206	318	0.26	0.19	0.05	0.04
40	150	0.38	171	265	0.39	0.29	0.08	0.06
45	157	0.62	160	247	0.52	0.39	0.10	0.08
50	162	0.90	135	208	0.97	0.73	0.24	0.18
55	162	1.19	101	155	3.59	2.69	0.52	0.39
60	162	1.52	81	125	5.71	4.28	0.54	0.40

D5 What assumptions apply in a cessation valuation following an employer's exit from the fund?

Where there is a guarantor, the ongoing basis will apply.

Where there is no guarantor, the low-risk exit basis will apply. The financial assumptions underlying the low-risk exit basis are explained below:

- The discount rate used for calculating the exit position will be lower than the ongoing funding basis, specifically additional prudence will be applied to the assumption. This will be applied via a higher likelihood that the fund's assets will achieve the required future investment returns over the 20 years following the date of the calculation.
- The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022

DRAFT

Oxfordshire Pension Fund

Policy on bulk transfers

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with the bulk transfer of scheme member pension rights into and out of the fund in prescribed circumstances.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- Bulk transfers out of the fund do not allow a deficit to remain behind unless a scheme employer is committed to repairing this; and
- Bulk transfers received by the fund must be sufficient to pay for the added benefits being awarded to the members, again with the scheme employer making good any shortfall where necessary.

Bulk transfer requests will be considered on a case-by-case basis.

1.2 Background

Bulk transfers into and out of the fund can occur for a variety of reasons, such as:

- where an outsourcing arrangement is entered into and active fund members join another LGPS fund, or leave the LGPS to join a broadly comparable scheme;
- where an outsourcing arrangement ceases and active scheme members re-join the Fund from another LGPS fund or a broadly comparable scheme;
- where there is a reorganisation of central government operations (transfers in from, or out to, other government sponsored schemes);
- where there is a reorganisation or consolidation of local operations (brought about by, for example, local government shared services, college mergers or multi-academy trust consolidations); or
- a national restructuring resulting in the admission of an employer whose employees have LGPS service in another LGPS fund, or vice versa.

Unlike bulk transfers out of the LGPS, there is no specific provision to allow for bulk transfers into the LGPS. As a result, any transfer value received into the LGPS, whether on the voluntary movement of an individual or the compulsory transfer of a number of employees, must be treated the same way as individual transfers.

1.3 Guidance and regulatory framework

Local Government Pension Scheme Regulations

When considering any circumstances involving bulk transfer provisions, the administering authority will always ensure adherence to any overriding requirements set out in the Local Government Pension Scheme Regulations 2013 (as amended), including:

- Regulation 98 – applies on transfer out to non-LGPS schemes. It allows for the payment of a bulk transfer value where at least two active members of the LGPS cease scheme membership join another approved pension arrangement.
- Regulation 99 - gives the LGPS actuary discretion as to the choice of method of calculation used to calculate the bulk transfer value.
- Regulation 100 – allows an individual who holds relevant pension rights under a previous employer to request to be admitted for past service into the LGPS. Members wishing to transfer in accrued rights from a [Club scheme](#) (that is schemes with benefits broadly similar to those of the LGPS), who request to do so within 12 months of joining their new LGPS employment, must be granted their request. For members with “non-Club” accrued rights the LGPS fund does not have to grant the request. Any request must be received in writing from the individual within 12 months of active employment commencing or longer at the discretion of the employer and the administering authority.
- Regulation 103 - states that any transfer between one LGPS fund and another LGPS fund (in England and Wales) where 10 or more members elect to transfer will trigger bulk transfer negotiations between Fund actuaries.

Best Value authorities

The [Best Value Authorities Staff Transfers \(Pensions\) Direction 2007](#), which came into force on 1 October 2007, applies to all “Best Value Authorities” in England. Best Value Authorities include all county, district and borough councils in England, together with police and fire and rescue authorities, National Park Authorities and waste disposal authorities. The Direction:

- requires the contractor to secure pension protection for each transferring employee through the provision of pension rights that are the same as or are broadly comparable to or better than those they had as an employee of the authority, and
- provides that the provision of pension protection is enforceable by the employee.

The Direction also requires similar pension protection in relation to those former employees of an authority, who were transferred under TUPE to a contractor, in respect of any re-tendering of a contract for the provision of services (i.e. second and subsequent rounds of outsourcing).

Academies and multi-academy trusts

[New Fair Deal guidance](#), introduced in October 2013, applies to academies and multi-academy trusts. It requires that, where they outsource services, they ensure pension protection for non-teaching staff transferred is achieved via continued access to the LGPS. As a result the fund would not expect to have any bulk transfers out of the LGPS in respect of outsourcings from academies or multi-academy trusts.

Other employers

For all scheme employers that do not fall under the definition of a Best Value Authority or are not an academy (i.e. town and parish councils, arms-length organisations, further and higher education establishments, charities and other admitted bodies), and who are not subject to the requirements of Best Value Direction or new Fair Deal guidance, there is no explicit requirement to provide pension protection on the outsourcing or insourcing of

services. However, any successful contractor is free to seek admission body status in the fund, subject to complying with the administering authority's requirements (e.g. having a bond or guarantor in place).

The old Fair Deal guidance may still apply to a specific staff transfer if permitted by the new Fair Deal guidance or if outside the coverage of the new Fair Deal guidance. (If the individual remains in their original scheme then their past service rights are automatically protected). In the absence of a bulk transfer agreement the administering authority would not expect to pay out more than individual Cash Equivalent Transfer Value (CETV) amounts, in accordance with appropriate [Government Actuary's Department \(GAD\) guidance](#).

2 Statement of principles

This statement of principles covers bulk transfer payments into and out of the fund. Each case will be treated on its own merits alongside appropriate actuarial advice, but in general:

- Where a group of active scheme members joins (or leaves) the fund, the administering authority's objective is to ensure that sufficient assets are received (or paid out) to meet the cost of providing those benefits.
- Ordinarily the administering authority's default approach for bulk transfers out (or in) will be to propose (or accept) that the transfer value is calculated using ongoing assumptions based on the employer's share of fund assets (capped at 100% of the value of the liabilities). The fund will retain the discretion to amend the bulk transfer basis to reflect the specific circumstances of each transfer – including (but not restricted to):
 - the use of cessation assumptions where unsecured liabilities are being left behind;
 - where a subset of an employer's membership is transferring (in or out), the Fund may consider an approach of calculating the bulk transfer payment as the sum of CETVs for the members concerned; or
 - where transfer terms are subject to commercial factors.
- Where an entire employer is transferring in or out of the fund the bulk transfer should equal the asset share of the employer in the transferring fund regardless of whether this is greater or lesser than the value of past service liabilities for members.
- There may be situations where the fund accepts a transfer in amount which is less than required to fully fund the transferred in benefits on the fund's ongoing basis (e.g. where the employer has suitable strength of covenant and commits to meeting that shortfall over an appropriate period). In such cases the administering authority reserves the right to require the receiving employer to fund this shortfall (either by lump sum or by increasing in ongoing employer contributions) ahead of the next formal valuation.
- Any shortfall between the bulk transfer payable by the fund and that which the receiving scheme is prepared to accept must be dealt with outside of the fund, for example by a top up from the employer to the receiving scheme or through higher ongoing contributions to that scheme.
- Service credits granted to transferring scheme members should fully reflect the value of the benefits being transferred, irrespective of the size of the transfer value paid or received.

3 Policy

The following summarises the various scenarios for bulk transfers in or out of the fund, together with the Administering Authority's associated policies.

3.1 Inter-fund transfer (transfer between the fund and another LGPS fund)

Scenario	Bulk transfer mechanism	Policy	Methodology
In	< 10 members – GAD guidance	CETVs in accordance with GAD guidance.	On receipt of a transfer value (calculated in line with the CETV transfer out formulae), the Fund will award the member a pension credit on a day-for-day basis.
	10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	Where agreement can be reached, the Fund and the transferring fund (and their two actuaries) may agree to a negotiated bulk transfer arrangement. However, where agreement cannot be reached: Actives only transferring: CETVs in accordance with GAD guidance using transferring fund's actual fund returns for roll up to date of payment (rather than the interest applied for standard CETV's). All members transferring (i.e. all actives, deferred and pensioners): Receive all assets attributable to the membership within the transferring scheme.	The Fund's default policy is to accept a transfer value that is at least equal to the total of the individual CETVs calculated using the Club transfer-out formulae. The Fund will consult with the scheme employer whose funding position will be impacted by the transfer before agreeing to a negotiated bulk transfer arrangement. Pension credits will be awarded to the transferring members on a day-for-day basis.
Out	< 10 members – GAD guidance	CETVs in accordance with GAD guidance.	The transfer value paid to the receiving fund will be calculated in line with the CETV transfer-out formulae.
	10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	Where agreement can be reached, the Fund and the receiving Fund (and their two actuaries) may agree to a negotiated bulk transfer arrangement. However, where agreement cannot be reached: Actives only transferring (i.e. remaining members left behind): CETV in accordance with GAD guidance using transferring fund's actual fund returns for roll-up to date of payment (rather than the interest applied for standard CETV's). All actives transferring (i.e. deferred and pensioner members left behind): Assets will be retained by the Fund to cover the liabilities of the deferred and pensioner members calculated using the Fund's cessation assumptions. The residual assets will then be transferred to the receiving scheme. All members transferring (i.e. all actives, deferred and pensioners): Transfer all assets attributable to the membership to the receiving scheme.	The Fund's default policy is to offer a transfer value that is equal to the total of the individual CETV calculated using the Club transfer-out formulae. The Fund will consult with the scheme employer whose funding position will be impacted by the transfer before agreeing to a negotiated bulk transfer arrangement. Discretion exists to amend this to reflect specific circumstances of the situation.

3.2 Club Scheme

Scenario	Bulk transfer mechanism	Policy	Methodology
In	Club Memorandum	The Club mechanism ensures the pension credit in the Fund provides actuarially equivalent benefits.	The pension credit awarded to members transferring in will be calculated in line with the Club transfer-in formulae.
Out	Regulation 98 of the Local Government Pension Scheme Regulations 2013 or Club Memorandum	Where agreement can be reached, the Fund and the receiving scheme (and their two actuaries) may agree to a negotiated bulk transfer arrangement. Or Where agreement cannot be reached, revert to the Club transfer out formulae in accordance with GAD guidance.	The Fund's default policy is to offer the receiving scheme transfers out calculated using ongoing assumptions based on the ceding employer's share of fund assets (capped at 100% of the liability value). Discretion exists to amend this to reflect specific circumstances of the situation.

3.3 Broadly Comparable Scheme or non-Club scheme

Scenario	Bulk transfer mechanism	Policy	Methodology
In	GAD guidance	Non-Club transfer in formulae in accordance with GAD guidance	The pension credit awarded to members transferring in will be calculated in line with the non-Club transfer in formulae.
Out	1 member only – GAD guidance	CETV in accordance with GAD guidance	The transfer value paid to the receiving scheme will be calculated in line with the CETV transfer-out formulae.
	2 or more members – Regulation 98 of the Local Government Pension Scheme Regulations 2013	Where agreement can be reached, the fund and the receiving scheme (and their two actuaries) may agree to a negotiated bulk transfer arrangement. Or Where agreement cannot be reached, revert to cash equivalent transfer values under GAD guidance	The fund's default policy is to offer the receiving scheme transfers out calculated in line with the CETV transfer-out formulae. Discretion exists to amend this to reflect specific circumstances of the situation.

4 Practicalities and process

4.1 Format of transfer payment

Ordinarily payment will be in cash.

A deduction from the bulk transfer will be made for any administration, legal and transaction costs incurred by the Fund as a result of having to disinvest any assets to meet the form of payment that suits the receiving scheme.

4.2 Impact on transferring employer

Any transfer out or in of pension rights may have an effect on the valuation position of the employer and consequently their individual contribution rate.

The Fund will agree with the transferring employer how this change is dealt with. Though it is likely this will be through adjustments to its employer contribution rate, the Fund may require a lump sum payment or instalments of lump sums to cover any relative deterioration in deficit, for example where the deterioration in deficit is a large proportion of its total notional assets and liabilities. Where the transfer is small relative to the employer's share of the Fund, any adjustment may be deferred to the next valuation.

4.3 Consent

Where required within the Regulations, for any bulk transfer the Administering Authority will ensure the necessary consent is obtained from each individual eligible to be part of the transfer.

4.4 Approval process

The Fund will normally agree to bulk transfers into or out of the Fund where this policy is adhered to.

4.5 Non-negotiable

It should be noted that, as far as possible, the Fund's preferred terms on bulk transfers are non-negotiable. Any differences between the value the Fund is prepared to pay (or receive) and that which the other scheme involved is prepared to accept (or pay) should be dealt with by the employers concerned outside the Fund.

4.6 Costs

Actuarial and other professional costs will be recharged in full to the employer.

Staff time involved on the Fund side will be charged at the rate defined within the Administration Strategy Statement.

5 Related Policies

Section 6 of the Fund's Funding Strategy Statement.

Oxfordshire Pension Fund

Policy on contribution reviews

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's approach to reviewing contribution rates between triennial valuations.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where contribution rates may be reviewed between valuations.
- To outline specific circumstances where contribution rates will not be reviewed.

1.2 Background

The Fund may amend contribution rates between valuations for 'significant change' to the liabilities or covenant of an employer.

Such reviews may be instigated by the fund or at the request of a participating employer.

Any review may lead to a change in the required contributions from the employer.

1.3 Guidance and regulatory framework

[Regulation 64](#) of the Local Government Pension Scheme Regulations 2013 (as amended) sets out the way in which LGPS Funds should determine employer contributions, including the following;

- Regulation 64 (4) – allows the administering authority to review the contribution rate if it becomes likely that an employer will cease participation in the fund, with a view to ensuring that the employer is fully funded at the expected exit date.
- Regulation 64A - sets out specific circumstances where the administering authority may revise contributions between valuations (including where a review is requested by one or more employers).

This policy also reflects [statutory guidance](#) from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying [guide](#) that has been produced by the Scheme Advisory Board.

2 Statement of principles

This Statement of Principles covers review of contributions between valuations. Each case will be treated on its own merits, but in general:

- The administering authority reserves the right to review contributions in line with the provisions set out in the LGPS Regulations.
- The decision to make a change to contribution rates rests with the administering authority, subject to consultation with employers during the review period.
- Full justification for any change in contribution rates will be provided to employers.
- Advice will be taken from the fund actuary in respect of any review of contribution rates.
- Any revision to contribution rates will be reflected in the Rates & Adjustment certificate.

3 Policy

3.1 Circumstances for review

The Fund would consider the following circumstances as a potential trigger for review:

- in the opinion of an administering authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- an employer is approaching exit from the fund within the next two years and before completion of the next triennial valuation;
- there are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation;
- it appears likely to the administering authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the administering authority that there has been a significant change in the ability of an employer or employers to meet their obligations (e.g. a material change in employer covenant, or provision of additional security);
- it appears to the administering authority that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the administering authority.

3.2 Employer requests

The administering authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially, or they are going through a significant restructuring impacting their membership).

The administering authority will require additional information to support a contribution review made at the employer's request. The specific requirements will be confirmed following any request and this is likely to include the following:

- a copy of the latest accounts;
- details of any additional security being offered (which may include insurance certificates);
- budget forecasts; and/or

- information relating to sources of funding.

The costs incurred by the administering authority in carrying out a contribution review (at the employer's request) will be met by the employer. These will be confirmed upfront to the employer prior to the review taking place.

3.3 Other employers

When undertaking any review of contributions, the administering authority will also consider the impact of a change to contribution rates on other fund employers. This will include the following factors:

- The existence of a guarantor.
- The amount of any other security held.
- The size of the employer's liabilities relative to the whole fund.

The administering authority will consult with other fund employers as necessary.

3.4 Effect of market volatility

Except in circumstances such as an employer nearing cessation, the administering authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation.

3.5 Documentation

Where revisions to contribution rates are necessary, the Fund will provide the employer with a note of the information used to determine these, including:

- Explanation of the key factors leading to the need for a review of the contribution rates, including, if appropriate, the updated funding position.
- A note of the new contribution rates and effective date of these.
- Date of next review.
- Details of any processes in place to monitor any change in the employer's circumstances (if appropriate), including information required by the administering authority to carry out this monitoring.

The Rates & Adjustments certificate will be updated to reflect the revised contribution rates.

4 Related Policies

The fund's Funding Strategy Statement should be read in conjunction with this document. In particular, exiting employers should familiarise themselves with:

- Section 2 – How does the fund calculate employer contributions?
- Appendix D – Actuarial assumptions (specifically section D5)

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Oxfordshire Pension Fund

Policy on Prepayments

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's approach to the prepayment of regular contributions due by participating employers.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where prepayment of contributions will be permitted.
- To outline the key principles followed when calculating prepayment amounts.
- To outline the approach taken to assess the suitability of a prepayment as sufficient to meet the required contributions.

1.2 Background

It is common practice in the LGPS for employers to pre-pay regular contributions that were otherwise due to be paid to the fund in future. Employer contributions include the 'Primary Rate' – which is expressed as a percentage of payroll and reflects the employer's share of the cost of future service benefits, and the 'Secondary Rate' – which can be expressed as a percentage of payroll or a monetary amount and is an additional contribution designed to ensure that the total contributions payable by the Employer meet the funding objective.

On 22 March 2022, following a request from the LGPS Scheme Advisory Board, James Goudie QC provided an [Opinion](#) on the legal status of prepayments. This Opinion found that the prepayment of employee and employer contributions was not illegal, subject to the basis for determining the prepayment amount being reasonable, proportionate and prudent. Further, the Opinion set out specific requirements around the presentation of prepayments.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and specifies that primary contributions be expressed as a percentage of pensionable pay of active members.
- Regulation 62 - sets the requirement for an administering authority to prepare an R&A certificate.
- Regulation 9 – outlines the contribution rates payable by active members

2 Statement of principles

This statement of principles covers the prepayment of regular employer contributions to the fund. Each case will be treated on its own merits, but in general:

- The administering authority will permit the prepayment of employer contributions.
- Prepaying contributions expressed as a percentage of pay introduces the risk that the prepayment amount will be insufficient to meet the scheduled contribution (as a result of differences between expected and actual payroll). Prepaying contributions is therefore only permissible in the case of secure, long-term employers (e.g. local authorities).
- The prepayment of employee contributions is not permitted.
- A discount will be applied where employer contributions are prepaid, to reflect the investment return that is assumed to be generated by the fund over the period of prepayment.
- The fund actuary will determine the prepayment amount, which may require assumptions to be made about payroll over the period which the scheduled contribution is due.
- Where contributions expressed as a percentage of pay have been prepaid, the administering authority will carry out an annual check (and additional contributions may be required by the employer) to make sure that the actual amounts paid are sufficient to meet the contribution requirements set out in the R&A certificate.
- Prepayment agreements will be documented by way of correspondence between the administering authority and the employer.
- The R&A certificate will be updated on an annual basis to reflect any prepayment agreements in place.
- Employers are responsible for ensuring that any prepayment agreement is treated appropriately when accounting for pensions costs.
- Prepayment agreements can cover any annual period of the R&A (or a consecutive number of annual periods).

3 Policy

3.1 Eligibility and periods covered

The fund is happy to consider requests from any employers to pre-pay certified primary and secondary contributions. However, in general, this is most appropriate for large, secure employers with stable active memberships.

Employer contributions over the period of the existing R&A certificate (and, where a draft R&A certificate is being prepared following the triennial valuation, the draft R&A certificate) may be pre-paid by employers.

Prepayment of contributions due after the end of the existing (or draft) R&A certificate is not permitted, i.e. it would not be possible to prepay employer contributions due in the 2026/27 year until the results of the 2025 valuation are known and a draft R&A certificate covering the 2026 to 2029 period has been prepared.

3.2 Request and timing

Prior to making any prepayment, employers are required to inform the fund in writing of their wish to prepay employer contributions and to request details of the amount required by the fund to meet the scheduled future contribution.

This request should be received by the fund within 2 months of the start of the period for which the prepayment is in respect of.

The fund will then provide the employer with a note of the prepayment amount and the date by which this should be paid. In general, the prepayment should be made as close as possible to the beginning of the appropriate R&A period and by 31 May at the latest.

Failure to pay the prepayment amount by the specified date may lead to the need for an additional and immediate payment from the employer to ensure that the amount paid is sufficient to meet the certified amount set out in the R&A certificate.

3.3 Calculation

The fund actuary will determine the prepayment amount required.

Where the prepayment is in respect of contributions expressed as a percentage of pay:

- The fund actuary will determine the discounted value of scheduled contributions based on an estimate of payroll over the period (using the information available and assumptions set at the previous valuation) and the discount rate set for the purpose of the previous actuarial valuation (as specified in the previous actuarial valuation report).
- A sufficiency check will be required at the end of the period (see section 3.4)

Where the prepayment is in respect of contributions expressed as a monetary amount:

- The fund actuary will determine the discounted value of scheduled contributions based on the discount rate set for the purpose of the previous actuarial valuation (as specified in the previous actuarial valuation report).
- No sufficiency check will be required

Employers may pay more than the prepayment amount determined by the fund actuary.

No allowance for expected outsourcing of services and/or expected academy conversions will be made in the fund actuary's estimation of payroll for the prepayment period.

3.4 Sufficiency check

Where required, the fund actuary will carry out an **annual** assessment to check that sufficient contributions have been prepaid in respect of that period. Specifically, this will review the prepayment calculation based on actual payroll of active members over the period and this may lead to a top-up payment being required from the employer.

If this sufficiency check reveals that the prepayment amount was higher than that which would have been required based on actual payroll (i.e. if actual payroll over the period is less than was assumed), this will not lead to a refund of contributions to the employer.

The sufficiency check will not compare the assumed investment return (i.e. the discount rate) with actual returns generated over the period. i.e. the check considers payroll only. Any shortfall arising due to actual investment returns being lower than that assumed will form part of the regular contribution assessment at the next valuation (as per the normal course of events).

The administering authority will notify the employer of any top-up amount payable following this annual sufficiency check and the date by which any top-up payment should be made.

3.5 Documentation and auditor approval

The fund will provide the employer with a note of the information used to determine the prepayment amount, including:

- Discount rate used in the calculations
- The estimate of payroll (where applicable)
- The effective date of the calculation (and the date by which payment should be made)
- The scheduled regular payments which the prepayment amount covers.

The prepayment agreement will be reflected in the R&A certificate as follows:

- The unadjusted employer regular contribution rate payable over the period of the certificate
- As a note to the contribution rate table, information relating to the prepayment amount and the discount applied, for each employer where a prepayment agreement exists.

The R&A certificate will be updated on an annual basis to reflect any prepayment agreements in place.

Employers should discuss the prepayment agreement with their auditor prior to making payment and agree the accounting treatment of this. The fund will not accept any responsibility for the accounting implications of any prepayment agreement.

3.6 Costs

Employers entering into a prepayment agreement will be required to meet the cost of this, which includes (but is not limited to) the actuarial fees incurred by the administering authority.

3.7 Risks

Employers enter into prepayment agreements on the expectation that the fund will be able to generate higher returns than they can over the prepayment period. Employers should be aware that future returns are not guaranteed, and it is possible that the returns generated on prepayment amounts may generate a lower return than that which can be generated by the employer. It is also possible that negative returns will lead to the value of any prepayment being less than that which was scheduled to be paid. In such circumstances, a top-up payment would not be required (as the sufficiency check only considers the effect of actual payroll being different to that assumed in the prepayment calculation), however the employer's asset share would be lower than it would have been if contributions were paid as scheduled. This would be considered by the fund actuary at the next triennial valuation (as per the normal course of events).

4 Related Policies

The fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the fund calculate employer contributions?".

Oxfordshire Pension Fund

Cessation policy

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the Administering Authority's approach to dealing with circumstances where a Scheme Employer leaves the Fund and becomes an Exiting Employer (a cessation event).

It should be noted that this policy is not exhaustive. Each cessation will be treated on a case-by-case basis, however certain principles will apply as governed by the regulatory framework (see below) and the Fund's discretionary policies (as described under [Policies](#))

1.1 Aims and Objectives

The Administering Authority's aims and objectives related to this policy are as follows:

- To confirm the approach for the treatment and valuation of liabilities for employers leaving the Fund.
- To provide information about how the Fund may apply its discretionary powers when managing employer cessations.
- To outline the responsibilities of (and flexibilities for) Exiting Employers, the Administering Authority, the Actuary and, where relevant, the original ceding Scheme Employer (usually a Letting Authority).

1.2 Background

As described in Section 5 of the Funding Strategy Statement (FSS), a Scheme Employer may become an Exiting Employer when a cessation event is triggered e.g. when the last active member stops participating in the Fund. On cessation from the Fund, the Administering Authority will instruct the Fund Actuary to carry out a valuation of assets and liabilities for the Exiting Employer to determine whether a deficit or surplus exists. The Fund has full discretion over the repayment terms of any deficit, and the extent to which any surplus results in the payment of an exit credit.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding employers leaving the Fund ([Regulation 64](#)) and include the following:

- Regulation 64 (1) – this regulation states that, where an employing authority ceases to be a Scheme Employer, the Administering Authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the Rates and Adjustments Certificate to be amended to show the revised contributions due from the Exiting Employer
- Regulation 64 (2) – where an employing authority ceases to be a Scheme Employer, the Administering Authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the Exit Date. Further, it requires the Rates and Adjustments Certificate to be amended to show the Exit Payment due from the Exiting Employer or the excess of assets over the liabilities in the Fund.

- Regulation 64 (2ZAB) – the Administering Authority must determine the amount of an Exit Credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must:
 - a) Notify its intention to make a determination to-
 - (i) The Exiting Employer and any other body that has provided a guarantee to the Exiting Employer
 - (ii) The Scheme Employer, where the Exiting Employer is a body that participated in the Scheme as a result of an admission agreement
 - b) Pay the amount determined to that Exiting Employer within six months of the Exit Date, or such longer time as the Administering Authority and the Exiting Employer agree.
- Regulation (2ZC) – In exercising its discretion to determine the amount of any Exit Credit, the Administering Authority must have regard to the following factors-
 - a) The extent to which there is an excess of assets in the fund relating to that employer in paragraph (2)(a)
 - b) The proportion of this excess of assets which has arisen because of the value of the employer's contributions
 - c) Any representations to the Administering Authority made by the Exiting Employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations: and
 - d) Any other relevant factors
- Regulation 64 (2A) & (2B)– the Administering Authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the Exiting Employer is to have one or more active members contributing to the Fund within the period specified in the suspension notice.
- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate Scheme Employer or remaining Fund employers may be amended.
- Regulation 64 (4) – where it is believed a Scheme Employer may cease at some point in the future, the Administering Authority may obtain a certificate from the Fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the Exit Payment that will be due.
- Regulation 64 (5) – following the payment of an Exit Payment to the Fund, no further payments are due to the Fund from the Exiting Employer.
- Regulation 64 (7A-7G) – the Administering Authority may enter into a written Deferred Debt Agreement, allowing the employer to have Deferred Employer status and to delay crystallisation of debt despite having no active members.
- Regulation 64B (1) – the Administering Authority may set out a policy on spreading Exit Payments.

In addition to the 2013 Regulations summarised above, [Regulation 25A](#) of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the Transitional Regulations”) give the Fund the ability to levy a cessation debt on employers who have ceased participation in the Fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time. This policy document describes how the Fund expects to deal with any such cases.

This policy also reflects [statutory guidance](#) from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to employer exits. Interested parties may want to refer to an accompanying [guide](#) that has been produced by the Scheme Advisory Board.

These regulations relate to all employers in the Fund.

2 Statement of Principles

This Statement of Principles covers the Fund's approach to Exiting Employers. Each case will be treated on its own merits but in general:

- it is the Fund's policy that the determination of any surplus or deficit on exit should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the Fund.
- the Fund's preferred approach is to request the full payment of any Exit Debt (an Exit Payment), which is calculated by the actuary on the appropriate basis (as per Section 7 of the FSS and Section 3.1 below). This would extinguish any liability to the Fund by the Exiting Employer.
- the Fund's key objective is to protect the interests of the Fund, which is aligned to protecting the interests of the remaining employers. A secondary objective is to consider the circumstances of the Exiting Employer in determining arrangements for the recovery of the Exit Debt.

3 Policies

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus as defined in Section 4.3 of the FSS.

Where there is a deficit, payment of this amount in full would normally be sought from the Exiting Employer. The Fund's normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified.

However, the Fund will consider written requests from employers to spread the payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation (see [3.2 Repayment flexibility on exit payments](#) below).

In circumstances where there is a surplus, the Administering Authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the Exiting Employer (see [3.3 Exit credits](#) below).

3.1 Approach to cessation calculations

Cessation valuations are carried out on a case-by-case basis at the sole discretion of the Fund depending on the exiting employer's circumstances. However, in general the following broad principles and assumptions may apply, as described in Section 7.2 of the FSS and summarised below:

Type of employer	Cessation exit basis	Responsible parties for unpaid or future deficit emerging
Local Authorities, Police, Fire	Low risk basis ¹	Shared between other fund employers
Colleges & Universities	Low risk basis	Shared between other fund employers
Academies	Low risk basis	DfE guarantee may apply, otherwise see below
Admission bodies (TABs)	Ongoing basis ²	Letting authority (where applicable), otherwise shared between other fund employers
Admission bodies (CABs)	Low risk basis	Shared between other fund employers (if no guarantor exists)
Designating employers	Low risk basis	Shared between other fund employers (if no guarantor exists)

¹Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (e.g. machinery of Government changes), these cessation principles would apply.

²Where a TAB has taken, in the view of the Administering Authority, action that has been deliberately designed to bring about a cessation event (e.g. stopping future accrual of LGPS benefits), then the cessation valuation will be carried out on a low-risk basis.

Cessation of academies and multi-academy trusts (MATs)

A cessation event will occur if a current academy or MATs cease to exist as an entity or an employer in the Fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the Fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the Fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers. The actuary will use their professional judgement to determine an appropriate and fair methodology for this calculation in consultation with the Administering Authority.
- In all other circumstances, and following payment of any cessation debt, section 7.5 of the FSS would apply.

Further details are included in the Fund's Academies Policy.

3.2 Repayment flexibility on exit payments

Deferred spreading arrangement (DSA)

The Fund will consider written requests from exiting employers to spread an exit payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation.

In this exceptional case, the Fund's policy is:

- The agreed spread period is no more than three years, but the Fund could use its discretion to extend this period in extreme circumstances.
- The Fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.
- The exiting employer may be asked to provide the Administering Authority with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.
- Payments due under the DSA may be subject to an interest charge.
- The Fund will only consider written requests within six months of the employer exiting the Fund. The exiting employer would be required to provide the Fund with detailed financial information to support its request.
- The Fund would take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.
- The Fund proposes a legal document, setting out the terms of the exit payment agreement, would be prepared by the Fund and signed by all relevant parties prior to the payment agreement commencing.
- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.

- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.
- Where appropriate, cases may be referred to the Pensions Committee for consideration and considered on its individual merit. Decisions may be made by the Chair in consultation with Officers if an urgent decision is required between Committee meetings.

Deferred debt agreement (DDA)

The Fund's preferred policy is for the spreading of payments, as detailed above, to be followed in the exceptional circumstances where an exiting employer is unable to pay the required cessation payment as a lump sum in full. However, in the event that spreading of payments will create a high risk of bankruptcy for the exiting employer, the Fund may use exercise its discretion to set up a Deferred Debt Agreement as described in [Regulation 64 \(7A\)](#).

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the Fund actuary until the termination of the deferred debt agreement.

The Administering Authority will consider deferred debt agreements in the following circumstances:

- The employer requests the Fund consider a deferred debt agreement.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the Administering Authority.

The Administering Authority will normally require:

- A legal document to be prepared, setting out the terms of the deferred debt arrangement and signed by all relevant parties prior to the arrangement commencing (including details of the time period of the deferred debt arrangement, the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the Fund will seek actuarial, covenant and legal advice in all cases.
- Regular monitoring of the contribution requirements and security requirements.
- All costs of the arrangement are met by the employer, such as the cost of advice to the Fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A deferred debt agreement will normally terminate on the first date on which one of the following events occurs:

- The employer enrolls new active Fund members.
- The period specified, or as varied, under the deferred debt agreement elapses.
- The take-over, amalgamation, insolvency, winding up or liquidation of the employer.

- The Administering Authority serves a notice on the employer that the Administering Authority is reasonably satisfied that the employer's ability to meet the contributions payable under the deferred debt arrangement has weakened materially or is likely to weaken materially in the next 12 months.
- The Fund actuary assesses that the employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. employer is now largely fully funded on their cessation basis).
- The Fund actuary assesses that the employer's value of liabilities has fallen below an agreed *de minimis* level and the employer becomes an Exiting Employer on the calculation date.
- The employer requests early termination of the agreement and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the employer pays their outstanding cessation debt on their cessation basis).

On the termination of a deferred debt agreement, the employer will become an Exiting Employer and a cessation valuation will be completed in line with this policy.

3.3 Exit credits

The Administering Authority's entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all employers ceasing their participation in the Fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the [Local Government Pension Scheme \(Amendment\) Regulations 2020](#).

The Administering Authority may determine the amount of exit credit payable to be zero, however, in making a determination, the Administering Authority will take into account the following factors;

- a) the extent to which there is an excess of assets in the Fund relating to the employer over and above the liabilities specified.
- b) the proportion of the excess of assets which has arisen because of the value of the employer's contributions.
- c) any representations to the Administering Authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.
- d) any other relevant factors

Admitted bodies

- i. No exit credit will be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph iii) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the Fund.
- ii. No exit credit will be payable to any admission body who participates in the Fund via the mandated pass through approach as set out in this Funding Strategy Statement. For the avoidance of doubt, whether an exit credit is payable to any admission body who participates in the fund via the "Letting employer retains pre-contract risks" route is subject to its risk sharing arrangement, as per paragraph iii) below.
- iii. The Fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting

authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the Administering Authority) of the admission body ceasing participation in the Fund.

- iv. In the absence of this information or if there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in c), the Fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the Administering Authority.
- v. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- vi. If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund's determination of the value of any exit credit payment. In these cases, the Fund will consider the differential between employers' contributions paid (including investment returns earned on these monies) and the size of any cessation surplus.
- vii. If an admitted body leaves on a low risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.
- viii. The decision of the Fund is final in interpreting how any arrangement described under iii), v), vi) and vii) applies to the value of an exit credit payment.

Scheduled bodies and designating bodies

- i. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- ii. Where no formal guarantor or risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- iii. The decision of the Fund is final in interpreting how any arrangement described under i) and ii) applies to the value of an exit credit payment.
- iv. If a scheduled body or designating body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.
- v. If a scheduled body or resolution body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

General

- i. The Fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.

- ii. Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the Fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the Fund and the respective investment returns earned on both.
- iii. The Fund will also factor in if any contributions due or monies owed to the Fund remain unpaid by the employer at the cessation date. If this is the case, the Fund's default position will be to deduct these from any exit credit payment.
- iv. The final decision will be made by the Service Manager (Pensions), in conjunction with advice from the Fund's Actuary and/or legal advisors where necessary, in consideration of the points held within this policy.
- v. The Fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the Fund will discuss its approach to determining an exit credit with all affected parties. The decision of the Fund in these instances is final.
- vi. The guidelines above at point v) in the 'Admitted Bodies' section, and at points i) and ii) in the 'Scheduled bodies and designating bodies' section, make reference to the Fund 'considering the approach to setting contribution rates during the employer's participation'. The different funding approaches, including the parameters used and how these can vary based on employer type, are covered in detail in Table 2 (section 2.5) in the FSS. Considering the approach taken when setting contribution rates of the exiting employer may help the Fund to understand the extent to which the employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have always been based on ongoing assumptions then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined within this policy). Equally, a shorter than usual funding time horizon or lower than usual probability of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.

Disputes

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the LGPS Regulations 2013 would apply.

4 Practicalities and process

4.1 Responsibilities of ceasing employers

An employer which is aware that its participation in the Fund is likely to come to an end must:

- advise the Fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (typically a 3 month notice period is required) or otherwise as required by the Regulations for all other Scheme Employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment).
- provide any relevant information on the reason for leaving the Fund and, where appropriate, contact information in the case of a take-over, merger or insolvency.
- provide all other information and data requirements as requested by the Administering Authority which are relevant, including in particular any changes to the membership which could affect the liabilities (e.g. salary increases and early retirements) and an indication of what will happen to current employee members on cessation (e.g. will they transfer to another Fund employer, will they cease to accrue benefits within the Fund, etc.).

4.2 Responsibilities of Administering Authority

The Administering Authority will:

- gather information as required, including, but not limited to, the following:
 - details of the cessation - the reason the employer is leaving the Fund (i.e. end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation.
 - complete membership data for the outgoing employer and identify changes since the previous formal valuation.
 - the likely outcome for any remaining employee members (e.g. will they be transferred to a new employer, or will they cease to accrue liabilities in the Fund).
- identify the party that will be responsible for the employer's deficit on cessation (i.e. the employer itself, an insurance company, a receiver, another Fund employer, guarantor, etc.).
- commission the Fund actuary to carry out a cessation valuation under the appropriate regulation.
- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus.
- where applicable, liaise with the original ceding employer or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer's membership.
- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment.

Payment of an exit credit

- If the actuary determines that there is an excess of assets over the liabilities at the cessation date, the Administering Authority will act in accordance with the Exit Credit Policy above. If payment is required, the Administering Authority will advise the Exiting Employer of the amount due to be repaid and seek to make payment within six months of the Exit Date. However, in order to meet the six month timeframe, the Administering Authority requires prompt notification of an employers' exit and all data requested to be provided in a timely manner. The Administering Authority is unable to make any Exit Credit payment until it has received all data requested.
- At the time this policy was produced, the Fund has been informed by HMRC that Exit Credits are not subject to tax, however all Exiting Employers must seek their own advice on the tax and accounting treatment of any Exit Credit.

4.3 Responsibilities of the actuary

Following commission of a cessation valuation by the Administering Authority, the Fund Actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy.
- provide actuarial advice to the Administering Authority on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation.
- where appropriate, advise on the implications of the employer leaving on the remaining Fund employers, including any residual effects to be considered as part of triennial valuations.

5 Related Policies

- What happens when an employer leaves the Fund? (Section 7 of the FSS)
- Financials assumptions used (Appendix D3 of the FSS)

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Oxfordshire Pension Fund

Policy on pass-through

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the administering authority's approach to admitting new contractors into the Fund on a pass-through basis.

In addition, and subject to review on a case-by-case basis, the Fund may be willing to apply its pass-through principles to other admission bodies where liabilities are covered by a guarantor within the Fund.

Contractors are still permitted to enter the Fund under non-pass-through admissions as detailed in Section 5.3 of the Funding Strategy Statement (FSS). This policy does not apply in these cases.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

1.1 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To set out the Fund's approach to admitting new contractors, including the calculation of contribution rates and how risks are shared under the pass-through arrangement.
- To outline the process for admitting new contractors into the Fund

1.2 Background

Employees outsourced from local authorities, and other public bodies must be offered pension benefits that are the same, better than, or count as being broadly comparable to, the Local Government Pension Scheme (as per the Best Value Authorities Staff Transfer (Pensions) Direction 2007). This may be achieved by offering affected employees' membership of an alternative broadly comparable scheme. However, this is typically achieved by employees remaining in the LGPS and the new employer becoming an admitted body to the Fund and making the requisite employer contributions.

Similarly, employees outsourced from Academies and other Employers covered by the New Fair Deal guidance, must be offered the opportunity to remain within the LGPS by way of an Admission Agreement.

Pass-through is an arrangement whereby the letting authority (the local authority or the Academy) retains the main risks of fluctuations in the employer contribution rate during the life of the contract, and the risk that the contractor's assets may be insufficient to meet the employees' pension benefits at the end of the contract.

1.3 Guidance and regulatory framework

The [Local Government Pension Scheme Regulations 2013](#) (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Schedule 2 Part 3 sets out the entities eligible to join the Fund as an admitted body, their key responsibilities as an admitted body and the requirements of the admission agreement.

- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and provides a definition of the primary rate.
- Regulation 64 - covers the requirements for a cessation valuation following the exit of a participating employer from the Fund.

2 Statement of principles

This statement of principles covers the admission of new contractors to the Fund on a pass-through basis. Each case will be treated on its own merits, but in general:

- Pass-through is the preferred approach for the admission of all new contractors to the fund from the effective date of this policy. For the avoidance of doubt, this would apply to contracts established by councils and academy trusts (the letting authority). This simplifies the procurement process and reduces actuarial costs associated with the outsourcing.
- The contractor's pension contribution rate is set equal to the total contribution rate payable by the letting authority. This could change from time to time in line with changes to the letting authority's contribution rate (i.e. following future actuarial valuations).
- The letting authority retains responsibility for variations in funding level, for instance due to investment performance, changes in market conditions and longevity under its pass-through arrangement, irrespective of the size of the outsourcing.
- The contractor will meet the cost of additional liabilities arising from the exercise of their discretionary policies e.g. (non-ill health) early retirements and augmentations.
- Ill health experience will be pooled with the letting authority and no additional strain payments will be levied on the contractor in respect of ill health retirements.
- The contractor will not be required to obtain an indemnity bond.
- There will be no notional transfer of assets to the contractor within the Fund. This means that all assets and liabilities relating to the contractor's staff will remain the responsibility of the letting authority during the period of participation.
- At the end of the contract (or when there are no longer any active members participating in the Fund, for whatever reason), the admission agreement will cease and no further payment will be required from the contractor (or the letting authority) to the Fund, save for any outstanding regular contributions and/or invoices relating to the cost of early retirement strains, augmentations or strains from excess salary awards. Likewise, no "exit credit" payment will be required from the Fund to the contractor (or letting authority).
- The terms of the pass-through agreement will be documented by way of the admission agreement between the administering authority, the letting authority, and the contractor.
- All existing admission agreements are unaffected by this policy.

The principles outlined above are the default principles which will apply; however, the letting authority may request the specific details of a particular agreement to differ from the principles outlined above. The administering authority is not obliged to agree to a departure from the principles set out in this policy but will consider such requests and engage with the letting authority to reach agreement.

3 Policy and process

3.1 Compliance

Adherence to this policy is the responsibility of the relevant responsible service manager for any given outsourcing.

The administering authority and the Fund actuary must always be notified that an outsourcing has taken place, regardless of the number of members involved.

3.2 Contribution rates

The contribution rate payable by the contractor over the period of participation will be set equal to the total contribution rate payable by the letting authority. This means that the contractor's contribution rate could change following the triennial actuarial valuation.

3.3 Risk sharing and cessation valuation

The letting authority will retain the risk of the contractor becoming insolvent during the period of admission and so no indemnity bond will be required from contractors participating in the Fund on a pass-through basis. The letting authority is effectively guaranteeing the contractor's participation in the fund.

A cessation valuation is required when a contractor no longer has any active members in the Fund. This could be due to a contract coming to its natural end, insolvency of a contractor or the last active member leaving employment or opting out of the LGPS.

Where a pass-through arrangement is in place, the Fund assets and liabilities associated with outsourced employees are retained by the letting authority. At the end of the admission, the cessation valuation will therefore record nil assets and liabilities for the ceasing employer and therefore no cessation debt or exit credit is payable to or from the Fund.

The risk allocation should be agreed between the contractor and letting authority before the contract commences and should be appropriately detailed in the service agreement and legal documentation. In general, at the cessation of the admission agreement, the contractor will be required to pay any outstanding regular contributions and/or unpaid invoices relating to the cost of (non-ill health) early retirement strains, augmentations or strains from excess salary awards at the end of the contract.

3.4 Accounting valuations

Accounting for pensions costs is a responsibility for individual employers.

It is the administering authority's understanding that contractors may be able to account for such pass-through admissions on a defined contribution basis and therefore no formal FRS102 / IAS19 report may be required (contractors are effectively paying a fixed rate and are largely indemnified from the risks inherent in providing defined benefit pensions).

As the letting authority retains most of the pension fund risk relating to contractors, it is the administering authority's understanding that these liabilities (and assets) should be included in the letting authorities' FRS102 / IAS19 disclosures.

The letting authority and contractor should seek approval from their auditor of the proposed accounting treatment in the first instance.

3.5 Application

Letting authorities may request terms which differ from those set out in this policy and any such request will be considered by the administering authority.

All existing admission agreements (i.e. which commenced prior to the effective date of this policy) are unaffected by this policy.

3.6 Process

The procurement department at each letting authority that has responsibility for staff/service outsourcing must be advised of this policy. The process detailed below must be adhered to by the letting authority and (where applicable) the winning bidder.

- **Tender Notification** - The letting authority must publicise this pass-through policy as part of its tender process to bidders. This should confirm that the winning bidder will not be responsible for ensuring that the liabilities of outsourced employees are fully funded at the end of the contract, and that the winning bidder will only be responsible for paying contributions to the fund during the period of participation and meeting the cost of (non-ill health) early retirement strains, the cost of benefit augmentations and strains from excess salary awards (assuming the terms of this policy are adhered to). It should also advise the employer contribution rate as detailed in paragraph 3.2.
- **Initial notification to Pension Team** – The letting authority must contact the administering authority when a tender (or re-tender) of an outsourcing contract is taking place and staff (or former staff) are impacted. The administering authority must be advised prior to the start of the tender and the letting authority must also confirm that the terms of this policy have been adhered to.
- **Confirmation of winning bidder** – The letting authority must immediately advise the administering authority of the winning bidder.
- **Request for winning bidder to become an admitted body** – The winning bidder (in combination with the letting authority), should request to the administering authority that it wishes to become an admitted body within the Fund.
- **Template admission agreement** – a template admission agreement will be used for admissions under this policy. It will set out all agreed points relating to the employer contribution rate, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the Administering authority, will the wording within the template agreement be changed. All admission agreements must be reviewed (including any changes) by the administering authority and possibly its legal advisors.
- **Commercial contract** – Once the admission agreement has been signed, the winning bidder is then able to enter the Fund. It is the letting authority's responsibility to ensure that the commercial contract reflects the pension arrangements in the admission agreement.
- **Signed admission agreement** - Signing of the admission agreement can then take place between an appropriate representative of the winning bidder, the lead finance officer of the letting authority, and the administering authority. It is at this point the fund can start to receive contributions from the contractor and its employee members (backdated if necessary).

3.7 Costs

The letting authority will be liable to meet any additional costs incurred by the administering authority as a result of any deviation from the Fund's standard processes and agreements for pass-through arrangements, which includes (but is not limited to) the actuarial fees.

4 Related Policies

The fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the fund calculate employer contributions?".

The treatment of new employers joining the fund is set out in the in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the fund?"

The treatment of employers exiting the fund is set out in the in the Funding Strategy Statement, specifically "Section 7 – What happens when an employer leaves the fund?"

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Oxfordshire Pension Fund

Academies policy

Effective date of policy	
Date approved	
Next review	

1 Introduction

The purpose of this policy is to set out the Administering Authority's funding principles relating to academies and Multi-Academy Trusts (MATs).

1.1 Aims and Objectives

The Administering Authority's objectives related to this policy are as follows:

- to state the approach for the treatment and valuation of academy liabilities and asset shares on conversion from a local maintained school, if establishing as a new academy or when joining or leaving a MAT
- to state the approach for setting contribution rates for MATs
- to outline the responsibilities of academies when outsourcing

1.2 Background

As described in Section 5.2 of the Funding Strategy Statement (FSS), new academies join the Fund on conversion from a local authority school or on creation (eg newly established academies, Free Schools, etc). Upon joining the fund, for funding purposes, academies may become stand-alone employers or may join an existing MAT.

Funding policy relating to academies and MATs is largely at the fund's discretion, however guidance on how the fund will apply this discretion is set out within this policy.

1.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contains general guidance on Scheme employers' participation within the fund which may be relevant but is not specific to academies.

2 Statement of Principles

This Statement of Principles covers the Fund's approach to funding academies and MATs. Each case will be treated on its own merits but in general:

- the fund will seek to apply a consistent approach to funding academies that achieves fairness to the ceding councils, MATs and individual academies.
- the fund's current approach is to treat all academies within a MAT as a single employer (effectively operating as a funding pool where all pension risks are shared).
- academies must consult with the Fund prior to carrying out any outsourcing activity.

- the fund will generally not consider receiving additional academies into the fund as part of a consolidation exercise

3 Policies

3.1 Admission to the Fund

As set out in section 5.2 of the FSS:

Asset allocation on conversion

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund its deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

Contribution rate

New academy contribution rates are based on the current funding strategy (set out in section 2 of the FSS) and the transferring membership. If an academy is joining an existing MAT within the Fund then it may pay the MAT contribution rate (which may or may not be updated as a result - see below).

3.2 Multi-academy trusts

Asset tracking

The fund's current policy is to pool assets (and liabilities) of all the academies within a MAT. Once an academy joins a MAT the individual asset share of that academy is merged into the MAT and no longer tracked individually.

Contribution rate

The MAT is treated as a 'full funding risks' pool meaning that all academies within the MAT pay the same contribution rate to the fund and all membership experience is shared across the MAT (ie full cross-subsidy exists).

Any transferring academy will pay the certified contribution rate of the MAT it is joining. At the discretion of the fund, the MAT's contribution rate may be revised by the fund actuary to allow for impact of the transferring academy joining.

Academies leaving a MAT

If an academy(ies) leaves a MAT, it is not generally possible (or practical) to identify the ex-employees of the transferring academy, therefore all deferred and pensioner members will remain with the MAT. The notional funding position of the transferring academy will be removed from the MAT before being transferred. This calculation will be carried out under the same principles as new academy conversions (as described below and per section 5.2 of the FSS).

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before the academy transfers. Liabilities relating to the transferring academy's former employees (ie members with deferred or pensioner status) remain with the MAT.

Transferring academies will be allocated an asset share based on the estimated funding level of the MAT's active members, having first allocated the MAT's assets to fully fund its deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's asset share, capped at a maximum of 100%.

The MAT's estimated funding level will be based on market conditions on the day before the transfer.

3.3 Academies pool

If a new academy has 50 or less members they are required to join the Academies Pool and pay the pool's common contribution rate (this approach was arranged following a consultation exercise at the beginning of 2013). In addition, a small academy can seek the approval of the Administering Authority to permanently opt out of the Academies Pool where the Administering Authority is satisfied there is a suitable financial case, with all future pension liabilities appropriately underwritten. Academies joining the Academies Pool will fully share all risks and costs within the pool. Academies with more than 50 members can request to join the pool.

If an academy opts out of the Pool then its funding position and contribution rate will be determined separately at the next triennial formal valuation (which may result in a higher (or lower) contribution rate than the pool's rate).

Decisions to opt into or opt out of a pool are made on a permanent basis

3.4 Merging of MATs (contribution rates)

If two MATs merge during the period between formal valuations, the new merged MAT will pay the higher of the two certified individual MAT rates until the rates are reassessed at the next formal valuation (NB where one or both MATs are paying a monetary secondary contribution rate these will be converted to a % of pay for the purposes of determining the new merged contribution rate).

Alternatively, as set out in the fund's contribution review policy and per Regulation 64 A (1)(b) (iii) the MAT may request that a contribution review is carried out. The MAT would be liable for the costs of this review.

3.5 Cessations of academies and multi-academy trusts

A cessation event will occur if a current academy or MATs cease to exist as an entity or an employer in the Fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the Fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the Fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers as described in 3.2 above.
- In all other circumstances, and following payment of any cessation debt, section 7.5 of the FSS would apply.

3.6 Academy consolidations

If an academy or MAT is seeking to merge with another MAT outside of the fund they would need to seek approval from the secretary of state to consolidate their liabilities (and assets) into one LGPS fund.

The fund will provide the necessary administrative assistance to academies seeking to consolidate into another LGPS fund, however the academy (or MAT) will be fully liable for all actuarial, professional and administrative costs.

3.7 Outsourcing

An academy (or MAT) may outsource or transfer a part of its services and workforce via an admission agreement to another organisation (usually a contractor). The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership.

The contractor will pay towards the LGPS benefits accrued by the transferring members for the duration of the contract, but ultimately the obligation to pay for these benefits will revert to the academy (or MAT) at the end of the contract.

It is the Fund's preference for the contractor's contribution rate to be set equal to the letting academy's (or MAT's) total contribution rate.

It is critical for any academy (or MAT) considering any outsourcing to contact the Fund initially to fully understand the administrative and funding implications. The academy should also read and fully understand the fund's admissions / pass-through policy.

In some cases, it is necessary to seek approval from Department for Education before completing an outsourcing (including seeking confirmation that the guarantee provided to academies will remain in place for the transferring members).

4 Related Policies

- Section 5.2 of the FSS
- Contribution review policy
- Cessation policy
- Bulk transfer policy

Division(s): n/a

PENSION FUND COMMITTEE – 10 OCTOBER 2022

REVIEW OF THE BUSINESS PLAN 2022/23

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to

- a) review progress against each of the key service priorities as set out in the report; and**
- b) agree any further actions to be taken to address those areas not currently on target to deliver the required objectives.**

Introduction

1. This report sets out the latest progress against the key service priorities set in the business plan for the Pension Fund for 2022/23 as agreed by the March meeting of this Committee.
2. The key objectives for the Oxfordshire Pension Fund as set out in the Business Plan for 2022/23 remain consistent with those agreed for previous years. These are summarised as:
 - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pensions Regulator
 - 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.
3. The service priorities for the year do not include the business-as-usual activity which will continue alongside the activities included in the service priorities. Business as usual activities are monitored as part of the Administration Report and the report on Investment Performance.

Key Service Priorities – Progress to Date

4. 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 agreed by the previous Committee 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, or degree of progress/future requirements unclear
- Red – insufficient progress or insufficient actions identified to deliver measures of success

5. 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	Initial reports run from new Insights functionality. Majority of data checked as part of the end of year processes. Annual Benefit Statements Issued	Re-run provisional data quality reports. Identify any corrective actions before final submission.
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	Individual Employer Valuation Results to be produced and any queries investigated.
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		
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	Action Plan to be delivered.

6. At the time of writing this report we were in the process of producing the final Annual Benefit Statements for all active and deferred scheme members in line with the regulatory requirements. The production of the Annual Benefit Statement is the final step in the end of year process which involves significant work to verify the accuracy and completeness of scheme member data submitted by scheme employers. The work achieved to date suggests our data is of sufficient quality to meet the standards set by the Pension Regulator, and

there remains sufficient time to address any issues identified in the next provisional data quality run. The risk level has therefore been re-assessed as Green from Amber last quarter.

7. Since the last meeting, we have submitted the data to the Fund Actuary and they have produced the high level whole Fund Valuation results as at March 2022. No significant issues were identified in the quality of the data submitted. We will continue to work with the Fund Actuary to address any issues identified as the Actuary completes the Valuation results for individual employers.
8. At this stage of the financial year, limited work has been undertaken 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.
9. The issues around cyber risk and data security are covered in more detail elsewhere on today's agenda, with the presentation of our approach to cyber security and an analysis of our current position. The analysis undertaken as part of this work has identified several gaps in the current approach, particularly in respect of monitoring compliance with the various policies. In light of this and the two data breaches mentioned in the administration report, the ranking for these two measures of success has been amended to Amber.
10. Develop a holistic approach to technology across Pension Administration Services. There were 3 specific measures of success set out in the 2022/23 Business Plan in respect of this priority. The progress against these is 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 specification, or to run full tender exercise for single holistic solution. AMBER	Project Team appointed.	Full system specification developed. Review of current offerings on the LGPS National Procurement Framework to assess value in running tender at this time.
Tender project plans agreed consistent with the end date of the current system contract. AMBER		Dependent on outcome of work above.
Clear targets established for increase		

in on-line completion of services. AMBER		
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11. It is still the case that insufficient work has been completed on this project to move the risks against completing this project from Amber. Resources have been identified to manage the project and a timeline produced which will enable this Committee to make a decision on whether to re-tender the contract or extend the initial arrangements. (See Annex to Administration report). Meetings have been set up to enable the development of a new service specification, but more work needs to be completed to provide the assurance that the specification can be completed in time to complete the research into what is currently available, and a decision made on the most appropriate way forward. A full report on this issue will be presented to the December Committee
12. Enhanced Delivery of Responsible Investment responsibilities. 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 process initiated.	Appointment agreed.
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 Brunel's preferred approach.	On-going discussions with Brunel and partner funds to develop single Brunel 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.	Need to work alongside Brunel to draft new reports to ensure they meet our requirements. Appointment of new RI and Communication resources to enable development of website reporting.
Successful application in respect of Stewardship Code. AMBER		Appointment of new Responsible Investment Officer.

		Full application completed and submitted
Revised Funding Strategy Statement and Investment Strategy Statement including revised Strategic Asset Allocation signed off at March 2023 Committee. GREEN		To be reviewed alongside 2022 Valuation.

13. There have unfortunately been delays in the recruitment for the new Responsible Officer, with the need to go through an appeal process in respect of grade set through the Job Evaluation process. There remains a concern that we will not be able to attract a suitable candidate at the revised grade agreed, but the decision has been made to test the market rather than delay the recruitment process any further.
14. The work on the engagement policy and improved reporting is directly tied into the current Climate Change Stocktake exercise being run by Brunel and the Funds in the partnership. What is clear from the initial discussions is that there is a strong level of consensus around these issues, and the expectation is that these will be prioritised as part of the future work programme for Brunel.
15. The one area shown as Amber against this objective relates to a successful application in respect of the Stewardship Code. This work does require the successful appointment of the additional resources, and it is clear from other Funds who have already completed the process there is a lot of work involved. At this stage therefore it is not possible to confirm the target can be met this financial year.
16. Deliver improved and consistent service performance to scheme members. 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 for the first 4 month 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

		<p>against new requirements.</p> <p>Action Plan developed, additional resources required and plan delivered.</p>
<p>Scheme Member Engagement Policy adopted and positive feedback collected from scheme members.</p> <p>AMBER</p>		<p>New communications Officer appointed.</p> <p>Review of what scheme member engagement has worked well elsewhere.</p> <p>Engagement Policy developed and implemented.</p>

17. 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.
18. The measure of success around successful management of scheme changes is currently amber as the Government have again delayed the publication of the long awaited consultation which includes guidance on pooling in general, the implementation of the Task Force on Climate related Financial Disclosures (TCFD) template, 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.
19. The measure of success against the engagement policy with scheme members is also amber reflecting the challenges experienced in this area to date, and the need to appoint to the additional communications officer post to take forward the work to review best practice elsewhere and develop a new Policy for Oxfordshire.
20. Part C of the Business Plan sets out the Fund's budget for 2022/23 which totals £17,720,000. The table below shows the latest information of expenditure to date and the estimated end of year position. This suggests a small underspend of £101,000 over the course of the financial year.

	Budget	YTD	%	Forecast Outturn	Variance
	2022/23	2022/23		2022/23	2022/23
	£'000	£'000		£'000	£'000
Administrative Expenses					
Employee Costs	1,403	318	23%	1,353	-50
Support Services Including ICT	886	395	45%	886	0
Printing & Stationary	82	3	4%	82	0
Advisory & Consultancy Fees	315	12	4%	315	0
Other	58	7	12%	58	0
Total Administrative Expenses	2,744	736	27%	2,694	-50
Investment Management Expenses					
Management Fees	12,836	3,001	23%	12,800	-36
Custody Fees	40	5	13%	40	0
Brunel Contract Costs	1,160	586	51%	1,160	0
Total Investment Management Expenses	14,036	3,592	26%	14,000	-36
Oversight & Governance					
Investment Employee Costs	405	69	17%	390	-15
Support Services Including ICT	12	0	0%	12	0
Actuarial Fees	190	66	35%	190	0
External Audit Fees	50	0	0%	50	0
Internal Audit Fees	16	0	0%	16	-0
Advisory & Consultancy Fees	135	8	6%	135	-0
Committee and Board Costs	63	0	0%	63	-0
Subscriptions and Memberships	69	0	0%	69	0
Total Oversight & Governance Expenses	940	143	15%	925	-15
Total Pension Fund Budget	17,720	4,472	25%	17,619	-101

21. The main factor contributing to the underspend is the delays in the recruitment of staff across the service. The underspend will grow if there are any further delays in the recruitment process.
22. The other area of underspend is on investment management fees where we are currently estimating a small saving of £36,000. As fees are directly related to the assets under management, there is a high degree of volatility in this fee figure in line with the volatility seen in the financial markets.
23. Part D of the Business Plan sets out the Training Plan for Committee and Pension Board Members. Training sessions associated with the 2022 Valuation have been built into the timetable for this year including the pre-committee training this morning. Details of the training undertaken by individual Members is included in the Annual Report and Accounts elsewhere on today's agenda.
24. Members will shortly be asked to complete this year's National Knowledge Assessment undertaken by Hymans Robertson. This will allow us to assess the impact of training delivered to date and allow an assessment of the latest scores against those achieved by both the Committee and Board at this time last year, and in comparison to other LGPS Committees and Boards.
25. We will provide a fuller assessment of the current training provision and the skills and knowledge of the Committee to the December meeting.

Lorna Baxter
Director of Finance

Contact Officer
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Tel: 07554 103465

August 2022

Division(s): n/a

PENSION FUND COMMITTEE – 10 OCTOBER 2022

RISK REGISTER

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the latest risk register and accept 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 8 July 2022, the Pension Board considered the latest risk register and recommended that the risks scores for Risks 16 and 17 should be increased until such time the Fund had a comprehensive cyber security policy in place.

Latest Position on Existing Risks/New Risks

6. Elsewhere on today's agenda there is a full report on the Fund's approach to cyber security. The main conclusions from this report are that the policy and procedures required to protect the Fund are in place, but that training and monitoring arrangements to ensure that these policies and procedures are fully understood and complied with need improvement.

7. In light of this and the comments from the Pension Board, the risk score for both Risk 16 in respect of system failure (potentially through malware) and Risk 17 in respect of data security breaches, have been increased and shown as Amber. These scores will be returned to target and the Green on completion of the actions outlined in the cyber security report and the development of an annual report to this Committee to provide the assurance that all policies and procedures are being complied with and mitigate as far as possible all known cyber risks.
8. Four other risks on the current risk register remain at Amber. Three of the Amber risks relate to the skills and knowledge of the key groups involved in the administration of the Pension Fund, namely the members of the Committee, members of the Local Pension Board and the Pension Fund Officers.
9. In respect of the Pension Fund Committee and the Pension Board, the next step is the completion of the next National Knowledge Assessment. This will allow us to complete an assessment of the overall skills and knowledge of both bodies, and provide a comparison to both the scores from last year, and to scores of other LGPS Committee's and Boards. Further actions if any will then be agreed at the December meeting of this Committee.
10. The risk of insufficient skills and knowledge amongst the Pension Fund Officers was raised due to the increased demands on Officers from statutory changes to the scheme, and as reflected in the Funds Annual Business Plan for 2022/23. Whilst the Committee has agreed budget provision for additional resources, including the use of staff from 3rd party agencies, as set out in the administration report elsewhere on the agenda, it remains challenging to recruit to all positions.
11. The final amber risk relates to the implementation of the McCloud remedy and whether the Fund will have sufficient resources to undertake the necessary work, and whether all employers will be able to provide the necessary data where not already held by the Fund. Until we receive the amendments to the LGPS Regulations and any appropriate guidance to deliver the remedy it is difficult to assess the full extent of this risk or put in place a full mitigation plan

Lorna Baxter
Director of Finance

Contact Officer: Sean Collins
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August 2022

Risk Register

Identification of Risks:

These are the risks that threaten the achievement of the Pension Fund’s 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	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	Financial – Business as Usual	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	August 2022	At Target
2	Investment Strategy not aligned with Pension Liability Profile	Financial – Business as Usual	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	August 2022	At Target
3	Investment Strategy not aligned with Pension Liability Profile	Financial – Business as Usual	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	August 2022	At Target
4	Under performance of asset managers or asset classes	Financial – Business as Usual	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	August 2022	At Target
5	Actual results vary to key financial assumptions in Valuation	Financial – Business as Usual	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	August 2022	At Target
6	Under performance of pension investments due to ESG factors, including climate change.	Financial – Business Plan Objective	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.	4	1	4	↔			4	1	4	August 2022	At Target.

Ref	Risk	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.	Financial – Business as Usual	Poor Control Processes within Fund Managers and/or Custodian	Long Term - Pension deficit not closed	Financial Manage	Review of Annual Internal Controls Report from each Fund Manager. Clear separation of duties.	3	1	3	↔			3	1	3	August 2022	At Target
8	Employer Default – LGPS	Financial – Business as Usual	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	August 2022	At Target
9	Inaccurate or out of date pension liability data – LGPS and FSPS	Financial & Administrative – Business Plan Objective	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	August 2022	At Target
10	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative – Business Plan Objective	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	August 2022	At Target
11	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative – Business Plan Objective	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	August 2022	At Target
12	Insufficient resources to deliver responsibilities- – LGPS and FSPS	Administrative – Business as Usual	Budget Reductions	Breach of Regulation	Service Manager	Annual Budget Review as part of Business Plan.	4	1	4	↔			4	1	4	August 2022	At Target
13	Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Governance – Business Plan Objective	Poor Training Programme	Breach of Regulation. Loss of Professional Investor Status under MIFID II	Service Manager	Training Review	4	2	8	↔	Under skills and knowledge gap analysis.	December 2022	4	1	4	August 2022	Review in light of second set of National Knowledge Assessment scores at December 2022 Committee.

Ref	Risk	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		
14	Insufficient Skills and Knowledge amongst Board Members	Governance – Business Plan Objective	Turnover of Board membership	Insufficient Scrutiny of work of Pension Fund Committee leading to Breach of Regulations	Service Manager	Training Policy	4	2	8	↔	Undertake skills and knowledge gap analysis.	December 2022	4	1	4	August 2022	Review in light of scores from second National Knowledge Assessment.
15	Insufficient Skills and Knowledge amongst – LGPS and FSPS Officers	Administrative – Business as Usual	Poor Training Programme and/or high staff turnover	Breach of Regulation and Errors in Payments	Service Manager	Training Plan. Control checklists. Use of staff from 3 rd party agencies	3	2	6	↔	Complete recruitment/procurement of additional staff.	December 2022	3	1	3	August 2022	Proposed Business Plan for 2022/23 depends on appointment of a number of new posts.
16	Key System Failure – LGPS and FSPS	Administrative – Business as Usual	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	December 2022	4	1	4	August 2022	Gaps in monitoring of compliance identified in review of approach to cyber security, which suggests risks not fully mitigated
17	Breach of Data Security – LGPS and FSPS	Administrative – Business as Usual	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	December 2022	4	1	4	August 2022	Gaps in monitoring of compliance identified in review of approach to cyber security, which suggests risks not fully mitigated
18	Failure to Meet Government Requirements on Pooling	Governance – Business Plan Objective	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	August 2022	At Target
19	Failure of Pooled Vehicle to meet local objectives	Financial – Business Plan Objective	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	August 2022	At Target
20	Significant change in liability profile or cash flow as a consequence of Structural Changes	Financial – Business as Usual	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	August 2022	At Target

Ref	Risk	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		
21	Insufficient Resource and/or Data to comply with consequences of McCloud Judgement	Administrative – Business Plan Objective	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	↔	Establish project plan. Respond to consultation, and work with SAB to seek guidance on mitigating key risks where data not available. Look to bring in additional resources.	On-Going	2	2	4	August 2022	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	Legal & Administrative – Business Plan Objective	Pressure from Fire Brigades Union to act in advance of new Regulations	Court Order to deliver remedy	Pension Services Manager	Seeking to follow consistent approach in line with Scheme Advisory Board guidance.	4	1	4	↔			4	1	4	August 2022	At Target.
23	Loss of strategic direction	Governance – Business Plan Objective	Loss of key person	Short term lack of direction on key strategic issues	Director of Finance		2	2	4	↔			2	2	4	August 2022	At Target.

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PENSION FUND COMMITTEE – 10 OCTOBER 2022

ADMINISTRATION REPORT

Report by the Director of Finance

RECOMMENDATION

The Committee is **RECOMMENDED** to

- a) determine any actions they would like taken to improve the team performance in meeting standards
- b) agree the change to wording of the fund's discretionary statement relating to trivial commutation and small pots.

Executive Summary

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. As approved, by this Committee last quarter, the appointment of 6 FTE to undertake project work and to deliver work set out in the business plan is underway as a procurement exercise via the National LGPS framework.
3. The administrator and administration assistant vacancies within the team have been re-advertised using different publications and online options. At the time of writing this report there have been 11 applicants for the administrator role and 4 applicants for the administration assistant role.
4. It should also be noted that there are some individual issues of under performance in the team which are being actively managed.
5. In the last quarter one team leader has left employment. This role has been covered by the recently appointed (job share) team leader.

Performance Statistics

6. Vetting for 2021/2022 is now complete except for 2 scheme employers still going through the admission process. For 2022/23, the figures are set out in the table below:

	April	May	June	July	Total
Not received	4	9	20	113	146
Received, not vetted	46	59	121	46	272
Queries Sent	11	8	3	0	22
Replies Received	0	0	0	0	0
Not Cleared	61	76	144	159	440
Cleared	102	87	19	4	212
Still in Admission Process	1	2	2	0	5
Total	164	165	165	163	

7. Overall, 20.9% of returns have not been vetted within SLA standards, which is as a result of staffing, end of year and valuation data pressures. Team leaders will, after the issue of the annual benefit statements, be putting a plan in place to bring this work back into specification.
8. The number of tasks to do in the employer team has reduced from 1726 to 867 this quarter. 96 of the outstanding tasks relate to 2021/2022 and need further investigation. The remaining tasks relate to the current financial year and will be resolved as the vetting is brought into specification.
9. There are 30 admission agreements to be finalised. 22 of these are at the end of process and just require the new employer to provide contact details and details of their discretionary policies. The team leader is looking at ways to remove any issues causing these admissions to be fully completed.
10. Since March 2022 this Committee expected that the standard SLA 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
2021 August	91.47	73.73	1804
September	86.97	68.81	1682
October	82.87	69.49	2064
November	84.79	79.75	1789
December	85.01	82.03	1316
2022 January	85.54	90.75	1363
February	87.01	78.83	1490
March	88.67	94.69	1892
April	82.67	93.50	1274
May	81.53	95.80	1795
June	85.86	96.24	1559
July	93.07	97.94	1508

11. Looking at the individual subjects all except for interfund and transfer out tasks, have remained the same, or improved. Transfer out statistics decreased slightly but are still over SLA target at 95.92%. The interfund are still under SLA target which is due to a new administrator starting work on these hence why these are over target. Team leaders are currently reviewing the allocation of work to remove any delays which can lead to work going out of specification particularly where a team member is learning a subject and may have to re-do work.
12. Team leaders have also been closely monitoring statistics and to identify where they fall out of specification and have found it's a mix between the re-doing of tasks and how cases are pended using the system reply due function. This is showing anomalies which are impacting on the reporting and so an alternative method of recording these cases is being trialled.

Complaints

13. For the year 2022/2023 the team has received 9 informal complaints to date. One case remains open. The reasons for these complaints can be summarised as:
 - Having to give 3 months' notice of intention to take pension (regulatory requirement)
 - Not being regularly updated of progress with case
 - Trivial commutation of pensions
 - Additional contributions
14. 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.

Stage 1	Ill-health retirement	Scheme employer
Stage 1	Additional pensions / communication	Fund
Stage 1	Annual allowance	Fund
Stage 2	Calculation of pension benefits	Fund

Fire Service

15. The performance statistics for the Fire Service are set out in the table below.

	SLA Overall %	Total Cases Completed
August	92.19	36
September	93.33	70
October	88.89	42
November	98.15	45
December	100.00	52
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

16. As at the end of July there are 22 open cases – of which five are outstanding awaiting information from members.

Data Quality

17. The latest figures in respect of the data quality scores that we have to return to the Pension Regulator are as follows.

Common Data

Scheme	Total records tested	Records without a fail	Pass Rate	TPR Pass Rate
001 + 101	66336	60793	91.6%	92.6%

This compares to 2021 figures of 99% (91.6%) and TPR 95.6% (92.6%)

Scheme Specific Data

Scheme	Total records tested	Records without a fail	Pass Rate	TPR Pass Rate
001 + 101	132364	78841	92.72%	96.46%

This compares to 2021 figures of 98.5% (92.72%) and TPR 97.8% (96.46%)

18. Note as reported last quarter, which was the first time of running these reports using Insights, there are continuing discussions with the provider to confirm that the output is consistent with previously provided information. This information will be thoroughly reviewed ahead of making the annual return to The Pension Regulator.

Contribution monitoring

19. This process sits within the Investment team who monitor incoming payments by scheme employers to ensure that the correct contributions are received by 19th month following payroll.
20. In the last quarter there has been an issue with two scheme employers being unable to reconcile their payments with the i-connect submission made, which has resulted in monies being held in suspense until this is resolved.

Annual Benefit Statements

21. The statutory deadline for issuing annual benefit statements to members is 31 August. A verbal update will be given at the Committee meeting.

Projects

22. The work that has so far been identified as project work is detailed below. The first three items on the list are dependent on team resources and will be scheduled once procurement / recruitment has been completed.
 - Historical death cases where there is outstanding information which is needed to enable files to be finalised. This work is being scheduled as a project.
 - AVC – review of data held by Fund vs data held by Prudential
 - A2P – review of processes to incorporate these changes
 - Review of pension software. Further discussion with Hymans has now set the timetable for this project (Annex 1). The initial work during autumn 2022 will feed into a report to this committee in December 2022 to determine whether the current contract should be extended, or whether a full procurement process should be held.
 - Review of fund cyber security is subject of a separate report on this agenda.
 - Last quarter it was reported that the I-connect project was in the final stages. Unfortunately, there are some outstanding issues with the submission from the County Council which need to be addressed. A meeting was held, in early August, with OCC and IBC to discuss how to move this forward. Given that OCC is the largest employer within the fund, with over 8000 members, it was agreed that a mid-year transition date is simply not feasible due to the number of changes and the level of manual intervention required. Therefore, it was agreed that for the 2022/23 IBC would continue to provide the information via the MARS spreadsheet whilst the outstanding issues with i-connect are resolved.

Debt Management

23. Since last quarter there has been little progress in finding a person to monitor and chase outstanding payments. Since it has not been possible to directly recruit, discussions have taken place with OCC debt management team to see if pension services could use a proportion of their staff time to carry out this role. This has been agreed in principle, but OCC debt management team have yet to recruit.
24. In line with the administration strategy a third fine has been issued to Macintyre Academy for failure to provide information and one fine has been issued to Vale Capita for non-compliance with the administration strategy.

25. Last quarter the total of outstanding invoices was reported as £52,940.85, which was incorrect as it excluded amounts due from scheme employers for early release of pension. As at 01 August the total value of outstanding invoices amounted to £115,498.81.
26. There have been ten deaths in the quarter where payroll adjustments cannot be recovered amount to a write off £37.46

Data breaches

27. The fund's AVC provider sent the monthly schedule of changes and new contributions to another fund. Officers were made aware of this due to being copied in to email correspondence from the other fund to our (shared) AVC provider. A response was supplied to questions raised and this case has now been closed.
28. In addition, one other breach was reported where a completed opt out form was sent to the wrong scheme employer.

Member Services

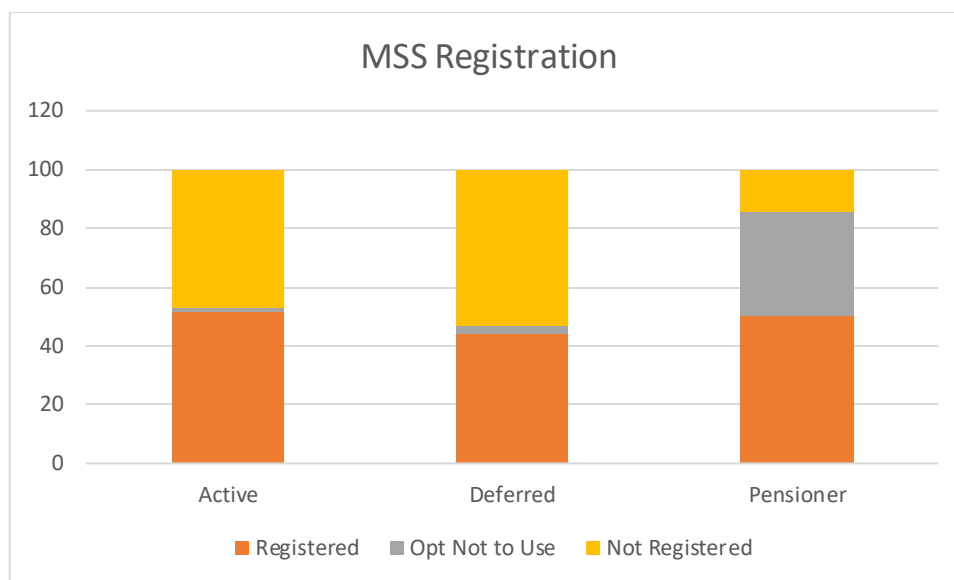
Website

29. After a large jump between May and April (from 3349 overall to 3624), there has been a drop in visits over the summer.

	May-22	Jun-22	Jul-22
Home page unique views	735	567	559
Member pages views	2471	2037	1998
Employer pages views	408	373	402
Overall	3624	3018	2959

30. Other work undertaken includes
 - Reporting Pensions_– the summer edition of Reporting Pensions was published in July
 - Member talk – at Oxford Brookes University where approximately 30 members attended
 - Customer survey – the customer survey has been suspended while we investigate an approach which may elicit better response levels.
 - Bulk emails – 9,687 emails sent out to members via bulk email facility
 - Issuing Governance newsletter
 - Preparation of annual benefit statements and accompanying notes

- Website review
- Attendance at national and local communications working groups
- Member self-service activation codes to members who have not yet signed up, shown in yellow on chart below.



Employer Services

- Introduction to the LGPS – we have held one session this quarter with 7 attendees.
- Employer Meeting – ongoing discussion regarding agenda items.
- Talking Pensions – the monthly employer newsletter was sent out on 31 May, 30 June and 31 July to approximately 220 employer contacts.

Administering Authority Discretions

31. Under regulations there are certain areas where the fund is required to make a discretionary policy decision. There are three areas under regulation 34(1)(b), regulation 39(1)(b), regulation T14(3) and regulation 49(1) where this Committee has to:
 - Decide whether to trivially commute a member's pension under section 166 of the Finance Act 2004 (includes pension credit members where the effective date of the Pension Sharing Order is after 31 March 2014 and the debited member had some post 31 March 2014 membership of the 2014 scheme)
 - Decide whether to trivially commute a lump sum death benefit under section 168 of the Finance Act 2004

- Decide whether to pay a commutation payment under regulations 6 (payment after relevant accreditation, 11 (de minimis rule for pension schemes or 12 (payments by larger pension scheme of the registered Pension Schemes (Authorised Payments) Regulations 2009 (excludes survivor pensions and includes pension credit members where the effective date of the Pension Sharing Order is after 31 March 2014 and the debited member had some post 31 March 2014 membership of the 2014 scheme).
32. When this was last reviewed by this Committee the decision was that commutation would be at member request in line with HMRC rules and limits. Officers are requesting that this should be clarified by amending to commutation will be at member request, post retirement, in line with HMRC rules and limits. This would avoid speculative requests which take up a considerable amount of administration time and bring the fund in line with the working practices of other administering authorities.

Contact Officer: Sally Fox - Pension Services Manager - Tel: 01865 323854
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Oxfordshire Strategic Programme : Technology Prioritisation Timeline

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Notes: (i) This assumes Oxfordshire Pension Fund are available for the workshop date
(ii) Workshops will be in person

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PENSION FUND COMMITTEE – 10 OCTOBER 2022 CYBER SECURITY

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to comment on the actions proposed in this report and to advise if any other actions should be taken.**

Executive Summary

2. As set out in the most recent edition of the Governance Newsletter, the Pension Regulator has attached a high priority to cyber security. It is their expectation that Committee Members understand cyber risk in the context of their Fund and are happy with the information they are receiving provides them sufficient assurance that these risks are being appropriately mitigated.
3. This Committee previously received an update on the draft documentation, produced by Hymans, setting out the fund's approach to cyber security. An updated version (Annex 1) of that report has been received and reviewed with colleagues in ICT and Information Management. This report sets out where the fund is compliant and what further actions need to be taken.

Policy compliance

4. Paragraph 3 of the attached report refers to the fund's methodology for ensuring compliance as set out in appendix d which has been updated to confirm where responsibilities lie. In practice this has not always been so clearly set out to the team and whilst training and awareness sessions for specific policies / policy changes has been formalised. Action:
 - update team of policy champion role.
 - Include a standard agenda item at team meeting for policy updates / queries.
 - Document specific training sessions

Asset Management

5. The pension services information asset register details the information held within the team and how this is stored and accessed. Colleagues in Information Management Team confirm that these registers do need to be updated. However, no timescales can be given due to staffing levels and proposed structure review. Action:
 - Schedule an interim review of the asset register

Configuration Management

6. The process for confirming compliance with policies is one of exception where if ICT identify anomalies or attempts to access system this would be investigated and flagged as appropriate.

Devices

7. ICT confirm that they control access to all devices. In the absence of single sign on there is an internal process to ensure that access to Altair is removed for any leavers from the team. Heywood confirm that the option of single sign on is being considered. Action:
 - Continue discussions with Heywood and ICT to move to single sign on.

Malware / Ransomware

8. The current system is that team would be notified if an incident occurred. Action:
 - ICT to provide annual report.

ICT enforce the OCC email policy which directs all users to ensure anti-virus system are in operations to prevent virus or malware.

Patching

9. ICT manage this process in background and advise users of any actions they need to take. Given the number of these this is an operational issue, and no reports are provided to senior officers.

Authentication

10. ICT's approach of a single sign on, as referred to in paragraph 6 is not yet available. However, the fund is exploring with Heywood the extension the 2 factor authentication process for when using the public network access. Action:
 - To clarify timetable for introduction of 2FA when using public network access.

Access Controls and Passwords

11. In terms of access control managers must complete ICT documents for users to be set up on systems. For Altair managers must write to Systems Manager confirming when new staff are starting and what access they will be given. For staff who are leaving again, managers need to write to Systems Manager.
12. There are policies and procedures available on the intranet for all team members to understand access to OCC when working in different places.

13. The intranet has a lot of information on how to set secure passwords and how to keep passwords safe. The biggest challenge is in ensuring that these are followed by all team members. Action:
- To review records held by System Manager
 - Use team meetings to keep all team members trained and up to date with policies.

Bulk data / Personal data

14. ICT has reviewed the fifteen measures of good practice outlined on the National Cyber Security Centre and has commented that items 11 (alert to atypical access attempt) and 14 (no possibility of administrative access through spear-phishing) are weaknesses in the absence of a single sign on as mentioned in paragraphs 6 and 9.
15. The data sharing policy is written and maintained by Information Management Team who have confirmed that this is to be reviewed shortly. However, no timescales can be given due to staffing levels and proposed structure review.

Security Monitoring and Testing

16. Penetration testing is carried out annually with the next review due in January 2023. Action:
1. ICT will provide fund with a copy of the penetration test report.

People Centred Security and Phishing

17. ICT software stops side-lines suspect emails so that users can review these to decide whether the email is genuine and can be forwarded to the inbox or whether this should be deleted. There is an established procedure for any suspect emails to be reported. To strengthen these controls from October 2022 ICT are introducing test phishing emails across OCC.

Remote Working

18. A remote working policy was issued in May 2021.

Social Media

19. The social media policy was last updated in June 2022

Certification

20. Report has been updated.

Third Party Suppliers

21. The policies, procedures and actions above largely focus on the cyber risks within our own ICT environment. However, we are heavily reliant on third party suppliers, which the majority of pension benefit and investment data held on third party's systems. Our approach in this area is to ensure that our third party contracts contain standard cyber clauses to protect the Fund in the same way our policies and procedures aim to protect the Fund where the data and systems are managed in-house. Not all our older contracts include these standard clauses. Action
- Review all third-party contracts to ensure standard clauses are included
 - Where standard clauses not present, ensure the supplier has their own robust arrangements to mitigate against cyber risk and protect the Fund's data and our access to the core systems to fulfil the Fund's statutory duties
 - Ensure all suppliers provide an annual report on compliance with cyber policies and procedures and the results of all security checks

Conclusion

22. Overall, the policies and processes for managing cyber security are in place. However, this report has highlighted the need to clearly understand and document where the various responsibilities lie and the need for better communication between all parties to ensure that systems are compliant and protected.
23. Within the team communications and training need to be scheduled more regularly so that understanding and actions are better understood, and any risks are mitigated.
24. Further actions needed are to review the business continuity plan and review risk register entries, in line with the above.

Annex: Hymans draft report on Cyber Security

Contact Officer: Sally Fox
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Tel: 01865 323854

August 2022

Oxfordshire Pension Fund

DRAFT - Approach to cyber risk

July 2022

Susan Black and Claire McDines

For and on behalf of Hymans Robertson LLP

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1 Introduction

This document summarises the approach of Oxfordshire Pension Fund (“the Fund”) to dealing with cyber risk. This document will be reviewed **annually** to ensure that it meets the Fund’s needs.

Having an approach document:

- Ensures visibility of key systems and processes at risk.
- Signposts available tools and documents to manage this risk.
- Records key roles and responsibilities in the instance of a cyber risk event occurring.
- Details training available to officers and other stakeholders.
- Records the monitoring and reporting requirements.

This document also provides context in relation to cyber risk.

2 Context to cyber risk

Cyber risk can be defined as:

“any risk of financial loss, disruption, or damage to the reputation of the Fund or its members resulting from the failure of its IT systems and processes.”

Breaches in cyber security may occur as a result of:

- deliberate and unauthorised action by someone making a concerted effort to infiltrate systems and access data,
- unintentionally through carelessness, for example sending data that’s not encrypted or leaving passwords expose; or
- operational risks due to poor system integrity and lack of prevention software and procedures.

Cyber risk is on the Fund risk register in recognition of the high value of assets, high value transactions, and the scale of personal data held.

3 Prevention

There is a suite of policies and procedures in place to mitigate cyber risk. A full list of the Fund’s policies relating to cyber and data controls can be found in Appendix D. The Fund’s methodology for ensuring policy compliance is also set out in Appendix D.

Ownership and day to day management of the Fund’s cyber approach is carried out by **the Pension Services Manager** in collaboration with Oxfordshire County Council’s (OCC) ICT and Information Management Teams. **ICT and Information Management Teams** ensures that all policies are up to date and the controls within these policies are adhered to. Full key contact details are at Appendix A.

Key areas in the Fund’s cyber approach are summarised by the sections below, with reference to the existing OCC policies and procedure adopted by the Fund. Nothing in this document replaces or supersedes the OCC policies in place.

Asset management

This is the process of identifying the assets that present a security risk. Assets include any data that needs to be configured or managed, such as personal member data, payroll data and financial capital. It also includes technology, both hardware and software, and physical locations. To be effective, the asset management process needs to be carried out in a reliable and timely manner.

In accordance with the OCC Information Access and Protect Policy the Fund maintains inventories of information assets and has identified that key assets include:

- [member personal data]
- [insert additional]

Configuration management

This is the process of maintaining the details of the Funds' computer systems and other assets. The Fund has a dependency on the OCC ICT Team who control the hardware and computer systems used by the Fund and provide security configuration and firewalls etc. The Fund has adopted and adheres to the OCC Information Access and Protection Policy and the OCC ICT Access Policy which contain controls in relation to who at the Fund can access systems, applications and equipment.

Devices

All devices used by the Fund are supplied and controlled by the OCC ICT Team. In addition to the control of user access to devices there are also regulations around acceptable use withing the ICC Acceptable Use Policy. For example, all data stored on removable media devices must be encrypted to a level approved by ICT Services. Any images taken on council mobile phones must be transferred to the council's network and deleted from the mobile phone as soon as possible.

Cloud

Cloud computing is the delivery of hosted services over the internet, where shared computing and storage resources are accessed as an online service. The Funds' **Altair Pensions** systems are hosted by means of the Cloud.

The OCC Information Access and Protection Policy and the OCC ICT Access Policy are in place at the Fund and contain controls in relation to the use of Software applications (including Cloud based applications and websites), for example downloads and uploads should only be loaded onto a Council machine by staff from Digital and ICT Services.

Malware/Ransomware

Malware (short for "malicious software") is an umbrella term that describes any malicious program or code that is harmful to systems. It is typically delivered over a network, that infects, explores, steals or conducts virtually any behaviour an attacker wants. There are numerous methods to infect computer systems because malware comes in so many variants. Ransomware is a type of malware designed to deny a user or organization access to files on their computer. By encrypting these files, threatening to publish the victim's personal data or perpetually block access unless a ransom is paid for the decryption key.

The OCC ICT have software in place to lessen the chance of malware and ransomware attacks, and information on the efficacy of this software will be provided to the Fund **on an annual basis**.

There are also controls in place around the use of ICT equipment and software to further reduce risk. For example, as referenced above software applications (including Cloud based applications and websites) and downloads and uploads should only be loaded onto a Council machine by staff from Digital and ICT Services.

The Fund complies with the OCC Email Policy which directs that to assist in prevention of viruses or malware, all users must ensure an anti-virus system is in operation.

Patching

Patching is carried out to apply updates to Fund devices and software in order to improve security and/or enhance functionality. When patches are carried out by the Council ICT staff, there is no reporting to officers of the fund.

Authentication

The process of authentication provides assurance and confirmation of a user's identity. Authentication has further expanded in recent years to require more information of the user, before a user attempts to access information stored on a network, he or she must prove their identity and permission to access the data.

The Fund is currently in the process of arranging 2 factor authentication for public network access. **This timetable is to be finalised.**

Access control and passwords

There is a system for controlling who can access data and systems. OCC ICT staff operate the technical controls over systems access however the senior officers and team leaders at the Fund determine who access should be permitted to. All system users have a responsibility to protect their access details and only use systems as permitted. Full details can be found in the ICT Access Policy. For example, passwords provide the first line of defence against any unauthorized access to the Funds data. In addition to the technical controls around password creation as detailed in the ICT Access Policy, users are also instructed to follow password guidelines, for example 'never reveal passwords to anyone', 'never write passwords down' and 'do not use the same password to access different County Council systems'.

Bulk data/Personal data

Personal data is defined as 'Information that relates to an identified or identifiable individual, such as a name or number, or information such as an IP address.'

The Fund holds and processes bulk member data, and other personal member data, on a regular basis. This data is of a sensitive nature and therefore must be kept safe. The OCC Data Sharing Policy details how data should be handled and is followed by the Fund.

The fifteen good practice measures listed below have been considered as part of the Funds approach to bulk data. Full detail of these measures is outlined on the [National Cyber Security Centre](#).

- 1 Know your data
- 2 Keep only essential data
- 3 Unmitigated vulnerabilities
- 4 User access and privilege
- 5 Administrator access
- 6 Know your external dependencies
- 7 Audit data access
- 8 Prompt mitigation
- 9 No unsupported software
- 10 Detecting compromise components

- 11 Automatic alert to atypical access attempt
- 12 Well defined interfaces
- 13 Rate-limited user access
- 14 No possibility of administrative access through spear-phishing
- 15 All backups held securely

Security monitoring and testing

Detecting (and responding to) activities that could represent a security incident. Also known as protective monitoring is carried out regularly by ICT staff further details can be found in **section 9** of this report.

As a means of testing the Funds computer network/system for security weaknesses so that they can be fixed, regular authorised tests are carried out. Penetration tests are carried out every **year**, results are collated and presented **to the fund by ICT**.

People centred security and phishing

Cyber criminals frequently employ human psychology in their attack strategies, it is for this reason the Fund treats cyber awareness as an upmost priority within their policies and training plans. Details of the training provided to officers and all stakeholders can be found in **section 8** below.

Phishing are a type of attack were untargeted, mass emails sent to many people asking for sensitive information (such as bank details) or encouraging them to visit a fake website. The OCC ICT have software in place to catch such emails however this type of software isn't 100% effective therefore non-technical controls are also in place to further mitigate the risk. For example, the Email policy states that users must report any suspect emails or attachments to the ICT Service Desk.

Remote working

Policy issued in May 2021

Social media

Policy updated in June 2022

Certification

PSN Certification for OCC

NHS Data Security and Protection Toolkit are used as very comprehensive.

4 Response

In the event of a cyber security incident the Fund would collaborate with OCC who would lead the Incident Response.

The Fund's Business Continuity Plan would be used to ascertain key information and drive decision-making.

As set out in the Fund's Business Continuity Plan:

- The key Fund contacts involved in a cyber security incident are set out in section A].
- The key Fund systems and suppliers are set out in sections B.

The key phases and steps of an incident response are summarised below and will be used by the Fund to ensure the Business Continuity Plan (BCP) is a robust source of information.

Preparation

Triage – The initial stage is to assign a Lead Officer to work with the OCC Incident Manager to ascertain if the event warrants being treated as a security incident. As part of triage, the Lead Officer should gather pertinent information, assess severity, and categorise risk.

Escalate – Depending on the above assessment an escalation may be required in line with the OCC incident response process. The key contacts set out in the BCP should be leveraged. This should also be monitored in case further escalation is required further down the line.

Kick off response – At this stage the Incident Response team may need contact internal or external parties who need to be involved and cascade details of required action. Contact details are contained within the Fund BCP.

Reporting – Where a data breach may have happened the Data Protection Officer should be informed in line with the OCC Data Protection Policy. The decision will need to be made as to whether any GDPR breach has occurred and if so whether a report needs to be made to the ICO. Other parties who may need to be informed are S151 officer, Chief executive, OCC Media Team, Pensions Committee and Board and TPR.

Core response

The Lead Officer will be crucial in the following steps:

Analyse – This should involve technical analysis but also impact analysis and reputational risk management. Initial priority is to understand enough to take containment/mitigation actions and remediate the attack. Prioritisation of tasks is crucial, as is assigning ownership of these tasks. These priorities should also be constantly reviewed and modified as required.

Contain/Mitigate – Steps should be taken to reduce or limit the impact of the incident and prevent further risk or spread. This can involve both technical and non-technical actions for example isolating systems, blocking network activity, media handling and updates to public websites. It is important to consider the impact of any decisions made both good and bad.

Remediate/Eradicate – This stage is similar in actions to the containment stage but with the aim to fully remove the threat. It is important to confirm that remediation has been successful before moving to the recover stage - this may involve monitoring for a period. Some analysis may continue in this stage too.

Recover – When the incident response team confirm that business environment has returned to a risk-free state, they will recommend a return to 'business as usual'. This should only proceed when the incident is believed to have been contained and consequences understood. This may include final actions taken to handle regulatory, legal, or PR issues.

Review and close down

Following the successful recovery from an incident, the OCC Incident Response Manager may arrange a post incident review, attended by members of the incident response team including the Lead Officer.

The post-incident review may consider:

- Pre-event - circumstances that led to the event
- Post event - response activities

Pre-event review considerations

- What would have prevented the incident from occurring?
- How could we have detected the events sooner?
- Is this something considered by our cyber risk assessment?

Post-event review considerations

- What would have made our response more effective/efficient?
- What was the key thing that led to us understanding the incident?
- How long did it take to detect the incident?
- What systems were impacted?
- Was any information difficult to obtain?
- Were the right people and tools available?
- Did we have any communication issues?
- Were there any weaknesses in the response which need addressed?

5 Appendices

Appendix A - Key Contacts

Roles and responsibilities

The core incident response team should include a member of ICT and Senior officer in the first instance. Depending on the type and scale of the event deputies may substitute.

In the event of a cyber incident the key required contacts are listed below [full details required from officers]

Department	Contact name	Contact number	Contact Email
Senior Fund Officer	Sean Collins	07554103465	Sean.Collins@Oxfordshire.gov.uk
Pension Services Manager	Sally Fox	07776997052	Sally.Fox@Oxfordshire.gov.uk
Systems Manager	Rachael Salsbury	07825314783	Rachael.Salsbury@oxfordshire.gov.uk
ICT	Asher Sims	07500977798	Asher.Sims@oxfordshire.gov.uk
Legal	Anita Bradley		Anita.Bradley@oxfordshire.gov.uk
DPO	Simon Harper	07873700331	Simon.Harper@oxfordshire.gov.uk
Information management	Simon Harper	07873700331	Simon.Harper@oxfordshire.gov.uk
S151 officer	Lorna Baxter	07393001218	Lorna.Baxter@oxfordshire.gov.uk

Appendix B – Key Systems

System	Purpose	Controller/Supplier	Contact
Network access	to enable access to all systems	OCC	Asher Sims / ICT helpdesk
Altair	For pension payroll; calculation and payment of all benefits	Heywood	TBC
MSS	For members to access documents uploaded by team and to view information about their pension	Heywood	TBC
I-Connect	To enable scheme employers to upload monthly payroll information to Altair	Heywood	TBC
PT-X	To make BACS payments	Bottomline	TBC
Gemalto	To make BACS payments	OCC	Asher Sims / ICT helpdesk
SAP	To upload and access accounting information	OCC	Asher Sims / ICT helpdesk
Microsoft office	To produce documents from Altair	OCC	Asher Sims / ICT helpdesk

Appendix C - Key Suppliers

List suppliers and speak to info management about what assurance they have.

Heywood

Bottomline

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Appendix D – Policies and Procedures

The following table details all relevant policies currently in place to protect the fund from cyber risk.

Policy	Policy Owner	Fund Policy Champion	Policy Compliance Check Due Date
Acceptable use policy Access to (oxfordshire.gov.uk)	Simon Harper	Sally Fox	TBC
Access information security vetting policy Access to (oxfordshire.gov.uk)	Simon Harper	Sally Fox	TBC
Data protection policy Access to (oxfordshire.gov.uk)	Simon Harper	Sally Fox	TBC
Data sharing policy Access to (oxfordshire.gov.uk)	Simon Harper	Sally Fox	TBC
Email policy Access to (oxfordshire.gov.uk)	Simon Harper	Sally Fox	TBC
ICT access policy Access to (oxfordshire.gov.uk)	Simon Harper	Sally Fox	TBC
Information access and protection policy Access to (oxfordshire.gov.uk)	Simon Harper	Sally Fox	TBC
Information security incident policy Access to (oxfordshire.gov.uk)	Simon Harper	Sally Fox	TBC
Security classifications policy Access to (oxfordshire.gov.uk)	Simon Harper	Sally Fox	TBC
Data retention policy	Sally Fox	Sally Fox	TBC

Fund Policy Champion Role

The Policy Champion is responsible for:

- Dealing with policy queries from the rest of the team
- Ensuring any changes to policy are noted and communicated and any process changes implemented
- Providing feedback to the Policy Owner to drive changes or exceptions to policy which are needed by the Fund
- Undertaking proportionate activity to ensure that the policy is understood and followed by the team. This could include, but is not limited to:
 - Carrying out training and awareness sessions with the team
 - Carrying out checks and documenting the results to ensure that policy compliance can be reported, and actions identified and take to improve results where necessary.

Appendix E - Training

All officers of the Fund receive training as below...

Mandatory training (officers)

Acceptable use of equipment and information

Business continuity

Confidentiality

Corporate governance

Data protection

Freedom of information

Guidance on secure working practices

Social media

Additional training based on role

Cyber security

TPR website

Training for other stakeholders

Members, employers, Committee and Board members

Monthly newsletter

Training sessions ahead of quarterly meetings

Hymans online learning academy

TPR website

Annual knowledge assessment

Appendix F - Monitoring and Reporting

The risk to the Fund is an evolving threat which needs to be monitored. As such it has been decided that a full report on cyber monitoring should be provided to the Pension Committee and Pension Board on a **annual** basis. This report should contain details of:

- key digital assets,
- any cyber threats or data breaches over the period,
- a list of patches or other security updates applied by OCT,
- log of penetration testing carried out and results,
- any perceived risks or gaps in controls and how these are being mitigated.

Prepared by:-

Susan Black and Claire McDines

21 July 2022

For and on behalf of Hymans Robertson LLP

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Oxfordshire County Council Pension Fund Taskforce on Climate-related Financial Disclosures Report 2021/22

Introduction

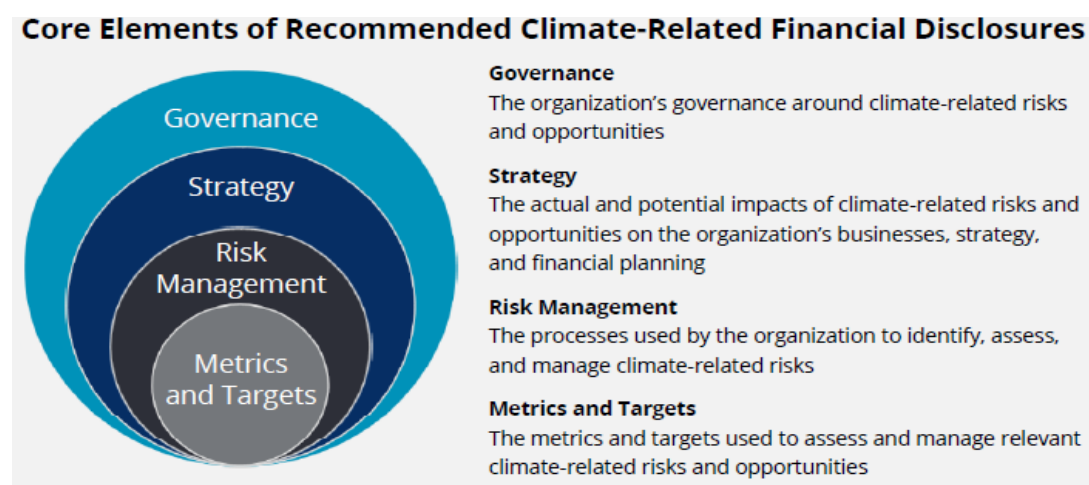
This is the Pension Fund's second report under the Taskforce on Climate-related Financial Disclosures (TCFD) framework. As well as reporting against the TCFD recommendations the report is intended to review the progress made against the Fund's Climate Change Policy and Implementation Plan which were agreed in June 2020.

Background

Mark Carney, when he was Chair of the Financial Stability Board, was instrumental in the launch of TCFD when it was created in 2015. In 2017 the TCFD released its recommendations for improved transparency by companies, asset managers, asset owners, banks, and insurance companies on how climate-related risks and opportunities are being managed. Supporters of the TCFD total over 3,000 organisations across 92 countries. The Task Force consists of 32 members from across the G20, representing both users and preparers of financial disclosures, and is currently chaired by Michael R. Bloomberg founder of Bloomberg L.P..

The TCFD was established to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks. The four core elements of the recommended disclosures are detailed in Figure 1 below.

Figure 1



(Recommendations of the Task Force on Climate-related Financial Disclosures, 2017)

The TCFD recommendations on climate-related financial disclosures are intended to be widely adoptable and applicable to organisations across sectors and jurisdictions.

In November 2020, the UK Government announced its 'TCFD road-map' with a commitment to roll out across the finance sector by 2025. This is underway with regulators having made, or being in the process of making, TCFD based reporting mandatory and have published guidance on the implementation of the recommendations relevant to the sector in question. Figure 2 below shows the announced TCFD implementation plans in the UK.

Figure 2

Financial Conduct Authority	Implementation Date
UK Listed Companies	2021
Asset Managers and Workplace Personal Pensions	2022
Large UK-Registered Private Companies	2023
Department for Work & Pensions (DWP)	
Occupational Pension Schemes	2021

At present there is no requirement for LGPS funds to report under TCFD or consultation on the implementation in the LGPS. However, the Department for Levelling Up, Housing & Communities has stated that it intends for TCFD reporting in the LGPS to become mandatory in 2023 and intends to issue guidance by November 2022. The Pension Fund determined in its Climate Change Policy Implementation Plan that a TCFD report would be included in its 2020/21 Annual Report.

Below are details for the Fund under each of the TCFD's recommended disclosures.

Governance

TCFD Recommended Disclosure – a. Describe the board's oversight of climate-related risks and opportunities.

The Fund's governance arrangements are set out in its Governance Policy Statement. All functions relating to the management of the Pension Fund have been delegated by Oxfordshire County Council to the Pension Fund Committee. As such, the Committee are responsible for the Fund's long-term strategy.

The Pension Fund Committee are responsible for setting the Fund's Investment Strategy Statement which includes the approach to responsible investment. The

Fund has an Independent Investment Adviser who provides investment advice to the Fund including on investment strategy.

Climate change is considered in the budget setting process in terms of training requirements, any climate related consultancy deemed beneficial, and climate related reporting requirements.

In June 2020 the Pension Fund Committee agreed a Climate Change Policy and Climate Change Policy Implementation Plan. Progress against the Policy and Implementation Plan is to be reported to Committee quarterly with a more detailed annual review. Climate Change is included as one of the four key items on the Pension Fund's Annual Business Plan.

Following agreement of the Policy a Climate Change Working Group was formed which currently comprises of Committee members, a Local Pension Board member, Fund officers, the Fund's Independent Investment Adviser, a scheme member representative, and member of the Fossil Free Oxfordshire campaign group. The Working Group aims to meet quarterly and report back to the Committee at its quarterly meetings.

As required by LGPS regulations The Pension Fund operates a Local Pension Board which meets on a quarterly basis. The Board's role is to ensure the efficient and effective governance and administration of the Fund, including compliance with relevant regulations and legislation that apply to the Fund.

The Fund, along with nine other LGPS funds, is a part of the Brunel Pension Partnership which develops investment portfolios that are made available to client funds to invest in. Under pooling requirements set by the government the Pension Fund is required to make all investments through Brunel while maintaining responsibility for asset allocation decisions. The key bodies where the Fund interacts with Brunel are the Client Group and Brunel Oversight Board where fund representatives and Brunel meet. Climate related risks and opportunities form a key part of the reporting received from Brunel on their portfolios and activities and Brunel has a dedicated responsible investment team.

TCFD Recommended Disclosure – b. Describe management's role in assessing and managing climate-related risks and opportunities.

Day-to-day management of the Fund's Climate Change Policy implementation is delegated to management through the Director of Finance and is required to report progress to the Pension Fund Committee quarterly. Management receive an annual carbon metrics report which informs its reporting to Committee.

Management engage with Brunel and other Fund Managers on climate issues and receive and consider responsible investment, including climate related, reporting that is included in Fund Managers' quarterly reports. The Fund has an officer representative on the Brunel Responsible Investment Sub-Group and Cross-Pool Responsible Investment Group where developments around climate issues are regularly discussed (e.g. metrics developments, engagement activities and results).

Management are responsible for developing and operating a training plan for Committee members and Officers to ensure appropriate skills and knowledge.

Strategy

TCFD Recommended Disclosure – a. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

The Pension Fund has liabilities that stretch decades into the future and so primarily takes a long-term view to investment decisions. Given the diversity and global nature of the Fund's investments almost all climate related risks and opportunities are relevant to the Fund. While some of the climate-related risks/opportunities apply to the Fund across its investments as a whole, others are specific to certain sectors or geographies and Fund Managers are required to consider the materiality of these.

The most significant long-term risk is the systemic risk across financial markets, including social and other factors, associated with climate change that could arise if actions are not taken to adhere to the Paris Agreement.

In terms of more specific and short/medium-term risks - stranded assets, physical risks (e.g. property), sovereign debt where countries are dependent on fossil fuel linked revenue, policy risk (e.g. carbon pricing), technology risk (obsolescence), changes in consumer behavior are all factors that can affect the Fund's investments. There is also a risk that the Fund develops its investment strategy around achievement of the Paris goals but the goals are not achieved meaning the Fund's investment strategy is misaligned with the reality of the actual climate path.

The Fund has identified climate related opportunities including the ability to reduce portfolio risk by identifying and taking action on assets at risk under Paris aligned scenarios and the potential to identify outperformance opportunities by investing in those companies whose business models/strategies are best aligned with Paris aligned scenarios. Additionally, investment opportunities exist in assets linked to the implementation of the Paris Agreement (e.g. clean energy infrastructure).

TCFD Recommended Disclosure – b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

Climate Change is considered as part of the development of the Fund's Investment Strategy Statement which includes the Fund's strategic asset allocation. After each funding valuation undertaken by the actuary the Fund completes a fundamental review of its asset allocation which will consider climate related risk and opportunities. The Fund aims to incorporate climate change scenario analysis into the next fundamental review due in 2023. The fund uses diversification to manage investment risks but given the systemic nature of climate risks this limits its effectiveness under more extreme scenarios.

The Fund's Climate Change Policy states that where there are two investment options that broadly aim to deliver the same investment objective the Pension Fund

will prioritise the option that delivers the best fit to its climate change commitment. For example, consistent with this principle the Fund moved ~5% of the Fund from regular market-cap index trackers to a low-carbon alternative in 2020.

Climate related risks and opportunities are considered when setting the Pension Fund's Business Plan and also informs discussions with Brunel around portfolio offerings and construction.

The Pension Fund has made a commitment to achieve net-zero emissions on its own operations by 2030.

TCFD Recommended Disclosure – c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

The Fund is committed through its Climate Change Policy to keeping abreast of the latest scientific developments in respect of Climate Change to ensure that the Policy remains appropriate in its aim to align with the Paris Agreement.

Under a scenario where additional cuts in emissions are required to meet the Paris Agreement, and there was a global commitment to achieve this, the Fund would anticipate amending its target for emissions reductions across its investments accordingly and making any necessary changes to its asset allocation targets and/or investment portfolios.

Under a scenario where the Paris Agreement goals were to be overshoot the Fund would consider making changes to its investments that align with this reality, this would likely include mitigating physical risks that would be associated with such a scenario. The Fund would also review whether there are changes the Fund could make, for example in engagement activity or policy advocacy, that could help correct the scenario back towards a Paris aligned one.

The Fund has not yet undertaken a scenario analysis exercise and acknowledges that this is a developing area. The Fund recognises the value of scenario analysis based on different climate scenarios and has committed to undertaking an exercise in its Implementation Plan, the results of which are to be incorporated into the Fund's fundamental asset allocation review due in 2023. Any scenario analysis would be intended to consider both the asset and liability implications for the Fund.

Risk Management

TCFD Recommended Disclosure – a. Describe the organization's processes for identifying and assessing climate-related risks.

Climate Change is included on the Fund's risk register which considers impact and likelihood in assigning a score. The risk register is reviewed on a quarterly basis and reported to Committee at each meeting. Officers consider regulatory, scientific and political developments on climate change in particular those from recognised international bodies such as IIGCC, International Energy Agency, and UN Environmental Programme.

The Fund meets regularly with Brunel and discusses climate issues including any identified from the narrative reporting or climate metrics provided by Brunel.

Brunel in turn meet with their appointed fund managers who also have a responsibility to consider climate related risks and opportunities. For example, Brunel have a target for all companies held in their portfolios to achieve a Transition Pathway Initiative score of 4 or higher by 2022. The Responsible Investment Sub-Group at Brunel provides an additional forum to discuss climate related risks with Brunel.

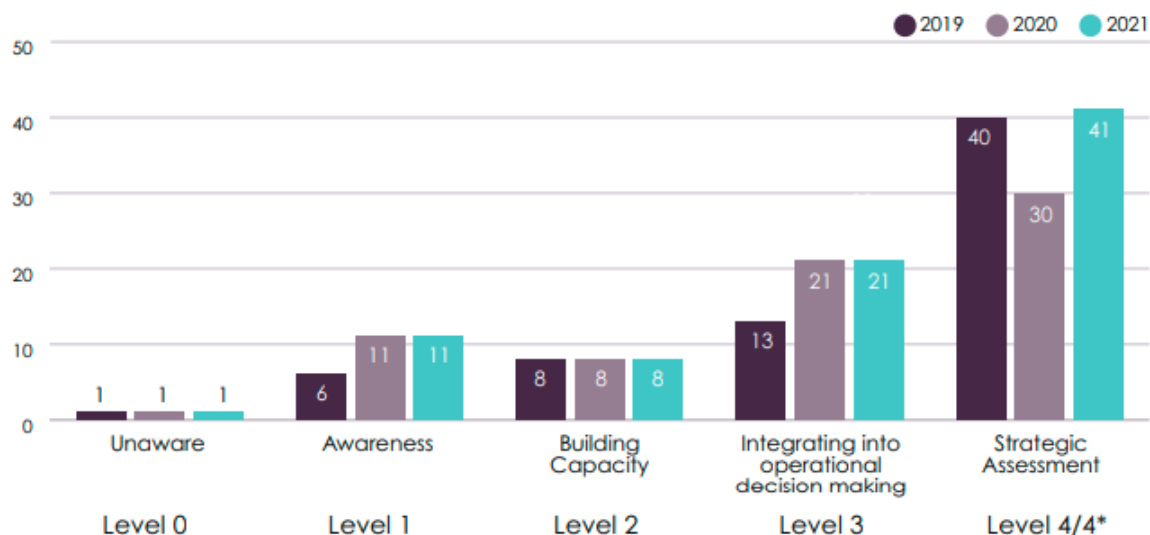
TCFD Recommended Disclosure – b. Describe the organization’s processes for managing climate-related risks.

The Fund is responsible for asset allocation decisions and sets its asset allocation targets to be consistent with the Fund’s Climate Change Policy. Where the Fund identifies investment needs that are not currently deliverable from Brunel portfolios there is a process for the creation of new portfolios.

Voting and engagement form an important part of the Fund’s management of climate-related risks. Engagement on behalf of the Pension Fund primarily takes place through Brunel, their appointed fund managers, and their engagement provider, in accordance with the approach set out in Brunel’s Climate Change Policy to which the Fund is able to input. Voting is undertaken on behalf of the Fund by Brunel utilising the expertise of their voting and engagement provider and appointed managers.

Brunel’s approach to voting escalation sees an initial vote against the reappointment of a company Chair escalate to other board members where they have not met their climate disclosure expectations. These expectations will increase over time with the aspiration of all their material holdings being on TPI Level 4 by 2022 and having made meaningful progress to alignment with a 2 degree or below pathway. In some sectors, e.g. oil and gas, they will aim to stimulate more rapid change. Figure 3 below shows the available TPI scores for 2019 - 2021 across Brunel’s listed equity portfolios.

Figure 3



The Fund, through Brunel and the Fund's membership of IIGCC, is involved in the Development of Paris Aligned Portfolios under the IIGCC's Net Zero Framework. It is intended that this work will lead to all portfolios offered by Brunel being Paris aligned.

The Fund believes that in some areas, particularly around public policy engagement, it is beneficial for the Fund to act with like-minded investors. As such, the Fund is a member of investor groups whose aims are aligned with those of the Fund in respect of Climate Change (Climate Action 100+, Institutional Investors Group on Climate Change, Local Authority Pension Fund Forum).

TCFD Recommended Disclosure – c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

Climate Change is included on the Fund's risk register which is a standing item at the quarterly Committee meetings. Climate change is a key topic included as part of the training plan to ensure appropriate skills and knowledge for those making decisions.

In appointing third parties, such as the Fund's Independent Investment Adviser, the Fund will set out requirements around responsible investment as appropriate.

Climate Change is also considered by the Fund's actuaries when undertaking their funding valuation.

Metrics and Targets

TCFD Recommended Disclosure – a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

Metrics reported in this section are from the Fund's Carbon Metrics Reports. The report includes equity and fixed income assets covering ~55% of the Fund's overall

investment portfolio. The Fund is working to improve reporting across other asset classes, including private markets, so that the level of coverage can be increased.

The Fund currently uses the following metrics to assess climate related risks and opportunities at both an aggregate and listed portfolio level:

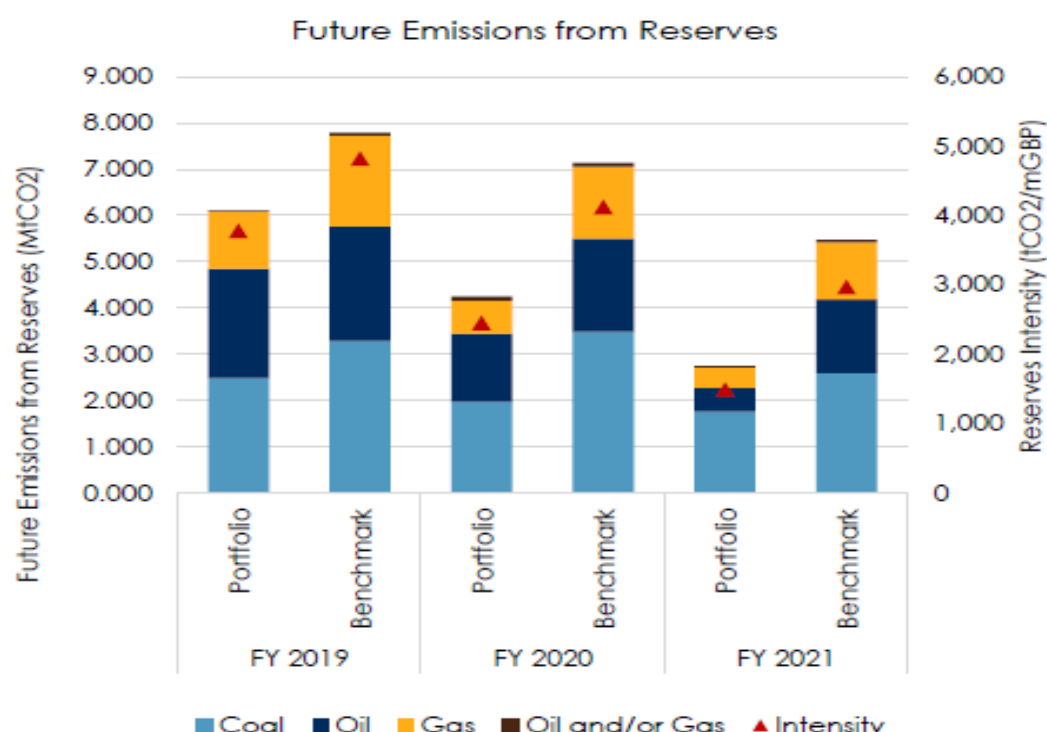
- Weighted Average Carbon Intensity
- Fossil Fuel Revenue Exposure
- Fossil Fuel Reserves Exposure
- Future Emissions from Reserves
- Disclosure Levels (Scope 1 Emissions)

Whilst the Fund does not have a specific fossil fuel reserves exposure reduction target, it does support seeking to reduce exposure over time.

Fossil fuel reserves exposure and future emissions from reserves are useful insights into potential downstream scope 3 emissions and can be used as an indicator of potential stranded asset risks.

Figure 4 below shows fossil fuel reserves exposure for the Fund as at 31 December 2019, 31 December 2020 and 31 December 2021.

Figure 4



TCFD Recommended Disclosure – b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.

The Pension Fund's Carbon Metrics report discloses scope 1, 2 and upstream first tier scope 3 emissions for all listed equity portfolios and the Fund's Sterling Corporate Bond Portfolio.

TCFD Recommended Disclosure – c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

The Fund has an annual reduction target for GHG emissions across its investment portfolios of 7.6%. 2021 saw an increase in WACI of 1% compared to the 2020 level but the annualized rate of reduction from 2019 was 8.9%, above the annual target of 7.6%.

The main driver behind the increase in the WACI figure in 2021 was an increase from the Fund's investment in the Brunel Sustainable Equities Portfolio which had a 61.8% increase in carbon intensity compared to 2021. In 2021 Brunel added managers to the sustainable equity portfolio that are actively targeting investments in companies who are at the forefront of the energy and industrial transition to Net Zero. These are leaders in challenging and difficult-to-abate sectors and so inevitably have a higher carbon intensity today than companies in most other sectors, whose own transition journey is dependent on such companies. These investments are essential to the transition, but our existing tools and ways of measuring risk do not do them justice.

This highlights the drawbacks of only looking at a single metric and links into the Fund's target to develop additional metrics including forward looking ones. In 2021 Brunel piloted the use of green revenues data with the support of FTSE Russell which showed that the Brunel Global Sustainable Portfolio had 10.9% exposure to green revenues compared to 8.5% in its benchmark, the FTSE All World, as of 31 December 2021.

Climate Change Policy Implementation Plan Progress

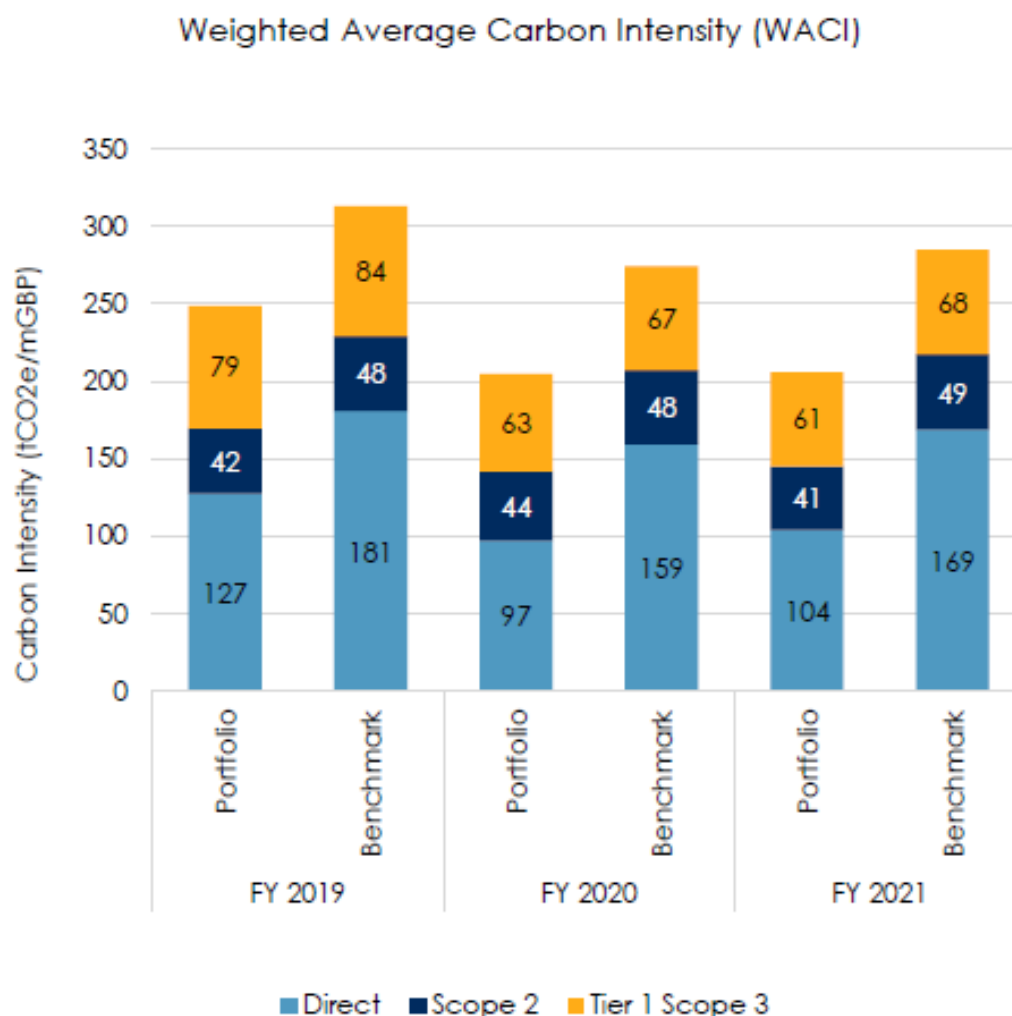
Emissions Reduction Target

The Fund's Climate Change Policy Implementation Plan set a target to reduce Greenhouse Gas Emissions by 7.6% per annum based on the 2019 UN Environment Programme annual Emissions Gap Report. This was set to be consistent with the Fund's Policy commitment to be aligned to the 1.5°C temperature goal of the Paris Agreement with limited or no overshoot.

Figure 5 below shows the Fund's Weighted Average Carbon Intensity as at 31 December 2019, 31 December 2020 and 31 December 2021. These were 248, 204 and 206 million tonnes of CO₂ equivalent per million pounds revenue respectively representing **a reduction over the two-year period of 16.9% and an annualized rate of reduction of 8.9%.**

While the Fund does not have a target for reductions in exposure to fossil fuel reserves this reduced by 35.3% from the 2020 level and has reduced by 55% since 2019.

Figure 5



The Fund recognises that there are a range of different metrics to assess emissions related to investment portfolios all of which have their own merits and drawbacks. At present the Fund is reporting on WACI (as recommended by TCFD) as this can be used across all listed portfolios, irrespective of allocations and therefore can be decision useful in assessing the relative carbon emission efficiency (per million pounds) of portfolios when attributing the impacts of strategic asset allocation decisions.

However, WACI has limitations in being used to assess progress against the Fund's emissions reduction target, principally because it is an efficiency measure and so while efficiency may improve this does not mean actual emissions are necessarily reducing.

An additional issue across all metrics is the use of scope 3 emissions where data quality and double counting, when using full scope 3 emissions, both make its use challenging. At present the Fund's WACI data includes Scope 1, Scope 2, and first tier Scope 3 emissions (upstream emissions).

August 2021 saw the Intergovernmental Panel on Climate Change (IPCC) publish the first report in its Sixth Assessment Cycle covering the physical science basis. This was followed by two further reports in 2022 on impacts, adaptations and vulnerability, and mitigation of climate change. The reports are unequivocal that current action to reduce GHG emissions are inadequate to limit warming to 1.5°C, and that the consequences of failing to limit warming to this level will be dire.

The United Nations Environment Programme released their 2021 Emissions Gap Report 2021 in October 2021. The report shows that new national climate pledges combined with other mitigation measures put the world on track for a global temperature rise of 2.7°C by the end of the century, well above the goals of the Paris agreement and would lead to catastrophic changes in the Earth's climate.

Both reports still give some cause for optimism in that they state that there is time for a technically feasible, cost-effective, and socially acceptable pathway to achieve net zero by 2050. However, the pathways are narrow and extremely challenging and require a rapid step up in the commitments and actions of all stakeholders across the globe. This was also the position in the prior year and although there has been some progress in terms of commitments, there is an urgent need for these to go further and to translate into action.

In November 2021 the UK hosted COP26 in Glasgow. Although some hoped more would be achieved there were a number of important agreements made including transitioning away from coal power generation, a strengthening of the 1.5°C target in the Paris agreement, and pledges to reduce methane emissions.

Other Implementation Plan Items

The Fund's Implementation Plan sets out several actions over the near-term that the Fund has determined will enable it to deliver on its Climate Change Policy. Progress against each of these is summarised below.

Work with Brunel to establish whether alternative passive, or similar, equity funds are available that better deliver on the Policy than current options available to the Fund.

Brunel worked closely with a leading index provider FTSE Russell to develop two indexes that met the EU criteria to be classified as a Climate Transition Benchmark and Paris Aligned Benchmark. These indexes were made available for investment in November 2021. The Pension Fund Committee made a decision to move the Fund's full passive holdings of c.£530m to the Paris Aligned Benchmark fund putting it among the first group of investors to invest in the index. Of the two funds developed the Paris Aligned Benchmark has stricter climate criteria and effectively excludes fossil fuel companies from the index.

Consider the renewable infrastructure weighting when making future allocations to the Brunel Infrastructure portfolio.

Brunel has removed the renewable infrastructure sleeve from its cycle 3 infrastructure portfolio and as such the Pension Fund is not able to separately allocate to renewables within its infrastructure allocations. The infrastructure portfolio specification states that a majority of the portfolio will seek to address Climate Solutions and a just Energy Transition to a lower carbon global economy.

To enable the Pension Fund to set targets for investments in Climate Solutions and have control over this the Pension Fund is seeking the development of a Climate Solutions Portfolio to enable it to make specific allocations to climate solutions. Initial meetings between Brunel and the client funds have taken place on the development of this portfolio.

Investigate an appropriate metric for measuring the proportion of assets invested in climate mitigation and adaptation.

The Fund continues to work with Brunel in developing an appropriate metric or set of metrics and determining the criteria used to identify investments in climate mitigation and adaptation. This links to wider work being undertaken by various governments including the EU who have developed an EU Taxonomy and the UK which has established a Green Technical Advisory Group to advise the government on the establishment of a UK taxonomy that sets the criteria for an investment to be defined as environmentally sustainable. In order for the Fund to set targets it first needs to be able to establish the current level of investments in Climate Solutions.

Once an appropriate metric(s) has been determined and the baseline established the Fund intends to set a target in terms of the % of the Fund invested in climate solutions. The IIGCC has a workstream looking at target setting for Climate Solutions that the Fund intends to use as the basis for setting targets.

The Pension Fund will work with Brunel to set appropriate targets and measures of success in relation to engagement activity undertaken on the Fund's behalf.

Brunel also have a target for all their material holdings to achieve a Transition Pathway Initiative score of at least 4 by 2022 and are targeting engagement and voting action against those companies whose scores are not improving or are falling.

Brunel's voting and engagement provider Hermes EOS have a target outcome that companies' strategies and actions are aligned to the goals of the Paris Agreement. Hermes use four milestones to measure and monitor progress:

Milestone 1 Concern raised with company

Milestone 2 Acknowledgement of the issue

Milestone 3 Development of a credible strategy to address the concern

Milestone 4 Implementation of a strategy or measures to address the concern

Hermes EOS undertakes engagement over three-year cycles. During 2021, EOS engaged with 839 Brunel-held companies on 1,337 milestones. Progress against one or more milestones was achieved for 50% of the engagement objectives set during the year.

The effectiveness of the engagement approach operated by Brunel will be formally reviewed as part of the 2022 stocktake of their Climate Change Policy and the Pension Fund will contribute to this review.

A key component of the engagement approach is to encourage companies to set plans and objectives to align with net-zero.

Brunel provides updates on the engagements with companies every quarter and more detailed analysis on an annual basis in the Responsible Investment and Stewardship Outcomes Report.

Concluding in Autumn 2022, Brunel and its clients will undertake a climate stocktake against the policy, objectives, and targets and the initial meetings in this process have now taken place.

As part of the Pension Fund's input into the stocktake it has agreed an Engagement Policy. The policy focuses on companies with the highest emissions; those covered by CA100+. A series of measures are set out in the policy with target dates for achievement, failure to meet the criteria will lead to potential exclusion of a company.

Work with Brunel to identify, or develop if not available, appropriate metrics, across all investment portfolios, to monitor the successful implementation of the Policy.

Work on metrics is ongoing and is expected to be an evolving process that incorporates developments in available data with the aim of increasing the accuracy and relevance of metrics as well as increasing the level of portfolio coverage.

While metrics are available for listed equities and bonds there is currently a lack of data available for the majority of other assets particularly in a format that allows aggregation at portfolio level. There are some industry developments in this area that could be useful to the Fund, for example the Carbon Risk Real Estate Monitor that has been developed for real estate assets.

Brunel are working with their private market managers to produce climate data that can be used to measure alignment with climate goals.

This is also an area being looked at by the IIGCC as part of their Net Zero Investment Framework and the Fund will monitor the outputs from this work and its applicability to the Pension Fund's investments.

Consider the merits of joining investor groups whose aims align with those of the Pension Fund as set out in the Policy.

The Fund continues to be a member of The Institutional Investors Group on Climate Change (IIGCC), Climate Action 100+ and the Local Authority Pension Fund Forum. In February 2021 the Fund signed the IIGCC's Paris Aligned Investments Initiative: Net Zero Asset Owner Commitment, joining other global investors in committing to investing in support of the goal of global net zero emissions by 2050.

In 2022 the Pension Fund was a signatory to The Investor Agenda's 2022 Global Investor Statement to Governments on the Climate Crisis calling on governments to set targets and take policy action aligned with the goal of limiting global temperature rises to 1.5°C.

Investigate options for portfolio scenario analysis based on different climate change scenarios so that this can be incorporated in the next fundamental asset allocation review in 2023.

The Fund continues to target production of a report to feed into the 2023 fundamental asset allocation review exercise. This would enable the Fund to include scenario analysis in its 2023 TCFD report at which point it is anticipated to be a mandatory requirement from DLUHC.

As well as addressing the Pension Fund's investments the Policy also sets a target for the Pension Fund to be carbon neutral on its own operations by 2030.

The Fund continues to work within Oxfordshire County Council's wider goal to achieve net zero emissions by 2030 across the whole organisation of which the Pension Fund is part. The Fund intends to report data on this and actions taken in future updates.

Case studies

Below are two examples of investments with a climate focus within the Brunel portfolios the Pension Fund is invested in.

Case Study: Decarbonising hard-to-abate sectors in private markets



Investing in real world decarbonisation is central to Brunel's approach in both public and private markets. That includes investing in hard-to-abate sectors, and specifically not simply removing challenging companies from portfolios, which may look better but in reality just avoids the issue.

We hold the Infracapital Infrastructure fund in our Cycle 2 Infrastructure portfolio. The fund is focused on providing innovative energy-saving technologies required to connect smart cities and tackle 'hard-to-decarbonise' sectors. This includes technologies such as rural fibre, water connections, sustainable

heat pumps, electric vehicles and charging, battery technology and industrial energy solutions.

One such investment is into Energy Nest – a market leader in thermal battery solutions. This cost-effective technology enables both the transfer of industrial waste heat into electricity and the use of renewable power in industrial heat processes. The technology is up to 99% thermal-efficient; is modular, scalable and recyclable; and has very low capex and opex. It is well-positioned to solve key challenges related to the energy transition, such as variable and intermittent renewables.



Sustainable living in action – Bristol Castle Park

On the site of a former medieval castle near Bristol's historic docks, the city's tallest building has been developed in synergy with its environment, with sustainability at the core. Across multiple buildings fronting Castle Park, Castle Park View adds 300 new Build to Rent homes and 75 affordable homes to Bristol's housing at the heart of the city centre, in close proximity to the central employment district, Bristol Temple Meads station, and the city's vibrant cultural scene.

The construction process created local jobs and supported skills development with c.1,290 apprenticeship weeks and over 300 career support sessions, providing guidance and advice to many young people. The ongoing management and maintenance of the building is supported by people and businesses from the local area, wherever possible.

The scheme has been designed around the principle of using and sharing sustainable energy sources and benefits from a new district heating network, powered by a large-scale water source heat pump that draws water from the nearby harbour – the country's largest project of its kind and a key component of Bristol's 2030 Net Zero carbon plan. Heat is produced by a central plant and supplied to buildings throughout the city, allowing for improved efficiency over a series of localised boilers. This provides low carbon, cost-efficient heat and hot water for residents.

Renewable energy is generated on-site at Castle Park View through almost 200 photovoltaic roof-mounted solar panels which convert sunlight to electricity, powering the building's communal areas. The ability to tap into this resource equates to carbon savings of around 20% versus regular electricity sources. Other energy-saving measures include the installation of energy-efficient lighting and high-performing fitted kitchen appliances in each apartment, contributing to an Energy Performance Certificate rating of B.

Efficient waste management is incorporated in the building's design with refuse chutes on each floor divided into three vessels, reducing the amount of refuse going to landfill by up to 66%. Additionally, each apartment is equipped with waste sorting facilities.

A brown roof across 80% of the structure – which recreates the brownfield site that existed before the building was constructed – promotes biodiversity by allowing plants and wildlife to self-colonise. Green rooves also top the scheme's cycle pavilion and bike storage hangar.

The scheme has been built to a voluntary certification standard known as the Code for Sustainable Homes, and BREEAM In-Use Residential certification will be sought once the minimum required occupancy level is reached.

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