OXFORDSHIRE COUNTY COUNCIL

To: Members of the Local Pension Board

Notice of a Meeting of the Local Pension Board

Friday, 3 May 2024 at 10.30 am

Virtual

If you wish to view proceedings online, please click on this Live Stream Link. However, that will not allow you to participate in the meeting.

Martin Reeves
Chief Executive

25 April 2024

Committee Officer: ***Committee Services***
Tel: committeesdemocraticservices@oxfordshire.gov.uk

Membership

Chairman – Matthew Trebilcock

Scheme Representatives:

Alistair Bastin	Stephen Davis	Liz Hayden

Employer Representatives:

Angela Priestley-Gibbins	Susan Blunsden	

Notes:

- ***Date of next meeting: 5 July 2024***

Councillors declaring interests

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

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

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

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

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

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

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

a) Any unpaid directorships

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

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

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

In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied:
Where a matter affects the financial interest or well-being:
a) to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
b) a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest.

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

AGENDA

1. Welcome by Chairman

2. Apologies for Absence

3. Declarations of Interest - see guidance note below

4. Petitions and Public Address

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

To approve the minutes of the meeting held on 26 January 2024 (**LPB5**) and to receive information arising from them.

6. **Unconfirmed Minutes of the Pension Fund Committee of 1 March 2024** (Pages 9 - 18)

To receive the unconfirmed minutes of the Pension Fund Committee held on 1 March 2024.

7. **Review of Annual Business Plan** (Pages 19 - 44)

The Board is invited to review progress against the key priorities set out in the Annual Business Plan 2023/24, as considered by the Pension Fund Committee at its meeting on 1 March 2024 and to offer any comments to the Committee.

8. **Risk Register Report** (Pages 45 - 52)

This report will present the latest position on the Fund's risk register, including any new risks identified since the report of the last meeting as considered by the Committee at their meeting on 1 March 2024. It will also present a new Risk Management Framework which sets out how the Fund manages identification, assessment and reporting of all risks for Funds. The Board are invited to review the report and offer any further views back to the Committee.

9. **Governance and Communications Report** (Pages 53 - 64)

The Board are invited to review the Governance and Communications as presented to the Committee on 1 March 2024. This report covers the key governance and communications issues for the Fund, including a report on any breaches of regulation in the last quarter.

10. **General Code of Practice Update** (Pages 65 - 70)

The Board is RECOMMENDED to note and comment on the General Code of Practice initial compliance assessment carried out by the Governance and Communications Team of the fund.

11. **Administration Report** (Pages 71 - 92)

The Board are invited to review the latest Administration Report as presented to the Committee on 1 March 2024. This report updates the Committee on the key administration issues including service performance measurement, the debt recovery process and any write offs agreed in the last quarter.

12. **Cyber Security Review** (Pages 93 - 96)

The Fund initially reviewed its cyber security risk prevention and response approach in 2022. Since that point, the Pension Regulator has set out further requirements in the draft General Code of Practice, which is a separate item on this agenda, and the Fund has tailored its approach to ensure compliance with the General Code of Practice.

This report is the annual review of cyber security for the fund.

The Board are recommended to review the report and determine any further actions to be taken.

13. **Succession Planning** (Verbal Report)

The Board asked for a report on the steps being taken to secure replacements for the Head of Pensions and the Pension Services Administration Manager, both of whom were due to retire during 2024. Since the request, interviews have been held in respect of two posts, and an announcement made on the new appointment to the Pension Services Administration Manager role. The process for appointing the new Head of Pensions is due to reach its conclusion before the meeting of the Board, and a verbal update will be provided direct to the Board.

14. **Workforce Planning Report** (Pages 97 - 100)

Workforce Planning is a vital function of any organisation to ensure that the appropriate workforce is in place to deliver improved services, greater productivity, and better customer focus.

The Board are invited to review the report on workforce planning.

15. **Draft Responsible Investment Policy** (Pages 101 - 114)

The initial draft of the Fund’s first Responsible Investment Policy is presented as Annex

1 to this report and has been developed by the Officers following a wide engagement programme. This engagement programme has included a survey of scheme members, which as reported to the last Committee resulted in over 4,000 responses. The Fund's Responsible Investment Officer also led a presentation to the Employers Forum on 24 January 2024, where those present were invited to provide feedback.

The Board are invited to review the Draft Responsible Investment Policy that sets out the Fund's approach to responsible investment and the current issues which it sees as of highest priority as considered by the Committee at their meeting on 1 March 2024.

16. Review of Post-Pooling Investment Costs (Pages 115 - 118)

As requested by the Committee this report has been prepared to provide an analysis of the management fees payable by the Pension Fund pre- and post-pooling. The report is based on data to the end of March 2023.

The analysis has been prepared on a best endeavours basis using the information available. It should be noted that there are issues in making direct comparisons including different fee structures such as tiered fee scales, and the different investment targets in place for mandates. For pre-pooling fees the current portfolio valuation has been applied to the old fee scale to determine the basis points figure for comparison purposes.

The report covers management fees only, so not additional portfolio costs such as transactions fees. For Brunel fees the cost applied by Brunel for managing the portfolio has been included.

A review of management fees incurred by the Pension Fund pre- and post-pooling.

The Board is RECOMMENDED to note the report.

17. Items to include in Report to Pension Fund Committee

The Board are invited to confirm the issues they wish to include in their latest report to the Committee.

18. Items to include in the Agenda for next Board Meeting

Members are invited to identify any issues they wish to add to the agenda of the next meeting of this Board.

LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 26 January 2024 commencing at 10.30 am and finishing at 12.05pm.

Present:

Voting Members:	Matthew Trebilcock – in the Chair Susan Blunsden Alistair Bastin Stephen Davis Angela Priestley-Gibbins
Other Members in Attendance:	Councillor Bob Johnston
Officers:	Sean Collins, (Service Manager, Pensions); Mukhtar Master, (Governance & Communications Manager); Sally Fox, (Pension Services Manager); Anna Lloyd, (Governance & Communications Officer); Vicki Green (Team Leader (Pensions)); Rebecca O'Shea (Communications Manager); Rebecca Herman (Team Leader (Pensions)); Sharon Keenlyside, (Senior Democratic Services Officer)

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

1/24 WELCOME BY CHAIRMAN
(Agenda No. 1)

The Chair welcomed everybody to the meeting and introductions were made.

2/24 APOLOGIES FOR ABSENCE
(Agenda No. 2)

Apologies for absence were received from Liz Hayden.

3/24 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE BELOW
(Agenda No. 3)

There were no declarations of interest.

4/24 MINUTES
(Agenda No. 4)

The minutes of the meeting held on 20 October 2023 were agreed as a correct record.

5/24 UNCONFIRMED MINUTES OF THE PENSION FUND COMMITTEE HELD ON 1 DECEMBER 2023
(Agenda No. 5)

The Board had before it the draft minutes of the Pension Fund Committee meeting of 1 December 2023.

The Board noted the report.

6/24 SCHEME MEMBER ENGAGEMENT UPDATE
(Agenda No. 6)

The Board had before it a report which provided an update on the Member Engagement Plan agreed on 5 May 2023 and the draft priorities for 2024.

The Governance & Communications Manager and the Communications Manager, presented the report and informed the Board that within the last 9 to 10 months there had been progress on most items on the Member Engagement Plan. Some items had not progressed as quickly as expected due to technological solutions external to the Fund, that were required to be put in place first.
The focus for 2024 was to finalise some of these solutions and move them on to the next level. Rolling membership surveys would be sent out quarterly from February 2024. Reports that would allow targeting and segmenting of membership communication were delivered in November 2023.
The collection members email addresses and mobile phone numbers was currently being worked on which would allow the Fund to effectively communicate with members.
The use of webinars and videos would be expanded in 2024. Meeting and training sessions would be recorded and uploaded to Vimeo.
New technology from Haywood would help capture more detailed analytics.
Face-to-face member talks would continue in 2024. These had been well received and were useful to members.

The Board enquired about the membership surveys and officers explained that the surveys would go out to members who had a transaction completed by the Pension Services team during the previous quarter to ascertain how the service was perceived. It was a standard customer feedback survey. The results would be filtered into results that would come back to the Board.

The Board:

1) noted the report,

2) agreed the draft priorities for 2024.

7/24 REVIEW OF THE ANNUAL BUSINESS PLAN

(Agenda No. 7)

The Board had before it the report which set out the latest progress against the key service priorities in the Annual Business Plan for the Pension Fund 2023/24, as considered by the Pension Fund Committee at its meeting on 1 December 2023.

The Service Manager, Pensions, presented the report, outlined the four service priorities, and answered questions raised.

Members asked officers if they were confident that they would be able to get the McCloud data ready for August 2025 and if they had the required resources. Officers responded that there was a plan in place and they had contacted every employer that they needed to. The resource and the ability of the resource was being reviewed. The cost for McCleod was to be met through the Pension Fund but was expected to be minimal.

In reference to Key Service Priority 3, Enhanced Delivery of Responsible Investment Responsibilities, the Board said how impressed they were with the progress and thanked officers for their hard work.

Members asked how the amount paid to Fund Managers could be reduced. Officers said that there was a report going to the Pension Fund Committee meeting in March which showed that Brunel had been successful in reducing fees in a like-for-like basis. Reducing asset allocation would be required to reduce fees per se.

The Chair of the Pension Fund Committee commented that he would only consider asset allocation on expert advice.

Regarding training, members asked that they continue to receive invitations to meetings, conferences and events as they were very helpful. Officers confirmed that this would be continued practice.

The Board noted the report.

8/24 GOVERNANCE AND COMMUNICATIONS REPORT

(Agenda No. 8)

The Board had before it the Governance and Communications Report as presented to the Committee on 1 December 2023.

The Governance and Communications Manager presented the report and answered questions raised.

The Chair acknowledged that better reporting of breaches would sometimes result in higher numbers of breaches being identified. Transparency was important. It was good no note that there had not been any material breaches.

The Board commented that the resolution of all breaches within the quarter was excellent work.

Officers confirmed that within the three-month deadline, information about the regulation changes had been given to everyone whose rights or prospective rights might be affected.

The Board noted the report.

9/24 RISK REGISTER REPORT

(Agenda No. 9)

The Board was provided with the latest risk register which had been considered by the Committee on 1 December 2023. The report also covered key governance and communication issues for the Fund and included a report on any breaches of regulation in the last quarter.

The Governance and Communications Manager presented the report and highlighted the key elements of the risk register. As requested at the last Board meeting, the risk of pension scams had been included. In this quarter, there had been no increase in any of the risk ratings. Risk 21, Insufficient Resources, had reduced and two risks had come off the register.

The Chair commented that the Board welcomed the Risk Management Framework as a key and important document which provided a template for understanding, tracking and mitigating risk.

Officers highlighted risk 25, an emerging risk around the potential loss of key members of staff. The report was written prior to the resignation due to retirement of the Pension Services Manager. The Service Manager, Pensions would also be retiring in 2024. There would be a significant loss of skills and knowledge. The Executive Director of Resources was present at the last Committee meeting and was working to ensure that sufficient interim arrangements would be put in place to manage the transition.

The Board asked for a report on succession planning to come to the next meeting and for the Executive Director of Resources to be invited to present the report.

The Board:

1) noted the report,

2) requested a report on Succession Planning at the Local Pension meeting to be held on 3 May 2024,

3) would like to invite the Executive Director of Resources to present the report.

10/24 ADMINISTRATION REPORT

(Agenda No. 10)

The Board considered the latest Administration Report as presented to the Committee on 1 December 2023. The report included an update on the key administration issues including service performance measurement, the debt recovery process and write offs agreed in the last quarter.

The Pension Services Manager presented the report. The Board were informed that there would be three team members retiring and a fourth team member resigning before April 2024.
Regarding performance statistics, there had been dramatic improvements in the vetting process.
During this period, incoming work had increased to over 700 cases.
For the Pension Regulator annual return, 95% was reported for common data and scheme specific data was reported at 99%.
The Corporate Team was helping the team to manage the debt recovery process. There was a lot of historic debt and the Committee had been recommended to write them off. All debt recovery was now actively managed by the Debt Recovery Team.

The Board commented that they approved of the graphs as they made the information much clearer.

The Board thanked the Pension Services Manager for all her hard work over the years and wished her a happy retirement.

The Board noted the report.

11/24 GENERAL CODE OF PRACTICE

(Agenda No. 11)

The Board had before it a report on the General Code of Practice: Initial Compliance Assessment carried out by the Governance and Communications Team.

The Governance and Communications Manager presented the report and answered questions raised.

Officers explained that only 38 of the 51 modules applied to the Local Government Pension Scheme and that the ones deemed as not applying would be reviewed to check that this was correct. Fund officers had assessed the Fund’s compliance with each module and applied a red/amber/green rating. Fund officers had initially taken a cautious approach when applying these ratings. In conclusion, it had been a good start for the Fund.

The Board asked if there was an action plan for the amber modules. Officers explained that they had not drafted an action plan but would be reviewing all areas in finer detail. Hymans had produced a tool that could be used. Actions would be put into place throughout the year to improve compliance and would be reported back to the Board and Committee.

Officers explained that one of the key roles of the Pension Board was to ensure that the Committee was compliant with the regulations and the code of practice. The Board would need to review the final version of the report against the new code and be satisfied that the position was sufficiently robust. It was a key report for the Board.

The Chair requested a quarterly report to provide an update on the Single Code of Practice and progress on compliance. This may then be moved to an annual basis.

The Board:

1) noted the report,

2) requested a quarterly report to provide an update on the Single Code of Practice and progress on compliance,

3) recommended that the report on the General Code of Practice be included in the report to the Pension Fund Committee.

4) recommended the quarterly report to provide an update on the Single Code of Practice and progress on compliance, be included in the report to the Pension Fund Committee.

12/24 ITEMS TO INCLUDE IN THE REPORT TO THE PENSION FUND COMMITTEE
(Agenda No. 12)

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

- The report on the General Code of Practice.
- The quarterly report to provide an update on the Single Code of Practice and progress on compliance.
- The report on Succession Planning.

13/24 ITEMS TO BE INCLUDED IN THE AGENDA FOR THE NEXT BOARD MEETING
(Agenda No. 13)

The Board requested the following items be included at the next Board meeting:

- A report on Succession Planning.
- A quarterly report to provide an update on the Single Code of Practice and progress on compliance.

- The report on fees update going to the March Committee.

.... in the Chair

Date of signing ....

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PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 1 March 2024 commencing at 10.15 am and finishing at 1.25 pm

Present:	
Voting Members:	Councillor Bob Johnston – in the Chair Councillor Kevin Bulmer (Deputy Chair) Councillor Imade Edosomwan Councillor Nick Field-Johnson Councillor John Howson Councillor Ian Middleton Councillor Michael O'Connor
Non-Voting Members:	District Councillor Jo Robb, District Councils (non-voting) Steve Moran, Pension Scheme Member (non-voting)
Local Pension Board Members:	Alistair Bastin
By Invitation:	John Arthur (Independent Investment Adviser) David Vickers (Chief Investment Officer, Brunel)
Officers:	Sean Collins (Service Manager, Insurance and Money Management), Mukhtar Master (Governance & Communications Manager), Gregory Ley (Financial Manager – Pension fund Investment), Josh Brewer (Responsible Investment Officer), Anna Lloyd (Governance & Communications Officer) Sharon Keenlyside (Senior Democratic Services Officer), Jack Ahier (Democratic Services Officer)

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

62/24 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 1)

Apologies for absence were received from Alistair Fitt.

63/24 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE
(Agenda No. 2)

There were none.

64/24 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 3)

Kate Robinson, Staff-Led Climate Action Group, Oxfordshire County Council addressed the meeting on Item 10.

65/24 MINUTES OF PREVIOUS MEETING
(Agenda No. 4)

The minutes of the meeting held on 1 December 2024 were agreed as a correct record subject to the following amendments:
Page 2, 48/23, Line 2 should read Alistair Bastin;
Page 7, 57/23, Line 3 should read “The Committee thanked Sally Fox”.

66/24 MINUTES OF THE LOCAL PENSION BOARD
(Agenda No. 5)

RESOLVED: that the minutes of the Local Pension Board were noted.

67/24 PRIVATE EQUITY REVIEW
(Agenda No. 6)

The Committee Clerk read out the exempt statement.

The Committee **RESOLVED** that, having been satisfied that the public interest test would be better served by not disclosing relevant information, and in accordance with the provisions of Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business because of the likely disclosure of exempt information as defined in Paragraphs 3 of Part 1 of Schedule 12A of the Act as amended.

RESOLVED to note the Private Equity Review.

68/24 REPORT OF THE INDEPENDENT FINANCIAL ADVISER
(Agenda No. 7)

The Independent Financial Advisor, John Arthur, presented the report to the Committee.

The Fund rose by 4.7% in the fourth quarter of 2023 which was slightly below the benchmark of 5%, driven mainly by Private Equity underperforming their benchmarks. This underperformance of the Fund was a continuation of the trend of the past few years. However, the returns of 7.4% p.a. for the last 10 years were above the Funds’ actuarial discount rate assumption.

The Independent Financial Advisor discussed Government Bond Yields and changes in the US and UK economy, including the effects of the rapid rise in interest rates, high inflation and high wage inflation.

The Committee discussed Private Equity markets and the concern that part of the Private Equity business model during the past 10 years had been the use of cheap debt to boost returns.

The Independent Financial Advisor supported Brunel's work on the UK Equity Mandate as explained on page 27of the report.
A member of the Committee was concerned about the UK Equity Mandate and the exclusion of the FT-100 companies which may align with the Funds' investment values and strategy and would deliver growth for the Funds' Portfolio. The Independent Financial Advisor explained that a lower carbon impact was likely to be found in UK Smaller Companies outside of the FT-100 index and most long-term data showed that smaller companies grew at a rapid rate and outperformed over multi decade periods. It was more in line with the Funds' investment policies.
Within the mandate description to underlying managers was the ability to hold 25% of the portfolio off benchmark.

The Chair thanked the Independent Financial Advisor for the report.

RESOLVED to:

a) **note the report of the Independent Financial Advisor,**
b) **agree that the Committee does not increase its exposure to Private Equity after consideration of the report of the Independent Investment Advisor,**
c) **agree to invite M&G Investments UK to the September Committee meeting and receive a presentation from them.**

69/24 ANNUAL REVIEW OF INVESTMENT PERFORMANCE
(Agenda No. 8)

The Committee received a presentation from David Vickers, Chief Investment Officer, Brunel which covered the main issues arising from the performance of the Brunel portfolios over the past year and highlighted key issues for the forthcoming year.

The Chief Investment Officer, Brunel explained to the Committee that the role of Brunel was to run the portfolios on behalf of the Fund according to the mandates set by the Fund. The advantages of the UK Smaller Companies mandate was a reduced basis risk, they were more likely to be companies with lower carbon impact, gave higher returns and gave 60% exposure to the UK domestic economy.

Officers explained to the Committee that the Fund's liabilities were UK based because they rise with UK inflation and therefore UK smaller companies were a better match.

A Committee member raised a concern that in excluding all companies within FT-100, a company may be excluded that did reflect the UK economy and was low carbon.
The Chief Investment Officer Brunel explained that within the mandate there was 25% held off benchmark that would allow underlying managers to invest in companies within FT-100 should they wish to.

The Chief Investment Officer Brunel discussed the performance of individual portfolios within Brunel and the rationale behind them, particularly focussing on investments with infrastructure elements.

The Chair thanked the Chief Investment Officer for the Annual Review of Investment Performance.

RESOLVED to note the Annual Review of Investment Performance.

70/24 REVIEW OF POST-POOLING INVESTMENT COSTS

(Agenda No. 9)

The Committee had before it a report, as requested by the Committee at the last meeting, which provided an analysis of the management fees payable by the Pension Fund pre-and post-pooling.

Gregory Ley, Financial Manager – Pension Fund Investment, presented the report to the Committee.

The Chair thanked the Financial Manager – Pension Fund Investment, for the report.

RESOLVED to note the report.

71/24 DRAFT RESPONSIBLE INVESTMENT POLICY

(Agenda No. 10)

The Committee were in receipt of a report which set out the draft Responsible Investment Policy.

The Chair invited the speaker to address the committee.

The Speaker represented a Staff-led Climate Action Group who endeavoured to keep up to date with the work of Oxfordshire County Council and its Pension Fund to ensure that the Fund were investing in a sustainable and fair future.
The Group was impressed by the Climate Report which the Wiltshire Pension Fund has published to demonstrate its commitment to addressing the climate emergency. They felt that this report was clear, comprehensive, and easily accessible for its pension scheme members to understand. The report showed active scrutiny of the top 10 emitters and a clarity of vision when directing the Brunel Pension Fund to divest from specific companies, such as Suncore and MEG Energy, due to their lack of action in transitioning to, and their core business aims being incompatible with, a zero-carbon future. They were also impressed by Wiltshire's focus on the positive case studies which showed where investments had been made in local and zero-

carbon initiatives, such as delivering 226 modular houses in East Sussex and carbon neutral greenhouses.
The Group appreciated that the Oxfordshire Pension Fund was currently undertaking improvements on communicating with its members on its holdings and approach, for example with the quarterly list of holdings. They observed that the material available did not give the sort of accessible information presented by Wiltshire on ways in which the fund was addressing the challenges posed by climate change.
The Group asked that the Pension Fund reviewed the work it was undertaking in this area and that the Fund consider the benefits of the Wiltshire approach.
Due to the lack of accessible communications from Oxfordshire Pension Fund, the Group were unclear on what the stance was in relation to MEG Energy and Suncore investments, as well as other top emitters.

The Chair thanked the speaker.

Committee members discussed concerns regarding the lack of information on the Oxfordshire County Council Pension Fund website pages and suggested that plans to improve it were added to the Business Plan.

Josh Brewer, Responsible Investment Officer, presented the report to the Committee.

The Fund had identified the following four priorities for its responsible investment activities: Climate Change, Nature and Biodiversity, Human Rights, including Supply Chain Labour Standards and Slavery and Governance.

If approved, the draft policy would go out to formal consultation to stakeholders.
Once approved, a more detailed strategy would be developed to monitor progress and ensure commitments were being met through this policy.

Committee members felt that the draft Responsible Investment Policy was a clear report that reflected the discussions from the workshop and an excellent starting point. It was felt that the Councils excellent Communications Team could be better engaged and used more effectively. Officers noted that whilst greater transparency was always welcomed, there needed to be care when discussing the Fund's position in relation to individual company holdings to avoid breaching the Market Abuse Regulations.

Members enquired as to how public health was incorporated into the draft policy. The Responsible Investment Officer explained that public health was part of the human rights section – a very broad subject that needed to be narrowed down. The officer agreed to review the draft policy to see how public health could be integrated and shown more clearly.
The policy was a live document that would be constantly reviewed and any new issues that emerged would be integrated into the policy.

RESOLVED to agree the draft Responsible Investment Policy as presented at Annex 1 to the report as the basis of a consultation exercise with key Fund Stakeholders.

72/24 REPORT OF THE LOCAL PENSION BOARD
(Agenda No. 11)

Alistair Bastin, Local Pension Board Scheme Representative, gave an update to the Committee.

The Board had reviewed the Regulators General Code of Practice and had asked for a quarterly report to discuss compliance.

The Board raised concerns regarding succession planning following the retirement of a key officer of the Pension Fund and with another key officer retiring this year.

The Chair confirmed that there was a report on compliance with the General Code of Practice on the agenda.

RESOLVED that the Committee noted the comments of the Board.

73/24 ANNUAL BUSINESS PLAN 2024/25
(Agenda No. 12)

Sean Collins, Service Manager Pensions, presented the report to the Committee.

The report set out the business plan and budget for the Pension Fund for 2024/25 and key priorities for the Fund as agreed at the workshop, detailedd the key service activities for the year, and included the proposed budget and cash management strategy for the service. The report also reviewed the progress against the key service priorities included in the 2023/24 Plan as context for setting the key priorities going into the next financial year.

Members asked if there had been feedback from Hymans regarding criticism of the knowledge assessment. Members felt that the test included knowledge that members were not required to know. The Service Manager had contacted Hymans who had argued that it was a difficult balance, and they were expecting government guidance on this. Hymans expected Committee members to have sufficient knowledge & skills to be able to robustly challenge advice from officers and advisors.
Members made the point that there was no opportunity for learning from the test itself and asked for this to be fed back to Hymans.
The Service Manager spoke about having training and knowledge recognised in terms of special responsibility allowances. The Pension Fund Committee members had a training burden that was greater than other committees.

The Service Manager reported to the Committee that an escalation policy leading to selective divestments had been agreed with Brunel and other partner Funds. Specific targets had been agreed for 2024, with more ambitious targets provisionally agreed for 2025. This would be reported to Committee in the June meeting. Some parts of the report may be confidential due to potential impact on individual companies, and the needs to comply with the Market Abuse Regulations.

The Committee went into private session to discuss annex 2.

The committee clerk read out the exempt statement.

The Committee **RESOLVED** that, having been satisfied that the public interest test would be better served by not disclosing relevant information, and in accordance with the provisions of Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business because of the likely disclosure of exempt information as defined in Paragraphs 3 of Part 1 of Schedule 12A of the Act as amended.

The Committee opened the meeting to the public.

The Service Manager Pensions highlighted 3 priority areas identified in the workshop on 15 January and introduced the first of these as: further improvements to Governance – workforce planning, succession planning for two key posts, code of practice compliance and essential skills and knowledge.

Members enquired about succession planning and were informed that a job advertisement had been drafted to replace key officers and should go out next week. It was hoped that a replacement for the Service Manager Pensions would be able to start before the current officer leaves to enable a hand-over period. The position of Pension Services Manager was being covered by the Service Manager Pensions and the team leaders. There was a national shortage of skilled staff in this field and Hymans would find it difficult to provide temporary cover.

If a suitable candidate cannot be found, it was suggested that support could be sought from a colleague elsewhere in the LGPS whilst the Fund continued to recruit.

Councillor Howson asked for it to be noted that it was not possible for the Committee to do its work properly when the recruitment process was slow in advertising for key members of staff.

The Service Pensions Manager highlighted the second priority in the plan which was to improve the operational effectiveness of pension administration, improving data collection processes and to continue to develop the website, and the third priority to review the Investment Strategy Statement in light of the 2005 Valuation, Government policy, cashflow requirements and the responsible investment priorities.

RESOLVED to:

a) **Note the progress against the service priorities for 2023/24;**
b) **Determine their preferred approach to the proposed activity-based exclusions as set out in Annex 2 and agreed in the exempt minutes.**
c) **Approve the Business Plan, Budget, Training Plan and Cash Management Strategy for 2024/25 as set out at Annex 1, and authorise**

the Executive Director of Resources & Section 151 Officer to approve the Special Reserved Matter in respect of the Brunel budget.

74/24 RISK REGISTER REPORT

(Agenda No. 13)

Sean Collins, Service Manager Pensions, presented the report to the Committee which set 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. The report also set out any progress on the mitigation actions agreed for those risks not yet at target and identified any changes to the risks which had arisen since the register was last reviewed.

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

75/24 GOVERNANCE AND COMMUNICATIONS REPORT

(Agenda No. 14)

RESOLVED to defer this item due to time constraints.

76/24 WORKFORCE PLANNING REPORT

(Agenda No. 15)

RESOLVED to defer this item due to time constraints.

77/24 ADMINISTRATION REPORT

(Agenda No. 16)

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

RESOLVED to:

a) **Agree the change of contract for two administrators from temporary to permanent posts;**
b) **increase in establishment of one administrator post and one assistant post and**
c) **review team performance statistics and determine if any further information is required.**

78/24 CYBER SECURITY POLICY REVIEW

(Agenda No. 17)

RESOLVED to defer this item due to time constraints.

79/24 SCHEME OF DELEGATIONS POLICY REVIEW
(Agenda No. 18)

RESOLVED to defer this item due to time constraints.

80/24 CORPORATE GOVERNANCE AND RESPONSIBLE INVESTMENT
(Agenda No. 19)

RESOLVED to defer this item due to time constraints.

.... in the Chair

Date of signing ....

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Division(s): n/a

ITEM 13

PENSION FUND COMMITTEE – 1 MARCH 2024

BUSINESS PLAN AND BUDGET 2024/25

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

1. **The Committee is RECOMMENDED to:**
   a. **Note the progress against the service priorities for 2023/24;**
   b. **Determine their preferred approach to the proposed activity-based exclusions as set out in Annex 2; and**
   c. **approve the Business Plan, Budget, Training Plan and Cash Management Strategy for 2024/25 as set out at Annex 1, and authorise the Executive Director of Resources & Section 151 Officer to approve the Special Reserved Matter in respect of the Brunel budget.**

Introduction

2. This report sets out the business plan and budget for the Pension Fund for 2024/25. It follows on from the Workshop held on 15 January 2024 to which all members of the Committee and the Local Pension Board were invited. The Plan sets out the key priorities for the Fund as agreed at the workshop, details the key service activities for the year, and includes the proposed budget and cash management strategy for the service.

3. The report also reviews the progress against the key service priorities included in the 2023/24 Plan as context for setting the key priorities going into the next financial year.

4. The key objectives for the Oxfordshire Pension Fund are set out on the first page of the Business Plan for 2024/25 (contained in annex 1) and remain consistent with those agreed for previous years.

5. The overall objectives are summarised as:
   - Fulfil the Fiduciary Duty to all key stakeholders
   - To administer pension benefits in accordance with the relevant regulations, and the guidance set out by the Pensons Regulator to a high service standard for our members
   - To achieve a 100% funding level
   - To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and

- To maintain as near stable and affordable employer contribution rates as possible.

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

Key Service Priorities – A review of 2023/24

7. There were 4 service priorities included in the 2023/24 Plan each with a number of key measures of success. The latest position on each is set out in the paragraphs below. The assessment criteria for each measure of success is as follows:

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

8. Delivery the Regulatory Changes as set out by the Government The position against the 3 agreed measures of success are set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
No regulatory breaches that require reporting to the Pension Regulator. GREEN	Revised Breaches Policy presented to the Committee. Production of Escalation Policy in respect of Contribution Breaches. Review of Information presented to quarterly meetings of the Committee.	
All Pension Benefit Calculations and Annual Benefit Statements issued with required information on the McCloud remedy. GREEN	Resourcing plan reviewed and progress made on recruiting sufficient staff to complete work. Final Regulations setting out information requirements received and first ABS including McCloud information delayed to August 2025.	Carry Forward outstanding Work on the McCloud project to 2024/25 in line with Government timescales.

	System changes to automate any new requirements being tested. New calculations currently calculated manually in line with Regulations.	
Scheme Member records available via the Pension Dashboard. GREEN	Work continues on data quality improvement.	Awaiting revised Government timescales.

9. As reported last quarter, all measures of success agreed this time last year have been rated Green, reflecting either the successful completion of the required task, or a revision of the required timescales in line with Government decisions. Work on completing the McCloud and Pension Dashboard projects will need to be carried forward into 2024/25.

10. <u>Deliver further improvements to the governance arrangements of the Fund.</u> There were 6 specific measures of success set out in the 2023/24 Business Plan in respect of this priority. The progress against these in set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Governance Officer in post. GREEN	Appointment made.	
Annual Report on Compliance with the Code of Practice presented to the Committee and no significant shortfalls identified. GREEN	New Governance and Communications Standing item added to Committee agenda. Analysis of compliance against the draft General Code of Practice presented to Committee with no significant shortfalls identified.	Complete analysis of compliance with the final General Code of Practice to be carried forward to 2024/25 once Code becomes effective.
Revised Administration Strategy agreed by Committee with clear Service Level Agreement established with all scheme employers. GREEN	Final version of revised Administration Strategy agreed.	
Revised Breaches Policy agreed by Committee and Committee signed off	Revised Breaches Policy agreed.	

quarterly key performance indicator provides all information they require to gain assurance on compliance with Code of Practice and Regulatory Requirements. GREEN		
Full Workforce Strategy agreed by Committee. AMBER	Initial Workforce Planning report presented to Committee to set parameters for full review.	Detailed Workforce Strategy carried forward to 2024/25 and reconciled with Good Governance Guidance once published by Government
Increase in average scores for the National Knowledge Assessment. AMBER	Knowledge Assessment Completed.	

11. The first 4 measures of success under this objective have all been rated Green, largely due to the completion of the expected actions. In terms of compliance with the General Code of Practice, this has been delayed until 2024/25 due to the late publication of the final Code. The measure of success has though been rated Green as the assessment against the draft Code as reported elsewhere on today's agenda has not identified any significant shortfalls against the Pension regulators expectations.

12. We have scored amber the work in relation to the workforce strategy. This work was delayed during 2023/24 whilst we were waiting for the Government to publish the expected Good Governance Guidance. Whilst the work on developing the strategy has now started in advance of the Government Guidance, and there is a report on today's agenda which sets out the key issues that need to be determined, the retirement of the Pension Services Manager and the impending retirement of the Service Manager have highlighted the importance of having this strategy in place. This is a key piece of work to take forward at the beginning of 2024/25

13. The other area rated Amber is in respect of the skills and knowledge of the Committee and Board reflected the drop in average scores against the Knowledge Assessment tool. The revised training programme contained within the Business Plan for 2024/25 seeks to address the gaps in skills and knowledge, with the results likely to come under greater scrutiny with the Government expected to provide greater requirements in this area.

14. <u>Enhanced Delivery of Responsible Investment responsibilities.</u> There were 4 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
Improved quarterly reporting in place to both Committee and on the Fund's webpages, including wider ESG targets, and performance measures, reflected in positive feedback from all stakeholders. AMBER	New Carbon Metrics report produced by Brunel includes additional data on Green Revenues and TPI Management Quality scores. Webpages amended to include underlying company holdings and all key policy documents.	Extend climate scores to the private market portfolios. Review additional ESG scores to be included in future reports.
Successful Application in respect of the Stewardship Code. GREEN	Successful application made under the Stewardship Code.	
Benchmark position established on investments in climate solutions/mitigations and target set for increased investment (with action plan to deliver). GREEN	Commitment made to new local renewable infrastructure portfolio alongside Brunel partner funds. On-going development of Green Revenues report with Brunel	Benchmark position established and new target set.
Continue to meet decarbonisation target, within a balance suite of metrics to include % of Fund invested in Paris Aligned portfolios. AMBER	TCFD report published.	Develop measures on % of Fund invested in Paris Aligned portfolios. Review alongside Brunel partnership of Engagement Policy.

15. Work has continued to progress alongside colleagues within the Brunel Pension Partnership to deliver further improvements in this area. In line with the approved Brunel Climate Change Policy, the client funds have agreed target criteria for this year which we expect the highest carbon emitting companies as contained in the Climate Action 100+ to meet, with the expectation that selective divestment will follow if the criteria is not met. The client funds have also agreed provisional criteria for the following year. The provisional criteria demonstrate greater ambition in line with the Policy. We are currently discussing with Brunel how we balance the wishes for transparency and accountability with regulatory requirements, with the expectation more detail will be provided in the next few months.

16. Another key discussion currently ongoing within the Brunel Pension Partnership is the issue of activity-based exclusions. Whilst Oxfordshire in common with many funds currently has a policy which excludes any blanket-based

exclusions, in favour of making decisions on a company-by-company basis, there is a view that certain sectors are unlikely to be able to adapt in sufficient time to meet the requirements of the Paris Agreement.

17. Brunel have produced the confidential paper attached as Annex 2, which sets out their initial thinking in this area. The paper invites the client funds to consider a limited number of activity-based exclusions around tar sands, thermal coal, controversial weapons and tobacco production, with criteria for each areas set out in the paper.

18. **Annex 2 sets out detailed proposals around potential activity-based exclusions from the current Brunel portfolios and as such disclosure would inform the markets in advance of trades the investment intentions of Brunel. Such disclosure would therefore breach the Market Abuse Regulations. The public should therefore be excluded if there is to be any discussion of the detailed contained within Annex 2 because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following category prescribed by Part I of Schedule 12A to the Local Government Act 1972 (as amended): 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 the information is commercially confidential and its disclosure would be in breach of the Money Abuse Regulations.**

19. Officers are happy with the proposals in respect of tar ands and thermal coal as we believe limited exclusions would be consistent with the Fund's current Climate Change Policy. As noted in the paper, the proposals would have very limited impact on the investible universe, with only two holdings across the Brunel portfolios proposed for exclusion. Whilst the exclusion of controversial weapons is not covered under the current investment policies of the Committee, again the impact of the proposed exclusion would have very limited impact with just two holdings to be potentially excluded. As the paper notes, further checks on the definitions followed need to be completed to understand the rationale as to why these companies are currently held.

20. The proposal regarding tobacco production is likely to be more controversial, and the impact on the investible universe is higher than the other three categories. It should be noted though, that if this Committee wanted to oppose this element of the proposal in that it is inconsistent with their current policies, the actual holdings held by this Fund will reduce on transition to the revised UK active portfolio based on the FTSE All Share Index excluding the FTSE 100.

21. In terms of the Fund's new commitment of £30m to a local renewable infrastructure portfolio, alongside 5 other partner funds from within the Brunel Pension Partnership, it is noted that the Fund Manager has now called down the first £20m of this commitment to finance the purchase of a series of solar farms.

22. Finally in this area, the Committee are invited elsewhere on today's agenda to approve their first draft over-arching Responsible Investment Policy for the Fund which widens the focus of the current work on climate change to other key environmental, social and governance issues. Once approved, this draft will be subject to formal consultation before final approval at the June meeting of this Committee.

23. Deliver further improvements in efficiency and effectiveness of scheme operations through enhancements to technology. Progress against the 5 measures of success for this service priority are set out below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Increased operational effectiveness as measured through improved SLA performance scores. GREEN	Work programme of technology enhancements agreed with system supplier.	
Improved scheme member/employer satisfaction measured via positive assessment or a reduction in complaints. AMBER	Revised member satisfaction survey piloted.	Pension Board to review survey results and work with Officers to improve assessment process.
Increased Take Up of Member Self Service. GREEN		
Action Plan in place with targets to collection email address and/or mobile phone number for scheme members. GREEN	Action Plan developed and information now being collected from scheme employers.	
Reduction in postage costs reflecting greater use of electronic communications. AMBER	Decision to delay on-line payslips. Initial discussions held within County Council around proposed new approach to electronic communications.	

24. The monthly meetings with Heywood who supply the pension system software to manage a series of developments which aim to maximise our effective use of the system are continuing. Whilst the improvements in operational efficiency are already noticeable, it is too early to confirm the impact of the changes on performance, stakeholder satisfaction and cost.

25. Delivery of the above priorities has been inside the administrative and oversight and governance budgets which in total are expected to underspend by £213,000. There is estimated to be a further £450,000 underspend on

investment management fees, bringing the total underspend against the budget to £663,000.

	Budget	YTD	%	Forecast Outturn	Variance
	2023/24	**2023/24**		**2023/24**	**2023/24**
	£'000	**£'000**		**£'000**	**£'000**
Administrative Expenses					
Administrative Employee Costs	1,607	1,230	77%	1,607	0
Support Services Including ICT	930	767	83%	975	45
Printing & Stationary	132	51	39%	132	0
Advisory & Consultancy Fees	315	3	1%	100	-215
Other	59	39	67%	70	11
Total Administrative Expenses	**3,043**	**2,090**	**69%**	**2,884**	**-159**
Investment Management Expenses					
Management Fees	12,450	3,000	24%	12,000	-450
Custody Fees	30	15	50%	30	0
Brunel Contract Costs	1,258	1,313	104%	1,258	0
Total Investment Management Expenses	**13,738**	**4,328**	**32%**	**13,288**	**-450**
Oversight & Governance					
Investment Employee Costs	380	265	70%	370	-10
Support Services Including ICT	12	0	0%	12	0
Actuarial Fees	190	184	97%	190	0
External Audit Fees	50	0	0%	50	0
Internal Audit Fees	17	0	0%	17	0
Advisory & Consultancy Fees	98	28	29%	98	0
Committee and Board Costs	64	2	3%	40	-24
Subscriptions and Memberships	70	30	43%	50	-20
Total Oversight & Governance Expenses	**881**	**509**	**58%**	**827**	**-54**
Total Pension Fund Budget	**17,662**	**6,927**	**39%**	**16,999**	**-663**

26. The two main causes of the underspend have been an underspend of £215,000 against the budget for advisory and consultancy fees and a £450,000 underspend against the investment management fees budget. The former

reflects the delay in a number of projects where additional support was expected, largely due to delays from the Government e.g. on the pension dashboard. As noted in previous years, the underspend on investment management fees reflects the difficult in estimating future market movements which directly impact fees paid.

Service Priorities for 2024/25

27. The service priorities for 2024/25 were again developed through a workshop to which all members of the Pension Committee and Pension Board were invited, in line with the recommendations of the Independent Governance Review undertaken during 2020/21. This year, the workshop was held on 15 January 2024, and was again facilitated by Hymans Robertson.

28. The Workshop enabled members of the Committee and Board to identify what they saw as key priority areas for the Fund for 2024/25 and what they wanted to see as measures of success. Officers have sought to bring this together under three key priorities within the 2024/25 Business Plan which are summarised as follows.

29. Priority one is to deliver further improvements to the governance arrangements of the Fund. Key amongst this is to develop a workforce strategy to meet the changing needs to the Fund, and in particular to deliver a succession plan following the retirement of the Pensions Administration Manager and the impending retirement of the Head of Pensions. Failure to deliver on this issue presents one of the biggest risks to the Fund at the current time.

30. A second key element of this priority is to develop an action plan to address any shortfalls identified following an assessment of the Fund’s position against the requirements of the new General Code of Practice published by the Pensions Regulator.

31. The third key element of this priority as identified within the workshop was an improvement in the reporting to the Pension Fund Committee to provide Members with the assurance that performance in both the administration and investment areas was at the standards set by the Committee and delivered in accordance with the objectives set within the Funds key policies, notably the Climate Change Policy.

32. The final element of this priority is to ensure that the Committee and Board have the necessary skills and knowledge to successful deliver on their roles in managing the Fund.

33. The second priority is to continue to improve the operational effectiveness of the pension administration services and ensure all new regulatory responsibilities are met. This priority area includes delivering the McCloud project which has previously been recognised as a major challenge to this and all other LGPS Funds (alongside similar challenges to deliver the equivalent projects in the rest of the public sector, including the Sergeant project in respect of fire-fighters, which also falls to this Committee to deliver). Other key regulatory challenges

include the remedy to deal with the Goodwin case, and the implementation of the Pensions Dashboard.

34. A key action under this priority is a review of the data collection processes to ensure that the Fund receives all data on a timely and accurate basis, reducing the number of breach reports and fines issued under the Administration Strategy. This should also be reflected in improvements in the Funds data quality scores as reported to the Pension Regulator.

35. A third element of this priority is a continuation of the work to develop the Fund's use of Altair in line with best practice, as well as reviewing the Fund's website, and the use of the developing Artificial Intelligence tools, including Chatbots to increase the provision of self-service functionality. Hopefully the improvements to functionality available to members will also be reflected in reduced complaints and higher customer satisfaction scores, as well as a reduction in the costs of providing services.

36. The third and final priority area centres around the Fund's Investment Strategy Statement. There are four clear streams to this task, all of which though need to be considered together as each has implications for the others. These streams include the initial planning for the 2025 Valuation and need to reflect the significantly improved funding level for the Fund, and the potential to introduce multiple investment strategies reflecting the differences in risk profiles and appetites of the various scheme employers.

37. Another key stream under this priority is the need to re-visit the cashflow modelling for the Fund. With another significant increase in the pension benefits in payment (linked to the CPI figure from last September), and the potential reduction in contributions from scheme employers/members in light of the impact of ever tightening public sector budgets, the Fund is more likely to become cash negative in respect of its dealings with members. This means that liquidity becomes a higher priority when looking at the strategic asset allocation, alongside the need to switch to income share classes within some of the current Brunel portfolios.

38. Reviewing the latest Government guidance on pooling and asset allocation also needs to be considered under this priority, although the level of change required will depend on the extent if any that the Government mandates change.

39. Finally under this priority is the development of the Fund's first Responsible Investment Policy and the delivery of the key objectives as set out within the accompanying Strategy Document.

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

Budget 2024/25

41. The proposed budget for 2024/25 is set out as Part C of the Business Plan which also includes a comparison with the budget for 2023/24. Overall, there is an

increase in the proposed budget from £17,662,000 to £20,741,000 (17.4%). The main elements of this variation are explained in more detail below. A report comparing the Pension Fund budget for the full 2023/24 financial year against the actual expenditure will be produced for the June 2024 Committee meeting.

42. Other than inflationary increases, there are five main increases in the budget. The increase in the Administration Staffing budget reflects the increased staffing proposal as set out within the Administration Report elsewhere on today's agenda. This in turn reflects the increased volume and complexity of the administration work, particularly in light of new Government legislation.

43. The increase in the budget for Investment Management Fees partly reflects the growth in the assumed average asset value over the course of the next year on which fees are payable. The Committee have no control over this aspect of the budget. The other element of the increase in this budget though does reflect the decision of this Committee to increase the strategic allocation to the private markets, which attract higher fee levels than the listed sector.

44. The increase in support service costs is largely explainable by the increased fees associated with the greater use of Altair and the costs of extending the current contract. The increased costs in Actuarial Fees reflects the costs incurred in the past year, and the additional work that will be required in 2024/25 as work begins on the 2025 Valuation.

45. The final area where costs have increased is in respect of the Brunel Fee which has seen an increase from £1,258,000 to £1,453,000. The increase in the Brunel budget has been subject to close scrutiny by the Client Group and the Brunel Oversight Board, who both recommend approval of the budget. It is fair to say that neither group were happy with the level of increase at a time when public sector budgets were under such pressure, but both groups accepted that the increased costs were the minimum necessary to enable Brunel to deliver the programme of work requested by the clients. The main areas of increase were the full-year costs of the people strategy agreed as part of last year's budget proposal, the need to re-tender the provision of back-office software, and the need to revise the operating model for the company. A key element of the last two increases was to provide the functionality to meet the client demands for more information, especially in respect of the responsible investment agenda.

46. It should be noted that the increase in the Brunel Fee is currently subject to a Special Reserved Matter issued by the Brunel Company for the approval of the Client Funds. The deadline for submitting that approval is 4 March 2024, and requires the approval of a minimum of 8 of the 10 Funds. The Committee are recommended to authorise the Executive Director of Resources & Section 151 Officer in her role as Shareholder Representative to approve the budget.

Training Plan

47. Part D of the Business Plan sets out the broad Training Plan for Committee Members. This reflects the latest Knowledge Assessment and feedback from

Committee and Board members. The programme includes sessions on Pensions Administration which saw a fall in scores under the most recent Knowledge Assessment, with a suggestion there is a focus on advances in technology and the development of Artificial Intelligence tools, Actuarial Methods with a focus on the requirements of the 2025 Valuation and Pensions Accounting and Audit Standards.

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

Cash Management

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

Lorna Baxter
Executive Director of Resources & Section 151 Officer

Contact Officer
Sean Collins

February 2024

Annex 1

Oxfordshire Pension Fund: Business Plan 2024/25

Service Manager - Pensions: Sean Collins

Service Definition:

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

Our Customers:

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

Key Objectives:

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

Part A: Service Activities

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

Part B – Service Priorities

Objective	Actions	Measures of Success
Deliver further improvements to the governance arrangements of the Fund.	Develop a full workforce planning strategy for the Fund. Complete a full assessment of the Fund's compliance with the new General code of Practice. Develop a set of targets and an action plan to deliver these targets, in respect of any gaps in compliance against the Code of Practice. Develop the Fund's reporting arrangements to ensure the Committee and all key stakeholders are clear on the Fund's performance (both investment and administration) and delivery against the Fund's policy objectives. Deliver a comprehensive training programme for Committee and Board members.	Succession Plan in place, and suitably skilled and knowledgeable replacements recruited for Head of Pensions and Pensions Administration Manager. Workforce Strategy in place. End of year compliance with General Code of Practice in line with targets set. Committee satisfied they are able to evidence compliance with their policies and demonstrate the performance standards of the Fund. Increase in average scores for the National Knowledge Assessment.
Deliver further operational effectiveness of the administration function, including delivery of regulatory changes.	Deliver the McCloud Project Plan. Review current processes for the supply of data and contributions from scheme employers. Identify all required regulatory changes and develop action plans to deliver against new requirements (to include Goodwin and Pensions Dashboard) Continue to develop use of Altair in line with best practice. Review use of website and new AI tools to deliver increased self-service functionality to scheme	Issue all estimates/benefit calculations in line with the McCloud requirements. Increased Common Data and Scheme Specific Data Quality scores. Reduction in numbers of reported regulatory breaches/fines issued under the Administration Strategy. Reduction in number of formal complaints. Increased customer satisfaction scores. Reduction in scheme costs associated with technology improvements.

	employers and scheme members.	
Review the Fund's Investment Strategy Statement in light of: • The 2025 Valuation • Government Policy • Cashflow Requirement • Responsible Investment Priorities	Develop 2025 Valuation programme to include early engagement with scheme employers re risk appetite, and potential for multiple investment strategies. Undertake cashflow modelling in light of key employer budget changes, changes in benefits in payments, private market commitments. Review Government policy statements and develop action plans to deliver any new requirements. Undertake consultation exercise with key stakeholders on draft Responsible Investment Policy	Clear Strategic Direction agreed for 2025 Valuation, to the satisfaction of scheme employers. Revised cashflow model in place and sufficient cash in place to meet pension benefits and investment commitments as they fall due. Plans in place to deliver Government Policy requirements. Publish Fund's first Responsible Investment Policy and Strategy Documents. Revised Strategic Asset Allocation agreed.

Part C. Budget:

	2024/25 Budget £'000		2023/24 Budget £'000
Administrative Expenses			
Administrative Employee Costs	1,861		1,607
Support Services including ICT	1,338		930
Printing and Stationery	82		132
Advisory and Consultancy Fees	165		315
Other	60		59
	3,506		**3,043**
Investment Management Expenses			
Management Fees	14,800		12,450
Custody Fees	30		30
Brunel Contract Costs	1,453		1,258
	16,283		**13,738**
Oversight and Governance			
Investment Employee Costs	444		380
Support Services Including ICT	13		12
Actuarial Fees	292		190
External Audit Fees	50		50
Internal Audit Fees	9		17
Advisory and Consultancy Fees	101		98
Committee and Board Costs	24		64
Subscriptions and Membership	20		70
	952		**881**
Total Pension Fund Budget	**20,741**		**17,662**

Part E - Pension Fund Cash Management Strategy 2024/25

Introduction

1. The Oxfordshire Pension Fund maintains a balance of cash arising from the receipt of employer and employee contributions, and income from internally managed investments. This incoming cash currently exceeds the amount of payments made on behalf of the Fund, although this position could reverse during 2024/25. Income generated in investment portfolios is generally reinvested, the exceptions being listed private equity and some private market investments. At the point the Pension Fund's cashflow in respect of dealings with scheme members turns negative the Fund will look to have income generated from its portfolios paid back to the Fund as required to make up any cash shortfall. This could be achieved by switching to income share classes within a number of key Brunel portfolios. The cash managed in-house by the Administering Authority, provides a working balance for the fund to meet its short-term commitments.

2. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 state that administering authorities must hold in a separate bank account all monies held on behalf of the Pension Fund. The regulations also state that the Administering Authority must formulate an investment strategy to govern how the authority invests any Pension Fund money that is not needed immediately to make payments from the fund. This document sets out the strategy for cash for the financial year 2024/25.

Management Arrangements

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

Rebalancing

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

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

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

Investment Strategy

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

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

Investment of Pension Fund Cash

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

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

10. Pension Fund deposits will be restricted to a subset the County Council's approved counterparties at the time of deposit and will include the Fund's custodian bank. Approved counterparties as at 31st January 2024 are shown in annex 2. There will be a limit of £30m for cash held with each counterparty.

Borrowing for Pension Fund

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

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

13. The Director of Finance (S.151 Officer) has delegated authority to borrow money for the Pension Fund in accordance with the regulations but only in exceptional circumstances. .

Appendix 1

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

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

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

Appendix 2

Approved Counterparties

Aberdeen Standard Sterling Liquidity Fund

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

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Oxfordshire Pension Fund
Training Plan 2024/25

Regulatory Requirements

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

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

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

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

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

Training Needs Analysis 2023

A regular training needs analysis is carried out by the Fund to understand how best to meet the training needs of the Pension Fund Committee and Local Pension Board members. Most recently, Hymans Robertson ran a Knowledge Progress Assessment for the Fund which was completed by Pension Fund Committee and the Local Pension Board members in October 2023.

Each assessment consists of 48 multiple choice questions across 8 key areas. Each question contains the option "I currently have no knowledge relating to this topic" to discourage individuals from guessing answers and therefore potentially distorting the results. The 8 areas covered are:

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

Key Findings of the Training Needs Analysis

- In terms of engagement, the results show 80% participation for Committee. This is a direct result of the changing constitution of the Committee and the removal of two of the Academy Sector non-voting members. All current members of the Committee completed the assessment. 100% of the Board also completed the assessment.
- The performance of the Board (average overall score of 65.28 %) was stronger than that of the Committee (average overall score of 56.51 %). This is similar to the outcomes in the last two assessments and a reflection of the fact that the Board has longer serving members, as well as the Independent Chair who is the Head of Gloucestershire Pension Fund.
- The area of Pensions Administration is the area where both groups saw the steepest regression from the National Knowledge Assessment in 2022 to the 2023 assessment. As a result, future training will be focussed on this area to support understanding. Other lower scoring areas included Pensions Accounting and Audit Standards and Actuarial Methods, Standards and Practices which will be the focus for targeted training this year.
- Each member of the Committee and Board was given an individual score and assessment, enabling better targeted training.

Training Plan 2024-25

Hymans Robertsons – LGPS Online Learning Academy (LOLA)

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

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

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

Committee and Board members are recommended to complete all modules during the course of the year and to continue to watch the 'Current Issues' videos as they are added to the platform.

Hymans Robertson National Knowledge Assessment

Pension Fund Committee and Local Pension Board members will again be asked to participate in the National Knowledge assessment in the Autumn of 2024.

Business Plan and Current Issues Training

Potential training for the year may include workshops on

- Pensions Administration (to include advances in technology and AI)
- Pensions Accounting and Audit Standards
- Actuarial Methods, Standards and Practices (pre 2025 Valuation)

Dates to be confirmed.

Individual Training for Committee and Board Member

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

External Training

Training	Dates
Local Government Association: LGPS Fundamentals Training for newly Elected Members. LGA Annual Conference (Harrogate) Link: LGA Annual Conference and Exhibition 2024	 TBC – 3 days in the Autumn 2-4 July 2024
PLSA Local Authority Conference (Gloucestershire) Link: Local Authority Conference | PLSA PLSA Local Authority Forum (London) Link: Local Authority Forum | PLSA	11-13 June 2024 7 November 2024
LAPF Strategic Investment Forum (Hertfordshire) Link: LAPF Strategic Investment Forum – July - DG Publishing	1-3 July 2024
LAPFF Annual Conference	December 2024
The Pensions Regulator's Public Service Toolkit	The Pensions Regulator offers online training consisting of seven separate modules which support the General Code of Practice guidance. The toolkit can be accessed using the following link: https://education.thepensionsregulator.gov.uk/login/

Upcoming webinars:
LGPS, Pools and the Future (plsa.co.uk) 30 April 2024
LGPS-Live | Home Regular bi-monthly webinar on key LGPS issues

Division(s): n/a

ITEM 14

PENSION FUND COMMITTEE – 1 MARCH 2024

RISK REGISTER

Report by the Executive Director of Resources & Section 151 Officer

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. 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.

Comments from the Pension Board

3. At their meeting on 26 January 2024, the Local Pension Board considered the latest risk register and requested that a report on Succession Planning be presented at the Local Pension Board meeting to be held on 3 May 2024, in relation to mitigating the risk of losing the Pension Services Manager and the Service Manager.

Latest Position on Existing Risks/New Risks

New Emerging Risks

4. No new emerging risks have been identified for the fund this quarter.

Increasing Risk

5. Risk 15 – 'Insufficient Skills and Knowledge amongst officers.' This particular risk has been assessed as an increasing risk due to the departure of the Pensions Administration Manager and the impending departure of the Head of Service. As per point 3 above, the Pension Board have requested a report on Succession Planning for the next Board meeting. The risk has increased from an amber 6 to a red 8 score.

Reducing Risk

6. None of the fund risks have been deemed to have decreased since the last meeting of the pension fund committee.

Risks removed from the Risk Register

7. Risk 24 – 'Increasing Central Government requirements for Asset Allocations' – has been removed as a risk on the register. This risk was deemed as a previous emerging risk however there is no mandatory asset allocation requirements from central government, hence there is no longer any risk posed.

8. Risk 25 – 'Potential loss of key members of staff'. This risk related to the departure of the Pensions Administration Manager and the impending departure of the Head of Service. The risk is being mitigated and managed through an existing risk, Risk 15 – 'Insufficient Skills and Knowledge amongst officers'. Hence, Risk 25 has been removed from the risk register.

Same Risk Rating

9. Risk 23 - 'Impact of Pension Scams' is still a low risk with a risk rating of 3. However, the risk has been transferred from being an 'emerging' risk to a standard risk on the risk register.

10. All other risks have been assessed and remaining the same as last quarter.

11. The Pension Fund Committee are asked to note the Risk Register.

Lorna Baxter
Executive Director of Resources & Section 151 Officer

Contact Officer: Mukhtar Master Tel: 07732 826419 March 2024

Risk Register

Identification of Risks:

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

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

Key to Scoring

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

Likelihood

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

RAG Status/Direction of Travel

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

Ref	Risk	Scheme	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
								Impact	Likelihood	Score				Impact	Likelihood	Score		
1	Investment Strategy not aligned with Pension Liability Profile	LGPS	Investment	Pension Liabilities and asset attributes not understood and matched.	Long Term - Pension deficit not closed.	Service Manager	Triennial Asset Allocation Review after Valuation.	4	1	4	↔			4	1	4	Feb 2024	At Target
2	Investment Strategy not aligned with Pension Liability Profile	LGPS	Investment	Pension Liabilities and asset attributes not understood and matched.	Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	4	1	4	↔			4	1	4	Feb 2024	At Target
3	Investment Strategy not aligned with Pension Liability Profile	LGPS	Investment	Poor understanding of Scheme Member choices.	Long Term - Pension deficit not closed. Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	3	1	3	↔			3	1	3	Feb 2024	At Target
4	Under performance of asset managers or asset classes	LGPS	Investment	Loss of key staff and change of investment approach at Brunel or underlying Fund Managers.	Long Term - Pension deficit not closed.	Financial Manager	Quarterly assurance review with Brunel. Diversification of asset allocations.	3	2	6	↔			3	2	6	Feb 2024	At Target
5	Actual results vary to key financial assumptions in Valuation	LGPS	Funding	Market Forces	Long Term - Pension deficit not closed.	Service Manager	Actuarial model is based on 5,000 economic scenarios, rather than specific financial assumptions.	3	2	6	↔			3	2	6	Feb 2024	At Target
6	Under performance of pension investments due to ESG factors, including climate change.	LGPS	Investment	Failure to consider long term financial impact of ESG issues	Long Term - Pension deficit not closed.	Financial Manager	ESG Policy within Investment Strategy Statement requiring ESG factors to be considered in all investment decisions. The Fund have a Climate Change Policy and implementation plan.	4	1	4	↔	Fund have started the development of a specific RI Policy.	June 24	4	1	4	Feb 2024	At Target.

7	Loss of Funds through fraud or misappropriation.	LGPS	Investment	Poor Control Processes within Fund Managers and/or Custodian	Long Term - Pension deficit not closed	Financial Manager	Review of Annual Internal Controls Report from each Fund Manager. Clear separation of duties.	3	1	3	↔			3	1	3	Feb 2024	At Target
8	Employer Default – LGPS	LGPS	Funding	Market Forces, increased contribution rates, budget reductions.	Deficit Falls to be Met by Other Employers	Pension Services Manager	All new employers set up with ceding employing under-writing deficit, or bond put in place.	3	2	6	↔	Fund Administration currently implementing the new Contributions Escalation Policy. This provides an early indicator for those employers who are missing or delaying payments.		3	2	6	Feb 2024	At Target
9	Inaccurate or out of date pension liability data	LGPS	Funding	Late or Incomplete Returns from Employers	Errors in Pension Liability Profile impacting on Risks 1 and 2 above.	Pension Services Manager	Monitoring of Monthly returns	3	1	3	↔			3	1	3	Feb 2024	At Target
10	Inaccurate or out of date pension liability data from Employer	LGPS	Operational	Late or Incomplete Returns from Employers	Late Payment of Pension Benefits.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	3	1	3	↔			3	1	3	Feb 2024	At Target
11	Inaccurate or out of date pension liability data from Employer	LGPS	Operational	Late or Incomplete Returns from Employers	Improvement Notice and/or Fines issued by Pension Regulator.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	4	1	4	↔			4	1	4	Feb 2024	At Target
12	Insufficient resources from Committee to deliver responsibilities-	LGPS	Operational	Budget Reductions	Breach of Regulation	Service Manager	Annual Budget Review as part of Business Plan.	4	1	4	↔			4	1	4	Feb 2024	At Target
13	Insufficient Skills and Knowledge on Committee	LGPS	Operational	Poor Training Programme	Breach of Regulation. Loss of Professional Investor Status under MIFID II	Service Manager	Training Review	4	2	8	↔	Implement new training plan 23/24. Outcomes of the knowledge progress assessment from Hymans	2023/24	4	1	4	Feb 2024	
14	Insufficient Skills and Knowledge amongst Board Members	LGPS	Operational	Turnover of Board membership	Insufficient Scrutiny of work of Pension Fund Committee leading to Breach of Regulations	Service Manager	Training Policy	4	3	12	↔	Implement new training plan 23/24 Currently recruiting to 1 scheme employer representatives. Outcomes of the knowledge progress	2023/24	4	1	4	Feb 2024	

												assessment from Hymans						
15	Insufficient Skills and Knowledge amongst officers.	LGPS	Operational	Poor Training Programme and/or high staff turnover. Pay grades not reflecting market rates and affecting recruitment and retention.	Breach of Regulation, errors in Payments and ineffective scheme member engagement. Inability to effectively meet RI and Climate related objectives.	Service Manager	Training Plan. Control checklists. Use of staff from 3rd party agencies	4	2	8	↑	The Workforce Strategy required next year as part of the 'Good Governance' Project from Central Government. Recruit to the Pensions Administration Post Local Pension Board Report on Succession Planning	Apr 2024 May 2024	3	1	3	Feb 2024	Awaiting publication of the Good Governance Project proposals. Potential loss of Head of Service and Pensions Administration Manager.
16	Key System Failure	LGPS	Operational	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme, and Cyber Security Policy	4	2	8	↔	Complete Actions identified in review of approach to Cyber Security. The above action delayed due to an IT Applications Audit report findings. Awaiting TPR finalised requirements for GCOP.	Apr 2024	4	1	4	Feb 2024	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 / FPS	Operational	Poor Controls	Breach of Regulation, including GDPR	Pension Services Manager	Security Controls, passwords etc. GDPR Privacy Policy and Cyber Security Policy.	4	2	8	↔	Complete actions identified in review of approach to Cyber Security. The above action delayed due to an IT Applications Audit report findings. Awaiting TPR finalised requirements for GCOP.	Apr/Dec 2024	4	1	4	Feb 2024	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	LGPS	Governance	Inability to agree proposals with other administering authorities.	Direct Intervention by Secretary of State	Service Manager	Full engagement within Brunel Partnership	5	1	5	↔	Review once Government publish revised pooling guidance.	TBC	5	1	5	Feb 2024	At Target

19	Failure of Pooled Vehicle to meet local objectives	LGPS	Investment	Sub-Funds agreed not consistent with our liability profile.	Long Term - Pension deficit not closed	Service Manager	Full engagement within Brunel Partnership	4	2	8	↔	Implementation of the Climate Change Policy with Brunel.	On-going	4	1	4	Feb 2024	Above Target
20	Significant change in liability profile or cash flow as a consequence of Structural Changes	LGPS	Funding	Significant Transfers Out from the Oxfordshire Fund, leading to loss of current contributions income.	In sufficient cash to pay pensions requiring a change to investment strategy and an increase in employer contributions	Service Manager	Engagement with key projects to ensure impacts fully understood	4	1	4	↔	Need to Review in light of current Government consultation to switch HE and FE employers to Designating Bodies, and potential reclassification and introduction of a Government guarantee.	TBC	4	1	4	Feb 2024	At Target
21	Insufficient Resource and/or Data to comply with consequences of McCloud Judgement & Sergeant.	LGPS / FPS	Operational	Significant requirement to retrospectively re-calculate member benefits	Breach of Regulation and Errors in Payments	Pension Services Manager	Two new staff in post. All McCloud enquiries have gone out to Scheme employers. Responses due end of Jan.	4	2	8	↔	The deadline for employer data is 31st Jan – still awaiting returns. Delays in loading data to systems.	On-Going	2	2	4	Feb 2024	
22	Loss of strategic direction		Governance	Loss of key person	Short term lack of direction on key strategic issues	Director of Finance	Establishment of a Governance & Communications Team provides the resilience that the fund requires.	2	1	2	↔			2	1	2	Feb 2024	At Target.
23	**Impact of Pension Scams**	LGPS FPS	Operational	Failure to follow TPR guidance for transfers out.	Financial loss to members. Potential cost to Fund for making good any loss. Potential TPR sanctions and reputational damage.	Pension Services Manager	TPR guidance for transfers out and the forthcoming regulations in the General Code of Practice. All processes are in line with the above.	3	1	3	↔	Gap Analysis and review of regulations in the new General Code of Practice.	Apr 2024	3	1	3	Feb 2024	
24	**EMERGING RISK 1:** Lack of administrative resources and knowledge for FPS, specifically with additional remedy workload and second options exercise for	FSP	Operational (FPS)	Court judgements have created additional work. Also, concern that there is a key person risk.	Breach of Regulation, Errors in Payments, and ineffective scheme member engagement. Reputational damage to OCC	Deputy Chief Fire Officer / Pension Services Manager	Initial discussions have taken place – options 1. appoint new FPS administrator. 2. outsource administrative function, which was discounted.	4	2	8	↔	Recruitment complete. Start date to be agreed and then training to take place.	TBC	2	2	4	Feb 2024	New post currently with Job Evaluation , hence delays.

	on call fire fighters.																	

Division(s): n/a

ITEM 15

PENSION FUND COMMITTEE – 1 MARCH 2024

GOVERNANCE & COMMUNICATIONS REPORT

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

1. **The Committee is RECOMMENDED to:**

   i) **Note the Fund's update on the Pension Regulator's General Code of Practice.**
   ii) **Review and note the latest quarter's breaches for the fund.**
   iii) **Note the communications update regarding the McCloud Disclosure requirements and Member Engagement.**

General Code of Practice

2. The Pensions Regulator published a draft General Code of Practice document in March 2021 which will replace the existing 15 codes of practice. The reason behind implementing the single General Code of Practice was the ability to clarify, modernise and simplify the disparate sets of codes of practice.

3. The Local Government Pension Scheme (LGPS) currently assesses compliance against the Code of Practice 14 (CoP14) which will be superseded by the General Code of Practice, when the final document comes into force.

4. The draft code consisted of 51 modules which relate to 5 main areas:

   i) Governing Body – 18 modules
   ii) Funding and Investments – 2 modules
   iii) Administration – 10 modules
   iv) Communications and Disclosure – 11 modules
   v) Reporting to TPR – 4 modules

5. Not all the 51 modules apply to LGPS funds. As such, the Fund has carried out a high-level review of each module which was deemed to be relevant. **APPENDIX 1** shows the full results of this review. Fund officers assessed Oxfordshire Pension Fund's compliance for each module and applied a Red/Amber/Green rating. Green shows the fund is fully compliant with the requirements in the relevant module; amber indicates the fund is compliant with over 75% of the requirements in the module; red indicates the fund is compliant with less than 75% of the requirements.

6. The initial results indicated no Red ratings, with 19 modules rated as Green and 19 as Amber. The majority of the Amber ratings were in the Administration modules, where Officers took a very prudent approach in advance of a review of current processes and procedures. It is expected that action already underway will address many of the Amber areas.

7. Since carrying out the compliance review, the Pensions Regulator has laid the final version of the General Code of Practice with Parliament. The code is due to come into force by the end of March 2024. A comparison of the final version of the code against the draft code from 2021 has been carried out. The comparison can be seen at **APPENDIX 2** and indicates no material differences.

8. The Governance & Communications Team will ensure that Oxfordshire Pension Fund is fully compliant to the new General Code of Practice during 2024/25. To this end, the following tasks will be scheduled and carried out:

   i) Development of an implementation Action Plan
   ii) Review and agree which modules apply
   iii) Review compliance against each module
   iv) Develop practices and procedures to meet the gaps in compliance.

Breaches for the period October to December 2023

9. There are various legislative and regulatory requirements for Pension Funds regarding breaches which include the Pensions Act 2004, the UK General Data Protection Regulation (UK GDPR) and the Pension Regulator's Code of Practice 14.

10. The following table shows the number of breaches in the last quarter – October to December 2023.

Note – The breaches policy has been revised and new improved systems were implemented for identifying breaches in August 2023. Consequently, Q3 sees another increase in breaches being identified and reported compared to the previous quarter. However, Q3 is the first complete period being reported to the Committee that reflects the fund’s new approach to breach reporting.

2023/2024					
Breach Type	**Apr-Jun (Q1)**	**Jul-Sep (Q2)**	**Oct-Dec (Q3)**	**Jan-Mar (Q4)**	**Total**
Contribution - COP	2	17	16		35
Data - COP	0	15	42		57
Other - COP	0	0	1		1
Data - GDPR	2	9	1		12
Total	4	41	60		105
Number escalated	2	1	4		
Number resolved	4	41	56		
Number carried over to next quarter	Nil	Nil	4		

Code of Practice Breaches

11. A breach is recorded every time a contributions payment or data return is submitted after the 19th of the month following payroll. A breach is also recorded when an employer fails to provide member data or information to the administration team in line with the escalation policy.

12. In Q3, three cases were escalated to a Team Leader and one case was escalated to the Pensions Manager. There are two cases which are still ongoing. All other Code of Practice breaches have been resolved.

13. The 'Other-COP' breach was where the Fund failed to send Pensions Savings Statements to six members by the 6 October 2023 deadline. They were sent on 25 October 2023. This was not deemed to be a materially significant breach.

Data Breaches

14. One data breach occurred this quarter. A letter was sent to an incorrect address, opened by the new occupant, and then returned to us. The case was escalated to the Team Leader, our records were updated, and the case is now closed.

15. None of the breaches were materially significant and as such were not reported to either The Pensions Regulator or the Information Commissioner.

Communications Update: McCloud Disclosure Requirements and Member Engagement

16. A project to ensure that disclosure requirements under The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, relating to the McCloud project, has been completed. A total of 18,300 letters and 25,500 emails were sent to the membership by the statutory deadline of 31 December 2023.

17. An update on Member engagement was given to the Local Pension Board in January 2024 and the following priorities were identified for 2024:

    i) A rolling schedule of quarterly member surveys.

    ii) Use the reports rolled out in November 2023 to segment and target specific member cohorts with relevant communications.

    iii) The possibility of a new website built to our own specification.

    iv) Make good progress on collecting member email and mobile numbers as a matter of process, as well as postal addresses.

    v) Focus on expanding our use of webinars and videos to engage members.

    vi) Use the roll out of new technology by Heywood (the new 'TME' or Transformational Member Experience) to measure the usage of My Oxfordshire Pension.

vii) Write a plan for the use of upgraded newsletter software which will enable us to track its success.

viii) Continue to promote and run face to face member talks.

Lorna Baxter
Executive Director of Resources & Section 151 Officer

Contact Officer: Mukhtar Master Tel: 07732 826419 March 2024

Appendix 1

Oxfordshire Pension Fund
Initial Compliance Assessment for TPR's General Code of Practice

	Less than 75% compliant with requirements
	More than 75% compliant with requirements
	100% compliant

The Governing Body

Module Number	Module Description	Number of Requirements	Oxfordshire Pension Fund Self-assessed R/A/G Rating
Board structure and activities			
TGB001	Role of the governing body – How the Fund is managed and the structure	8 requirements	
TGB014	Recruiting to the governing body – Appointing members to a governing body	13 requirements	
TGB015	Role of the chair – Defined responsibilities of the chair	11 requirements	
TGB006	Meetings and decision-making – recording details of all meetings and decisions made	21 requirements	
TGB016	Remuneration policy – Remuneration for those undertaking fund related activities	9 requirements (best practice only)	
Knowledge and understanding			
TGB017	Working knowledge of pensions – Governing bodies ability to demonstrate a level of understanding to fulfil their duties	62 requirements	
TGB003	Building and maintaining knowledge – Governing body to be able to demonstrate a level of knowledge and experience to run the scheme effectively	7 requirements	
Value for scheme members			
TGB009	Value for members – Assessment if DC product represents good value for members	18 requirements	
Advisers and service providers			
TGB010	Managing advisers and service providers – Demonstrate that governing bodies can effectively manage relationships	28 requirements	

The Governing Body, cont…

	Risk management		
TGB031	Identifying and assessing risks – Establish and operate internal controls which are adequate for the purpose of securing that the scheme is managed in accordance to scheme rules	34 requirements	
TGB032	Managing risk using internal controls - Establish and operate internal controls which are adequate for the purpose of securing that the scheme is managed in accordance to scheme rules	19 requirements	
TGB033	Assurance of governance and internal controls – Obtain assurance reports internal controls	14 requirements	
TGB022	Continuity planning – develop, implement and maintain continuity plans so operations can be maintained in the event of disruption.	13 requirements (best practice only)	
TGB039	Conflicts of interest – Managing conflicts of interests for public service pensions schemes.	22 requirements	
	Scheme governance		
TGB046	Scheme governance - Oversight and assurance of day to day operations of the scheme	46 requirements	

Funding and Investment

Module Number	Module Description	Number of Requirements	Oxfordshire Pension Fund Self-assessed R/A/G Rating
	Investment		
FAI001	Investment governance – Policies and procedures that ensure the governing body complies with any obligations it has in relation to investment	29 requirements (best practice only)	
FAI005	Investment monitoring – Managing investments with due skill, care and diligence.	16 requirements (best practice only)	

Administration

Module Number	Module Description	Number of Requirements	Oxfordshire Pension Fund Self-assessed R/A/G Rating
Scheme administration			
ADM001	Administration	15 requirements	
Information handling			
ADM002	Financial transactions – Core financial transactions as defined in legislation are processed promptly and accurately	12 requirements	
ADM014	Transfers – Ensuring appropriate checks are in place for transferring benefits to another pension scheme	23 requirements	
ADM003	Scheme records – Maintain complete and accurate records	26 requirements	
ADM006	Data monitoring – maintaining complete and accurate records	16 requirements	
IT			
ADM015	Maintenance of IT systems – IT systems to be reviewed and maintained regularly	7 requirements	
ADM016	Cyber controls – controls for the loss, disruption or data to a scheme or its members as a result failure in its IT systems and processes.	15 requirements	
Contributions			
ADM007	Receiving contributions	20 requirements	
ADM008	Monitoring contributions – reconciliation of pension contributions	14 requirements	
ADM011	Resolving overdue contributions – process for chasing payments once they become overdue	13 requirements	

Communications and Disclosure

Module Number	Module Description	Number of Requirements	Oxfordshire Pension Fund Self-assessed R/A/G Rating
Information to members			
CAD001	General principles for member communications – expectations of how to meet the legal obligations	11 requirements	
CAD012	Statutory financial statements (PSPS) – Providing annual benefit statements to members	8 requirements	
CAD016	Short service refunds/refunds of contributions – Appropriate options to provide to members following leaving the scheme after a short period of service.	7 requirements	
CAD005	Scams – Ensuring appropriate checks are undertaken to mitigate the risk of scams.	5 requirements	
Public information			
CAD010	Publishing information about public service pension schemes – Publishing details of the Pension Board	12 requirements	
CAD014	Audit requirements – an opinion from an independent Auditor of the Scheme on the audited accounts and statement on payment of contributions to the scheme	9 requirements	
CAD015	Dispute resolution procedures – Formal procedure and processes to investigate and decide upon pension scheme disputes.	26 requirements	

Reporting to TPR

Module Number	Module Description	Number of Requirements	Oxfordshire Pension Fund Self-assessed R/A/G Rating
Regular reports			
RTT001	Registrable information and scheme returns – Information about the fund to be published to the TPR.	6 requirements	
Whistleblowing - Reporting breaches of the law			
RTT003	Who must report – Who is required to report Breaches of law to the TPR	17 requirements	
RTT044	Decision to report – Making a judgement on the decision to report a breach of law to TPR	9 requirements	
RTT005	How to report – Process for reporting breaches to the TPR	21 requirements	

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A summary of the changes made in the final version of TPR's General Code Of Practice

The majority of modules have not seen any material changes in the final code. Most often, the edits made are to clarify the meaning or intention of the module but the requirements remain the same. The changes to the remaining modules are described briefly below.

1. **The Governing Body**

- TPR has provided greater clarity on its definition of 'the governing body' as it relates to public service pension schemes. It is for each scheme to set out who fulfils the role of 'scheme manager' within their existing arrangements: "The governance of a public service pension scheme will need to take into account the differing responsibilities of the scheme manager, pension board and, where appropriate, pension committee."

- TPR have added lines to several modules to encourage governing bodies to consider equality and diversity in their recruitment.

- The modules providing guidance for internal controls (*TGB031*, *TGB032* and *TGB033*) have undergone significant restructure, however the broad principles remain the same.

- TPR have removed the expectation to publish a remuneration policy in *TGB016*, although maintain it is best practice for schemes to have one.

- Two of the three modules covering the requirements for governing body knowledge and understanding (*TGB005* and *TGB003*) have been merged under *TGB005 – Governance of knowledge and understanding*, however the requirements remain largely the same from the draft code.

2. **Administration**

- TPR have extended the period for governing bodies to report employer failures to provide information to 28 days.

- The reporting contribution failures elements of *ADM011 – Resolving overdue contributions* have been removed and made into new module, *RTT006 – Reporting payment failures* under in the 'Reporting to TPR' section of the code.

3. **Communications and Disclosures**

- The module *CAD015 – Dispute resolution procedures* has now been updated to reflect differing time periods set out by LGPS regulation.

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Division(s): n/a

LOCAL PENSION BOARD – 3 MAY 2024

GENERAL CODE OF PRACTICE UPDATE

Report by the Executive Director of Resources and Section 151 Officer

RECOMMENDATION

1. **The Board is RECOMMENDED to note the General Code of Practice Action Plan Update report.**

Introduction

2. The Pensions Regulator produced an initial draft version of General Code of Practice which was published in March 2021. After a period of consultation, the final version of the General Code of Practice was laid with Parliament and came into force at the end of March 2024. The new 'single' General Code of Practice replaces the previous 15 codes of practice. The Pensions Regulator's reasons for developing the new General Code of Practice was to clarify, modernise and simplify the various disparate sets of codes of practice.

3. The Local Government Pension Scheme (LGPS) previously assessed compliance against the Code of Practice 14 (CoP14) which has now been superseded by the new General Code of Practice.

4. The new code consists of 51 modules which relate to 5 main areas:
   a) Governing Body – 18 modules
   b) Funding and Investments – 8 modules
   c) Administration – 10 modules
   d) Communications and Disclosure – 11 modules
   e) Reporting to TPR – 4 modules

5. Approximately 38 of the 51 modules apply to the LGPS. 17 of the modules were already part of the Code of Practice 14. 21 modules are new to LGPS. The number of modules for each of the five main groups are as follows:
   a) Governing Body – 15 modules
   b) Funding and Investments – 2 modules
   c) Administration – 10 modules
   d) Communications and Disclosure – 7 modules
   e) Reporting to TPR – 4 modules

6. The fund has already undertaken a review against the relevant modules and that review can be found in the 'Governance & Communications Report – 1 March 2024', which went to the Pension Fund Committee Meeting held on the 1 March 2024.

7. The Governance and Communications team have developed an Action Plan for 2024/25 for the implementation of the new General Code of Practice. The action plan can be found at **Appendix 1** and a timeline of actions at **Appendix 2**. The key actions from the plan include:

- Purchase of a compliance checker system.

- Determine which of the 51 modules apply to the fund.

- Compliance review of the modules that have already been identified as requiring further work to ensure full compliance.

8. The draft action plan runs to March 2025, which is the deadline by which the Pension Regulator expects fund's to be compliant to the new General Code of Practice. An update will be provided to each Pension Board Meeting during 2024/25.

Lorna Baxter
Executive Director of Resources & Section 151 Officer

Contact Officer: Mukhtar Master
Tel: 07732 826419 April 2024

Oxfordshire Pension Fund

General Code of Practice Action Plan 2024/25

Action	Start Date	End Date	Notes	Team
Evaluate compliance checkers on the market.	Mar 24	Apr 24	Evaluate and purchase the most suitable compliance checker. There are two on the market – Hymans and AON.	Gov & Comm Team
Research how other funds are tackling their implementation of the GCOP.	Mar 24	Apr 24	Online checks and speak to other funds to see how they are going to manage their implementation.	Gov & Comm Team
Purchase compliance checker	Apr 24	Apr 24	Purchase the most suitable compliance checker	Gov & Comm Team
Determine which of the 51 modules apply to the fund	Apr 24	Jul 24	Review all modules and check whether they apply to the fund. May require regulatory/legal advice.	Gov & Comm Team
Module Review 1	Apr 24	May 24	**TGB010 – Managing advisers and service providers (Contract monitoring)** **TGB033 – Assurance of governance and internal controls (audit)** **CAD014 – Audit requirements**	Gov & Comm Team Admin Team Investments Team
Module Review 2	Jun 24	Jul 24	**TGB014 – Recruiting to governing body** **TGB017 – Governing Body's working knowledge of pensions**	Gov & Comm Team Admin Team
Module Review 3	Aug 24	Sep 24	**TGB016 – Remuneration Policy (best practice)** **CAD001 – General principles for member communications** **CAD010 – Publishing information about public service pension schemes**	Gov & Comm Team Admin Team
Module Review 4	Oct 24	Nov 24	**ADM001 - Administration** **TGB022 – Continuity Planning (pending recruitment of new Pension Services Manager)**	Gov & Comm Team Admin Team

Module Review 5	Dec 24	Jan 25	**ADM002 – Financial transactions** **ADM007/8/11 – contribution monitoring** **CAD016 – Short service refunds**	Gov & Comm Team Admin Team Investments Team
Module Review 6	Feb 25	Mar 25	**ADM003 – Scheme records** **ADM006 – Data monitoring** **ADM015 – Maintenance of IT systems** **ADM016 – Cyber controls**	Gov & Comm Team Admin Team

APPENDIX 2

Oxfordshire Pension Fund
General Code of Practice Action Plan 2024/5

Project Stage		Action/task	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Project Initialisation	**1**	Evaluate compliance checkers on the market.													
	2	Research how other funds are tackling the their implementation of the GCOP.													
	3	Purchase compliance checker													
	4	Determine which of the 51 modules apply to the fund													
Module Review 1	**5**	TGB010 – Managing advisers and service providers (Contract monitoring)													
	6	TGB033 – Assurance of governance and internal controls (audit)													
	7	CAD014 – Audit requirements													
Module Review 2	**8**	TGB014 – Recruiting to governing body													
	9	TGB017 – Governing Body's working knowledge of pensions													
Module Review 3	**10**	TGB016 – Remuneration Policy (best practice)													
	11	CAD001 – General principles for member communications													
	12	CAD010 – Publishing information about public service pension schemes													
Module Review 4	**13**	ADM001 - Administration													
	14	TGB022 – Continuity Planning (pending recruitment of new Pension Services Manager)													
Module Review 5	**15**	ADM002 – Financial transactions													
	16	ADM007/8/11 – contribution monitoring													
	17	CAD016 – Short service refunds													
Module Review 6	**18**	ADM003 – Scheme records													
	19	ADM006 – Data monitoring													
	20	ADM015 – Maintenance of IT systems													
	21	ADM016 – Cyber controls													

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PENSION FUND COMMITTEE – 01 MARCH 2024

ADMINISTRATION REPORT

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

The Committee is RECOMMENDED to

a) Agree the change of contract for two administrators from temporary to permanent posts;
b) Determine whether to increase in establishment of one administrator post and one assistant post or reduce the SLA requirements; and
c) Review team performance statistics and determine if any further information is required.

Executive Summary

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

<u>Staffing</u>

2. In addition to the three retirements due to end of April 2024, which were reported last quarter a resignation has now also been received with the member of staff leaving at end of January 2024.

3. These changes along with the continuing staff performance issues mean that there is continued additional pressure on the whole team.

4. As part of the budget process team leaders have been asked to review their staffing levels taking the changes and the workload to be delivered during the next twelve months.

5. The employer team is responsible for all incoming data and contribution monitoring, employer liaison, admission agreements and is leading on the McCloud project. This team is carrying two vacancies – one for a senior administrator and one for an administrator. There are two team members appointed on temporary (2-year contracts) for the McCloud project and given the number of vacancies across the team it is a concern that they will now apply for one of those vacancies rather than remain working on the McCloud project. Therefore, it is proposed that these posts are made permanent posts, so that the team members are retained in their current role and a review of the overall staffing is held next year ahead of the budget process.

6. The benefit team is responsible for all member related activities providing information, quotations, and payments of benefits. Having switched on the McCloud software, we have found that there are still a lot of areas where the software needs further development which means that there is an increased number of manual calculations and checking to be factored into the workload. Additionally, as previously reported the overall workload is increasing. This team is currently carrying four vacancies for a senior administrator, two administrators and an assistant.

7. In addition to recruiting to these posts the team leaders are seeking to increase establishment by one additional administrator post and one additional assistant post. This would then give the team the capacity to meet the SLA requirements, which has not been achieved for some time now and to re-organise the workload so that the administrative assistants could take on work to support the administrators and deal with invoicing and building management on a day to day basis. An alternative option would be for the committee to review and lower the SLA requirements, although this would be out of sync with the wider LGPS community.

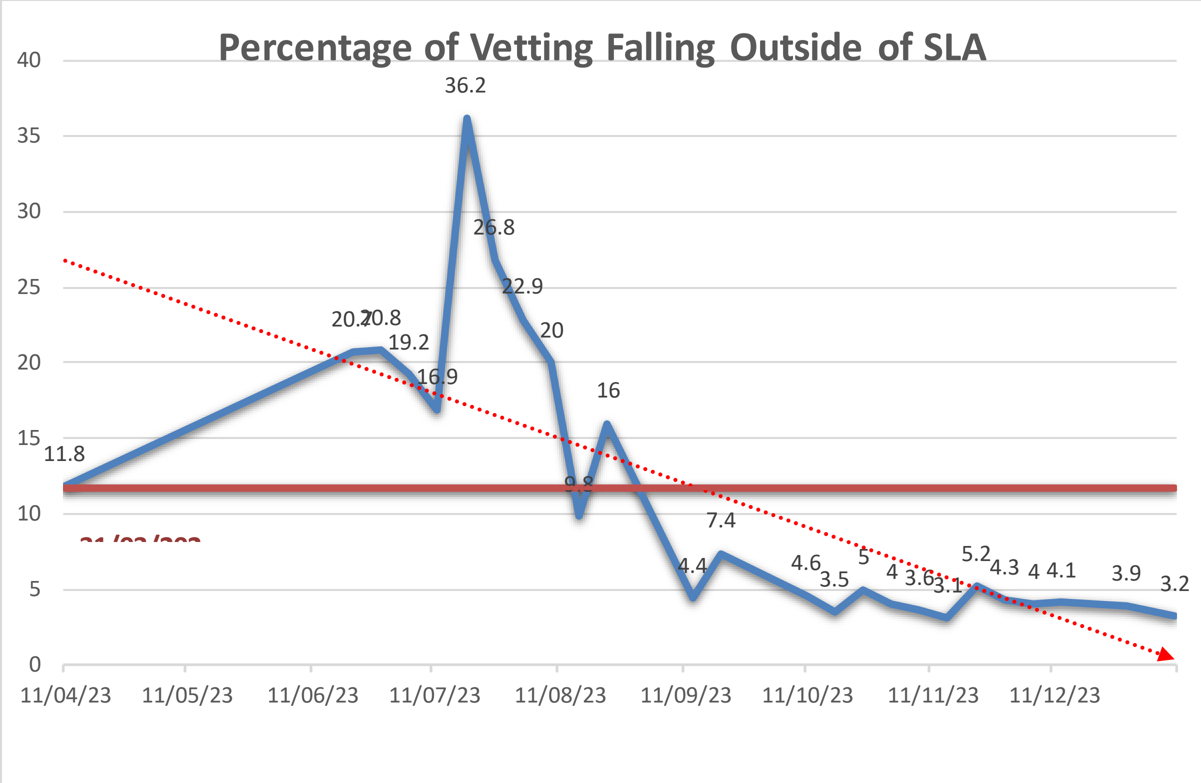
8. The systems team is responsible for the pension system ensuring that all upgrades and changes are implemented in a timely manner, as well as the pensioner payroll and Fire Pension administration. Due to impending retirements, there are two vacancies to be recruited – one for a senior administrator and one for an administrator.

9. The budget report, elsewhere on this agenda has been written assuming these additional staffing costs.

<u>Performance Statistics</u>

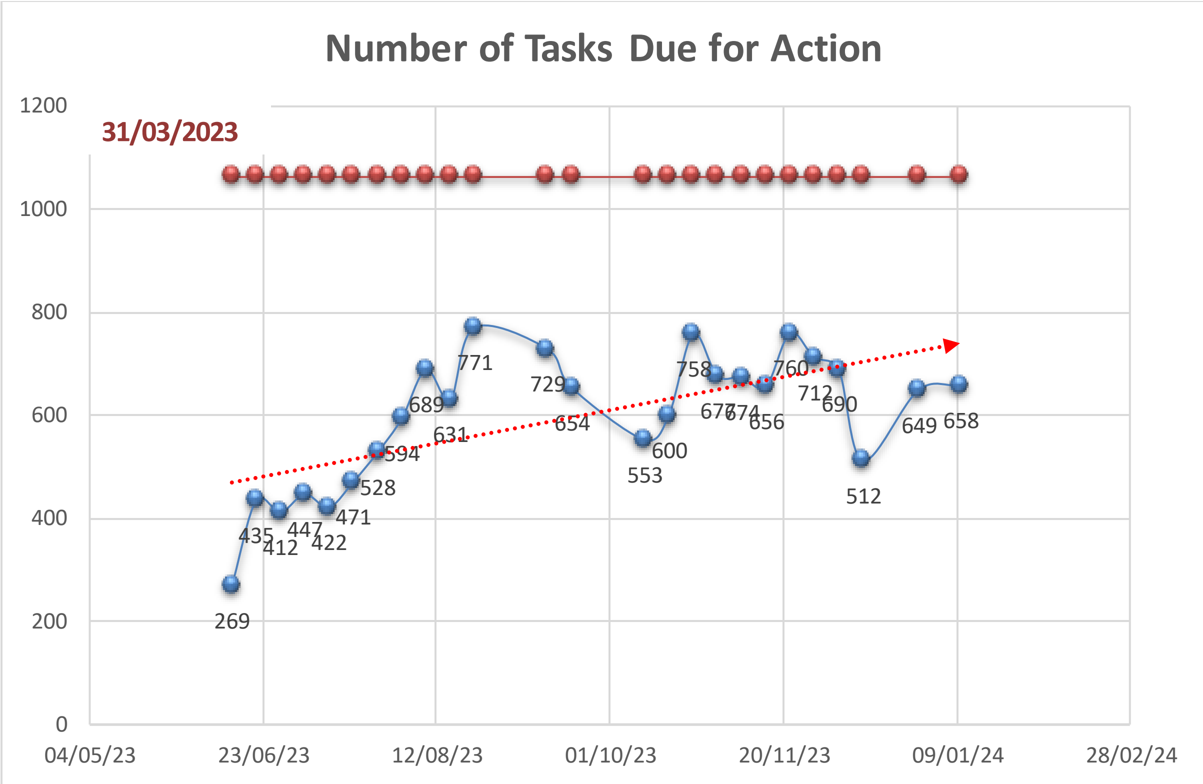
10. There are no specific issues with scheme employer data returns, which is reflected in the vetting and processing of the incoming data as shown below.

11. As at March 2023 11.7% of incoming returns were not vetted within SLA. As of January 2024, this has reduced to 3.2% of returns being vetted outside of SLA. This improvement will put the team in a better position to process end of year data ahead of issuing annual benefit statements.



12. Likewise, the number of tasks arising from the incoming data, which is still being analysed to determine the normal monthly levels will in time give more detail on the number of tasks within the team. At present the chart is showing tasks which are still outstanding and overall, the number has reduced from 1,063 in March 2023 to 658 in January, as shown below.

13. In the next quarter further reporting changes will allow members to see the numbers of task which are in or out of specification, more clearly.



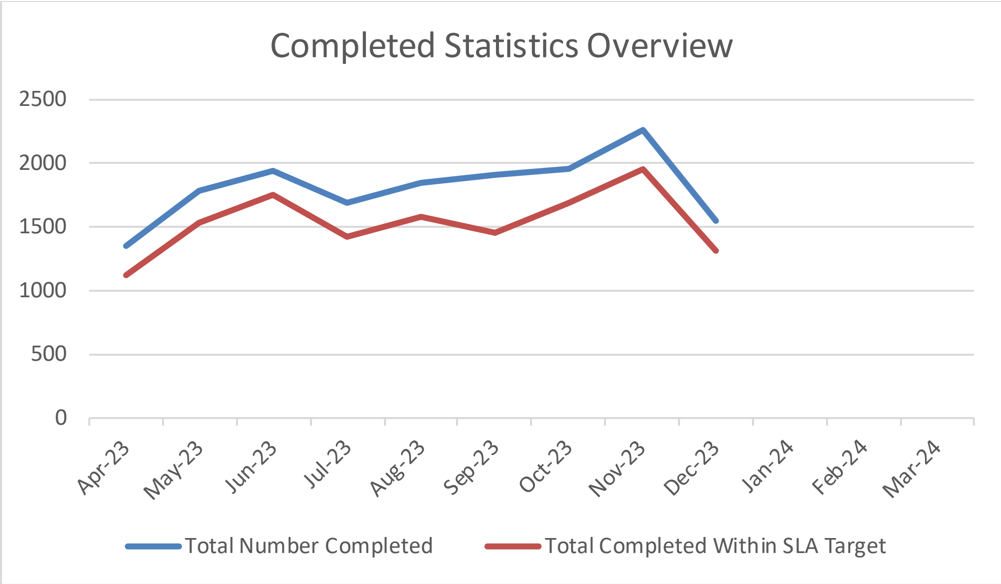
14. As at January 2024 there is:

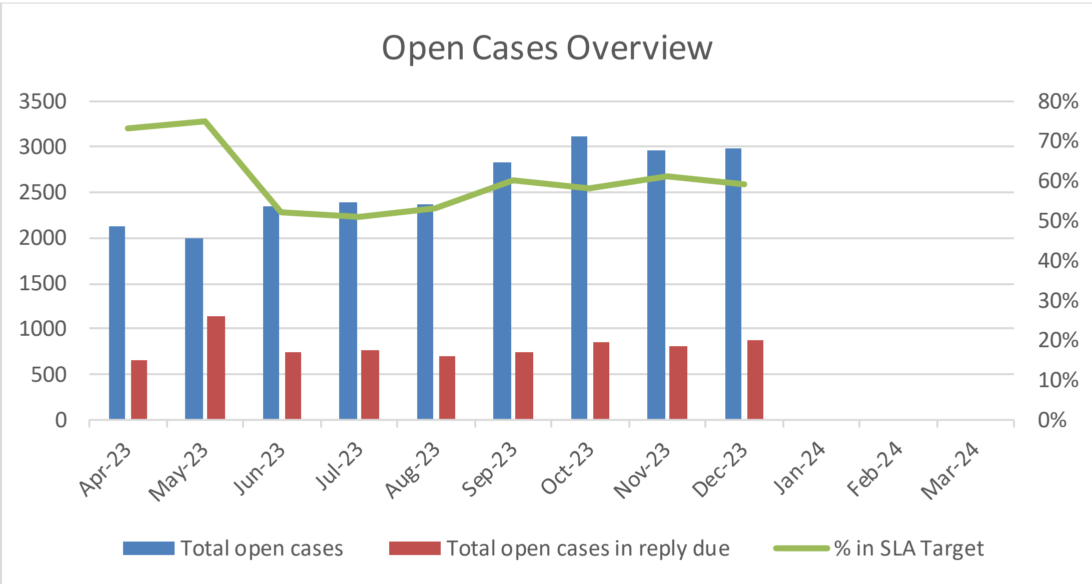
- 1 TUPE transfer due to contract relet for which an application has yet to be received.
- 2 academy conversions – one from December to be completed and one for January which is in progress.
- 9 closure valuations recorded for 2023/2024 to date.

Administration Statistics

15. The chart below shows the completion rate of work during this current year, with the red line showing what work has been completed within SLA target. The main areas of concern, and those where the completion rate within SLA is not in reach of target are leavers, concurrent mergers, and re-employments, which are the highest work volumes.

16. During this financial year the number of open cases, for these three subjects, has peaked at 1,879 cases and despite best efforts has not fallen below 1,222 cases. Overall, the number of open cases, shown in the second chart below is sitting just shy of 3,000 cases.





SLA Monitoring

17. With the introduction of the revised Service Level Agreement in January 2024 it was agreed that future reports to this Committee would include details of the fines issued under the SLA. In the 6 weeks since the start of 2024, just one fine has been issued.

Suspended Pensions

18. As of December 2023, a total of 407 pensions are suspended, a reduction of 5 since previous quarter. Of these, 208 cases are linked to the project closing old death cases, which leaves 199 cases where the fund is either waiting for confirmation of death notification, or tracing pensioners who have not informed the fund of a change of address.

Statutory Returns

19. All returns have been made in deadline, there are no issues to report.

Fire Service Administration

20. The Pension Fund Committee confirmed approval for an additional post to be created to assist with data collection for the On-Call Second Options Exercise. Interviews were held for this post on 15 January 2024 and an appointment has been made with the start date to be confirmed.

21. As at 16 January 2024 there were 51 open cases, 10 are future dated (2024 to 2035, 7 are awaiting a reply from the member or an external body, 4 are leavers notified by IBC who are under retirement age, 8 are transfers in or out, 2 relate to retirements, 6 are general enquiries, 5 are Death cases, and the remaining 9 relate to requests for estimates or reviews after retirement.

22. Training is ongoing for team members to improve knowledge of the pension schemes and prepare for the work coming up for Remedy and the Second Options Exercise for On-Call Firefighters.

23. The SLA targets are in line with those used by the LGPS. However, the formal SLA document, with the Fire Service, has yet to be finalised. Once this is completed, any revisions to administration targets will be incorporated into reporting going forwards.

Complaints

24. In the year to December there have been 15 informal complaints received, although one is duplicated via OCC complaint process.

25. The formal complaints received during 2023 are detailed below:

Reference	Complaint	Stage 1 Decision	Stage 2 Decision	tPO
23/001	Transfer / refund	Not Upheld	Upheld	
23/002	Transfer	Not Upheld	Not upheld	
23/003	3 months' notice to take pension	Not Upheld		
23/004	Linking of records	Not Upheld	Not Upheld	
23/005	Ill-health retirement	Not Upheld		
23/006	Ill-health retirement	Not Upheld	Not Upheld	

23/007	Ill-health retirement	Not Upheld	Not Upheld	
23/008	Firefighter – Injury Pension Benefits	Not Upheld	No panel – therefore member has referred to PO	Referred
23/009	Decision not to approve flexible retirement request	Not Upheld	Not Upheld	
23/010	Pension transfer request refused	Not Upheld		

26. No formal complaints have yet been received during 2024.

<u>Data Quality</u>

27. The Pension Regulator annual returns for both LGPS and Fire were made on 25 January 2024. These reported to following data quality scores:

	Number of Records Tested	Common Data	Number of Records Tested	Scheme Specific Data
LGPS	98128	95%	83188	99%
Fire	1671	97%	2130	96%

28. For the LGPS, the fails in common data are National Insurance numbers (0.71%), which is where temporary National Insurance numbers are held, mainly for non-active members who are difficult to trace, and member addresses (7.24%). This only refers to postal addresses and an annual tracing exercise will be carried out to identify these. The main area where scheme specific data is missing is that of contracting out information.

29. For Fire, the only common data area not at 100% is that of addresses (3.56%) of total records, which will be picked up as part of the annual tracing exercise. For scheme specific data there were minor variations from the 100% pass rate in all areas, although in the main this relates to the old Fire pension scheme.

30. The team works throughout the year to analyse the errors identified and correct where possible.

31. Work is continuing with scheme employers to ensure that records for post changes are coming across with the correct date of change. We are also working with our system provider to resolve some queries on records that are being reported as in error, but actually appear correct when reviewed.

32. Contracting Out errors are also being reviewed as the information being flagged as missing does not affect benefits in payment at all. The team has undertaken a GMP reconciliation project which has ensured that correct figures are held for all pensioners.

Contribution monitoring

33. The process is now being embedded and communications sent to scheme employers to remind them of the need to make payments on, or before the 19th of the month following payroll. This is being monitored by the team in line with the new process.

34. In the period November 2023 – January 2024 11 payments were made past deadline of 19th month following payroll. In all cases, follow up with the scheme employer resulted in payments being made to the fund.

Projects

35. Work has started on reviewing the death process which will include the review of the historic death cases where there is outstanding information which is needed to enable files to be finalised. Calculations to identify any over or under payments and benefits due are now being done and the outcome of this review will be reported to this Committee in June 2024.

36. AVC – this change of provider is now completed. However, it has generated a number of member queries which are still being dealt with at the time of writing this report.

37. Administration to Pay (A2P) – death payments are being tested during February alongside the new process with the intention that this will go live once the February payroll has been completed. This project is then complete.

38. McCloud – a copy of the project plan is shown at Annex 1. The data cleansing exercise is well under way with information being sent out to scheme employers, who had until 31 January 2024 to confirm that the correct data is held and there are no changes to this data.

39. At the time of writing this report McCloud – there are 65 employers who didn't make returns on time – 20 returns relate to School Lunch Company contracts; the largest outstanding employer return is due from Pope Francis Academy who hasn't responded. Of the other employers there is a mixture of those who haven't replied and some have asked for extensions, including Activate.

40. Pension Dashboards - officers are attending webinars and reviewing requirements for the dashboard programme. A ministerial statement in March 2023 confirmed that the Pensions Dashboards Programme will be unable to meet the connection deadlines set out in legislation, and that the timeline for connection to the dashboard will be revised. There is a proposed staging date

for public sector schemes of 30 September 2025.

41. Age Discrimination Remedy – work is ongoing on this. [The Firefighters' Pensions (Remediable Service) Regulations 2023 (legislation.gov.uk)](https://www.legislation.gov.uk) were issued on 20 July 2023 with an effective date of 1 October 2023. Immediate Detriment quotes have now ceased, and cases already processed will be reviewed. Formal retirement quotes for retirements after 1 October 2023 are now being issued. Disclosure letters were sent in December 2023 to all scheme members. Data is being collated by IBC and batches of data are being sent to Pension Services weekly.

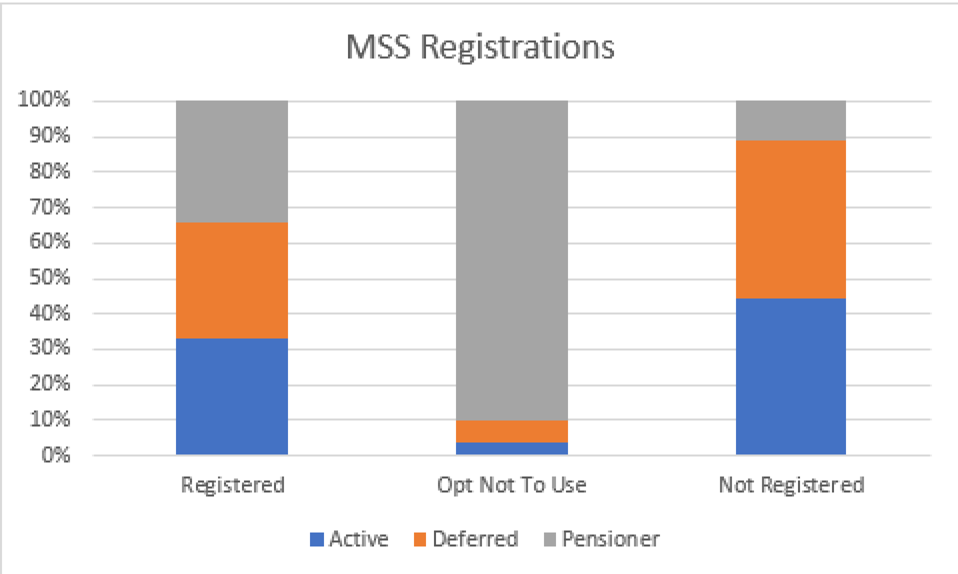
42. On-Call Second options exercise. A working group has been established to look and plan the work required over the 18-month implementation period. Letters were sent to all eligible on-call firefighters in December 2023. Forms are being completed and returned to request further information and these forms will be acknowledged with further information on timescales for issuing the quotations. Any letters returned as undelivered will be followed up with an address tracing exercise. If a new address is located, then the letters will be re-sent to the new address.

Debt Management

43. The current value of outstanding invoices amounts to £69,964.43, which are going through the process for recovery. There are no specific issues to report.

Member Self - Service

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



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McCloud

Pension Services
Employer Team

Project Start:	01/09/2023
Display Week:	1

TASK	ASSIGNED TO	RAG status	PROGRESS	START	DURATION (Weeks)	END	
Workstream A - Bulk Data Cleanse							
Employer Contacts	Steph	G	100%	01/09/2023	8	31/10/23	
Identify 'In-Scope' records for each employer	Rach and Bec	G	100%	18/09/2023	3	05/10/23	
Draft email and spreadsheets to be used for data cleanse	Bec	G	100%	02/10/2023	1	05/10/23	
Provide training to Steph and Ken for data cleanse exercise	Bec	G	100%	05/10/2023	1	05/10/23	
Return 'In-Scope' Data to Employers for Confirmation	Steph and Ken	G	100%	05/10/2023	8	30/11/23	
Employers Return Confirmed Data	Employers	A	16%	05/10/2023	17	31/01/24	33/205
Workstream B - Individual Urgent Cases							
Confirm process for urgent calculations	All Managers	G	100%	05/10/2023	1	19/10/23	
Workstream C - Bulk data Rectification							
OCC data loaded to Altair records - Status 1 and Age 55+	Benefit Team Seniors	A	66%	16/10/2023		31/01/24	630/959 records
OCC data loaded to Altair records - Status 1 and Age below 55	Gil	A	1%	07/12/2023		31/01/24	12/882 records
OCC data loaded to Altair records - All other statuses		R				00/01/00	00/4135 records
Non-OCC - confirmed data uploaded to Altair	Steph and Ken	A	11%	01/11/2023		31/03/24	22/205 employers
Altair 23.4 release - Awaiting dates	Rach					00/01/00	
Altair 24.1 release - Awaiting dates	Rach					00/01/00	
Bulk calc - Create McCloud CARE tranche	Rach					00/01/00	
Bulk calc - Create McCloud Rectification Data View	Rach					00/01/00	
Bulk calc - Underpin	Rach					00/01/00	
Workstream D - Benefit Team Day-to-Day Administration							
Clear erroneous McCloud dataviews (30,000)	Rach	G	100%	07/10/2023	1	14/10/23	
Altair 23.4 release - Awaiting dates	Rach					00/01/00	
Altair 24.1 release - Awaiting dates						00/01/00	
Run bulk CARE tranche and McCloud dataview creation on status 4 records (3886)	Rach					00/01/00	
Resolve errors from bulk CARE tranche creation (154)						00/01/00	
Run bulk PROVISIONAL Underpin calculation on status 4 records	Rach					00/01/00	
Resolve errors from PROVISIONAL underpin creation						00/01/00	

Display Week: 1

TASK	ASSIGNED TO	RAG status	PROGRESS	START	DURATION (Weeks)	END
Run bulk ACTUAL McCloud Rectification Dataview Creation on status 4 records	Rach					00/01/00
Resolve errors from ACTUAL bulk dataview creation						00/01/00
Club Transfers and IFAs for In-Scope members to suspend until further guidance from GAD	Vic and Xaviah					00/01/00
						00/01/00
Workstream E - Communications						
Satisfy Disclosure regs	Becky O	G	100%	01/11/2023	8	31/12/23
Amendments to Standard Letters	Becky O					00/01/00
Employer Comms - Collect age 65 Final Pay via i-Connect	Jules and Becky O					00/01/00
Attend Weekly McCloud drop-in sessions with Heywood	Bec and Rach	G	100%	04/10/2023		04/10/23
						00/01/00
						00/01/00
Employer Review						
Employer 00001						
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PENSION FUND COMMITTEE – 01 MARCH 2024

CYBER SECURITY REPORT

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

The Committee is RECOMMENDED to review this report and determine any further actions to be taken.

Executive Summary

1. This report is the annual review of cyber security for the fund.

Introduction

2. The Fund initially reviewed its cyber security risk prevention and response approach in 2022. Since that point, the Pension Regulator has set out further requirements in the draft General Code of Practice, which is a separate item on this agenda, and the Fund has tailored its approach to ensure compliance with the General Code of Practice.

Review of Suppliers

3. The annual review of the Fund's supplier cyber security arrangements has been undertaken and, as with last year, one return is outstanding and being chased.

4. IT colleagues reviewed the information provided by the suppliers and confirmed that there are no concerns.

Team Training

5. During the year, the team has received / completed:

   - Stay safe online – OCC e-learning course.
   - An IT email update on cyber-attacks using email – what they need to look out for and actions to take.
   - OCC conducted an exercise where IT send a mock phishing email to all staff (see below).
   - A team specific online e-learning course comprising of two short videos covering phishing and fake emails, along with a quiz will be launched in February.

6. Following the mock phishing email exercise IT sent the following email message to our team:

Last week, we conducted an exercise where we sent a mock phishing email to all staff, containing a harmless link intended to simulate a malicious one.

We had 4 successful reports of the email from Pensions Service colleagues (and noted Rachael Salsbury had warned the team as a whole) and impressively none of you clicked the link. This was one of the best results for departments of this size across the service.

Monitoring Arrangements

7. Quarterly meetings have been set up with the Council's Information and Technology to ensure that the fund's processes are kept under review. IT has provided a report for this Committee which is attached at annex 1.

8. This year Internal Audit carried out a review of the IT applications. The report was amber in three areas – logical security, system administration and backups, leading to an overall rating of amber.

9. An amber rating is defined as "There is generally a good system of internal control in place and the majority of risks are being effectively managed. However, some action is required to improve controls."

10. All actions arising from the audit have been completed.

Conclusion

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

Lorna Baxter
Executive Director of Resources & Section 151 Officer

Contact Officer: Sally Fox - Pension Services Manager - Tel: 01865 323854
Email: sally.fox@oxfordshire.gov.uk February 2024

Pension Services – OCC Cyber Security

Scope

This report aims to cover the high-level security posture of any OCC-maintained Pension Services infrastructure, namely the following:

- “R Drive” – The Pension Services shared drive.
- Bottomline/PTX Server.

The service relies heavily on externally hosted software managed by third-party providers. This limits the checks that ITID can perform in-house. To address this, we have proactively sought information directly from the suppliers to assess their security posture. This includes reviewing penetration test reports and any security certifications. There are no concerns with any of the information provided or the wider security posture from these providers.

Summary

No critical security issues have been identified. All outstanding software vulnerabilities are to be expected, in line with expected patching cycles and will be addressed as part of business-as-usual maintenance.

The Bottomline/PTX Server was migrated to Windows Server 2022 in September 2023, this work has extended the lifecycle of the server and ensured that it will remain supported and secure until at least 2031.

Vulnerabilities

This includes a check for any technical, software vulnerabilities, covering the Operating System and any supported applications.

- The “R Drive” has no significant security vulnerabilities.

- The Bottomline/PTX server has no outstanding vulnerabilities, following regular scheduled maintenance which took place on Sunday January 28th, 2024.

Access Control

- Access to the R drive is marked as ‘Restricted’, subject to approval from Sean Collins or Sally Fox. 45 colleagues currently have access.

- Access to the ‘PTX-DataIn’ folder on the Bottomline/PTX server is restricted to the following individuals: Sally Fox, Rachael Salsbury, Amy Middleton and Jeanette Thomas.

Outstanding actions

We currently have an outstanding action to implement Single Sign-On for the Bottomline application. Once completed, this initiative will simplify our access to the service and improve the security. It will eliminate the necessity for a manual 'leavers' process and provide ITID with auditing capabilities. Furthermore, real-time advanced security checks will be applied to identify potential risks, such as 'impossible travel detection' and instances where staff access the application from unusual locations or devices.

This is awaiting technical details from the 3rd party, and implementation planning and governance from ITID. This work is scheduled to take place in Q1 2024.

Division(s): n/a

ITEM 16

PENSION FUND COMMITTEE – 1 MARCH 2024

WORKFORCE PLANNING

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

1. **The Committee is RECOMMENDED to**
   - **i) Agree to the development of a Succession Plan for both the Pension Services Manager and the Service Manager Pensions;**
   - **ii) Agree to the development of a Workforce Strategy for the fund which:**
     - **a) Covers a short, medium and long-term horizon;**
     - **b) Facilitates the implementation of the appropriate structure, staffing, skills and knowledge to meet new and changing demands;**
     - **c) Makes use of new technologies and new ways of working, including agile working where appropriate;**
     - **d) Considers succession planning, retention, and development of the workforce**

Introduction

2. Workforce Planning is a vital function of any organisation to ensure that the appropriate workforce is in place to deliver improved services, greater productivity and better customer focus.

3. Effective Workforce Planning can help organisations in many ways.

• It promotes greater awareness of the importance of sound human resources throughout all levels of the organisation.
• It can support factors such as an aging workforce, attract the people and facilitate the other changes such as use of new technologies and agile working.
• It provides a better basis for planning employee development that makes optimum use of everyone's skills and abilities.
• It improves the overall business planning process.
• It provides more opportunities for underrepresented groups in the future growth and strategic plans of the organisation.

Workforce Issues for the Fund

4. **Turnover of staff** - This is a issue for most funds in England and Wales. This is caused by a number of factors:

i) An aging workforce who are retiring;
ii) Competent staff being promoted or moving on;
iii) Desirability of experienced and skilled staff by other funds and pools.

5. **Difficulties in recruitment** – Primarily due to the lack of appropriately skilled staff, which can be exacerbated by organisations who offer more flexible ways of working, including agile working. This can be a particular challenge in areas like Oxford given the high pricing of housing.

6. **Structural Issues** – The current structure of the Administration Service could be reviewed to facilitate increased efficiencies and equity in workloads for staff members. Additionally, the structure should:

i) Match resources to the workload demand;
ii) Minimise the number of times a case is handed off to another worker or team;
iii) Clarify exactly where specific responsibilities lie.

7. **Agile Working** – Since the Covid pandemic, most staff within Pension Services have been largely working from home. Currently the main exception is the Benefit's Team where all team members attend the office one day a week (one sub-team per day, Monday – Thursday) which enables them to deal with the high levels of physical post, manage the telephone helpline, as well as provide support and assistance to each other, and strengthen team bonds. Any review needs to consider:

i) Benefits of remote working in increasing the potential candidates for any recruitment drive
ii) How technology advances will impact on the current postal and phone cover arrangements
iii) How we retain a team ethos and commitment to the service when everyone works remotely
iv) The on-going requirement for face to face meetings with scheme members, scheme employers and other key stakeholders

8. **Better Use of Existing and new Technologies** – The fund could make better use of the current administration system for greater efficiencies. There are many new technologies which could be used to increase efficiencies and effectiveness – some such technologies and improvements could include:

i) Use of Artificial Intelligence (AI);
ii) Technologies that improve 'Self Service' such as a chatbot;
iii) Technologies that reflect and adapt to the needs of customers of varying ages.

Increasing Demands

9. The demands on funds have increased over the years due regulation, legislation and central government requirements. There are numerous new requirements

of the next few years which will no doubt stress test workforce structures and staffing that funds have in place. These requirements include:

i) McCloud;
ii) Sergeant;
iii) O'Brien;
iv) General Code of Practice;
v) Pensions Dashboard

Recommendation

10. It is clear that many, if not, all LGPS funds, and not just Oxfordshire, are facing clear challenges in ensuring that they have the right numbers of people in the right jobs with the right skills to deliver improved services, greater productivity, and better customer focus. The following actions are proposed to ensure that the fund achieves this objective:

1	Development of a Succession Plan for both the Pension Services Manager and the Service Manager Pensions.
2	Development of a Workforce Strategy for the fund which: • Covers a short, medium and long-term horizon. • Facilitates the implementation of the appropriate structure, staffing, skills and knowledge to meet new and changing demands. • Makes use of new technologies and new ways of working, including agile working where appropriate. • Considers succession planning, retention, and development of the workforce.

Lorna Baxter
Executive Director of Resources

Contact Officer: Mukhtar Master Tel: 07732 826419 March 2024

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Division(s): n/a

ITEM 11

PENSION FUND COMMITTEE – 1 MARCH 2024

DEVELOPMENT OF THE FUND'S RESPONSIBLE INVESTMENT POLICY

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

1. **The Committee is RECOMMENDED to agree the draft Responsible Investment Policy as presented at Annex 1 to this report as the basis of a consultation exercise with key Fund Stakeholders**.

Introduction

2. Over recent years, the issue of responsible investment has become a much more important element of this Committee's discussions in exercising their fiduciary duty in respect of the Fund's investments. In June 2020, the Committee approved its first Climate Change Policy as part of its revised Investment Strategy Statement, recognising that climate change now represented the single most important factor impacting on the long-term investment performance of the Fund.

3. It was also recognised by the Committee that there were a number of other material financial risks to the long-term investment performance of the Fund arising from wider responsible investment issues. Following the establishment of and appointment to, the new post of Responsible Investment Officer for the Fund, the Committee has requested the development of a broader Responsible Investment Policy, setting out the Fund's approach to responsible investment and the current issues which it sees as of highest priority.

Development of Draft Policy.

4. The initial draft of the Fund's first Responsible Investment Policy is presented as Annex 1 to this report and has been developed by the Officers following a wide engagement programme. This engagement programme has included a survey of scheme members, which as reported to the last Committee resulted in over 4,000 responses. The Fund's Responsible Investment Officer also led a presentation to the Employers Forum on 24 January 2024, where those present were invited to provide feedback.

5. We then held a half-day workshop on 26 January 2024 to which all members of the Pension Fund Committee and Pension Board were invited. This workshop was facilitated by an Independent Facilitator, who supported the officers in determining the objectives for the workshop, managing the discussion on the

day, and producing a summary of the key decisions. The discussion documents for the workshop were developed by the Fund's officers following engagement with the Responsible Investment team at Brunel, a review of responsible investment policies published by other pension funds, and a detailed review of the research papers published on the issues and risks associated with the responsible investment agenda. The feedback from the member survey and session at the Employer Forum was also fed into the discussion papers.

6. Those present at the workshop noted both the quality of the discussions and the degree of consensus reached on both the key investment principles and the short-term priorities for the Fund. The outcome of the workshop has now been incorporated in the first draft of the Responsible Investment Policy.

7. As noted in the Policy, it is intended to produce a further document, an Responsible Investment strategy document, which will be developed to sit alongside this Responsible Investment policy. This document will set targets, identify benchmarks and enable progress against the Policy to be measured. This will help support the review and assurance process for the Policy, as well as allowing the fund to hold asset managers and other service providers to account around the delivery against the fund's Responsible Investment requirements.

8. In developing both this initial draft Responsible Investment Policy and the subsequent Responsible Investment Strategy Document, it is important to balance the work to be undertaken within this area with the available resources. Neither Oxfordshire nor Brunel have the capacity to engage across the wide spectrum of responsible investment issues. Within the Policy, attempts have been made to identify the clear sub-priority areas within each of the main priority headings, and this will be further refined in the strategy document.

Next Steps

9. The Committee are invited today to review the draft policy as presented at Annex 1 and confirm it is consistent with the consensus views developed at the workshop. The draft policy then needs to subject to a formal consultation exercise, which would again include scheme members, scheme employers, and key stakeholders, including Brunel, and the partner funds.

10. The intention would then be to bring a final version of the Responsible Investment Policy to the June Committee for approval, along with the first draft of the Responsible Investment Strategy Document. As noted in the Policy, both documents would be subject to regular review to reflect both the rapidly changing nature of the key issues within the responsible investment space, and the available resources to undertake work in this area.

Lorna Baxter
Executive Director of Resources & Section 151 Officer

Contact Officers: Greg Ley – gregory.ley@oxfordshire.gov.uk &
Josh Brewer – josh.brewer@oxfordshire.gov.uk February 2024

Oxfordshire County Council Pension Fund
Responsible Investment Policy

About the Fund

The Oxfordshire Pension Fund forms part of the Local Government Pension Scheme and manages £3.3bn on behalf of c.70,000 members as of 31 March 2023. Oxfordshire County Council is the administering authority for the Fund and runs the fund on behalf of participating employers, active scheme members and current and future pensioners.

The primary purpose of the Fund is to achieve and maintain a 100% funding level over the long term, to achieve a return on investments, within an acceptable risk envelope, sufficient to cover future liabilities of the Fund, and to maintain sufficient liquidity to enable the Fund to pay pensions as they fall due.

The Pension Fund is part of the Brunel pool along with nine other LGPS funds and the Fund invests in the range of portfolios offered by Brunel along with the other funds. Brunel Pension Partnership invests the Fund’s assets within the portfolios the Fund allocates to and undertakes stewardship activities on the Fund’s behalf within these portfolios.

The Administering Authority has a fiduciary duty to act in the best interests of scheme members and investment powers must be used to achieve what is best for the financial position of the Fund. The Pension Fund believes that responsible investment forms an integral part of its fiduciary duty due to the potential material financial implications that flow from it.

This Policy supplements the Pension Fund’s Investment Strategy Statement and Climate Change policy and covers the Fund’s broader approach to responsible investment.

Vision

As a long-term investor in global markets the Fund’s investments impact on the future of the global economy, environment and society. We take this responsibility seriously, so we regularly look at the major environmental and social issues facing the world and work to ensure we are actively considering them in our decision making.

We believe the financial system has a role to play in the transition to a more resilient and sustainable global economy. As a participant in the financial system the Fund seeks to invest in those companies committed to building a better future, engage with issuers and other stakeholders and to advocate for positive change through working in partnership with other like-minded organisations.

The Fund will be transparent in its responsible investment activities, clearly communicating both our approach and our progress.

Investment Beliefs

The following are the investment beliefs held by the Fund that will inform investment decision making:

- Asset allocation is the key investment decision that has the greatest impact on the investment performance of the Fund. The Fund seeks to make investment decisions supported by robust evidence and takes into account the liabilities of the Fund. Markets are competitive and dynamic, with active returns challenging to find.

- Risk and return are positively correlated. There are a variety of investment risks that carry premiums / compensations; illiquidity risk is one such premium. Investment diversification improves the risk to return ratio of the Fund.

- The long-term nature of the Fund's liabilities is a key consideration and typically implies a long-term investment horizon. As a long-term asset owner, we have a duty to interact with companies about their governance structures, policies, and operations.

- The Fund must seek to ensure that the actions of those appointed to work on the Fund's behalf align with the long-term interests and policies of the Fund.

- Investing responsibly and investment performance are not mutually exclusive. We believe that investments will generate improved returns in the long run where there is consideration of ESG factors at a strategic level by investee companies. We believe in investing in well governed companies. In making investments we will seek to minimise negative impacts on society and the environment and, where possible, to make a positive contribution.

- The Fund believes that using active stewardship to encourage the highest standards of corporate governance and promoting corporate responsibility by investee companies helps protects the financial interests of pension fund members over the long term.

- Engagement can be effective in initiating change but must be backed up with a robust escalation policy, up to and including divestment. In determining the approach to engagement the nature of the industry and ability to change should be considered.

- Aligning with like-minded investors and organisations is often more effective than working in isolation.

- Managing fees and costs is important but should be considered in the overall return profile of an investment.

Developing the Policy

This Responsible Investment (RI) Policy has been developed in response to the understanding that, although climate change is the most significant RI risk the fund is exposed to, other RI issues are material to the financial performance of the fund too. The key risks and priorities to the fund were identified through a process of sector risk materiality analysis, World Economic Forum global risk reporting, member survey, Brunel priorities and the intersection of risks with climate change. This then fed into a workshop of the Pension Committee, Pension Board and Officers, where a set of priorities was agreed.

The pension fund is a long-term investor. Someone joining the scheme now may be receiving a pension in 80 years' time. As a long-term investor, the fund needs to consider the long-term risks to its ability to meet its liabilities.

The Pension Committee recognises that environmental, social and corporate governance (ESG) issues, including climate change, can have materially significant investment implications. The Fund therefore seeks to be a responsible investor and to consider ESG risks as part of the investment process across all investments, thereby improving risk-adjusted returns.

What is Responsible Investment

Responsible investment is the integration of environmental, social and corporate governance (ESG) considerations into investment management processes and ownership practices in the belief that these factors can have an impact on financial performance. Responsible Investment principles are at the foundation of the Fund's approach to stewardship and underpin the Fund's fulfilment of its fiduciary duty to scheme beneficiaries.

The Fund's approach to RI and integration into investment processes

The Fund has identified climate change as the single most important factor that could materially impact its long-term investment performance given its systemic nature and the effects it could have on global financial markets. As such, the Fund has produced a Climate Change Policy that forms part of the Investment Strategy Statement. The commitments in that document have fed into this policy document.

The development of the fund's approach to RI is an ongoing process. Over time, as the fund develops its responsible investment analysis, capabilities and processes this policy will be reviewed and updated by the Pension Committee to expand its scope.

Through the integration of RI into the investment process the fund aims to reduce long term risks, some of which are systemic in nature. It is the view of the fund that this approach helps contribute to well-functioning capital markets. The fund has a significant asset allocation to a Paris Aligned Benchmark passive fund and to an active Global Sustainable Equities portfolio. The combined value of these investments (as at

December 2023) represents over 60% of the fund's investments into publicly listed equity.

Stewardship and reporting
The systematic integration of stewardship into the investment process across all asset classes is fundamental to the fund's ability to deliver improved risk adjusted returns and long-term sustainable pensions to its members and beneficiaries. The fund is a signatory to the UK Stewardship Code. Each year the fund will publish a Stewardship Code application statement that will identify how it meets the Principles of the Code and provides case studies to support the application. The fund also produces an annual report on how it is addressing the risks and opportunities related to climate change, which aligns with the Taskforce on Climate related Disclosures (TCFD) framework.

Governance
Oxfordshire County Council is the Administering Authority of the fund and has delegated responsibility for the administration of the fund to the Pension Committee. The Committee meets on a quarterly basis and considers all investment and administration issues relevant to the fund, including RI factors.

The Committee consists of voting members made up of County Councillors, and non-voting members selected to provide a broad level of representation to the wide range of employers and members in the fund.

The Committee have established a Local Pension Board. The role of the Board is to assist the Pension Committee to secure compliance with the Regulations and all associated legislation, and to ensure the efficient and effective governance and administration of the scheme.

Brunel Pool
The fund pools its assets with nine other administering authorities though the Brunel Pension Partnership (Brunel), which is authorised by the Financial Conduct Authority and has been established specifically to manage the assets of the pool.

Brunel has a dedicated Responsible Investment team, including a dedicated Stewardship Manager who oversees voting and engagement. This policy will enable the fund to clearly identify priority RI areas to Brunel and, in turn, help inform the ongoing development of their RI approach.

Brunel has built its responsible investment approach on three pillars: to integrate sustainability criteria into its operations and investment activities; to collaborate with others across the industry and support effective policymaking; and to be transparent in its activities.

Brunel's manager selection process is central to the effective implementation of its Responsible Investment, Stewardship and Climate policies. Managers must be able to clearly demonstrate how ESG is embedded into their investment process.

RI policy review

The fund's policies are kept under regular review and are updated and approved by Committee as required. Once signed off this policy will be reviewed at no more than a three year interval.

It is intended that an RI strategy document will be developed to sit alongside this RI policy. This document will set targets, identify benchmarks and enable progress against the Policy to be measured. This will help support the review and assurance process for the Policy, as well as allowing the fund to hold asset managers and other service providers to account around the delivery against the fund's RI requirements.

Engagement

Voting and engagement form an important part of the fund's management of ESG 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 Engagement policy, to which the fund provides input. Voting is undertaken on behalf of the fund by Brunel utilizing the expertise of their voting and engagement provider and appointed managers.

Initially the focus for engagement will be on listed equities and corporate bonds which make up a large proportion of the fund's investments and have more established processes and data to enable the Policy to be applied. Ultimately engagement should extend to all asset classes though.

The fund's engagement policy outlines its expectations for engagement. It should be transparent, the reasoning for decisions should be predictable, recorded and accessible as far as practicable. The engagement approach should take opportunities to signal positive change to the wider market and society.

Decisions on when and how to engage with investee companies should not be postponed or avoided in the absence of perfect data. Reasonable estimates should be used when actual data is unavailable. The absence of data should be considered as a potential criterion fail where there is a reasonable expectation for a company to make the data available. It is primarily the responsibility of companies to
generate verifiable data that can be used to guide investment decisions that integrate stewardship and responsible investment principles.

Escalation

The fund recognises that, although there is value to be gained from engagement with companies in terms of building relationships to help drive improved performance, engagement cannot be an end in itself. For engagement to be effective it requires there to be milestones and objectives set that should be delivered in a time limited manner. It is important for there to be a clear escalation path if progress is not being made quickly enough or is not going far enough.

Engagement should follow the existing escalation process whereby, if insufficient progress is being made, additional actions will be initiated, including collaborative engagement with like-minded institutional investors, speaking at the company's AGM, voting against the chair and other board members, filing or co-filing a shareholder resolution, and raising concerns in the public domain.

The fund retains the right to disinvest from or exclude certain companies or sectors if approaches to addressing their concerns prove unsuccessful and it is determined that an investment is no longer aligned with the interests of the fund or poses a material risk. Normally this would be a last resort once all other engagement avenues have been explored but the company has not demonstrated it is taking sufficient steps to manage the risk. There are also some occasions where it may be necessary to implement an exclusion policy where involvement in specific activities calls for one.

Collaboration
As an investor the Oxfordshire fund understands that it needs to work collaboratively with other investors to amplify its voice and help drive a transition to a sustainable financial system where the fund's beneficiaries and members can enjoy their pensions. The fund is a member of several investor groups. These include the Institutional Investor Group on Climate Change (IIGCC), Climate Action (CA) 100+, Pensions for Purpose and the Local Authority Pension Fund Forum (LAPFF). As a signatory to these alliances, it is supportive of the actions taken by these organisations to engage with companies on the key issues of relevance to the fund's members and beneficiaries.

Responsible Investment Priorities:

The Fund has identified the following four priorities for its responsible investment activities:

1. Climate Change
2. Nature and Biodiversity
3. Human Rights, Including Supply Chain Labour Standards and Slavery
4. Governance

Further details on each of the priorities are set out below.

Climate Change

- GHG emissions reduction in the real economy
- Just Transition
- Transparency and disclosure
- Financed emissions
- Green revenues (impact investing)

Climate change remains the single most important RI priority. It has been identified as the biggest long term systemic risk to the value of the fund. As such, it has the potential to impact the long-term value of all asset classes into which the fund invests.

The World Economic Forum (WEF) produces an annual global risks report, failure to mitigate climate change and failure of climate change adaptation are identified in the 2023 report as the two greatest long-term global risks. When looking at material risks for the sectors the fund has greatest exposure to, climate change is a key risk. In our recent survey of fund Members climate change was identified as their highest environmental priority.

The fund's investment returns, and the beneficiaries of the fund, are reliant on a healthy, functioning global economy, and the fund's interests are best served by the delivery of the 2015 Paris Agreement goal of holding global temperature rises to 2°C or lower, and to pursue efforts to limit any temperature increase to 1.5°C above pre-industrial levels.

As part of its Paris-alignment the fund is committed to transitioning its investment portfolios to net-zero GHG emissions by 2050. The fund is also committed to transitioning its investment portfolios consistent with the best available scientific knowledge, including the findings of the Intergovernmental Panel on Climate Change.

From an investment perspective the fund believes that climate change should be an integral part of the assessment of risks as well as a factor in identifying investment opportunities arising from the transition to a low carbon economy.

The fund will seek to reach its Paris commitments through its investment activity as well as through advocating for, and engaging on, corporate and industry action, as well as public policies, for a low-carbon transition of economic sectors in line with science and under consideration of associated social impacts. This commitment is made in the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met.

This commitment covers all investments made by the pension fund across all asset classes. The pension fund is cognisant that some asset classes are less progressed in the level of disclosure and transparency around climate risks and so may take longer to reach a point where assessment can be undertaken appropriately.

The fund also commits to achieving net-zero GHG emissions on its own operations by 2030.

Emissions reduction
As a minimum the pension fund will utilise the following metrics, where applicable to its investment portfolios, with a view to reducing both the intensity of carbon emissions and overall GHG footprint of its investments:

• Carbon Intensity (WACI)
• Extractive Exposure
• Transition Pathway Initiative Scores
• % of Total Investments in Fossil Fuel Companies
• % of Total Investments in Climate Change Solutions

Just Transition
The fund supports the Just Transition, seeking to manage the social and economic impacts of the transition to a low carbon economy on communities, and will reflect this in its policy advocacy and stewardship activity. This approach intersects with human

rights, particularly through the commitment to ensure that vulnerable communities are not disproportionally impacted by the transition to a low carbon economy.

Disclosure
In line with its commitment to investing into well-governed companies, the pension fund expects investee companies to be transparent in their climate-related disclosures. At a minimum the fund expects high impact investee companies to adopt globally accepted disclosure standards such as the Task Force on Climate-related Financial Disclosures (TCFD). The pension fund will itself work towards reporting in-line with the TCFD recommendations and has voluntarily produced an annual TCFD report since 2021.

Financed emissions
Financed emissions are the downstream carbon emissions that commercial lending by banks and other finance institutions enables. As a fund we have a significant exposure to companies in the Finance sector (over £130m in public equities as at September 2023). Therefore, financed emissions are an important consideration for understanding our exposure to climate change. The IEA has established in its latest report that there can be no new developments of oil and gas fields if we are to achieve Net Zero by 2050. As such the provision of finance to fossil fuel companies for these projects is an area of key concern to the fund.

Green revenues
In order to meet the challenge of climate change there will be a major transition of the economy away from fossil fuels towards alternative forms of energy. This transition will be a challenge but it also represents a significant opportunity. Investment into renewable energy is a key route for the fund to grasp this opportunity but there are other possibilities extending beyond this sector, such as investing into the infrastructure needed to deliver a transport system based upon electricity, rather than internal combustion. These assets deliver what are known as 'green revenues' and the fund is committed to growing its portfolio exposure to the companies and assets delivering green revenues as part of the energy transition.

In support of this approach, 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.

Nature and Biodiversity

- Nature and biodiversity risk assessment
- Deforestation
- Natural Capital (impact investing)

Nature and biodiversity and the related area of natural capital are a significant emergent risk and opportunity to the fund.

Biodiversity loss and associated ecosystem collapse has been identified in the WEF 2023 Global Risk Report as being a top five global risk by 2033. It has also been assessed by the WEF as the fastest emerging risk. In the recent fund member survey biodiversity and nature was identified as the second highest environmental priority. In fact, if we add the scores for deforestation and biodiversity and nature together, as there is an argument that these are the same issue, then it scored higher even than climate change as an environmental priority for the fund to address.

Nature and biodiversity risk assessment
Biodiversity and nature is a complex and, in ESG terms, relatively new area. As such the current data landscape is patchy, however. the sharp focus on this issue by investors over the last few years means that there is increasing data being made available. The end of 2023 saw the launch of the Taskforce for Nature Related Financial Disclosure (TNFD), a disclosure framework designed along the same lines as the TCFD to help companies to act on evolving nature-related dependencies, impacts, risks and opportunities. This framework will help deliver enhanced data in this area. Brunel are an early adopter of the TNFD and their engagement will help the fund to identify where the key risks and opportunities in relation to nature and biodiversity are.

The TNFD framework will help the fund to understand its own exposure to the broader range of nature and biodiversity related risks and opportunities. The fund will also carry out engagement on climate change physical risk with companies in the food and drink sector who are at heightened risk from negative impacts in this area.

Deforestation
Although robust data on nature and biodiversity can be challenging to source there is good data available in relation to deforestation and related human rights issues. This issue is a good entry point for nature and biodiversity as it is relatively easy to assess portfolio risk and there are overlaps with both climate change and human rights issues.

Deforestation is estimated as being responsible for 11% of annual global GHG emissions, so it is a highly material issue for addressing climate change, as well as biodiversity loss. There is an emergent regulatory landscape from the EU, UK and the US SEC in the form of regulations that look to prevent the importation into these jurisdictions of products produced from deforestation. As such it is a significant risk in the supply chains of the largest agricultural companies, as well as food manufacturers and retailers. It is also a risk for the finance sector through their provision of capital to companies involved in deforestation through land conversion for soft commodities such as cattle, soy and palm oil. As such, a commitment by the fund to address deforestation risks in its portfolios is a target that is both measurable and achievable. This issue also intersects with the theme of human rights through a focus on the rights of indigenous peoples where deforestation and land conversion is taking place.

Natural capital
There are significant opportunities around natural capital as an asset class. High quality nature restoration projects not only benefit biodiversity but also can help to mitigate the effects of climate change. As such the fund will work with Brunel to identify potential investment opportunities in this area.

Human Rights, Including Supply Chain Labour Standards and Slavery

- Human rights norms compliance
- Just Transition
- Diversity and inclusion
- Free, prior, informed consent

The protection of human rights is a key issue for members of the fund. This issue was identified in the member survey as the highest priority in relation to Responsible Investment. Erosion of social cohesion and societal polarisation, risks often associated with breaches of human rights norms, is identified by the WEF as a top 10 global risk by 2033.

However, human rights, which also includes supply chain labour standards, slavery and related issues such as health, is an enormous area to cover. Given the breadth of this issue the fund will need to rely upon Brunel to provide much of the heavy lifting to ensure that the companies in its portfolios are managing their human rights related risks appropriately.

Human rights norms compliance
One of the key ways that Brunel does this is to carry out screening against the United Nations Global Compact (UNGC). There are ten Principles of the United Nations Global Compact, of which six are related to human rights. These six Principles are derived from the Universal Declaration of Human Rights and the International Labour Organization's Declaration on fundamental Principles and Rights at Work.

The Principles are:

Human Rights
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labour
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: the elimination of discrimination in respect of employment and occupation.

Screening companies against the UNGC Principles is part of the Brunel investment assurance process, which involves identifying companies that are non-compliant with one or more of the Principles. Where a company is identified as non-compliant there is then a process of engagement and escalation.

Just transition
Mitigating the impact of climate change also entails mitigating the impact that the required energy transition will have on communities, ensuring that there is a just transition that respects human rights. This relates to ensuring that communities that

have traditionally been economically disadvantaged are not left behind when there is a transition away from the fossil fuel economy, or that there is equal access to clean energy in the form of renewables, particularly in developing economies.

Diversity and inclusion (DEI)
Diversity and inclusion is an issue where the themes of governance and human rights intersect. Ensuring equity of opportunity and inclusion of all groups is fundamental to securing a just transition. More broadly strong DEI policies serve the purpose of underpinning key human rights related to promoting equality and protecting diverse groups that have historically experienced discrimination.

Free, prior, informed consent
Similarly, with a multi-faceted issue such as deforestation it is important that the human rights of local communities, particularly the right to free, prior, informed consent, are protected. This is especially the case for indigenous peoples, who can act as guardians and protectors of forests and are often in the firing line where deforestation is taking place.

Governance

- Transparency and disclosure
- Diversity and inclusion (DEI)

Transparency and disclosure
Well governed companies will manage risks, including those related to RI, better than less well-governed companies. Transparency and disclosure are key indicators of a well-run company. For example, part of the fund's climate change strategy is to ask for high impact companies to provide TCFD reporting as this provides evidence as to how well their climate change risk is being managed.

Diversity and Inclusion (DEI)
DEI is another indicator that a company is well-governed. Strong policies in this area can lead to improved innovation, greater employee engagement and retention of talent, and the opening up of new markets for the company's goods or services.

More diversity within an organisation's board of directors enhances organisational decision-making processes and creativity and innovation. It also attracts a more diversified pool of talent.

DEI assessments can be highly data-driven, allowing easy comparisons between companies, and the setting of benchmarks.

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PENSION FUND COMMITTEE – 01 MARCH 2024

MANAGEMENT FEES ANALYSIS POST-POOLING

Report by Executive Director of Resources & Section 151 Officer

RECOMMENDATION

1. The Committee is RECOMMENDED to note the report.

Introduction

2. As requested by the Committee this report has been prepared to provide an analysis of the management fees payable by the Pension Fund pre- and post-pooling. The report is based on data to the end of March 2023.

3. The analysis has been prepared on a best endeavours basis using the information available. It should be noted that there are issues in making direct comparisons including different fee structures such as tiered fee scales, and the different investment targets in place for mandates. For pre-pooling fees the current portfolio valuation has been applied to the old fee scale to determine the basis points figure for comparison purposes.

4. The report covers management fees only, so not additional portfolio costs such as transactions fees. For Brunel fees the cost applied by Brunel for managing the portfolio has been included.

5. In the below sections management fees are assessed for the different asset classes the Fund invests in.

Passive Equities

6. Passive equities are where the most meaningful comparison can be made on management fees due to alignment of targeted investment outcomes. The Fund initially transitioned to like-for-like portfolios at Brunel but has now moved all passive investment into the PAB Fund. The table shows significant savings were achieved at the point of transition, although fees have since risen as a result of asset allocation decisions made by this Committee.

Mandate	Pre-Brunel (bps)	Brunel (bps)
UK Equities	4.5	0.5
Global Equities	13	0.75
Paris-Aligned Benchmark (Global Equities)	N/A	3.5

Active Equities

7. The below table shows the management fees for active equity portfolios including the performance target for the mandate. The table indicates the

difficulty in undertaking any real analysis, as in each case the transition was not on a like for like basis. On the UK mandate, there is a small fee saving on transition despite the mandate seeking to deliver a higher investment return. On the global mandates, it is difficult to draw any meaningful conclusions.

Mandate	Target	Pre-Brunel (bps)	Brunel (bps)
UK Equities	FTSE All-Share +1.25%	24	N/A
UK Equities	FTSE All-Share +2%	N/A	22
Global Equities 1	MSCI ACWI +2%	42 (1)	N/A
Global Equities 2	MSCI ACWI +3%	28	N/A
Global High Alpha	MSCI World +2-3%	N/A	35
Global Sustainable Equities	MSCI ACWI +2%	N/A	33

(1) This fee was subject to tiering based on aggregate investment from LGPS Funds as a whole. The figure assumes the same level of total LGPS investment as at the time the Fund transitioned out of the portfolio.

Fixed Interest

8. The Fund had an active fixed interest portfolio prior to pooling with government bonds managed in a segregated account incurring a management fee of 19bps.

9. The corporate bond element of the portfolio was managed separately through a pooled fund with a management fee of 30bps. The Brunel Sterling Corporate Bonds portfolio management fee is currently 12bps.

10. For a period before the assets were transferred to Brunel the Fund's index-linked Gilts were held in a passive fund with an effective fee of 3.6bps, the Brunel passive index-linked portfolio currently has a fee of 2bps.

11. The figures above suggest that in each case Brunel delivered considerable savings on investment fees at the point of transition.

Property

12. Under the pre-Brunel property portfolio there was a fee payable to the appointed manager of 20bps. There were then management fees payable at the individual property fund level for the funds the manager selected.

13. Brunel operate two property portfolios and the Brunel management costs applied to those are 4.5bps for UK Property and 3.2bps for International Property. Within UK Property there have also been several examples of Brunel securing preferable fee rates at the individual fund level due to representing a larger volume of funds.

Private Markets

Private Equity and Infrastructure

14. The below table shows fee savings on private equity and infrastructure for the last two full financial years in monetary terms. The figures have been produced by comparing estimated fees the Fund calculated during the Brunel set-up period for private equity and infrastructure, to current fees incurred by Brunel. It should be noted that private market fee structures are complicated including a significant proportion of the fees coming from performance related elements and varying over the lifecycle of a fund. In addition, the type of fund influences the management fee (e.g. direct vs fund-of-fund). This makes drawing any firm conclusions when comparing private market fees difficult.

Oxfordshire - Summary of Private Market Cost Savings 2022/23		
Portfolio	**2022/23 Price Variance (£)**	**2021/22 Price Variance (£)**
Infrastructure C1	132,921	139,126
Infrastructure C2	107,845	149,629
Infrastructure C3	155,388	0
Private Equity C1	102,489	169,796
Private Equity C2	113,776	430,346
Total	**612,418**	**888,897**

Other

15. Several private market portfolios the Fund is currently invested in did not form part of the asset allocation pre-Brunel and so no meaningful fee analysis can be undertaken, these are: Private Debt, Secured Income, and Multi Asset Credit.

Lorna Baxter
Executive Director Resources & Section 151 Officer
February 2024

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