OXFORDSHIRE COUNTY COUNCIL

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 8 September 2023 at 10.15 am

Room 2&3 - County Hall, New Road, Oxford OX1 1ND

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

August 2023

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

Membership

Chairman – Councillor Bob Johnston
Deputy Chairman – Councillor Kevin Bulmer

County Councillors

Imade Edosomwan	Nick Field-Johnson	John Howson

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

Notes:

- ***Date of next meeting: 1 December 2023***
- ***The Committee meeting will be preceded by a training session on equity protection, delivered by Novum Investment Management, starting at 9.30am.***

AGENDA

1. Apologies for Absence and Temporary Appointments

2. Declarations of Interest - see guidance note

3. Minutes (Pages 1 - 6)

To approve the minutes of the meeting held on 9 June 2023 and to receive information arising from them.

4. Petitions and Public Address

5. Minutes of the Local Pension Board (Pages 7 - 14)

10:20

A copy of the unconfirmed Minutes of the Local Pension Board, which met on 7 July 2023, is attached for information only.

6. Report of the Local Pension Board (Pages 15 - 20)

10:25

The report sets out the items the Local Pension Board wishes to draw to the attention of this Committee following their last meeting on 7 July 2023.

7. Annual Business Plan 2023/24 (Pages 21 - 28)

10:30

This report will review progress against the key priorities set out in the Annual Business Plan for 2023/24.

8. Governance and Communications Report (Pages 29 - 32)

10:45

This is the first of a new standard report covering the key governance and communication issues for the Fund, including a report on any breaches of regulation in the last quarter.

9. Review of the Effectiveness of the Committee (Pages 33 - 36)

11.00

This report will cover the items identified by Members in the survey completed at the end of the last meeting, and any changes required to promote the long term effectiveness of the Committee.

10. Risk Register (Pages 37 - 44)

11.15

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

11. Administration Report (Pages 45 - 66)

11:25

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

12. Administration Strategy (Pages 67 - 94)

11:40

This report will present the revised Administration Strategy for Committee approval.

13. Approach to Mitigate the Risk of Pension Scams (Pages 95 - 112)

11:50

As requested at the last meeting of the Committee, this report will set the approach followed by the Fund to protect scheme members from the risk of pension scams.

14. Response to Government Consultation on Investment Issues (Pages 113 - 120)

12:00

This report will highlight the key issues raised in the recent Government Consultation titled LGPS: Next Steps on Investments and seek Committee approval to the draft response.

15. **Report of the Independent Investment Advisor** (Pages 121 - 186)

12:10

This report will cover an overview of the financial markets, the overall performance of the Fund's investments against the Investment Strategy Statement and commentary on any issues related to the specific investment portfolios. The report includes the quarterly investment performance monitoring report from Brunel.

16. **Annual Report and Accounts including Taskforce for Climate-related Financial Disclosures (TCFD) Report.** (Pages 187 - 300)

12:30

This report presents the draft Annual Report and Accounts for the Pension Fund, including the latest TCFD report, and progress against the targets set in the Fund's Climate Change Policy.

17. **Stewardship Code and Company Engagement** (Pages 301 - 360)

12:45

This report includes the Stewardship Policy submitted to the Financial Reporting Council as our application under the Stewardship Code. The outcome of the application will be reported to the Committee if known by the date of the Committee. The report will also cover the latest Responsible Investment and Stewardship Outcomes Summary published by Brunel.

18. **EXEMPT ITEMS**

The Committee is RECOMMENDED that the public be excluded for the duration of item 19 in the Agenda since it is likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it is considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

THE REPORTS RELATING TO THE EXEMPT ITEMS HAVE NOT BEEN MADE PUBLIC AND SHOULD BE REGARDED AS STRICTLY PRIVATE TO MEMBERS AND OFFICERS ENTITLED TO RECEIVE THEM.

NOTE: In the case of item 19 there are no reports circulated with the Agenda. Any exempt information will be reported orally.

19. Contract for the Provision of Independent Investment Advisory Services (Pages 361 - 364)

13:00

This report will update the Committee on the current contractual position for the provision of independent advice and recommend the Committee on the approach to future provision.

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.

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PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 9 June 2023 commencing at 10.15 am and finishing at 12.45pm

Present:

Voting Members:	Councillor Bob Johnston – in the Chair Councillor Kevin Bulmer (Deputy Chair) Councillor Imade Edosomwan Councillor Nick Field-Johnson Councillor John Howson
Non-Voting Members:	Shelley Cook, Academy Sector (non-voting) Alistair Fitt, Oxford Brookes University (non-voting) Steve Moran, Pension Scheme Member (non-voting) Alan Staniforth, Academy Sector (non-voting)
Local Pension Board Members in attendance:	Alistair Bastin (Remotely attended) Marcia Slater (Remotely attended) Stephen Davis (Remotely attended)
By Invitation:	Philip Hebson (Independent Investment Adviser)
Officers:	Sean Collins (Service Manager, Insurance and Money Management) Sally Fox (Pension Services Manager (Remotely attended) Mukhtar Master (Governance & Communications Manager) Joshua Brewer (Responsible Investment Officer) Chris Reynolds (Law and Governance)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with [a schedule of addenda tabled at the meeting][the following additional documents:] and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports [agenda, reports and schedule/additional documents], copies of which are attached to the signed Minutes.

17/23 ELECTION OF CHAIR FOR THE 2023/24 COUNCIL YEAR
(Agenda No. 1)

RESOLVED to appoint Councillor Bob Johnston as Chair for the ensuing Council year.

(Councillor Johnston in the Chair)

18/23 ELECTION OF DEPUTY CHAIR FOR THE 2023/24 COUNCIL YEAR
(Agenda No. 2)

RESOLVED to appoint Councillor Kevin Bulmer as Deputy Chair for the ensuing Council year.

19/23 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 3)

Apologies for absence were received from District Councillor Jo Robb.

20/23 MINUTES
(Agenda No. 5)

The minutes of the meeting held on 3 March 2023 were amended to include apologies for absence from Alastair Fitt and approved as a correct record.

21/23 MINUTES OF THE LOCAL PENSION BOARD
(Agenda No. 7)

22/23 REPORT OF THE LOCAL PENSION BOARD
(Agenda No. 8)

The report set out the items the Local Pension Board wished to draw to the attention of this committee following their meeting in April 2023.

Alastair Bastin, a Local Pension Board Member presented the report and outlined the discussions and recommendations regarding communication and engagement, improvements to performance reporting and the costs of managing the various investment portfolios,

RESOLVED to note the report of the Local Pension Board

23/23 REVIEW OF THE ANNUAL BUSINESS PLAN 2023/24
(Agenda No. 9)

The Committee had before it a report setting out the latest progress against the key service priorities set out in the business plan for the Pension Fund for 2023/24 agreed at the March meeting.

The Service Manager for Pensions, Insurance and Money Management presented the report. He referred, in particular, to the difficulty in assessing work required to address changes in Government regulations, recruitment to the vacancy for Governance Officer, an update on the application for the Stewardship Code. He said that a further report would be brought to the September meeting on the application and work on improved quarterly reporting on delivery of responsible investment responsibilities.

The Service Manager also reported on the on-going work within the Brunel Pension Partnership to develop a climate solutions portfolio focussed on investments within the area covered by the partnership funds. A final decision to invest, which would be consistent with the target in the Climate Change Policy to increase investments in climate solutions was likely to be required before the next meeting of the Committee.

RESOLVED to

a) **note progress against each of the key service priorities as set out in the report**

b) **agree any further actions to be taken to address those areas not currently on target to deliver the required objectives.**

c) **delegate authority to the Head of Finance to make necessary arrangements regarding the new Fund**

24/23 REVIEW OF GOVERNANCE POLICY & GOVERNANCE COMPLIANCE STATEMENT

(Agenda No. 10)

The Committee had before it a report setting updates to the Governance Policy and Governance Compliance Statement which were last reviewed in 2019.

The Governance and Communications Team Leader presented the report and outlined the proposed changes.

RESOLVED to approve the revised draft Governance Policy and Governance Compliance Statement attached at Appendix 1 and 2 respectively.

25/23 REVIEW OF BREACHES POLICY

(Agenda No. 11)

The Committee had before it a report setting out proposed changes to the Breaches policy which was last reviewed in June 2019.

The Governance and Communications Team Lead presented the report and explained the proposed changes to the policy.

During discussion members considered the types of breaches that should be reported to the Committee in future and, in particular, whether systematic failures that could lead to breaches should be included.

RESOLVED to

a) **approve the revised draft Breaches Policy attached at Appendix 1.**

b) **Agree that all known breaches should be reported to the Committee on a quarterly basis**

c) **review the types of breaches to be reported at the December meeting when the Hymans Toolkit would be available for use by the Pension Fund**

d) **ask the Director of Finance to submit a report on measures that could be taken to mitigate the risk of fraud and other financial crime which could impact upon the Pension Scheme**

26/23 RISK REGISTER
(Agenda No. 12)

The Committee had before it a report setting out the latest risk register.

The Governance and Communications Team Leader presented the report and explained the issues affecting the risk scores and mitigation plans.

RESOLVED to:

a) **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.**

b) **endorse the request from the Fire Service for additional resource to support with work of the remedy workload and the 'second options' exercise for all on call fire fighters**

27/23 ADMINISTRATION REPORT
(Agenda No. 13)

The Committee had before it a report providing an update on the key administration issues including service performance measurement, the debt recovery process and any write offs agreed in the last quarter.

The Pension Services Manager presented the report and answered a number of questions. She gave further information on the complaints received and data breaches being dealt with by the Information Management Team.

RESOLVED, 4 voting in favour and 1 abstention, to:

a) **note the progress against the Administration objectives for the year;**

b) **agree to the write off of**

c) **ask the Director of Finance to provide additional information on monitoring of contributions in future reports**

28/23 REPORT OF THE INDEPENDENT INVESTMENT ADVISOR

(Agenda No. 14)

The Committee had before it a report from the Independent Investment Adviser which provided an overview of the financial markets, the overall performance of the Fund's investments against the Investment Strategy Statement and commentary on issues related to the specific investment portfolios. The report also updated the Committee on the latest position regarding the changes to the Strategic Asset Allocation as discusses at the March meeting and the quarterly investment performance monitoring report from Brunel.

The Independent Investment Adviser presented the report an answered a number of questions. He referred, in particular, to recent issues affecting the banking sector and the global financial position.

The Service Manager (Pensions) presented to the Committee the report previously presented to the Climate Change Working Group (contained as an addenda item to the published Committee papers) setting out the options for re-allocating investments away from the current UK equity portfolio, including information on carbon intensity, green revenues and investment performance net of fees.

During discussion, members referred to the types of information they would wish to receive in the monitoring of investments and the changes required to the investment portfolio.

RESOLVED to:

a) **note the report**

b) agree the following changes in fund investments:-

(i) a reduction in the allocation to UK equity to 20% of the total equity allocation, and ask Brunel to develop a suitable alternative to the current FTSE 100 benchmarked portfolio which better reflected the UK economy and which was more consistent with the Fund's Climate Change Policy
(ii) divestment from emerging markets portfolio
(iii) invest the Funds released under i) and ii) above into the Sustainable Equities and Paris Aligned Benchmarked portfolios, such that both formed an equal weight of the total investments of the Fund
(iv) no hedging

.... in the Chair

Date of signing ....

LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 7 July 2023 commencing at 10.30 am and finishing at 12.30 pm

Present:

Voting Members:	Matthew Trebilcock – in the Chair Alistair Bastin Stephen Davis Angela Priestley-Gibbins Marcia Slater Councillor Bob Johnston
Members of Pension Fund Committee in Attendance:	Councillor Bob Johnston
Officers:	Sean Collins, (Service Manager, Insurance & Money Management); Mukhtar Master, (Governance & Communications Manager); Sharon Keenlyside, (Interim Committee 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.

25/23 WELCOME BY CHAIRMAN
(Agenda No. 1)

The Chair welcomed everyone to the meeting.

26/23 APOLOGIES FOR ABSENCE
(Agenda No. 2)

Apologies for absence were received from Liz Hayden and Elizabeth Griffiths.

Officers informed the Board that Elizabeth Griffiths had resigned as Board Member as she had moved to a role outside of Oxfordshire County Council (OCC).

Following the meeting, Marcia Slater would be stepping down as Board Member as she would be retiring and therefore, no longer eligible for service.

The Chair and officers thanked them for their service, time and commitment to the Board.

27/23 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE BELOW

(Agenda No. 3)

There were none.

28/23 MINUTES OF THE MEETING OF 5 MAY 2023

(Agenda No. 4)

The minutes of the meeting held on 5 May 2023 were agreed as a correct record.

29/23 UNCONFIRMED MINUTES OF THE PENSION FUND COMMITTEE - 9 JUNE 2023

(Agenda No. 5)

The Board had before it the draft minutes of the Pension Fund Committee meeting of 9 June 2023. The draft minutes were noted.

30/23 ANNUAL REPORT OF THE PENSION BOARD

(Agenda No. 6)

The Board was provided with the Annual Report of the Pension Board which formed part of the annual report and accounts of the Pension Fund. The report highlighted the work of the Board over the last year and highlighted the new General Code of Practice which would be a key part of the future work programme.

The report was a public document and would go to the next Pension Fund Committee meeting and to Council.

The Board were asked to ensure that appendix 1 was updated with any training that Board members had received during 1 April 2022- 31 March 23.

The Board were asked to approve the report and confirm that it was an accurate record of the work of the Board over the last year.

The Board:-

1) approved the Annual Report of the Pension Board

2) would update the appendix with any training that Board members had received during 2022-23.

31/23 REVIEW OF THE ANNUAL BUSINESS PLAN
(Agenda No. 7)

The report set out the latest progress against the key service priorities set in the business plan for the Pension Fund for 2023/24, as agreed at the meeting of the Pension Fund Committee, held on 3 March 2023.

Sean Collins, Service Manager, Insurance and Money Management, presented the report, outlined the service priorities, and answered queries raised.

The Board enquired about resourcing issues, including recruitment, when implementing McCloud. The Service Manager confirmed that the Committee had approved temporary recruitment resources to support the McCloud agenda. The team had support from Hyman's Robertson and would bring in further resources wherever possible. Timing could potentially be an issue, depending on how quickly cases would be expected to be dealt with, particularly complex ones.

The Board discussed the possibility of Funds within the Brunel pool being available to help if required. The Service Manager explained that all Funds worked differently and whilst knowledgeable regarding the system and processes, may not be compatible with the way OCC worked. A standardised way of working would be useful.

The Service Manager informed the board that the advert for a Governance Officer closed last week, and interviews would take place later this month. It was hoped that there would be a Governance Officer in post by the next Pension Fund Committee meeting.

The Board enquired about the date for the next National Knowledge assessment and were informed that these took place every two years with the next one due September 2024.

The Service Manager reported that due to a deadline of 31 May, a Stewardship Code application had been made outside of the committee cycle, but a Stewardships Outcomes Report would be brought to Committee for review in September.

The Service Manager reported that Committee had agreed changes in fund investments and determined that they would reduce the allocation to UK as the UK FTSE 100 portfolio was carbon intensive. The Committee decided that based on available data, the Sustainable Equity portfolio was best aligned to the goals of investment policy, as opposed to the Paris Aligned Passive Fund, therefore most of the allocation was moved there.

It was reported that to deliver improvements through enhancements to technology, there had been monthly meetings with Heywood, a supplier of pension system software. It was too early to gauge how effective these changes would be, but the Board would be kept updated throughout the year.

The Board enquired about the piloted member/employer satisfaction survey and requested that the survey questions and results are brought to the next meeting. This was agreed with officers.

The Board noted the report and**: -**

1) would review the member/employer satisfaction survey questions and results at a future Board meeting

2) that the Committee had noted progress against each of the key service priorities as set out in the report

3) that the Committee had agreed any further actions to be taken to address those areas not currently on target to deliver the required objectives

4) that the Committee had delegated authority to the Head of Finance to make necessary arrangements regarding the new fund.

32/23 GOVERNANCE POLICY AND GOVERNANCE COMPLIANCE STATEMENT
(Agenda No. 8)

Mukhtar Master, Governance & Communications Manager, presented the report on the updated Governance Policy for the Fund and the latest Governance Compliance Statement.

The Governance & Communications Manager confirmed to the Chair that the report was approved by the Committee with no changes.

The Board discussed the impact of the Independent Financial Advisor becoming freelance and therefore not regulated by the Financial Conduct Authority (FCA). The Service Manager informed the Board that after discussion with the Chair of the Committee, it had been confirmed that an FCA registered and approved advisor would be required to provide advice for the Private Equity holdings. If the adviser did become freelance, MJ Hudson would be asked to provide a new advisor, or a second advisor or OCC would have to recruit a new advisor. A report would be brought to the Committee meeting in September.

The Board noted the report and that the Committee had approved the revised draft Governance Policy and Governance statement attached as Appendix 1 and 2 respectively.

33/23 REGULATORY BREACHES POLICY
(Agenda No. 9)

The Governance & Communications Manager presented the report on the Regulatory Breaches Policy and invited the Board to offer any comments to the Committee.

The officers informed the Board that the Committee had requested quarterly updates on breaches which would be submitted under the governance rather than administration paper. The beaches would also be reported to the Board.
The Committee had also requested information on pension scams and measures to mitigate them, to be included at September's meeting.

Members enquired if the new general Code of Practice would affect the Regulatory Breaches Policy. Officers felt that there may be a few minor changes and any updates would be reported back to Board.

The Board noted the report and that: -

1) the Committee had approved the revised draft Breaches Policy

2) the Committee agreed that all known breaches should be reported to the Committee on a quarterly basis

3) the Committee had reviewed the types of breaches to be reported at the December meeting when the Hymans Toolkit would be available for use by the Pension Fund

4) the Committee had asked the Director of Finance to submit a report to the September meeting on measures that could be taken to mitigate the risk of pension scams and other financial crime which could impact upon the Pension Scheme.

34/23 RISK REGISTER
(Agenda No. 10)

The Governance & Communications Manager presented the latest risk register as considered by the Pension Fund Committee on 9 June 2023. The Board were invited to review the report and offer any further views back to the Committee.

The Chair noted that the Fire Service had its own Pension Board and Risk Register.

Members highlighted Risk 14 – Insufficient Skills and Knowledge amongst Board Members and requested that two employer representatives be recruited quickly and thoroughly. Officers assured the Board that this would be reflected in the next risk register and they would ensure that recruited employer representatives were effectively trained.

The Board noted the report.

35/23 ADMINISTRATION REPORT
(Agenda No. 11)

The Service Manager presented the latest Administration Report which was presented to the Pensions Fund Committee on 9 June 2023, including the latest performance statistics for the Service.

The officer informed the Board that a report on Contributions Monitoring would be brought to the meeting in September.

There was positive feedback on i-connect with how quickly queries were received but concerns that scheme employers may not be aware that they were now able to upload supporting information via i-connect. The Service Manager commented that the number of documents that could be uploaded was hoped to be increased and would feedback concerns to ensure that it was properly publicised, and employers were fully informed.

The Board discussed the case of a scheme employer who had gone into administration and not paid full contributions. The Service Manager reassured the Board that there was only one member of staff involved and their pension was fully protected.

The Board were informed that the abbreviation A2P in the report meant Administration to Pay.

The Board noted the report and that: -

1) the Committee noted the progress against the Administration objectives for the year

2) the Committee noted the write off of £55.31 agreed by the Pension Services Manager

3) the Committee ask the Director of Finance to provide additional information on monitoring of contributions in future reports

36/23 INVESTMENT PERFORMANCE AND FEES

(Agenda No. 12)

The Service Manager presented the annual report which detailed the investment fees paid during the last financial year and included the performance against benchmark which enabled the Board to consider any issues of value for money.

Councillor Bob Johnston commented that investment performance was discussed at Committee and members had requested training on private sector investments at a time to be confirmed and this could be extended to Board members.

The Board discussed the availability of disaggregated data on equity holdings across the different portfolios in Brunel, currently held by Oxfordshire LPGS. The Service Manager explained the difficulties in obtaining long-term data and trends but if available, disaggregated data would be included in the next report.

The Board asked if it were possible to compare the Oxfordshire LGPS 45bps with other Funds. It was agreed that the Service Manager would try to obtain a national benchmark to add to the next report. Funds were required to display fees in the same format so there should be comparable data.

The Board **AGREED** the report be brought to the next meeting of the Pension Fund Committee.

37/23 ITEMS TO INCLUDE IN REPORT TO THE PENSION FUND COMMITTEE
(Agenda No. 13)

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

- Investment Performance and Fees Annual Report.
- Annual Report of the Pension Board.
- Concerns reflected in the Risk Register, due to lost skills and knowledge of two Employer Reps who have stepped down from the Board.

38/23 ITEMS TO BE INCLUDED IN THE AGENDA FOR THE NEXT BOARD MEETING
(Agenda No. 14)

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

- a report on the Scheme Member Satisfaction Survey including the questions and results.
- Governance Report would be a new standard item for the Board to review including breaches.

After discussion regarding information on Additional Voluntary Contribution (AVC) and Salary Sacrifice, the Service Manager would distribute a briefing paper to the Board to determine if it would be a suitable item for a future Board meeting. Copies of issued AVC correspondence would be brought to the next Board meeting.

.... in the Chair

Date of signing ....

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The Division(s): n/a

ITEM 6

PENSION FUND COMMITTEE – 8 SEPTEMBER 2023

REPORT OF THE PENSION BOARD

Report by the Independent Chairman of the Pension Board

RECOMMENDATION

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

Introduction

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

2. This report reflects the discussions of the Board members at their meeting on 7 July 2023. The virtual meeting was attended by Matthew Trebilcock as the independent Chairman, and the four voting members of the Board, including Marcia Slater who was attending her last meeting before her retirement. The Board was informed that Elizabeth Griffiths had also resigned from the Board following a change of employment which meant she no longer represented a scheme employer. The Board were informed that the recruitment process to replace both Marcia and Elizabeth was under way, and hopefully new representatives would be in pace in time for the next meeting in October 2023. Cllr Bob Johnston also attended the meeting to maintain the link to the work of the Pension Fund Committee.

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

3. The Board agreed their annual report on the work of the Board which includes the training undertaken by Board Members over the course of 2022/23. The report is included as part of the Annual Report and Accounts included elsewhere on today's agenda.

4. The Board then considered several of reports as presented to the last meeting of the Pension Committee. These were the review of the Annual Business Plan, the Governance Policy and Governance Compliance Statement, the Regulatory Breaches Policy, the Risk Register and the Administration report.

5. As part of their review of the Annual Business Plan report, the Board requested more information be brought to their next meeting on the arrangements for assessing scheme member and scheme employer satisfaction with the services provided. The Board also agreed that we should follow the example of the Devon Pension Fund and undertake a survey of scheme members in respect of the investment policies of the Pension Fund.

6. Given the resignation of Elizabeth and Marcia, the Board also wished to draw the Committee’s attention to the increased risks associated with the skills and knowledge of the Board Members. It was noted that until replacements were recruited, there was an increased risk that future meetings of the Board would be inquorate, relying on the availability of the one remaining scheme employer representative. The Board noted the process for seeking replacement representatives was timetabled to enable new appointments to be in place before the next meeting of the Board in October, as well as the availability of comprehensive training arrangements to enable new recruits to obtain the skills and knowledge to effective serve on the Board.

7. The Board also considered a report on investment performance and investment management fees. The Board noted the difficulties of drawing any meaningful conclusions from the results due to the short-term history of many of the current portfolios following the transition of assets to the Brunel pool and subsequent changes to allocations in line with the Climate Change Policy. The Board asked for further work to be completed on the individual equity portfolios and whether comparative figures could be provided on fee levels relative to other LGPS Funds. At the request of the Board, the report is included as an annex to this report.

Matthew Trebilcock
Independent Chairman of the Pension Board

Contact Officer: Sean Collins
Tel: 07554 103465

August 2023

Annex 1 – Report to the Last Meeting of the Pension Board

OXFORDSHIRE LOCAL PENSION BOARD – 7 JULY 2023

INVESTMENT MANAGEMENT COSTS AND PERFORMANCE

Report by the Director Finance

Recommendation

1. **The Board are invited to discuss the contents of this report and consider what advice, if any, to send to the Pension Fund Committee.**

Introduction

2. This is the sixth in a series of reports considered by this Board in respect of the costs and performance of the investment management portfolios run on behalf of the Pension Fund Committee.

3. The previous reports have highlighted a number of complexities when considering investment management fees. These include:

    a. The majority of fees paid are on a fixed rate basis and vary in line with overall asset values rather than performance. In any one year therefore comparison of fees paid to performance against benchmark will be impacted by the position in the investment cycle with results likely to imply different conclusions for value and growth managers for example.
    b. Looking simply at fees and investment performance is too narrow a view of the overall performance of fund managers and fails to take into account the wider objectives of the Committee's investment strategy. In particular, there is a requirement to ensure the overall investment strategy provides for a sufficiently diversified set of investments to mitigate risk.
    c. In recent years there is also much greater attention paid to the management of the environmental, social and governance risks within the investment portfolios which may not necessarily be reflected in short-term investment performance. Indeed, many of those companies best placed to manage the transition to a low carbon economy may suffer poorer investment performance in the short term as they fund the transition.
    d. In many asset classes, particularly within the private markets, there is no alternative to paying the market fee rate if you want to remain invested in the asset class i.e. there is not a passive alternative where for a lower fee you can achieve the average return of the asset class without the additional risk of paying active fees
    e. The transition to Brunel as part of the Government's pooling agenda has led to a loss of all long term trends in the fee and investment performance data.

f. In recent years, there has been a much greater level of transparency in the reporting of all investment fees. The increase in fee levels in recent years can be in part simply be explained by this greater transparency, with fees paid to under-lying fund managers now explicitly included in reported fee levels with a corresponding increase in the new performance of the portfolio.

g. Fees paid in respect of a number of the private market portfolios are paid on the basis of resources committed rather than actual money invested, and even where invested, performance often follows the J-curve with a dip in value before stronger investment performance later in the life of the asset/company (as a result of construction costs, investing in start up companies etc)

4. Despite the number of concerns around the complexity of assessing investment manager fees though, it is important to undertake a regular review of the level of fees paid to ensure the Fund is obtaining value for money in respect of the fees paid to their active investment managers.

Current Data

5. The total management fees paid in 2022/23 amounted to £14.3m including the fees payable to Brunel to cover the operating costs of the company. This equates to 45bps when taken as a percentage of a simple average of the assets invested over the course of 2022/23. The equivalent figures for the previous financial year were £13.7m and 44bps. Further details are included in the annex to this report.

6. Over the course of 2022/23, the investments reduced in value by 3.9%, which was 3.1% below the benchmark return or -0.8%. Over the longer periods of 3, 5 and 10 years the Fund under-performed its benchmark by 1.3%, 0.6% and 0.2% per annum respectively.

7. Last year, all the equivalent figures indicated out-performance against the benchmark, indicating the impact on the long-term position of one poor year. It is equally true that another good year in 2023/24 would restore all the long-term figures to indicate outperformance against the benchmark. This volatility makes it very difficult to draw any clear conclusions in respect of the value for money paid to the active managers.

8. As noted above, it is difficult to draw any firm conclusions from the data. Looking at the individual average fees paid for each asset class shows that whilst the total average fee has risen from 44bps to 45bps, many of the fees for individual asset classes has fallen. However, as the Fund has increased its commitments into the private markets, there is now a higher weighting to the more expensive asset classes.

9. The figures indicate that the most expensive asset class is infrastructure at 205bps. This though is down from a figure of 263bps in 2021/22 largely as more of the commitments have now been called without a corresponding increase in fees. Whilst the figures show it is the most expensive asset class in 2022/23,

the performance figures also indicate it was one of the best performing within the Fund, outperforming the benchmark by over 4.0% (three-year outperformance is 3.4%). This suggests that the Fund is receiving value for money for the higher fees paid.

10. The other high-cost asset classes are private equity and private debt. Private equity too has seen long-term outperformance against the benchmark of more than 3% so again justifying the higher fee level. Private debt does not yet have a long-term record within the Oxfordshire Fund so it is difficult to draw any conclusions at this stage. The fee level on private debt should also fall going forward as more of the commitments are called without a corresponding increase in fees paid (the same issue which explains the movement in average fees from 460bps to 98bps over the last year.

11. The challenges of interpreting the data for the private debt portfolio are replicated across the majority of the private market asset classes where the majority of the allocations to Brunel have not yet reached their third year, so distorting fee levels when expressed relative to assets invested, and where we have no long-term performance records to demonstrate the extent to which these portfolios are delivering value for money for the Fund.

Lorna Baxter
Director of Finance June 2023

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Annex 1

Asset Class	Fees Paid 2021/22 £000	Fees Paid 2022/23 £000	Average Investment 2021/22 £m	Average Investment 2022/23 £m	Average Fees 2021/22 bps	Average Fees 2022/23 bps
Equity	4,624	4,289	1,713	1,720	27	25
Fixed Income	628	459	489	379	13	12
Diversified Growth Fund	650	561	159	139	41	40
Private Equity	3,134	4,255	305	360	103	118
Property	2,226	1,890	202	233	110	81
Infrastructure	1,261	1,609	48	79	263	205
Multi-Asset Credit	543	461	70	137	78	34
Secured Income	355	512	78	98	46	53
Private Debt	276	254	6	26	460	98
Cash	n/a	n/a	42	39	n/a	n/a
Total	13,697	14,290	3,112	3,210	44	45

Division(s): n/a

ITEM 7

PENSION FUND COMMITTEE – 8 SEPTEMBER 2023

REVIEW OF THE BUSINESS PLAN 2023/24

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to

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

Introduction

1. This report sets out the latest progress against the key service priorities set in the business plan for the Pension Fund for 2023/24 as agreed by the March meeting of this Committee.

2. The key objectives for the Oxfordshire Pension Fund as set out in the Business Plan for 2023/24 remain consistent with those agreed for previous years. These are summarised as:
   - To fulfil our fiduciary duty to all key stakeholders
   - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pensons Regulator
   - To achieve a 100% funding level
   - To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
   - To maintain as near stable and affordable employer contribution rates as possible.

3. The service priorities for the year do not include the business as usual activity which will continue alongside the activities included in the service priorities. Business as usual activities are monitored as part of the Administration Report and the report on Investment Performance.

Key Service Priorities – Progress to Date

4. There were 4 service priorities included in the 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 agreed by the previous Committee for each measure of success is as follows:

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

5. 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. AMBER	Resourcing plan reviewed and progress made on recruiting sufficient staff to complete work.	Final Regulations setting out information requirements still awaited. System changes to automate any new requirements to be implemented and tested.
Scheme Member records available via the Pension Dashboard. GREEN	Work continues on data quality improvement.	Awaiting revised Government timescales.

6. In the absence of clear guidance and the final Regulations in respect of the McCloud remedy from Government, there has been little clear progress in many of the areas covered by this objective, although we continue to review the quality of our data as part of the closedown process for 2022/23 to ensure we are fully prepared to meet any requirements in respect of the Dashboard, and to implement the McCloud remedy.

7. In respect of the McCloud remedy, we continue to review the data we have previously been provided to identify any missing information, or lack of consistency in the data provided. Until we receive final regulations and guidance which covers all these issues, it will not be possible to confirm we have

sufficient resources to meet the requirements re member benefit calculations. The Priority therefore is scored Amber at this stage.

8. Progress has been made in terms of putting in place a formal escalation process in respect of late receipt of pension contributions or supporting paperwork, and this quarter sees the first of the new Governance and Communications reports which will become a standing item on the Committee's agenda and will include information on all regulatory breaches identified in the previous quarter. No material breaches were identified in the first quarter of this year which required a report through to the Pension Regulator, or equivalent body.

9. <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.	Complete analysis of compliance with General Code of Practice.
Revised Administration Strategy agreed by Committee with clear Service Level Agreement established with all scheme employers. GREEN	Proposal at today's meeting of the Committee.	
Revised Breaches Policy agreed by Committee and Committee signed off quarterly key performance indicator provides all information they require to gain assurance on compliance with Code of Practice and Regulatory Requirements. GREEN	Revised Breaches Policy agreed.	
Full workforce Strategy agreed by Committee. AMBER		Awaiting Good Government Guidance from Government
Increase in average scores for the National	Training Session on lowest scoring areas	New Assessment tool to be completed.

Knowledge Assessment. GREEN	from last assessment arranged.	

10. We have continued to make good progress on a number of issues under this priority, including the inclusion of the new standing item on Governance and Communications presented to the Committee for the first time today, and the revised Administration Strategy presented to the Committee for approval elsewhere on today's agenda.

11. I am also happy to report the successful conclusion of the recruitment process to appoint the third and final member of the new Governance and Communications Team. This will allow us to continue to develop the work in this area and particularly allow a focus on assessing compliance with the new General Code of Practice once finally published.

12. The one area currently scored amber relates to the workforce strategy where we are still waiting for the Government to publish the Good Governance Guidance which will hopefully set out more clearly their requirements. As noted elsewhere though on the agenda, we are looking at the current succession plans to mitigate the risks of the loss of key staff.

13. One of the key regulatory requirements facing the Fund each year is the publication of Annual Benefit Statements for all active and deferred members before the statutory deadline of 31 August. At the time of writing this report significant work had been undertaken to meet this target, and an updated position will be reported direct to the meeting.

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. AMBER	Stewardship Policy developed, and application made under the Stewardship Code.	

	Committee to review Brunel's Responsible Investment and Stewardship Outcomes report at today's meeting.	
Benchmark position established on investments in climate solutions/mitigations and target set for increased investment (with action plan to deliver). GREEN	Discussions within Brunel Pension Partnership re climate solutions local impact portfolio. 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 included elsewhere on today's agenda.	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. At the time of writing this report, discussions are on-going in respect of the concerns previously expressed about the investments in Suncor and MEG within the Global High Alpha portfolio. These discussions centre around the interpretation and implementation of the currently agreed Brunel Climate Change Policy and the responses from the relevant Fund Manager who has made the investment in the two holdings. The discussion includes consideration of the Engagement Policy adopted by this Committee at its meeting in June 2022.

16. Elsewhere on today's agenda, the Committee are invited to review the Stewardship Policy document submitted in May as our application under the Stewardship Code. At the time of writing this report we have not yet heard whether our application was successful. An update will be provided at the meeting if received in time. The Committee are also invited to review the Brunel Responsible Investment and Stewardship Outcomes Report and confirm they are happy with the work done on their behalf in this area.

17. The latest report issued in accordance with the Taskforce for Climate-related Financial Disclosures (TCFD) template is also presented to the Committee as part of today's agenda, including an update on progress made over the last year on the implementation of our Climate Change Policy.

18. Finally in this section, the Committee should note that discussions are on-going amongst a number of the partner Funds within Brunel around the establishment of a local impact renewables portfolio. Subject to the successful conclusion of these current discussions and the associated review of the financial and legal

documents, we are looking to make a commitment in the region of £30m to this portfolio.

19. 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. AMBER		Action Plan to be developed and priority groups identified.
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.	

20. 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. We have gone live with the initial areas where scheme members can upload their documents direct to the system and this is resulting in increased capacity amongst the administrative assistants to focus on other areas of their work. It is also clear that scheme members welcome the opportunity to upload their documents directly to the system and we are looking to introduce this option across more areas of the service.

21. 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. It was decided as a result of workload pressures around the year end to delay the implementation of on-line payslips. The majority of

pensioners only receive a single payslip in April to reflect the changes in their pension for the new financial year, so this delay does mean we have missed the opportunity to deliver significant savings on postage until next year. However, since the last meeting, the County Council has approached us regarding changes they are seeking to make to their postal arrangements and the introduction of a hybrid digital post room. Subject to the ability to send correspondence direct from the pensions' software to the new post room, it is hoped that we can make savings on the postage budget this year, with further savings going forward.

22. Part C of the Business Plan sets out the Fund's budget for 2023/24 which totals £17,662,000. The table below sets out the expenditure to date and the forecast position for the end of the year.

	Budget	YTD	%	Forecast Outturn	Variance
	2023/24	2023/24		2023/24	2023/24
	£'000	£'000		£'000	£'000
Administrative Expenses					
Administrative Employee Costs	1,607	336	21%	1,607	0
Support Services Including ICT	930	499	54%	950	20
Printing & Stationary	132	31	24%	132	0
Advisory & Consultancy Fees	315	3	1%	250	-65
Other	59	16	27%	59	0
Total Administrative Expenses	**3,043**	**886**	**29%**	**2,998**	**-45**
Investment Management Expenses					
Management Fees	12,450	3,000	24%	12,000	-450
Custody Fees	30	4	13%	30	0
Brunel Contract Costs	1,258	655	52%	1,258	0
Total Investment Management Expenses	**13,738**	**3,659**	**27%**	**13,288**	**-450**
Oversight & Governance					
Investment Employee Costs	380	80	21%	370	-10
Support Services Including ICT	12	0	0%	12	0
Actuarial Fees	190	109	57%	190	0
External Audit Fees	50	0	0%	50	0
Internal Audit Fees	17	0	0%	17	0
Advisory & Consultancy Fees	98	4	4%	98	0
Committee and Board Costs	64	2	3%	64	0
Subscriptions and Memberships	70	14	21%	70	0

Total Oversight & Governance Expenses	**881**	**210**	**24%**	**871**	**-10**
Total Pension Fund Budget	**17,662**	**4,754**	**27%**	**17,157**	**-505**

23. The major variation identified at this time is an expected underspend against the investment management fees which are related to the overall Fund value and therefore as volatile as the financial markets. The underspend reflects the actual fee levels paid during the first quarter.

24. There are other minor variations should in the table. No variation is shown on staffing within the administration team, although there has been a underspend during the first quarter, reflecting the expectation that expenditure will increase through the year following a successful recruitment round and the use of temporary staff above establishment to meet the demands of implementing the McCloud remedy.

25. Part D of the Business Plan sets out the Training Plan for Committee and Pension Board Members. A training session on the General Code of Practice was held prior to the start of the June Committee Meeting, a session on the Accounting and Audit Requirements and Investment Performance took place on the morning of 27 June 2023, and a session on equity protection was scheduled to immediately proceed today's meeting.

26. We will shortly be sending out links to the latest knowledge assessment exercise run by Hymans Robertson which will enable us to review the effectiveness of the training delivered so far this year and the priorities for the remaining months. It has already been agreed to run a session on the private markets.

Lorna Baxter
Director of Finance

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August 2023

Division(s): n/a

ITEM 8

PENSION FUND COMMITTEE – 8 SEPTEMBER 2023

GOVERNANCE & COMMUNICATIONS REPORT

Report by the Director of Finance

RECOMMENDATION

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

   i) **Note the latest governance matters and agree the schedule for the review of fund policies.**
   ii) **Agree the proposal to carry out a survey of members regarding investment matters.**

Introduction

2. Governance and Communications are very important functions of an LGPS fund. The requirements for a fund are set out by central government within statutory legislation and regulations. One of the key regulatory requirements for effective governance is the Pensions Regulator's Code of Practice 14 - soon to be replaced by the 'General Code of Practice'.

3. It is vitally important that the Pension Fund Committee is kept informed and abreast of work in this area and current developments, such that the Committee are then able to carry outs its role effectively. As such, the Committee will be presented with a new 'Governance & Communications Report' each quarter.

Governance & Communications Team

4. Further to a governance review carried out by Hymans Robertson in 2020, the Committee agreed a number of Governance recommendations at their meeting in September 2021. The review recommended the establishment of a new Governance and Communications Team.

5. All the new posts have now been recruited to, including, the new Governance and Communications Officer post. The successful candidate is due to start in the near future. The team now consists of its full complement of staff:
   (1) Governance & Communications Manager
   (2) Communications Manager
   (3) Governance & Communications Officer

Fund Policy Review Schedule

6. It is both a requirement and good practice to ensure that all fund policies and procedures are regularly reviewed and signed off by the Pension Fund Committee. To this end, all fund policies have been reviewed to produce the following fund policy review schedule.

Fund Policy	Last Reviewed	Next Review	Responsible Officer	Note
Academies Policy	Dec-22	Dec-25	SC	Annex to the FSS
Admission and Terminations Policy	N/A	Dec-23	SF	New policy document
Breaches Policy	Jun-23	Jun-24	MM	
Bulk Transfer payment policy	Dec-22	Dec-25	SC	Annex to the FSS
Cessation Policy	Dec-22	Dec-25	SC	Annex to the FSS
Communication Policy	Mar-23	Jun-24	MM	
Contribution Review	Dec-22	Dec-25	SC	Annex to the FSS
Eary Release of Pension Benefits Policy	Jun-19	Dec-23	SF	
Discretion Policy	May-19	Dec-23	SF	
Funding Strategy Statement	Dec-22	Dec-25	SC	
Governance Policy Statement	Jun-23	Jun-24	MM	
Governance Compliance Statement	Jun-23	Jun-24	MM	
Investment Strategy Statement	Jun-20	Dec-23	GL	
Pass-through Policy	Dec-22	Dec-25	SC	Annex to the FSS
Administration Strategy	Dec-19	Sep-23	SF	
Prepayment Policy	Dec-22	Dec-25	SC	Annex to the FSS
Responsible Investment Policy	N/A	Dec-23	GL	New section of ISS
Risk Management Framework	N/A	Dec-23	MM	New policy document
Scheme of Delegations Policy	Jun-21	Mar-24	SC/MM	
Voluntary Scheme pays policy	Jun-20	Dec-23	SF	

The committee are asked to review and agree the schedule.

Breaches for the period April to June 2023

7. 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.

8. The Pension Fund Committee agreed a new breaches policy at its last meeting on the 9 June. Since then, the fund implemented new processes for effectively identifying and recording breaches. The following table shows the number of breaches in the last quarter - Apr to June 2023.

> Note – The breaches policy has been revised and new improved systems have been implemented for identifying breaches. Consequently, there may be increasing numbers of breaches identified and report due to the improved systems being in place

Breach Type	2023/24				
	Apr-Jun (Q1)	Jul-Sep (Q2)	Oct-Dec (Q3)	Jan-Mar (Q4)	TOTAL
Data	3				3
CoP Administration	0				0
CoP Contribution	2				2
TOTAL	5	0	0	0	5

Data Breaches

9. Two of the 3 data breaches were letters being sent to the wrong address. Corrective action was taken. The other data breach was as a result of software being used by a third-party company contracted to provide print services, Adare. The data breach affected 35 members, much of which was password protected. Many steps have been taken in conjunction with Adare to minimise a future occurrence.

Code of Practise – Contribution Breaches

10. There were two contribution breaches in the quarter. Both were escalated appropriately to ensure a successful resolution.

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

Communications

12. At the request of the Pension Board, the fund is planning to carry out a member survey regarding investments. The investment survey will be sent to members who use My Oxfordshire Pension and will also be publicised on the website. This should target approximately 50% of members across each of the Active, Deferred and Pensioner members ensuring a good representation of all members.

13. The questions for the survey are currently being developed by the Service Manager. The survey will be sent out at the end of September 2023 with a closing date of 31 October 2023.

Lorna Baxter
Director of Finance

Contact Officer: Mukhtar Master
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August 2023

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The Division(s): n/a

ITEM 9

PENSION FUND COMMITTEE – 8 SEPTEMBER 2023

REVIEW OF THE EFFECTIVENESS OF THE COMMITTEE

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to

a) note the key issues arising from the survey undertaken at the end of the June Committee meeting,
b) consider the questions raised in paragraph 9 of the report and
c) determine what actions, if any, are appropriate at this time.

Introduction

1. At the conclusion of the Committee meeting in June 2023, Members were asked to complete a short survey to gain their reflections on the meeting and to identify any issues relating to the effective delivery of the Committee's responsibilities. This report highlights the main issues identified within the survey responses and potential actions for the Committee to consider.

Matters Identified within the Survey Responses

2. There were 8 members present at the June Committee meeting and 7 of these returned a survey response. All questions except the final question were looking for a Yes or No answer, with the option to add any additional comments to each question. The final question was an open question to allow any comments on issues not covered by the specific questions.

3. In almost all cases members responded yes to the question indicating that they were happy that:

   a) The meeting had gone well (one member commented on the problems with the sound quality for those on-line)
   b) All information had been satisfactorily presented (one member whilst responding yes, noted that one of the answers on a question of the administration report seemed confused, and that it would have been helpful to have received the printed agenda pack earlier to allow more time to consider the papers in advance)
   c) They had sufficient knowledge to understand the agenda items. One member did respond both yes and no to this question, and stated that their level of knowledge did vary across the range of subjects being discussed
   d) They understood their responsibilities in respect of each item

e) They were able to contribute
f) The meeting was inclusive. One member responded No to this question and noted that there needed to be more encouragement to ensure all members contributed to the meeting.
g) There was sufficient time to discuss each item
h) All members contributed to the meeting. Again, one member responded no to this question and commented that whilst most members contributed well, others were silent or made limited contribution
i) The meeting was well chaired. The Chair himself did not feel it was appropriate that he responded to this question.

4. There were two comments in respect of the final open question. One member felt that the Administration report contained too much detail and should be more focussed. Whilst it is noted that the Administration report seeks to cover all aspects of the administration function in a single item and therefore will be wide ranging, the feedback has been noted, and the report this quarter seeks to contain most of the detail in separate annexes, so allowing the main body of the report to me more focussed. Further feedback from the Committee on the content of the Administration report, and other reports on today's agenda is welcomed.

5. The second comment related to the long-term risks to the Committee's effectiveness given the reduction in voting members to 5, and the vagaries of the political process. There was a concern that the Committee could lose a significant element of the current skills and knowledge following the next Council elections.

6. The current Committee constitution was agreed in March 2021 following the independent governance review undertaken by Hymans Robertson. The changes which reduced the number of voting members and increased wider representation on the Committee by the introduction of new non-voting roles sought to address two key issues. The first was the lack of a representative voice on the Committee for some of the biggest employers within the Fund, including the Academy Sector (30% of active membership) and Oxford Brookes University (10%). The second was to try and ensure those appointed to serve on the Committee had a genuine interest in the position, and were happy to engage in the required training, and work of the Committee.

7. As the new constitution has now been in place for over 2 years, it is appropriate to reflect on whether the changes have delivered the desired outcomes. Whilst the National Knowledge Assessment results indicated higher than average skills and knowledge scores when compared to other LGPS Committees, there are questions whether the wider representation on the Committee has in fact led to the voice of the larger employers being heard. The survey feedback following the June Committee plus observations over the last two years has indicated that whilst there are regular contributions from the representatives of Oxford Brookes University, the District Councils and Scheme Members, there has been little contribution from the academy representatives.

8. It is also worth considering whether the reduction in voting members has increased the risk associated with the vagaries of the political process as highlighted in the June survey responses. Any increase though in voting members though needs to be considered against the risk that new recruits will be less committed to the work of the Committee and the training required to develop the skills and knowledge necessary to effectively meet the responsibilities of a committee member.

9. The Committee are therefore invited to consider the following questions and determine what action if any to propose to the full Council take in respect of any further changes to the constitution of the Committee itself:

    a) Has the addition of new scheme employer representatives to the Committee met the objective of ensuring the voice of significant employers is heard in all key policy discussions? If not, does this reflect limited differences in requirements of the largest employers, or are there further changes required to ensure effective representation of the largest employers?
    b) Has the reduction of the number of voting members increased the risk associated with the loss of skills and knowledge following the cycle of County Council elections? If so, would increasing the number of voting members be an effective mitigation, or act to dilute the skills and knowledge of the Committee as a whole?
    c) What is an effective size of the Committee going forward to ensure all members do have the necessary skills and knowledge required to meet their responsibilities, and can effectively contribute to the Committee meetings without the meetings becoming unwieldy?
    d) Are there any other changes Members would wish to see to ensure the effective working of the Committee going forward?

Lorna Baxter
Director of Finance

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August 2023

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Division(s): n/a

ITEM 10

PENSION FUND COMMITTEE – 8 SEPTEMBER 2023

RISK REGISTER

Report by the Director of Finance

RECOMMENDATION

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

Introduction

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

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

Comments from the Pension Board

4. At their meeting on 7 July 2023, the Pension Board considered the latest risk register and for Risk 14 it was requested that the "two employer representatives be recruited quickly and thoroughly".

Latest Position on Existing Risks/New Risks

New Emerging Risks

4. Risk 25 – 'Increasing Central Government requirements for Asset Allocations'. Central Government have launched a new consultation for LGPS titled 'LGPS: Next Steps on Investments'. The consultation recommends a 10% asset allocation to Private Equity for LGPS funds. This increasing regulatory requirements for asset allocations can potentially adversely impact on a funds ability to meet its fiduciary duty. A further report is being presented to this committee meeting which will seek for the committee to respond to the consultation. The risk has been assessed to be an amber score 8.

5. Risk 26 – 'Departure of the current Independent Investment Advisor (IIA)'. MJ Hudson are the company currently contracted to provide the Fund with an IIA. MJ Hudson have been acquired by a company called the APEX Group. The current IIA has decided not to continue with the APEX Group, and as such would be leaving in October 2023. The loss of the current IIA would mean a significant loss in fund investment knowledge and experience. Discussions are currently on-going with the APEX Group to provide a suitable replacement IIA. The risk has been assessed to be an amber score 6.

6. Risk 27 – 'Potential loss of key members of staff'. Both the fund's Service Manager and Pensions Services Manager are at a point in their career when they could retire with three months' notice. This potential sudden loss of experience, knowledge and strategic leadership would have a significant adverse impact on the fund's ability to operate effectively. Effective succession planning and seeking early replacements are seen as potential means to mitigate the impact. The risk has been assessed to be an amber score 6.

Increasing Risk

7. 'Risk 14' – 'Insufficient Skills and Knowledge amongst Board Members'. The fund is currently recruiting to two vacancies for scheme employer representatives. This in turn adversely impacts on the current levels of skill and knowledge of the Board. As a consequence, the risk has been re-assessed to be a red score 12 as opposed to an amber 8 last quarter.

Reducing Risk

8. Risk 24 – 'Lack of administrative resources and knowledge for FPS, specifically with additional remedy workload and second options exercise for on call fire fighters'. The committee agreed to the additional resource for the fire service pension scheme and as such the recruitment process has been instigated. Consequently, the risk has been re-assessed to be an amber score 8 as opposed to a red score 12 last quarter.

Same Risk

9. All of the other risks have been assessed as being the same as last quarter. The highest rated risk in this group is Risk 21 – 'Insufficient Resource and/or Data to comply with consequences of McCloud Judgement & Sergeant'. Despite the fact that new staff have been recruited, lots of work remains to be done and the fund is still awaiting clarity from Central Government. As a consequence, the risk remains a high risk red at a score of 12.

Lorna Baxter
Director of Finance

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August 2023

Risk Register

Identification of Risks:

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

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

Key to Scoring

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

Likelihood

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

RAG Status/Direction of Travel

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

Ref	Risk	Scheme	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
								Impact	Likelihood	Score				Impact	Likelihood	Score		
1	Investment Strategy not aligned with Pension Liability Profile	LGPS	Investment	Pension Liabilities and asset attributes not understood and matched.	Long Term - Pension deficit not closed.	Service Manager	Triennial Asset Allocation Review after Valuation.	4	1	4	↔			4	1	4	August 2023	At Target
2	Investment Strategy not aligned with Pension Liability Profile	LGPS	Investment	Pension Liabilities and asset attributes not understood and matched.	Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	4	1	4	↔			4	1	4	August 2023	At Target
3	Investment Strategy not aligned with Pension Liability Profile	LGPS	Investment	Poor understanding of Scheme Member choices.	Long Term - Pension deficit not closed. Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	3	1	3	↔			3	1	3	August 2023	At Target
4	Under performance of asset managers or asset classes	LGPS	Investment	Loss of key staff and change of investment approach at Brunel or underlying Fund Managers.	Long Term - Pension deficit not closed.	Financial Manager	Quarterly assurance review with Brunel. Diversification of asset allocations.	3	2	6	↔			3	2	6	August 2023	At Target
5	Actual results vary to key financial assumptions in Valuation	LGPS	Funding	Market Forces	Long Term - Pension deficit not closed.	Service Manager	Actuarial model is based on 5,000 economic scenarios, rather than specific financial assumptions.	3	2	6	↔			3	2	6	August 2023	At Target
6	Under performance of pension investments due to ESG factors, including climate change.	LGPS	Investment	Failure to consider long term financial impact of ESG issues	Long Term - Pension deficit not closed.	Financial Manager	ESG Policy within Investment Strategy Statement requiring ESG factors to be considered in all investment decisions. The Fund have a Climate Change Policy and implementation plan.	4	1	4	↔			4	1	4	August 2023	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	August 2023	At Target
8	Employer Default – LGPS	LGPS	Funding	Market Forces, increased contribution rates, budget reductions.	Deficit Falls to be Met by Other Employers	Pension Services Manager	All new employers set up with ceding employing under-writing deficit, or bond put in place.	3	2	6	↔	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	August 2023	At Target
9	Inaccurate or out of date pension liability data	LGPS	Funding	Late or Incomplete Returns from Employers	Errors in Pension Liability Profile impacting on Risks 1 and 2 above.	Pension Services Manager	Monitoring of Monthly returns	3	1	3	↔			3	1	3	August 2023	At Target
10	Inaccurate or out of date pension liability data from Employer	LGPS	Operational	Late or Incomplete Returns from Employers	Late Payment of Pension Benefits.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	3	1	3	↔			3	1	3	August 2023	At Target
11	Inaccurate or out of date pension liability data from Employer	LGPS	Operational	Late or Incomplete Returns from Employers	Improvement Notice and/or Fines issued by Pension Regulator.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	4	1	4	↔			4	1	4	August 2023	At Target
12	Insufficient resources from Committee to deliver responsibilities-	LGPS	Operational	Budget Reductions	Breach of Regulation	Service Manager	Annual Budget Review as part of Business Plan.	4	1	4	↔			4	1	4	August 2023	At Target
13	Insufficient Skills and Knowledge on Committee	LGPS	Operational	Poor Training Programme	Breach of Regulation. Loss of Professional Investor Status under MIFID II	Service Manager	Training Review	4	2	8	↔	Implement new training plan 23/24	2023/24	4	1	4	August 2023	
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 2 scheme employer representatives	2023/24	4	1	4	August 2023	

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	3	2	6	↔	The Workforce Strategy required next year as part of the 'Good Governance' Project from Central Government.	Sept 2023	3	1	3	August 2023	Awaiting publication of the Good Governance Project proposals.
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.	Dec 2023	4	1	4	August 2023	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. Review and update the Fund Breaches Policy. The above action delayed due to an IT Applications Audit report findings.	Dec 2023	4	1	4	August 2023	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	August 2023	At Target
19	Failure of Pooled Vehicle to meet local objectives	LGPS	Investment	Sub-Funds agreed not consistent with our liability profile.	Long Term - Pension deficit not closed	Service Manager	Full engagement within Brunel Partnership	4	2	8	↔	Implementation of the Climate Change Policy with Brunel.	On-going	4	1	4	August 2023	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	August 2023	At Target
21	Insufficient Resource and/or Data to comply with consequences of McCloud Judgement & Sergeant.	LGPS / FPS	Operational	Significant requirement to retrospectively re-calculate member benefits	Breach of Regulation and Errors in Payments	Pension Services Manager	Engagement through SAB/LGA to understand potential implications and regular communications with scheme employers about potential retrospective data requirements.	4	3	12	↔	New staff have been recruited for McCloud. They start in September 2023 for training.	On-Going	2	2	4	August 2023	Awaiting Government response to consultation exercise on new Regulations to assess full impact.
22	Legal Challenge on basis of age discrimination in Firefighters Pension Schemes - Sergeant	FPS	Governance (FPS)	Pressure from Fire Brigades Union to act in advance of new Regulations	Court Order to deliver remedy	Deputy Chief Fire Officer	Seeking to follow consistent approach in line with Scheme Advisory Board guidance.	4	1	4	↔			4	1	4	August 2023	At Target.
23	Loss of strategic direction		Governance	Loss of key person	Short term lack of direction on key strategic issues	Director of Finance	Governance & Communications Manager has started and as a consequence provides resilience to the team.	2	1	2	↔			2	1	2	August 2023	At Target.
24	**EMERGING RISK 1:** Lack of administrative resources and knowledge for FPS, specifically with additional remedy workload and second options exercise for on call fire fighters.	FPS	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 is now in progress.	TBC	2	2	4	August 2023	

25	**Emerging Risk 2: Increasing Central Government requirements for Asset Allocations**	LGPS	Investment	New Central Government consultation for LGPS funds to have a 10% asset allocation to Private Equity	Potential impact on the Committee's ability to deliver its fiduciary duty.	Services Manager	Response to Government Consultation by the Fund	4	2	8	**NEW**	Response to consultation to be agreed by the committee at its September Meeting.	Sept 2023	4	1	4	August 2023	
26	**Emerging Risk 3: Departure of the current Independent Investment Advisor**	LGPS	Investment	The current provider of the IIA, MJ Hudson have been acquired by the APEX Group. The current IIA is unwilling to transfer to the APEX Group.	Loss of invaluable Fund investment knowledge and experience. Inability to trade listed private equity.	Services Manager	Request APEX Group for a replacement IIA.	3	2	6	**NEW**	On-going negotiations with the APEX Group or re-tender the contract.	Dec 2023	3	1	3	August 2023	
27	**Emerging Risk 4: Potential loss of key members of staff**	LGPS FSP	Operational	Potential risk of retirement of the Service Manager and the Pension Services Manager	Loss of experience, knowledge and strategic leadership for the Fund	Director of Finance	Succession planning for any potential departure.	3	2	6	**NEW**	Succession planning and early start to seek replacement for Service Manager	Apr 2024	3	1	3	August 2023	

PENSION FUND COMMITTEE – 08 SEPTEMBER 2023

ADMINISTRATION REPORT

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to

a) **Note the progress against the Administration objectives for the year;**
b) **Decide what additional information, if any they require to be included in this report;**
c) **Receive the details of the write offs agreed under the Scheme of Delegation;**
d) **Agree write off £255.93 in respect of deceased pensioners; and**
e) **Endorse the management actions in respect of the most recent Internal Audit Report as set out in annex 3 or determine any other actions to be taken.**

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.

Staffing

2. Recent recruitment has been reasonably successful with the employer team appointing four new administrations who will be joining the team from August onwards. The benefit administration team has now made offers to three new administrators.

3. Continuing, unresolved, staff performance issues however are still putting additional pressure on the team as a whole.

Performance Statistics

4. This Committee has previously asked for information to be presented using graphs rather than charts. As this is still being developed in the reporting software this report does not contain either but sets out main points for review.

Incoming data and end of year

5. At the point of writing this report all returns for 2022/2023 have been received. The annual benefit statements are ready to run for 152 scheme employers.

6. There are 14 scheme employers with outstanding queries – a total of 259 queries. At the time of writing this report responses are being chased to clear down as many of these outstanding queries as possible ahead of deadline.

7. These figures do not include Oxfordshire County Council, our largest scheme employer as the end of year data for 2022/2023 was submitted under the pre i-connect system. Inevitably there will be a number of records needing to be reconciled after the bulk issue of annual benefit statements.

8. A verbal update will be given at the committee meeting to confirm the number of annual benefit statements issued and how many records need to be investigated before an annual benefit statement is issued.

9. There has been little activity on new scheme employers / admission agreement during the quarter. However, there are ten scheduled academy conversions due in the next six months.

Administration Statistics

10. Last quarter it was reported that work relating to divorce, transfers in, interfunds in, transfers out and interfunds was on hold whilst new factors were due to be issued by the Government Actuarial Department (GAD). The factors have now been received and work has restarted on these subjects.

11. Annex 1 contains the details of work completed and outstanding. The Team closed 1,692 in July of which 1,431 or 85% were completed within the Service Level Agreement Target. This is down on the June figure of 90% which in part reflects the catch up of the cases previously on hold whilst awaiting the revised GAD factors.

12. This leaves the team with 2,383 open cases. Of these 776 are on hold waiting for further information to be provided either by the scheme employer, or scheme member. Overall, these cases are 51% within SLA specification.

13. Suspended Pensions – as of July, 390 pension payments were in suspense. The majority of these (208 cases) are linked to the project closing old death cases. Other reasons for suspending these payments are returned payments, often where member has died but no notification of death has been received and the member has changed address without informing us and where a trace is then required.

14. Statutory returns have all been completed and made on time in respect of:

    - HMRC Accounting for Tax

- HMRC Event Reporting
- Pension Increase applied to all pensions in payment
- P60's issued to all pensioners

Fire Service Administration

15. During last period 57 cases were completed, all within SLA specification. This leaves the team with 44 open cases, which the team is reviewing to identify any outstanding information / what action needs to be taken to complete this work. Details are shown at annex 2

Complaints

16. In the year to August there have been nine informal complaints received. No other formal complaints have been received since the June report to this committee.

Reference	Complaint	Stage 1 Decision	Stage 2 Decision	tPO
23/001	Transfer / refund	Not Found	Found	
23/002	Transfer	Not Found	In progress	
23/003	3 months' notice to take pension	Not Found		
23/004	Linking of records	Not Found	Not Found	
23/005	Ill-health retirement	In progress		
23/006	Ill-health retirement	Not Found	Not Found	
23/007	Ill-health retirement	Not Found	Referred back to employer	

Data Quality

17. No issues to report – data is continuing to be reviewed as part of end of year process and this committee will be updated on the annual return made to the Pension Regulator at the December meeting.

Contribution monitoring

18. 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.

19. As previously reported, there were three employers with longer standing issues around the payment of contributions. Of these two been resolved but are being monitored whilst for the other employer there are outstanding actions sitting with the company administrators.

Projects

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

21. Work has started on reviewing the death process which will include the review of the historic death cases where there is outstanding information which is needed to enable files to be finalised. Target date for completion was initially 31 May 2023. Given staffing issues this is being reviewed in line with the death process review due to be completed by October 2023.

22. AVC – a review of data held by Fund vs data held by Prudential is currently being undertaken. A meeting is scheduled for September to discuss results.

23. Administration to Pay (A2P) – a revised project plan has been set out which will initially review the work already done on transfer out; interfund out and refunds. Existing workflow processes will then be amended so that the new process can be implemented by end of November 2022. This leaves three subjects - retirements, deaths, and recalculations – to be reviewed and new workflow processes implemented. Work has started on death process which will be completed by October 2023. Other dates have yet to be finalised.

24. McCloud – the project plan is being written. The first step for the newly appointed administrators will be to identify all key scheme employer contacts ahead of the data cleansing phase.

Debt Management

25. The responsibility for debt management has now fully transferred to the team in corporate finance. Documentation has been finalised and a process is now in place. At the point of handover there were 79 outstanding invoices with a value of £111,182.42. Having reviewed the list, the corporate team has split this list into three sections.

26. The first section is for old invoice which were previously chased, but not consistently and so remain unpaid. These are now statute barred due to the length of time they have been outstanding.

27. This first section comprises of 17 invoices with a total value of £18,071.38, of these:

- Under this section, 11 debts, which were under the £500 limit specified in the scheme of delegation, have been written off by officers. This amounts to a total of £930.86.

- One debt shown was written off in 2017 but not removed from the list.
- One debt, whilst statute barred, is being investigated.
- There are 5 debts where it is currently not clear what further action can be taken.

28. The second section is of older, lower value debts which are being followed up. This relates to 31 invoices with a total value of £3,803.44

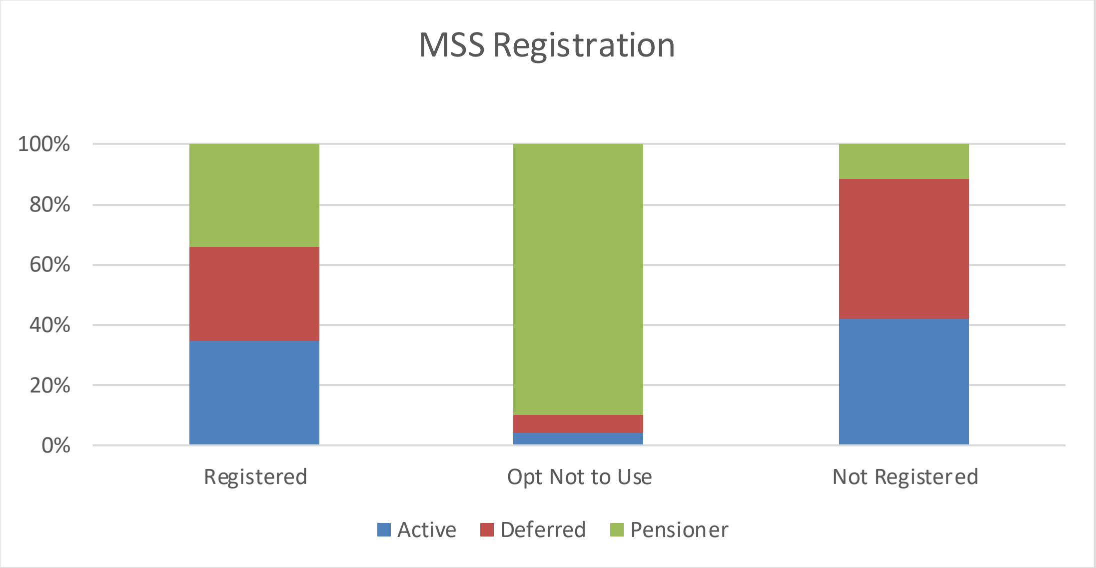
29. The third section are more current invoices. This relates to 29 invoices with a total value of £47,116.66.

30. Which leaves 2 invoices, one relating to a scheme employer who went into liquidation (value £21,556.91) and the second where a debtor has ceased payments and needs to be traced (value £20,634.03), to be resolved.

31. During the year to date a total of £255.93 has been written off in 29 cases where the member has died. This increase in numbers is reflective of the decision taken at the March committee to increase the value of pension which could be written off.

<u>Member Self - Service</u>

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



<u>Audit</u>

33. An internal audit of the administration service was undertaken earlier this year. A copy of the final audit report which has an overall rating of Amber is attached at annex 3.

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

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Subject	SLA Target	July 2023								
		Total Number Completed	Total Completed Within SLA Target	% Achieved in SLA Target	Up / Down / Same against previous month	% Achieved in Legal deadline	Total open cases	Total open cases in reply due	% in SLA Target	Notes
Deaths	95%	83	75	90.36	Up	100.00	298	241	13%	155 are historical cases
Retirements	95%	122	114	93.44	Up		278	95	68%	Some cases on hold for SCAPE
Annual Allowance	90%	7	5	71.43	Down		3	3	0%	
Trivial Commutation	95%	2	2	100.00	Up		3	0	100%	
Divorce	95%	15	15	100.00	Up	100.00	10	8	17%	
Interfund In	90%	75	67	89.33	Up		90	63	26%	
Transfer In	90%	45	17	37.78	Down		28	16	50%	Clearing backlog following new SCAPE factors
Interfund Out	95%	117	79	67.52	Down		57	17	46%	Clearing backlog following new SCAPE factors
Transfer out	95%	103	41	39.81	Down		29	14	50%	Clearing backlog following new SCAPE factors
Additional Pension Conts	90%	27	26	96.30	Up		10	1	80%	
Member Estimate	90%	23	19	82.61	Down	100.00	15	2	87%	
HR Estimate	90%	10	10	100.00	Up		7	7	43%	
Refunds	95%	73	72	98.63	Up		5	3	60%	
Leavers	90%	347	268	77.23	Up	77.23	993	188	45%	188 cases are backlog cases, 39 cases are lvrqry with employer team
Concurrent Merges	90%	41	38	92.68	Up		51	13	31%	
Re-employments	90%	125	114	91.20	Down		294	24	27%	
Member Enquiries	90%	282	274	97.16	Up		110	6	87%	
Member Updates	90%	195	195	100.00	Up		102	75	40%	MSS Add check task has now been removed as of mid July, so these number will reduce
Informal Complaints	90%	0	0	100.00	NA		0	0	100%	
Totals / Average		1,692	1,431	84.57		94.3	2383	776	51%	

NB Cases measured in %SLA include pending cases.

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Monthly SLA Statistics

Subject	SLA Target	Jul-23 Total Number Completed	Number achieved in Target	Number over Target	% Achieved in SLA deadline	Open cases
Deaths	**95%**	2	2	0	100.00%	2
Retirement Quote	**95%**	3	3	0	100.00%	1
Retirement Actual	**95%**	3	3	0	100.00%	1
Divorce	**95%**				100.00%	4
After retirement adjustments	**90%**	2	2	0	100.00%	1
Payroll Input	**95%**	13	13	0	100.00%	
Transfer In	**90%**				100.00%	3
Transfer out	**95%**	1	1	0	100.00%	8
Member Estimate	**95%**				100.00%	
Additional Conts	**95%**	7	7	0	100.00%	1
HR Estimate	**90%**				100.00%	
Refunds	**90%**				100.00%	
Re-employments	**95%**	4	4	0	100.00%	1
Leavers	**95%**	18	18	0	100.00%	12
Member Queries	**90%**	4	4	0	100.00%	4
Pension Saving Statement / AA	**95%**				100.00%	
Remedy	**62 working days**				100.00%	5
IDRP						1
Member changes	**90%**				100.00%	
Totals / Average Overall		57	57	0	#REF!	44

* Frozen, Deferred, Concurrent

** Elect to Separate, Re-emp quote, Re-emp Actual,

*** Address, Name, Nomination, IFA Requests

SLA not met

Standard SLA met

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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PENSION FUND COMMITTEE – 08 SEPTEMBER 2023

PENSION ADMINISTRATION STRATEGY REPORT

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to

a) receive this report and the draft Administration Strategy,
b) determine any amendments they wish to make to the draft strategy, and
c) approve the draft Administration Strategy (as amended if appropriate) as the basis for consultation with scheme employers and the Local Pension Board.

Executive Summary

1. This report is to update members of the changes being made to the administration strategy and to seek their views on any further changes ahead of consulting with scheme employers.

Changes to Administration Strategy

2. The review of the administration strategy is twofold:

   - To check that this is updated for any changes to regulations and processes; and
   - To ensure that scheme employers understand their statutory responsibilities and the consequences and associated financial costs associated with not meeting those responsibilities.

3. From a fund perspective one of the key areas to be improved is that of governance in that scheme employers are asked to provide contact details for people in their organisation who have pension responsibilities and to update the fund within thirty days of any changes.

4. The lack of updates in this area causes many operational issues where the fund needs to contact a person with specific pension issues.

5. The second, governance, area which causes many operational issues is that of scheme employers failing to share their pension policy documents with the fund, which means certain work has to be stopped until such time as the policy is provided.

6. As a result, a new charges have been included in section 9 of the strategy to combat these specific issues.

7. In terms of member data there were two additions to remind scheme employers to provide information on a regular basis. These are for any members opting out of the scheme and for any members who had assumed pensionable pay.

8. Another significant change was to remind scheme employer to tell the fund about changes to their third party payroll providers ahead of any changes as this will disrupt the flow of information to the fund.

9. One other message consistently repeated throughout the document is the need for scheme employers to send data, and make payment, to the fund by the 19th of the month following payroll.

10. Several changes have been made to the scale of charges section. Whilst not wishing to be heavy handed it is, unfortunately, often the only way in which the fund can get scheme employers to comply with their statutory duties of providing information or making payments on time.

11. In setting these charges officers have reviewed the published charges from other LGPS funds of which there is a huge range from £50 to £1,000. The suggest scale here is indicative of the average charges.

Next Steps

12. Once the Committee has reviewed and commented on this policy it will be sent out to scheme employers and the pension board for comment. Any comments received will be reported back to this Committee at their December meeting.

13. Once finally approved, the new strategy and charges will be implemented from 01 January 2024.

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

Oxfordshire Pension Fund Administration Strategy Statement

Version: August 2023

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

Contents

1. Introduction

Oxfordshire County Council (the administering authority) as the scheme manager for the Oxfordshire Pension Fund (the ‘Fund’) has prepared this administration strategy (‘the Strategy’) in line with the Local Government Pension Scheme Regulations (LGPS) and the Code of Practice No 14[1] issued by the Pension Regulator (TPR).

This strategy prepared within the statutory framework covers

- The role of our scheme employers
- the information which the Fund must provide,
- outlines where the Fund can recover costs following unsatisfactory scheme employer performance, and
- outlines where the fund may make additional charges for work carried out beyond the general requirements included in the employer contribution rate.

The Fund is revising the Strategy to promote and ensure adoption of best practice and compliance with standards set by the Pensions Regulator regarding data quality, completeness and timeliness. This revised Strategy builds in more detail to incorporate changes to working practices following the introduction of i-connect, statutory time limits and the requirement for public service pension schemes to deliver efficiencies.

This version also introduces a wider schedule of charges for non-statutory administrative services and the ability to recover costs incurred by the Fund as a result of an employer not meeting the required pension performance standards.

This document follows consultation with scheme employers and the Local Pension Board setting out a framework outlining the policies, statutory requirements and performance standards for the fund and fund employers to achieve a cost-effective and high-quality pension administration service. These standards apply to all scheme employers.

This document will be reviewed bi-annually, or on receipt of any relevant changes, following consultation with Scheme Employers and Local Pension Board.

A copy of the Strategy will be circulated to all employers, available on the fund website and sent to the Secretary of State.

[1] The Pension Regulator Code of Practice 14 is due to be replaced by the General Code of Practice in 2023.

2. Legislative background

LGPS Regulations 2013

The Fund and Scheme Employers must have regard to this Strategy when carrying out their Scheme functions, and Regulation 59 sets out requirements to facilitate best practice and efficient customer service in respect of the following:

- The levels of performance which the administering authority and Scheme Employers are expected to achieve in carrying out their Scheme functions
- Ensuring the Fund and Scheme Employers comply with statutory requirements in respect of those functions
- Improving the communication between the administering authority and scheme employers of information relating to those functions

The Strategy includes a schedule of additional administration charges, in Section 9. Regulation 4(5) of the LGPS (Management and Investment of Funds) Regulations 2016 provides scope for Funds to levy charges where disproportionate costs are being incurred for additional administration tasks relating to individual members or specific employers.

The Strategy outlines the circumstances where financial penalties will be incurred. Written notice will be provided to scheme employers in accordance with Regulation 70 for recovery of Fund costs and the Fund's 'escalation process'.

Levels of performance achieved, by both Fund and Scheme Employer, are reported as part of the Pension Administration Report at each Pension Fund Committee and Local Pension Board meeting and documented in the Fund's Annual Report and Accounts.

3. Purpose of this Strategy

The purpose of the Strategy is to ensure the fund and scheme employers understand their respective roles and responsibilities under the LGPS Regulations to deliver the administrative functions.

These responsibilities include, but are not limited to:

- Operating the Fund in accordance with LGPS regulations and the Pension Regulator Code of Practice in demonstrating compliance and scheme governance.
- Implementing communication processes to enable both the Fund and Scheme Employers to proactively and responsively engage with each other and partners.
- Maintaining accurate records for calculating pension entitlements and scheme employer liabilities.
- Ensuring all information and data is communicated accurately, on a timely basis and is secure and compliant.
- Ensuring the Fund and Scheme Employers have appropriate skills, and that training is in place to deliver the required service.
- Setting and monitoring standards to comply with the relevant regulations.
- Developing of digital administrative services to promote and streamline processes and minimise service costs.

4. Constituent Documents of the Strategy

With an increasing number of scheme employers, the supply and exchange of accurate and timely information is vitally important, to ensure effective management of liabilities. In addition, the Fund must demonstrate heightened governance and administrative efficiency to comply with the Pensions Regulator's Code of Practice.

The following documents support the Strategy in meeting the governance and administrative objectives:

Performance framework (see section 7)

- Incorporates service level agreements
- Outlines roles and responsibilities of the Fund, the Scheme Manager and Scheme Employers
- Development of new technologies to build effective working of the Fund and enables both the Fund and Scheme Employers to deliver continuous improvement and move to a higher standard of service

Scale of charges (see section 9)

- Sets out the charges for non-statutory and additional work and part of escalation policy following the failing performance.

Communications policy (see section 10)

- Ensures members have accessible and timely information on all aspects of their pension benefits and informs them of decisions in respect of entitlements
- Enables scheme employers to make effective decisions in the management of risks and liabilities, and encourage engagement in the wider pension debate
- Encourages engagement in the wider pension debate through regular meetings and training to support Scheme employers and continue to enhance staff knowledge and skills.

Escalation process (see section 11)

- Provides a clear guide to the process the Fund will adopt following a failure to resolve issues or to comply with legislation, from first reminders to invoicing for fines.

5. Development areas

The Fund's administration processes are undergoing further changes as we develop our online processes

Member online access

The Fund is actively promoting ***My Oxfordshire Pension,*** the secure on-line portal which allows members, (active, deferred or pensioner) to view pension records and scheme documents.

My Oxfordshire Pension is the default method of fund communication with members and improvement in customer service and information exchange. Changes due in the next 12 months are:

- Ability for members to upload documents
- An updated version of the software

Scheme Employers are asked to encourage their employees to register for this service.

Automatic data transfer (i-Connect)

The implementation of i-connect is now complete for all scheme employers.

The most recent changes have been:

- Balancing of employer contributions
- Ability to upload documents

Further planned changes will allow scheme employers to run their own estimate calculations.

6. Supporting information for employers

Scheme Employers **must** nominate a pension liaison contact who will be the primary contact for the Fund on pension issues. The Fund must be advised of any changes to the nominated personnel as they occur.

The Fund will:

- Send a monthly newsletter – Talking Pensions – to all nominated contacts.
- Hold twice yearly Scheme Employer meetings to discuss current pension issues.
- Hold quarterly administration training sessions for new Scheme Employers.
- Provide ad-hoc training / information sessions as requested.
- Maintain the pension website at www.oxfordshire.gov.uk/pensions for Scheme Employers, including links to national websites.

Scheme employers are encouraged to attend meetings and are welcome to put forward any suggestions for topics they would like to be discussed.

Find the full Communication Policy in Section 10.

Information for employers is also available online:

- at https://www.oxfordshire.gov.uk/business/pensions/employer-toolkit
- on the national website www.lgpsregs.org for:
    - Detailed HR and Payroll guides
    - Automatic enrolment guide

7. Performance framework

7A. Performance Standards - Scheme Employer

The following tables set out the Scheme Employers' Duties and Responsibilities:

Function/Task	Performance Target
Governance	
Designate a named individual to act as the main contact for any aspect of administering the LGPS.	Within 30 days of becoming a scheme employer or within one month of the change in officer role
Complete and return an "Employers Contact Form" detailing Authorised Signatories. Form available at: www.oxfordshire.gov.uk/employerforms check link	Within 30 days of becoming a scheme employer or within one month of the change in officer role
Confirm designated contact information for officers authorised to perform key policy decisions and administrative roles in the organisation	Within 30 days of becoming a scheme employer or within one month of the change in officer role
Appoint person for stage 1 of the Adjudication of Dispute process (AoD) and provide full up to date contact details to the Fund	Within 30 days of becoming a scheme employer or within one month of the change in officer role
Notify the Fund of the receipt of a complaint under the AoD process	Within 7 days of receiving the complaint
Notify the fund when the stage 1 decision has been issued	Within 7 days of making the determination
Appoint an Independent Registered Medical Practitioner (IRMP) qualified in Occupational Health Medicine or arrange to contract to a third party to consider all ill health retirement applications and agree appointment with the Scheme Manager. www.oxfordshire.gov.uk/employerforms	Within 30 days of becoming a scheme employer or within one month of the change in officer role

Function/Task	Performance Target
To find an Independent Registered Medical Practitioner – contact https://alama.org.uk	
Formulate, publish and keep under review policies in relation to all areas where the scheme employer may exercise discretion within the LGPS	A copy of the policy document must be sent to the Fund within 30 days of becoming a scheme employer or within one month of a change in policy.
Distribute any information the Fund provides for scheme members / potential scheme members	Within 30 days
Financial Administration	
Apply the correct contribution banding to all active scheme members, each April when the table of bandings is published.	Prepare policy within 30 days of becoming a scheme employer setting out how and when employee contribution rates will be adjusted and advise scheme members of the policy
Pay employer and employee contributions to the Fund by 19th month following payroll	All payments to reconcile with monthly contribution return and monies cleared in bank by 19th of month following deduction (earlier date when 19th falls on weekend or bank holiday) Under the Pensions Act 2004 and the Public Service Pensions (Record keeping and Miscellaneous Amendments) Regulations 2014, the Pension Regulator may be notified of a breach if the above measurement is not met
Implement changes to employer contribution rates as instructed by the Fund at the date specified by the Fund Actuary	In line with the Rates and Adjustment Certificate / Contributions Report issued by the Fund's Actuary
Ensure and arrange for the correct deduction of employee contributions from a member's pensionable pay including any period of child related leave, trade dispute or other forms of leave of absence from duty	As per your payroll cycle

Function/Task	Performance Target
Manage the deduction of all additional contributions or amend such deductions, as appropriate	As required
Arrange for the deduction of AVC's and payment over of contributions to the Fund's AVC provider and inform the Fund as required.	All payments to reconcile with the provider's monthly contribution return and monies cleared in bank no later than 19th of month following deduction (earlier date when 19th falls on weekend or bank holiday)
Remit additional fund payments in relation to early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent and a funding strain cost arises	As per invoice issued by the Fund
Remit recharge payments in respect of pension members e.g., Compensatory Added Years	As per schedule sent at start of year. We will send separate letters for any variation
Make payments in respect of FRS102 and IAS19 work carried out on behalf of Scheme employers by the Fund's Actuary and Investment Team	As per invoice issued by the Fund
Make payments in respect of all other work carried out on behalf of Scheme Employers by the Fund's Actuary and connected data quality assurance undertaken by the Fund's Administration Team	As per invoice issued by the Fund
Alternative Service Delivery Models / TUPE Transfer – New Employer	
Notify the Fund of any contracting out of services which will involve a TUPE transfer of staff to another organisation so that the Fund can provide information to assist in the decision	This must be in advance of any tender process
Notify Fund of lead decision making and operational officers in circumstances where a prospective new scheme employer or admitted body may request to join the Fund following re-organisation or TUPE transfer	At commencement of business review / ahead of any tender process

Function/Task	Performance Target
Work with Fund Officers to arrange for the admission agreement to be signed	A minimum of 90 days in advance of the date of the contract
Notify the Fund if the employer ceases to admit new scheme members or is considering terminating membership of the Fund	As soon as the decision is made
Notify the Fund of any changes to your contractor	As soon as you are aware of the change
Member Information / Data Quality and General Administration	
Provide information in the format specified on the i-connect monthly upload	By 19th month following payroll
Maintain records of final pay details in line with 2007 Regulations definition of final pay	Information to be held for all scheme members.
Keep pay information to comply with any Regulation 10 decisions	To maintained for all members until after benefits have been brought into payment in line with prevailing data protection regulation
Provide new joiners / prospective members with information about LGPS; how contributions are assessed by employer, who to contact, in their organisation. www.lgpsmember.org/ www.oxfordshire.gov.uk/pensions	At date of appointment
Scheme employers are responsible for the completeness and accuracy of the data submitted to the Fund. Any queries will be referred back to the scheme employer	To fully answer all queries from the Fund within 10 working days Note: if answered in time given then timescales for queries may be shorter than 10 days.
Keep the Fund up to date with member events which may affect their pension entitlement such as child related leave, death or divorce	Within a reasonable timescale
Assumed Pensionable Pay (APP) – the notional pay figure used to represent the members' normal pay.	By 19th month following payroll

Function/Task	Performance Target
To provide Assumed Pensionable Pay in your monthly return, for active members and on leavers when a member is on reduced pay due to sick leave, and during any period of paid or unpaid parental leave.	
Auto-enrolment – ensure that any staff who are not scheme members are auto-enrolled	Within statutory deadline
Opt-outs – where scheme employer has refunded contributions due to an opt-out in first three months or, for an opt-out at any other time, scheme employers must send the opt-out form to the fund	By 19th of the month following payroll

Function / Task	Performance Target
Changing payroll provider	You must tell the Fund **before** this change takes place. The information you will need to provide is date of change; name and address of new provider – contact details including both telephone number and email address for the primary payroll contact. You must also make arrangement regarding the storage and access of previous payroll data to ensure that you, as scheme employer, are able to answer any future data queries

7B. Performance Standards – Scheme Manager (Administering Authority)

The following table sets out the Scheme Manager's Duties and Responsibilities:

Function/Task	Performance Target
Governance	
Regularly review the Funds' Pension Administration Strategy and consult with all scheme employers	Biannual review and revise following any material changes in policies relating to the strategy
Review the Fund's Funding Strategy Statement at each valuation, following consultation with scheme employers and the Fund's Actuary	Publish by 31 March following the valuation date, or as required
Review the Fund's Communication Policy	Annual review and publish within 30 days of any revision to the policy being agreed by the Pension Fund Committee
Review the Fund's Governance and Compliance Statement	Annual review and publish within 30 days of any revision to the policy being agreed by the Pension Fund Committee
Formulate and publish policies in relation to all areas where the Scheme manager may exercise a discretion within the scheme	Annual review and publish within 30 days of any revision to the policy being agreed by the Pension Fund Committee
Publish the fund's Annual Report & Accounts	By 30 September following the year end or following the issue of the Auditor's opinion
Notify the Scheme Employer of issues relating to the Scheme Employer's unsatisfactory performance	If no response to request for information received in days; second request marked "escalation" to be issued; if no response within 10 days third request issued and matter referred for fine / reporting to Pension Regulator
Financial Administration	
Consult with Scheme Employers on the outcome of the valuation	60 – 90 days in advance of signing the final Rates and Adjustment Certificate
Notify Scheme Employers of contribution requirements for 3 years	At least 30 days before signing final Rates and Adjustment Certificate

Function/Task	Performance Target
effective from April following the actuarial valuation date	
Notify new Scheme Employers of their contribution requirements	Within 60 days of receipt of data profile for submission to the Fund Actuary
Carry out termination valuations on admitted bodies / Scheme Employers ceasing participation in the Fund	Within 60 days of receipt of termination from exiting Scheme Employer
Notify Scheme Employer of decision to recover additional costs associated with the Scheme Employer's unsatisfactory performance	Within 10 working days of Scheme Employer failure to improve performance as agreed
Alternative Service Delivery Models / TUPE Transfer - New Employers	
Arrange for the setting up of separate admission agreement / new Scheme Employers including the allocation of assets and notification to the Secretary of State	Within 90 days of all necessary information being received
Arrange for all new prospective admitted bodies / new Scheme Employers to undertake, to the satisfaction of the Fund, a risk assessment of the level of bond or guarantee required to protect other Scheme Employers participating in the Fund	This must be completed prior to the body being admitted. Timings predicated on timely submission of staff profile information for submission to the Fund Actuary
Undertake a review of the level of bond/guarantee to protect other Scheme Employers	Annual review or upon material change in a Scheme Employer's structure
Member Information/Data Quality and General Administration	
Provide support for Scheme Employers through a dedicated page on website; monthly newsletter; forums; biannual meetings; quarterly training sessions and ad hoc bulletins and alerts	Dates published in monthly newsletter
Organise quarterly training sessions on Scheme Employer's roles and responsibilities	Provide quarterly

Function/Task	Performance Target
Notify Scheme Employers and Scheme Members of changes to the scheme regulations	Within 60 days of a regulatory change
Produce Annual Benefit Statements (ABS) to active scheme members as of 31st March and deferred scheme members as at PI date each year	By 31 August following end of year
Produce and issue Pension Saving Statements (PSS) to Scheme Members who have exceeded their annual allowance	By 6 October following end of year (subject to receipt of all relevant information from the Scheme Employer)
Publish and keep up to date all forms required for completion by Scheme Employers or Scheme Members	Within 30 days of having all information of the revision
Issue and keep up to date links to web-based Scheme Employer guides	Within 30 days of any revision
Set up new scheme joiners and issue PPF	Within 40 working days of receipt of all information
Process changes in Scheme Member's circumstances which may impact on pension benefits	Within 10 working days of receipt of all information
Process transfer in quotations	Within 10 working days of receipt of all information
Transfer notification of credited membership / accrued pension account to be notified to the Scheme Member	Within 10 working days of receipt of all information
Process transfers out quotations	Within 10 working days of receipt of all information
Process transfers out payments	Within 10 working days of receipt of all information
Determine necessary category in relation to aggregation/interfund cases and issue notification to member of service credit and accrued pension account	Within 40 working days of receipt of all information
Process divorce quotation	Within 10 working days of receipt of all information

Function/Task	Performance Target
Member Information/Data Quality and General Administration	
Notify the Scheme Employer of any Scheme Member's election to pay additional pension contributions (APC) including all information to enable deductions to be made	We ask members to return their application to their employer for assessment of any shared costs. We notify employer within 10 working days of receipt of all information
Process Scheme Member requests to pay, amend or cease additional voluntary contributions (AVC)	Within 10 working days of receipt of all information
Process deferred benefits for payment	Within 40 working days of receipt of all information
Process refund of contributions	Within 10 working days of receipt of all information
Provide member estimate of benefits	Within 10 working days of receipt of all information
Provide retirement options to Scheme Member	Within 10 working days of receipt of all information
Process payment of retirement benefits	Within 10 working days of receipt of all information
Acknowledgement of death	Within 5 working days
Process payment of death grant	Within 10 working days of receipt of all information
Notify dependents of benefits due	Within 10 working days of receipt of all information
Reply to general enquiries – Scheme Member	Within 10 working days of receipt of all information
Produce and send data queries to Scheme Employers	Within 30 days of receipt of all information
Provide bulk estimate data to Scheme Employers	As agreed at time of request

*All performance targets relating to payments exclude BACS processing period

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8. How is Administration Performance Monitored?

- The Fund will work collaboratively with Scheme Employers towards
    - meeting the TPR's code of practice,
    - complying with the regulations and
    - delivering quality benefits paid accurately and on time to Scheme Members.

- This cannot override the statutory responsibility all employers accept as Scheme Employers, who must ensure adequate resources to enable them to fulfil these duties.

- The performance indicators set out in this document are monitored internally and reported to the Pension Fund Committee and the Local Pension Board on a quarterly basis. Copies of these reports are available online at www.oxfordshire.gov.uk

- Both the Pension Fund Committee and the Local Pension Board, which has both Scheme Employer and Scheme Member representation, will scrutinise and challenge performance in meeting these standards.

- Scheme Employers can either contact an employer representative on the Local Pension Board or the Pension Services Manager should they wish to raise any comment regarding the Fund's performance as set out in this document.

9. Scale of Charges

Event	Charge levied
Late receipt of contributions – due on, or before 19th month following payroll	£150 plus Interest at 1% above bank rate as per regulation 71
Late upload of i-connect file – due on, or before 19th of month	£150 per return plus £25 for every day after that deadline
Submission of an incorrect data return	£150 per return plus £75 per hour for the administrator time to correct
For data submissions including scheme members who have not received any pay during the last 12 months	£100 per scheme member with no earnings submitted.
Failure to reply to queries within 10 working days	£25 for every day no response is received after deadline
Failure to provide a copy of scheme employer discretions policy	£150 plus a further £75 for each occasion that the policy is requested, or chased by an administrator
Failure to provide scheme employer contact details	£150 plus a further £75 for each occasion that the information is requested, or chased by an administrator
Failure to notify the Fund of key changes, or events e.g., outsourcing or change of payroll provider	£250 plus a further £100 for each time the information is requested, or chased and not supplied

Note: Where scheme employers are submitting incorrect data the fund will, in the first instance, offer training to staff making those submissions rather than implementing a fine. However, continuing incorrect submissions will result in a fine being issued.

10. Communications Policy

Introduction

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

Purpose

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

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

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

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

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

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

Aim

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

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

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

Communication Policy

9. The development and introduction of the 2013 scheme was supported nationally by websites and guidance for both employers and scheme members. Our Fund communications will continue to reference these national resources as well as material provided by the Fund's advisors.

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

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

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

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

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

15. The team focus is now integrating My Oxfordshire Pension with standard work processes. Increasing take up across all membership groups is a continuous project

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

Review of the Policy

17. We will undertake annual reviews of the Communications Policy considering feedback invited at meetings, training and monthly newsletters.

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Annex A - Fund Publications

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

Guides for New Employers	Scheme employers	Online employer toolkit, includes essential guidance for new employers Paper on request	As required

Meetings and forums

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

Other Services

Telephone helpline to Pension Services (Low call rate) Pensioner payroll enquiry help line Employer helpline
Dedicated email addresses to Pension Services Member and employer enquiries Dedicated email address for employer monthly returns
'My Oxfordshire Pension' web portal Dedicated telephone help line
Oxfordshire Pension Fund website (Promoted in our publications above)
National websites (Promoted in our publications above)

*" Scheme members" unless otherwise described includes prospective members, active members, deferred members, pensioners and members' representatives.

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11. Escalation Process

1st request for information

- E-mail to the Scheme Employer, with a copy to the 3rd party provider.
- Individual requests to be saved to member's Altair record.
- Bulk requests to be saved in employer e-mails folder. Please number accordingly.

5 Working Days

2nd request for information

- Label this e-mail as **'Reminder'** in the subject line.
- Include link to administration strategy.
- Individual chases to be saved to member's Altair record.
- Bulk chases to be saved in employer e-mails folder. Please number accordingly.

5 Working Days

3rd request for information

- Label the e-mail as '**Escalation**' in the subject line.
- Send to senior escalation point in ERM and copy to any previous contacts.
- Raise Invoice for fine.
- Create record on the breach register.
- Do not stop chasing information.
- Include link to administration strategy.
- Individual chases to be saved to member's Altair record.
- Bulk chases to be saved in employer e-mails folder. Please number accordingly.
- Senior Management to take action on reporting a breach to the Pensions Regulator where required

PENSION FUND COMMITTEE – 08 SEPTEMBER 2023

PENSION SCAMS REPORT

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to receive this report and to determine whether there are any further actions the Committee would like implemented.

Executive Summary

1. As requested last quarter this report is to update Committee on pensions scams and actions taken by Pension Services to mitigate those threats.

The Costs of Pension Scams

2. The Action Fraud website reports that since the beginning of 2021, pension scam losses totalling £2,241,774 have been reported to them. The true number of victims is likely to be higher as scams often go unreported and those affected may not realise they have been scammed for several years.

   Note: Action Fraud reporting is a self-reporting tool; information provided within Action Fraud reports may not have been verified and may be subject to discrepancies.

3. All figures, unless otherwise stated, are from Censuswide, with 2000 Respondents aged 45-65 between 07.05.2021-12.05.2021. Censuswide abide by and employ members of the Market Research Society which is based on the ESOMAR principles.

Types of Pension Scams

4. Pension scams can be categorised by those directly aimed at scheme members, and those directly aimed at the fund. In terms of scheme members main scam is that of pension liberation.

5. Scheme members can take their pension benefits from age 55. However, if benefits are accessed before age 55 then, not only will the member have to pay a high tax bill (55%), but if convinced by the scammers will transfer their benefits to an unregulated pension scheme often offering attractive rates of return, when in reality the member is unlikely to see little, if any, of the monies invested.

6. In looking at how to access a member's pension the scammers use a variety of methods to engage with individuals:

Cold Calling

7. One of the methods used by scammers to target people and their pensions by calling out of the blue and offering time limited options to take "advantage" of investment opportunities for their pension savings. The pressures and urgency of the offers have included documents being couriered to the member to sign immediately

DWP Scams

8. Another way of contacting members is to gather information about their pension and personal details such as bank accounts, all by creating fraudulent letters from either HMRC or DWP asking the member to provide information.

Annuity Scams

9. Where members are looking to buy an annuity, the scammers are targeting them with expensive, or totally unsuitable investment choices to relieve them of their cash.

Due Diligence of Requests for Pension Transfers

10. As a potential victim of a pension liberation scam, scheme members would be looking to transfer their accrued pension out to another scheme. Our process, which is in line with The Pension Regulator guidelines, requires several steps to be completed before a transfer can be completed.

11. These steps include checks on the potential receiving scheme for the pension transfer, as well as whether the scheme member has taken proper advice before confirming the decision. The level of checks vary depending on the nature of the receiving scheme. The full due diligence checklist is included as Annex 1

Fraud

12. The other main area of work where there is potential for fraud rather than scams is when dealing with the death of a scheme member. In the normal course of events when a member dies the fund is notified by relatives of the member who will provide a copy of the death certificate.

13. Notifications will also come to the scheme via the "Tell Us Once" system which gives relatives the option to have death registration information uploaded so they do not have to notify all public bodies separately. A list of the organisations contacted is at annex 2.

14. The main area of fraud here is when, on the death of a pensioner, no notification of that death is made to the fund and so pension payments continue to be made. The bi-annual National Fraud Initiative of pension information checked against

death registrations and benefit databases provides a list of matches to be investigated.

15. The 2022/2023 report has identified 220 pension records against the DWP deceased list and 44 deferred pension records against the DWP deceased list to be investigated. Of these there the fund has been notified of all except 12 cases where the member had died.

16. As a result, pension payments have been suspended and recovery is being sought for the calculated gross overpayment of £49,071.58 relating to these deceased members.

Data

17. As a pension fund there is a huge amount of both personal and financial data held on our system which puts the fund firmly in the sight of scammers. The mitigation of these risks and the actions in place are detailed in the cyber security reports previously submitted to this committee.

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

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Due Diligence Process for Transfer Request-Gathering and Recording Evidence
Please snip evidence of documents /websites etc.

Collect information

During your transfer processes you should collect the following information as a minimum. The information you collect will help to determine which conditions apply to the transfer application:

Name and address of the member requesting a transfer

Information about the receiving scheme including:

- name
- address
- HM Revenue and Customs (HMRC) registration number
- payment details
- type of scheme
- identity of the scheme administrator

Information about any financial adviser and other individuals involved in the transfer including:

- the firm's name and address
- Financial Conduct Authority (FCA) registration number
- FCA permissions
- role in relation to the transfer

In the case of transfers of DC benefits, you should check that any adviser has permission for the activity of 'advising on investments. If your initial due diligence shows that the transfer is to a type of scheme other than those listed as meeting the first condition in the regulations, you must check that any adviser has these permissions. See **red flag 3** for further information regarding permissions.

Information about the member

- **Date of Birth Verified- Yes/No**

- **Declaration forms is relevant to scheme and is completed correctly -Yes/No**

Information about the receiving scheme

- **Name of Receiving scheme**

- **Address of Receiving scheme**
- **Payment details**

- **Type of scheme**

- **Identity of the scheme administrator**
- **PSTR** An example reference number is: 12345678RL.
- **QROPS** If overseas Scheme [Check the recognised overseas pension schemes notification list - GOV.UK (www.gov.uk)](https://www.gov.uk) (Snip Screen)

  A Pension Scheme Tax Reference (PSTR) is the unique reference given to a scheme by HMRC when a scheme has been registered for tax relief and exemptions. It has 10 characters made up of 8 numbers followed by 2 letters. A scheme's PSTR is the one that evidences its status as a registered pension scheme.

- **Scheme's Registration Certificate** (Snip document)

Information about any financial adviser and other individuals involved in the transfer including

- **Evidence member has taken appropriate independent advice if value of safeguarded benefit is more than £30,000.** You should make sure that any member requesting a transfer from a defined benefit (DB) scheme to a defined contribution (DC) scheme with a value of more than £30,000 has had advice from an adviser regulated by the FCA. The adviser must have permission for the activity of 'advising on pension transfers and pension opt-outs'. For further information on how to check this, see our **DB to DC transfers and conversions guidance**. Verify IFA on FCA website. Link to check if IFA is authorised https://register.fca.org.uk/s/

(Snip screen)

- **Employment Link-Occupational Scheme must provide evidence of employment link- Please see link for examples of supporting documents** Dealing with transfer requests | The Pensions Regulator
  Assess if there is an employment link based on evidence provided LGPS Non Club transfers technical guide (lgpslibrary.org)

- **Residency Link-QROPs only Please see link for examples of supporting documents** Dealing with transfer requests | The Pensions Regulator
  Residency Link is assessed on the date election form is received

Conditions below Would not apply to QROPS so please check red and amber flags

- **The First condition -This does not apply as QROPS transfers will not satisfy the First condition.**

- **The Second condition - This does not apply as QROPS transfers will not satisfy the Second condition.**

Red Flags
If red flags are present refer cases to Team Leader

- **Red flag 1**: The member has failed to provide the required information
- **Red flag 2:** The member has not provided evidence of receiving MoneyHelper guidance
- **Red flag 3:** Someone carried out a regulated activity without the right regulatory status
- **Red flag 4:** The member requested a transfer after unsolicited contact
- **Red flag 5:** The member has been offered an incentive to make the transfer
- **Red flag 6:** The member has been pressured to make the transfer

Amber Flags

If amber flags present refer member to MoneyHelper.

- **Amber flag 1**: The member hasn't shown an employment link or overseas residency
- **Amber flag 2:** The member can't show an employment link or overseas residency
- **Amber flag 3:** High-risk or unregulated investments are included in the scheme
- **Amber flag 4:** The scheme charges are unclear or high
- **Amber flag 5:** The scheme's investment structure is unclear, complex or unorthodox
- **Amber flag 6:** Overseas investments are included in the scheme
- **Amber flag 7:** A sharp, unusual rise in transfers involving the same scheme or adviser

- **MoneyHelper.**

  The member will not be able to search the MoneyHelper website to book an appointment. You will need to **provide this link so they can book online or obtain the number to book by telephone**. Sessions must be booked and attended by the member, not any person acting on their behalf.

  Evidence member sought guidance from MoneyHelper- Member should provide unique reference number which can be validated on MoneyHelper website.

CETV: Key Steps and Statutory Timescales

Step	Timescale	Description	Date Checked & Notes
Step One Acknowledge transfer and issue information about advice and pension scam checks (the Conditions)	within one month of the member's application	The member makes an application for a statement of entitlement. You must inform the member in writing within one month of the date of the member's application for a statement of entitlement, • they might need to seek appropriate independent advice (unless an exception applies), and • you must be satisfied that either the First or Second condition has been met in order for the transfer to proceed. You should complete this step immediately upon receipt of the member's application, by issuing a general acknowledgment letter to the member.	
Step two Check member entitlement	within approximately three months	You must complete the preliminary checklist to confirm if the member has a statutory right to receive a statement of entitlement before proceeding. If not, you should inform the member as soon as reasonably practicable together with the right to appeal.	

Step three Statement of entitlement	from step one – within approximately three months	If the member has transferrable rights, you must provide the member with a statement of entitlement and accompanying information, within approximately three months of the member's application (unless the member has already made an application for a statement of entitlement within the 12 months beginning with the date of that application – in which case it is your discretion as to whether to issue a further statement of entitlement).	
Step four Member election for transfer	from step three – within three months	The member must elect in writing to you for the transfer to proceed to payment, within three months of the guarantee date in the statement of entitlement and at least one year before normal pension age (NPA) / normal benefit age (NBA). Where relevant, you must receive confirmation of appropriate independent advice within three months of the date the statement of entitlement was issued to the member. This paragraph does not apply to deferred members. Regulations 8(2)(ca) and 8(4) of the Pension Schemes Act 2015 (Transitional Provisions and Appropriate Independent Advice) Regulations 2015 [SI 2015/742] appears to require administering authorities to again issue the information set out in this paragraph within one month of the date the pension credit member gives written notice to proceed with the transfer. This is despite the fact that the pension credit member will already have been issued with this information when they applied for a statement of entitlement (a pension credit member must be issued with a statement of entitlement because section 101G(2)(a) of the Pension Schemes Act 1993 says they cannot elect to proceed unless they have had a statement of entitlement).	
Step five Acknowledge member election to transfer **This step only applies to pension credit members.**	within one month	You must inform the member within one month of the member's election to transfer that for the transfer to proceed, you must be satisfied that either the First or Second condition has been met. You should complete this step immediately upon receipt of the member's election to transfer, by issuing a general acknowledgment letter to the member.	

Step five Acknowledge member election to transfer	within one month	You must inform the member within one month of the member's election to transfer that for the transfer to proceed, you must be satisfied that either the First or Second condition has been met. You should complete this step immediately upon receipt of the member's election to transfer, by issuing a general acknowledgment letter to the member.	
Step six – earner status, due diligence checks, appropriate independent advice	from step three – within six months	You must within six months of the guarantee date in the statement of entitlement: • where relevant, confirm the member is an Earner • establish if the member still has a statutory right to transfer and has elected within the time limit • perform due diligence checks (the First and Second Conditions in Steps seven to twelve build on the existing due diligence in the PSIG code of good practice that you should also be following) • where relevant, check that appropriate independent advice has been received.	
Step seven – the First condition **QROPs transfer will not satisfy the First condition**	from step three – within six months	You must satisfy yourself beyond reasonable doubt that the receiving scheme is a Public Service Pension Scheme, a Master Trust or a Collective Money Purchase scheme listed as authorised by the Pensions Regulator. Where this is the case, proceed with the transfer (step fourteen), otherwise you must decide if the Second condition has been satisfied (step eight).	
Step eight – the Second condition – part 1 **QROPs transfer will not satisfy the Second condition**	from step three – within six months	The aim of this step is to eliminate those transfers that are able to proceed without you requesting any further information. This step identifies transfers to personal pension schemes that are on your clean list. Balance of probability test Step eight does not apply to transfers to occupational pension schemes. On the balance of probabilities are you able to decide based on the information you hold, that none of Red flags three to six or Amber flags four to eight are present?	

		‘The Second condition’ for further details. If this is the case, you may proceed with the transfer (step fourteen).	
Step nine – the Second condition – part 2	from step three – within six months	The aim of this step is to identify transfers to occupational pension schemes that are on your clean list. Step nine does not apply to transfers to occupational pension schemes that are not on your clean list or personal pensions. Send a request to the member for employment link information. You will use this information, along with information you already hold about the receiving scheme, to help you decide whether any Red or Amber flags are present.	
Step ten – the Second condition – part 3	from step three – within six months	The aim of this step is to identify transfers to occupational pension schemes and personal pension schemes that are not on your clean list. Step ten does not apply to transfers to occupational pension schemes and personal pension schemes that are on your clean list. Depending on the type of receiving scheme, send a request to the member for the following information. You will use this information to help you decide whether any Red or Amber flags are present. You may also decide to collect other information as recommended by the PSIG code of good practice which is not for the specific purpose of assessing the Red or Amber flags. You will use this information to assess whether there are any other warnings signs. For example, you may have cases where you have concerns, but you cannot stop the transfer as no Red flags are present. In these cases, you will need to consider carefully how to proceed. Occupational Pension Scheme not on ‘clean list’ Request employment link information and reasonable and proportionate evidence / information. Version 2.1 - April 2022 11 Personal Pension Scheme not on ‘clean list’ Request reasonable and proportionate evidence / information.	
Step eleven – the Second condition – send reminders		member to provide the missing evidence / information before you proceed to the next step. You can proceed to the next step once a month has passed from sending the reminder. At least one month has passed since requesting the employment link information and / or the reasonable and proportionate evidence / information and the member has not provided any of the evidence / information Send a reminder requesting the evidence / information again. In response to	

		the request for employment link information and / or the reasonable and proportionate evidence / information, the member has provided some (but not all) the evidence / information Send a reminder requesting the outstanding evidence / information.	
Step twelve – assess whether red flags one and amber flags one, two or three are present	from step three – within six months	**Outcome one** – you requested the employment link information, at least one month has passed since sending the reminder and it is beyond reasonable doubt that the member has not provided any of the information Red flag one is present and you must refuse the transfer and notify the member within seven working days of making that decision. This outcome will also apply where the member is unable to provide the information because they are not in employment with a sponsoring employer of the receiving scheme. **Outcome two** – you requested the employment link information, at least one month has passed since sending the reminder and the member has provided some, but not all, of the information If it is beyond reasonable doubt that the partial information does not count as a substantive response, Red flag one is present and you must refuse the transfer and notify the member within seven working days of making that decision. The partial information will count as a substantive response if it allows you decide that one or more of the employment link conditions have been met. Otherwise, Amber flag one is present because the member did not provide all the information. You will also need to decide whether you have reason to believe that Amber flag two is present. **Outcome three** – you requested the employment link information and the member has provided all the information Based on the information provided, you need to assess the employment link. If you have reason to believe that the information provided in response to the request does not show that all the employment link conditions are met, amber flag three is present. You will also need to decide whether you have reason to believe that Amber flag two is present. **Outcome four** – you requested the reasonable and proportionate evidence / information, at least one month has passed since sending the reminder and it is beyond reasonable doubt that the member has not provided any of the evidence / information Red flag one is present and you must refuse the transfer and notify the member within seven working days of making that decision.	

		Outcome five – you requested the reasonable and proportionate evidence / information, at least one month has passed since sending the reminder and the member has provided some, but not all, of the evidence / information If it is beyond reasonable doubt that the partial evidence / information does not count as a substantive response, Red flag one is present and you must refuse the transfer and notify the member within seven working days of making that decision. The partial information will count as a substantive response if it allows you to decide that that none of red flags three to six are present. Otherwise, Amber flag one is present because the member did not provide all the information / evidence. You will also need to decide whether you have reason to believe that Amber flag two is present. **Outcome six** – you requested the reasonable and proportionate evidence / information and the member has provided all the evidence / information You will need to decide whether you have reason to believe that Amber flag two is present.	
Step thirteen – assess whether red flags two to six and amber flags four to eight are present		Unless you refused the transfer under step twelve, you need to decide whether you have reason to believe that any of Red flags three to six are present. If so, you must refuse the transfer and notify the member within seven working days of making that decision. If you decide that you do not have reason to believe that any of Red flags three to six are present, you then need to decide if you have reason to believe that any of Amber flags four to eight are present. If no Red flags are present, but you decide that one or more Amber flags are present (including where you decided under step twelve that any of Amber flags one, two or three were present), you must direct the member to take a guidance session from MoneyHelper and to provide you with evidence that the session has been taken before the transfer may proceed. If it is beyond reasonable doubt that the member has not provide the required evidence, Red flag two is present, and you must refuse the transfer and notify the member within seven working days of making that decision. If no Amber or Red flags are present and you have no other concerns about the transfer, proceed to step fourteen (payment). If no Amber or Red flags are present and you have other concerns about the transfer, you will need to carefully decide how to proceed.	

Last Reviewed 12/08/2022

Step fourteen - payment	from step three – within six months	You must within six months of the guarantee date in the statement of entitlement pay the value of the CETV to the registered pension scheme. Version 2.1 - April 2022 14 You must confirm to the member that you have paid the transfer and that either the First or Second condition is satisfied.	
Step fifteen – payment delayed	from step three – within six months	If you are unable to pay the CETV within six months of the guarantee date in the statement of entitlement, you must within those six months apply to TPR for an extension to complete due diligence checks (if this is the reason for the delay), and preferably at least six weeks before the end of the six-month period.	
Step sixteen – after the end of six months	from step three – after the end of six months	If you have not paid the CETV within six months of the guarantee date in the statement of entitlement, and you have not applied to TPR for an extension to complete due diligence checks (step fifteen) then you must notify TPR that you have not paid the CETV within the statutory timescales (you may be subject to a fine). If the CETV is in relation to the transfer of pension credit benefits notification to TPR must take place within 21 days after the end of the six months.	
Step seventeen – delayed payment paid	from step three – after six months	You pay the CETV (or part thereof) to a registered pension scheme. You must pay the higher of the: • CETV in the statement of entitlement plus interest, or • value of a new CETV on the payment date. You must also confirm to the member that you have paid the transfer and that either the First or Second condition is satisfied.	

Organisations Tell Us Once will contact

Tell Us Once will notify:

- HM Revenue and Customs (HMRC) - to deal with personal tax and to cancel benefits and credits, for example Child Benefit and tax credits
- Department for Work and Pensions (DWP) - to cancel benefits and entitlements, for example Universal Credit or State Pension
- Passport Office - to cancel a British passport
- Driver and Vehicle Licensing Agency (DVLA) - to cancel a licence, remove the person as the keeper of up to 5 vehicles and end the vehicle tax
- the local council - to cancel Housing Benefit, Council Tax Reduction (sometimes called Council Tax Support), a Blue Badge, inform council housing services and remove the person from the electoral register
- Veterans UK - to cancel or update Armed Forces Compensation Scheme payments
- Social Security Scotland - to cancel benefits and entitlements from the Scottish Government, for example Scottish Child Payment

HMRC and DWP will contact you about the tax, benefits and entitlements of the person who died.

Tell Us Once will also contact some public sector pension schemes so that they cancel future pension payments. They'll notify:

- Armed Forces Pension Scheme
- NHS Pensions for NHS staff in England and Wales
- Scottish Public Pension Agency schemes for NHS staff, teachers, police and firefighters in Scotland
- Pension Protection Fund and Financial Assistance Scheme
- Local Government Pension Schemes (LGPS)

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The Division(s): n/a

ITEM 14

PENSION FUND COMMITTEE – 8 SEPTEMBER 2023

RESPONSE TO GOVERNMENT CONSULTATON ON INVESTMENT ISSUES

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to agree the key principles as set out Annex 1 and delegate to the Service Manager (Pensions) responsibility for drafting the final response to the Government Consultation

Introduction

1. On 11 July 2023, the Government published the low awaited consultation on the future direction of investment pooling. The consultation document entitled Local Government Pension Scheme (England and Wales): Next steps on investments is available on the Government's websites at Local Government Pension Scheme (England and Wales): Next steps on investments - GOV.UK (www.gov.uk).

2. The consultation sets out the Government's next steps on pooling and also addresses a number of issues raised by the Chancellor of the Exchequer in his recent Mansion House speech including investing in local levelling up projects and in the UK economy through venture and growth capital.

3. The Government has invited responses to the consultation, to be received by 2 October 2023. The Funds within the Brunel Pension Partnership and the Brunel Company itself are currently seeking to agree a consensus in respect of the key principles arising from the consultation questions, with a view to producing a single document which can be included with the individual responses from each Fund and Brunel. The first draft of these key principles has been developed by the Client Group and will be reviewed by the Brunel Oversight Board and the Shareholder Forum before a final decision agreed

Key Elements of the Consultation Document

4. The consultation document appears to reflect a frustration within Government about the progress made to date with investment pooling, and the failure to deliver against some of the Government's initial expectations. The consultation acknowledges the substantial benefits delivered to date, but believes further benefits in terms of improved net returns, more effective governance, increased savings and access to more asset classes are all possible. However, it should be noted that the Government have not yet utilised the powers within The Local

Government Pension Scheme (Management and Investment of Funds) Regulations 2016 which gave the Government wide powers to intervene if Funds failed to comply with the guidance issued in respect of pooling investment funds.

5. The latest consultation therefore seeks to go further than the previous guidance and set a deadline of March 2025 for the pooling of all listed investments. The Government states that this alone will not deliver the full benefits of scale and therefore want to explore reducing the numbers of pools in the future with a minimum of £50bn of assets under management. The paper states a view that increased benefits of scale will come from pool sizes of £50bn to £75bn and potentially up to £100bn, including the ability to negotiate lower fees from third party managers and increase the delivery of internal capacity to manage assets.

6. The consultation also includes proposals for improving the current governance arrangements including issuing clearer guidance on the roles and responsibilities of individual administering authorities and pool companies, with fund manager selection and implementation strategies sitting clearly with the pool companies. The Government are keen to address what they see as too many sub-portfolios within pools all delivering similar investment benefits, and which undermines the purpose and benefits of pooling.

7. Linked to the need to improve the current governance arrangements, the Government is proposing requiring each administering authority to produce a training policy for Committee members, and report against its implementation.

8. There are further proposals to require all Funds to report in a more standard way, including against standard definitions of asset classes with standard benchmarks. The Government believe that this greater transparency will enable greater public accountability.

9. The consultation document contains a separate chapter on investments in levelling up and proposes that all Funds will need to publish a plan as to how they will invest up to 5% of their total funds in projects that support levelling up across the UK. The Government includes a proposal that individual funds can invest through their own pool into another pool's investment vehicles where this supports their plan.

10. Chapter 4 of the consultation document focuses on the Government's wish to see Funds invest 10% of their total assets under management into private equity. Whilst the proposal is not specific to the UK, the rest of the chapter makes it clear that the Government is looking to Funds to invest in the UK economy through investments in venture capital and growth equity. The Government proposes a role for the British Business Bank in supporting the local investments in the UK economy.

11. The final two chapters of the consultation are more focused on technical issues to bring the LGPS legislation into line on the Competition and Markets Authority Order which requires strategic objectives to be set for investment consultations, and to update the definition of investments under the LGPS regulations.

Key Principles to be covered within any Consultation Response

12. The key principles discussed within the Client Group and as set out in Annex 1 recognise that the Brunel Pension Partnership has in fact successfully delivered against much of the objectives set out by Government. This is despite a current scale below the £50bn lower threshold set by Government. There is a view therefore that the Government should initially focus on addressing those areas where pooling has not been successfully implemented without damaging the work already achieved elsewhere.

13. There is a view that the Government have not made the case for increased scale and a worry that any change in scale now will only be an interim measure with a requirement for further scale in the future. The key concern here is in respect of the additional costs of any transition under the merger of pools, especially where a number of Funds, including Oxfordshire have not yet recovered the transition costs associated with the initial pooling exercise.

14. Funds felt that exploring the options for greater collaboration between pools which allowed economies of scale to be achieved across specific asset classes as appropriate without wholescale upheaval was a better approach for the Government to adopt. This would also avoid the risks of dis-economies of scale within certain asset classes/portfolios where fund managers were already capacity constrained.

15. In the event that this or a future Government pursued the option of requiring pools of a minimum scale £50bn, the Funds were keen to see more work undertaken on how our work in the responsible investment field would be protected, and how the increased risks to shareholders would be managed.

16. There is also significant concern over the Government's proposals to seek to influence the asset allocation of individual administering authorities whether through the requirement to produce a plan in respect of levelling up or to invest 10% of funds in private equity. The concern centres around the fiduciary duty held by the administering authorities and the potential conflict with this duty resulting from the Government's proposals. There is a clear view that if investments in levelling up projects and/or private equity including venture capital and growth equity are in the best interests of a Pension Fund, then the respective administering authority will include these in their strategic asset allocation without a requirement from Government.

17. In terms of reporting, the Funds. whilst welcoming greater standardisation in respect of reporting against asset classes, expressed strong opposition to the introduction of standard benchmarks. Again, it was felt that this conflicted with the fiduciary duty of the administering authority to determine the level of risk it wanted to allocate against any asset allocation decision.

18. Funds were also concerned about the increased burdens being proposed in respect of reporting against arbitrary targets set by Government which had nothing to do with their fiduciary duty. Whilst increased transparency is

welcomed, it must be against the primary objectives of the Administering Authority under their regulatory requirements and fiduciary duty.

19. There was also comment in respect of a lack of understanding by Government in the apparent definition of levelling up projects as an asset class. Funds already invest in a number of levelling up projects across a range of asset classes including infrastructure, private equity/debt and property. If the Government wished to see specific reporting on levelling up projects, they would need to provide a more precise definition which could be shared with third party fund managers, as well as additional funding to support the collection and reporting of the data.

Oxfordshire Position

20. In the event that it is not possible to draft a response on behalf of the Brunel Pension Partnership as a whole, it is intended to draft a response in line with Annex 1 on behalf of Oxfordshire, subject to any comments raised by the Committee today.

21. The main point of difference with other Funds maybe the holdings in the listed private equity companies. If these are treated at listed, then we would not want to be forced to dispose of them by March 2025. As per the draft principles though, we would expect to be able to retain the investment and explain the rationale as part of the investment strategy statement, given the Brunel currently do not have the relevant approval from the FCA to manage the investments on our behalf.

22. This point can be covered in any holding letter drafted to accompany any document agreed by the Partnership. Members can also ask for the covering letter to emphasise any point raised in Annex 1 where they feel the issue is particularly relevant to Oxfordshire.

Lorna Baxter
Director of Finance

Contact Officer: Sean Collins
Email: sean.collins@oxfordshire.gov.uk

August 2023

Government Consultation LGPS: Next Steps on Investments
Points of principle as discussed at Brunel Client Group

Q1. Do you consider there are alternative approaches, opportunities or barriers within LGPS administering authorities or investment pool structure that should be considered to support the delivery of excellent value for money and net outstanding net performance?

This question generated the most discussion, and in general, Funds felt that the current arrangements were working well for the Brunel Pension Partnership and further changes were not necessary for the delivery of excellent value for money and net outstanding investment performance. Furthermore, it was agreed that further changes, and in particular the proposal to increase scale by reducing the number of pools would have a negative impact both on short term performance and on future governance arrangements. Funds were particularly concerned on the further transitional costs involved in a merger of pools, which in some cases would be incurred before Funds had recovered the transitional costs of the initial transition to Brunel.

There was though an acceptance that the issue of scale is likely to be taken forward either by this Government or the next. Several key issues were raised in the subsequent discussion including:

- the lack of evidence for £50bn and concern that we need to transition again in future to £100bn or another figure incurring further costs and disruption,
- limited further savings on listed markets with capacity constrained managers,
- a preference for collaborative options where scale could be delivered where appropriate without disrupting current governance arrangements (noting this was predicated on appropriate scale for each asset class rather than a total £50bn across all asset classes)
- the risks of seeking scale outside of the LGPS, including different approaches to ESG
- shareholder v client model and associated governance and financial risks associated with the different models

Q2. Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?

The majority of listed assets within the Partnership are already with Brunel so any proposal here was unlikely to have an impact on the Brunel Funds. However, Funds linked this question to Q1 and the need for Government to make the existing pooling arrangements more effective. It was agreed that pooling could never be fully effective if Funds were able to ignore the requirements without clear justification. Therefore there should be mandatory requirements to pool all listed assets by a given deadline or include an explanation in the Investment Strategy Statement why the Fund had determined not to comply.

Q3. Should Government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics above?

Funds again felt that the Brunel Partnership was operating largely within the guidance set out by the Government and therefore there would be little impact on Funds from the proposal. Again, though Funds welcomed the proposal as part of changes to ensure the effectiveness of the current pooling arrangements across England and Wales. In agreeing that it was the responsibility of Funds to set their own strategic investment strategy, it was noted that this included their approach to responsible investment as well as broad asset classes and level of risk.

Funds did not agree with the proposal that the pool companies should be offering advice on investment strategies to Funds and suggested that this proposal introduced a potential conflict of interests.

Q4. Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?

Funds were broadly supportive of this proposal, with many already having existing arrangements in place.

Q5. Do you agree with the proposals around reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so, how should this requirement operate?

Funds broadly supported the requirement that all funds should report in a consistent way against a broad set of asset classes (although see Q10 below).

Funds though did not support a requirement that such reports should be against a consistent benchmark. The benchmark chosen and target performance against a given benchmark were dependent on the level of risk agreed by Funds as part of their investment strategies as noted in the response to Q3 above. Publishing net returns against a consistent benchmark would therefore likely lead to misinterpretation of the results and inappropriate comparisons.

Q6. Do you agree with the proposals for the Scheme Annual Report?

Subject to the comments around a consistent benchmark in Q5 above, the Funds supported the proposals for the Scheme Annual Report.

Q7. Do you agree with the proposed definition of levelling up investments?

Funds noted that the responsibility for defining levelling up sat with Government and was not an appropriate matter to be determined by the LGPS. However, Funds noted that subject to the comments below on the appropriateness of the Government setting requirements for Funds to publish levelling up plans and report on the total investments against such a plan, and definition of levelling up needed to clear and capable of being shared with third party fund managers as part of portfolio specifications.

The Funds noted that the 12 medium-term levelling up missions were very broad in their nature and therefore open to significant interpretation. As many of the investments would be made by 3rd party fund managers this would run the risk of significant inconsistencies in whether investments met the levelling up criteria. For example, does an investment in a major UK pharmaceutical company developing new drugs etc to support the well-being of the local population meet the criteria?

Q8. Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?

Consistent with the responses in Q1 and Q3 above, the Funds support the proposal that their pool can choose to invest through another pool's investment vehicle where the pool company determines that is the most appropriate was of meeting the investment strategies of their underlying Funds.

Q9. Do you agree with the proposed requirements for the levelling up plan to be published by Funds?

The Funds did not support the Government prescribing a specific figure against which they should publish an investment plan and felt that this led to a potential conflict with the over-arching fiduciary duty of the Fund. Funds were concerned that the requirement to include a levelling up plan as part of their published investment strategy statements, including current levels of investments and future targets (subject to the clarification of the definitions as referred to in Q7), placed additional burdens on Funds with no clear benefit to their primary fiduciary duty.

Q10. Do you agree with the proposed reporting requirements on levelling up investments?

Funds noted that the proposed reporting requirements as set out in the consultation document, were again a further unfinanced burden at a time when we were facing significant challenges associated with implementing the McCloud remedy, preparing for the Pension Dashboard and TCFD reporting. The extent of this burden was subject to having greater clarification on what constituted a levelling up investment.

It was also noted that it was likely that levelling up investments would be across the standard asset classes and would therefore be additional to the broad asset class reporting requirements covered in Q5 above. The question of what if any reconciliation would be required between these two reporting requirements should be further considered.

Q11. Do you agree that Funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are their barriers to investing in growth equity and venture capital for the LGPS which could be removed?

Funds do not support the Government suggesting an ambition to invest any specified amount in private equity. As noted in Q9 above, such a proposal is seen in direct conflict with the fiduciary duty of the Funds.

It was noted that there was some confusion over the Government's objectives under this proposal and the specification that the 10% allocation should be in private equity. The specific Government proposal did not include any requirement that the investments in private equity should have any UK component. It was also the case that the Government objectives could also be met through investments in alternative private market asset classes including private debt and infrastructure. It was agreed the Government should clarify their objectives in this area and revised proposals developed, without the specification of a target allocation.

It was noted that Fund's already have exposure to growth equity and venture capital and that therefore there were no real barriers to such investment. If investible opportunities arose, Funds would be happy to consider an investment if it was consistent with their own investment strategy.

Q12. Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise with the Bank's expertise?

As noted in Q11, the main barrier to investing in growth equity and venture capital is the lack of suitable investment opportunities of the appropriate scale and risk level for the LGPS. To the extent that the British Business Bank can utilise its expertise to identify and co-ordinate suitable investment opportunities, the Funds would welcome future collaboration.

Q13. Do you agree with the proposed implementation of the Order through amendments to the 2016 regulations and guidance?

The Funds supported the setting of objectives for investment consultants and the proposed approach to implementation of the Order.

Q14. Do you have any comments on the proposed amendment to the definition of investments?

The Funds supported the proposed amendment to tidy up the existing regulations and remove any ambiguity.

Q15. Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so, please provide relevant data or evidence.

The Funds agreed with the Government's assessment that there would be no direct impact, and potential beneficial impacts on protected groups from any increase in levelling up investments.

REPORT PREPARED FOR

Oxfordshire Pension Fund Committee

8 September 2023

Philip Hebson

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Summary

The value of the Fund in the quarter rose to £3.21bn, an increase of £53m compared to the end March value of £3.15bn. The Fund produced a return of 1.4% over the quarter, which was in line with the benchmark. The flat return has some plusses and minuses, including negative relative returns from Sustainable Global Equities and Emerging Markets, but balancing positives within Fixed Income. Over a 12-month period the Fund recorded a negative relative return against the benchmark of -1.5% (4.6% v.6.1%). Although the scale of the recent underperformance has now eased somewhat, there is still an impact on the longer-term performance periods, now behind the benchmark over the three and five year periods and in line over the ten year period, details of which can be found below.

The highlights

1. It is encouraging to see another lift in value for the Fund over the first quarter of the 2023-24 financial year. The flat relative performance is disappointing in some ways, but hopefully this will be a turning point towards less turbulent times ahead.
2. Bond valuations are still under pressure, but higher yields are providing a welcome entry point as we seek to rebalance weightings in this area.
3. The listed Private Equity portfolio had an excellent quarter, with all stocks significantly outperforming the FTSE All Share Index. This was primarily due to the reassurance provided by end 2022 audited valuations that showed that Net Asset Values have held up very well during the uncertainties of last year.
4. The rapidly growing Private Debt sector is seeing further excellent business opportunities as the traditional banks are once again under regulatory scrutiny.

The lower points

1. I note with concern that within their latest report Brunel now consider that the 3 month performance data for Private markets is “Not Material” and has been excluded. While it is important not to attach too much significance to short term performance information, particularly within Private Markets, I do not consider they should control the information flow to Members in this way. It is available in their private reports and within the State Street report that Members do not usually have sight of. For the record returns for this quarter were almost universally negative, with the exception of Private Debt. Not good from a transparency perspective.
2. I ask you to note the comments made by the Brunel CIO in his report relating to the impact on performance of Global Equities that is exerted by the very largest US companies in the All World indices, and in particular the potential influence that Apple alone has on performance. It’s a “lower point” because of the concentration risk that this poses.
3. This theme is developed further within the report on Sustainable Global Equities. Only one manager out of the roster of 5 outperformed over the quarter (Mirova), as they held sizeable positions in two of the “Magic 7” mega stocks. The distortion on

the Index makes it very difficult for active managers to take a strong stance against these names, but in simple terms one day they will fall to earth (remember Nokia?). The question is, when? I do wonder if managers should seek to hedge their positions for or against ownership of these stocks, at least in part. If not the managers, then maybe Brunel or Funds should consider this.

Points for consideration

1. Clearly we have just gone through the disciplined process of the Strategic Asset Allocation review, with some useful developments in the portfolio of Equity investments flowing from that in terms of maintaining a balanced portfolio which are increasingly aligned with Fund's investment beliefs. A good example of that is the decision to reduce exposure to the China market to an absolute minimum. Other issues will develop over time, so constant monitoring of those is important. The dominance of a small number of stocks in the global market is a good example of this.
2. Likewise maintaining a balanced view concerning the transition from fossil fuel dependency is essential from the fiduciary and environmental duty perspective. There is a growing realisation that achieving an absolute Net Zero emissions position globally is increasingly unlikely in the near term. In the meantime, it is the duty of responsible investors to ensure that legacy fuel assets are managed in an appropriate manner, rather than allowing those assets to fall into the hands of irresponsible investors who have no interest in environmental issues.
3. Once the staff recruitment and retention issues at Brunel are resolved, a plan for investigating and progressing some of the outstanding outcomes from the Strategic Asset Allocation review needs to be agreed. This includes developing an appropriate strategy to investing more responsibly in the UK, both in listed and private markets.
4. It has been an ongoing concern of mine that Members have very limited access to the personnel at Brunel who manage the Fund investments on our behalf. I do not agree with a policy of a "Need to know" basis and that all information should flow via the Fund Officers. I was therefore disappointed to learn recently that the quarterly Performance Review meeting with Brunel's CIO might be discontinued, as apparently this is a duplication of reporting that already exists with Officers. Effectively this meeting is the only direct route for the Fund's Independent Investment Advisor to question Brunel representatives and if necessary to provide challenge to them.

Outstanding Action Points and Recommendations

Strategic Asset Allocation review

1. UK Equity exposure. It was agreed at the Pensions Committee meeting on 9th June that the discreet UK equity portfolio would be reduced to 20% of total equities and that while appreciating that Brunel has resource constraints at the current time, further research should be undertaken into the characteristics of companies represented within the FTSE 250 index, looking in particular at the Paris Alignment criteria and their contribution to and from the UK economy. Subject to satisfactory analysis, this would form the future discreet UK equity exposure.

2. Emerging Markets (EM) exposure. It was agreed at the Pensions Committee meeting on 9th June to divest from this sub Fund. The funds realised from the reduction in the UK exposure and from Emerging Markets would be reinvested in the Brunel Sustainable Equities Fund and the Paris Aligned Global Passive Equities Fund, such as to have an equal weighting in each.

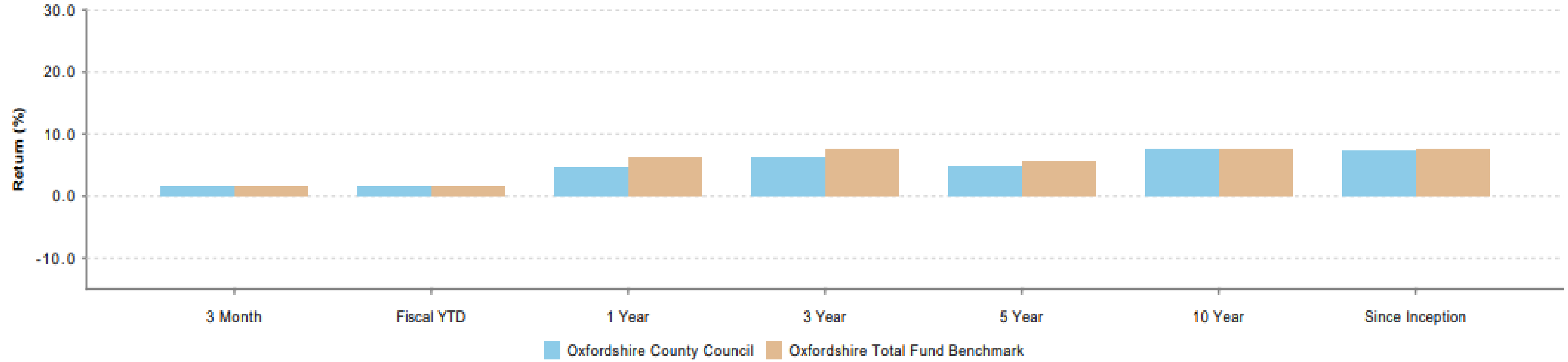
3. Local Investment Proposals. Progress with considering possible options has again been hindered by lack of resource at Brunel. However, the Funds are continuing to look at possible local investment opportunities. As part of that and subject to checking the status of outstanding commitments in the Infrastructure portfolio, a commitment of £30m may be made to a renewable energy Fund investing in the Brunel geographical area with a particular focus on solar energy generation with associated battery storage facilities.

Other outstanding action points/recommendations

4. To progress a Brunel led training programme for Fund elected members and others that will provide information about the asset classes that they manage and their processes.
5. To work with Brunel to identify suitable income generating assets, both from within the existing portfolio and from potential new investments. This is to enable the Fund to manage potential cashflow challenges as and when they develop over the next five years, as flagged in the Strategic Asset Allocation review.
6. To consider the use of an equity protection strategy on a selective and as required basis to mitigate identified equity investment risks. An example of this is currently within the US market, with a high concentration risk in a small number of stocks.

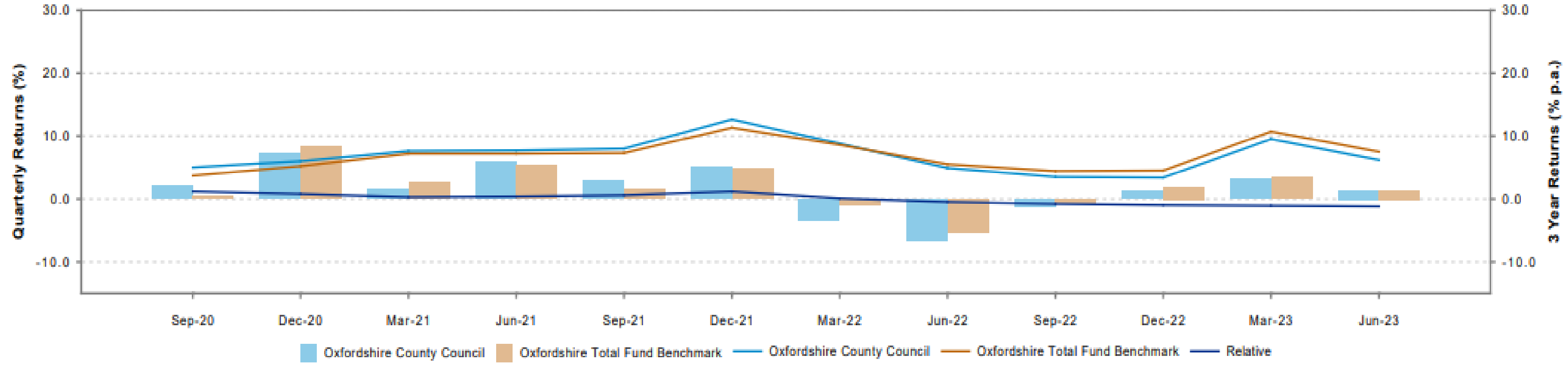
Fund performance and rolling relative performance

Fund Performance



	3 Month (%)	Fiscal YTD (%)	1 Year (%)	3 Year (% p.a.)	5 Year (% p.a.)	10 Year (% p.a.)	Since Inception (% p.a.)
Oxfordshire County Council	1.4	1.4	4.6	6.2	4.9	7.5	7.2
Oxfordshire Total Fund Benchmark	1.4	1.4	6.1	7.5	5.5	7.6	7.5
Excess	0.0	0.0	-1.5	-1.3	-0.6	-0.1	-0.3

Rolling Relative Performance



OXFORDSHIRE COUNTY COUNCIL PENSION FUND
OVERALL VALUATION OF FUND AS AT 30 JUNE 2023

Investment	COMBINED PORTFOLIO 31.03.2023 Value £' 000	% of Total Value	COMBINED PORTFOLIO 30.06.2023 Value £' 000	% of Total Value	Target %
EQUITIES					
UK Equities	**508,239**	**16.1%**	**506,778**	**15.8%**	**10.0%**
Emerging Market Equities					
Global Equities					
Overseas Equities					
Total Overseas Equities	**1,215,443**	**38.5%**	**1,253,618**	**39.1%**	**41.0%**
BONDS					
UK Gilts	19,421	0.6%	18,463	0.6%	
UK Corporate Bonds	121,613	3.9%	118,410	3.7%	
Overseas Bonds	11,148	0.4%	11,074	0.3%	
Index-Linked	167,642	5.3%	154,595	4.8%	
Multi Asset - Credit	134,500	4.3%	136,968	4.3%	
Total Bonds	**454,324**	**14.4%**	**439,510**	**13.7%**	**16.0%**
ALTERNATIVE INVESTMENTS					
Property	217,719	6.9%	220,415	6.9%	8.0%
Private Equity	359,992	11.4%	386,620	12.1%	10.0%
Multi Asset - DGF	116,202	3.7%	67,729	2.1%	0.0%
Infrastructure	93,521	3.0%	94,122	2.9%	5.0%
Secured Income	94,714	3.0%	122,661	3.8%	5.0%
Private Debt	40,443	1.3%	50,244	1.6%	5.0%
Total Alternative Investments	**922,591**	**29.3%**	**941,791**	**29.4%**	**33.0%**
CASH	**53,289**	**1.7%**	**65,585**	**2.0%**	**0.0%**
TOTAL ASSETS	**3,153,886**	**100.0%**	**3,207,282**	**100.0%**	**100.0%**

Overview and Outlook thoughts

Global overview

Macroeconomic data was generally resilient globally in the quarter, with headline inflation falling in the US and Europe, and remaining steady in Japan. Labour markets remained surprisingly robust and GDP growth remains below trend, but generally positive. Chinese and European manufacturing data has softened in recent months leading to some concern over the anticipated post-COVID rebound for China. The UK was an exception to the disinflation trend, with inflation at an uncomfortably high 8.7% in May. Despite falling inflation, the US Fed and ECB continued to hike rates and maintain a hawkish posture because of tight labour markets and stubborn core inflation data. The Q1 banking crisis appears to have been contained, but there are signs of consumer credit card defaults starting to tick up, and it is likely that the effects of the interest rate increases will take time to filter into real economies.

•Q2 was another strong quarter for equities, with global equities (MSCI World) rising around +7% in local currency (+4% in GBP terms). Equity markets were led by growth-oriented stocks (+10.1% for growth, +2.2% for value) as investors jumped on board the new innovation of Artificial Intelligence (AI). Japanese equities performed particularly strongly (+18.5% in local currency, and up +5.9% in GBP terms), as the Bank of Japan has maintained a more accommodative policy than its peers. The Tokyo Stock Exchange has also urged listed companies to become more focused on value creation, such as using cash stockpiles to remedy the low book values to market capitalisations. The combination of the very weak JPY and potential corporate governance improvement has attracted investors to the region. US equities returned just under +5%, though gains have been very concentrated in a few large tech stocks, leaving the rest of the index flat. UK equities, on the other hand, have lagged peers (slightly down in Q2) after a relatively strong 2022, and markets view more risk of recession and negative impacts to employment than for some other developed markets. Bonds, too, faced headwinds as interest rates continued to rise with central banks not yet ready to signal a shift in direction in the fight to reduce inflation. Global investment grade credit was flat over the quarter, but UK long index-linked gilts fell around -10% as yields jumped higher in light of stubborn inflation, and investors now expect UK rates to peak above 6%. Energy prices softened further (oil down -6%), while GBP has continued to strengthen against both JPY and USD, retracing a fair amount of its weakness during 2022.

Quarterly GDP Growth Rate and Monthly CPI

%	GDP		CPI		
	Q1 2023	Q2 2023	Apr	May	Jun
UK	0.1	0.1**	8.7	8.7	n/a*
US	0.5	n/a*	4.9	4.0	n/a*
Eurozone	-0.1	0.3**	7.0	6.1	5.5**
Japan	0.7	1.1**	3.5	3.2	n/a*

Source: Bloomberg; Trading Economics. Notes ** Forecasts based on leading indicators
UK: UK CPI EU Harmonised YoY NSA (Ticker: UKRPCJYR Index); US: US CPI Urban Consumer YoY NSA (Ticker: CPI YOY Index); Eurozone: Eurostat Eurozone MUICP All Items YoY Flash Estimate (Ticker: ECCPEST Index); Japan: Japan CPI Nationwide YOY (Ticker: JNCPIYOY Index)

Outlook thoughts

It is worth highlighting the following themes, impacting investment markets:
Credit spreads indicate a sanguine sentiment to risk. Credit spreads have tightened since the March banking crisis with US investment grade credit spreads ending Q2 at 120bps, having reached a year to date high of 165bps in March. US high yield bonds spreads have similarly tightened, from a high of 516bps, to 392bps at quarter end, despite incipient signs of rising delinquencies. In the first half of 2023, for example, US Chapter 11 bankruptcies have risen sharply on the same period last year.
Inflation – heading towards target, but core inflation proving sticky. The UK was again the outlier in the quarter with annual CPI only falling to 8.7% in the quarter, compared to 4.0% for the US and 5.5% for Eurozone. However, core inflation (excluding energy and food prices) has been telling a different story. UK core inflation has worryingly risen to a new high at 7.1% in Q2, while US core inflation is now above headline inflation at 5.3% and has only slowly decreased from 6.0% 12 months prior. Similarly Eurozone core inflation rose in June to 5.4% and is well above the 3.8% figure of 12 months ago. This all suggests the high inflation / high rates environment may last for rather longer than currently discounted.
A narrow range of stocks is driving global equities performance. In May, Nvidia announced a vastly improved earnings forecast (50% above Wall Street consensus for Q2) driven by the demand for high specification chips used by entities pursuing AI efforts. This prompted a 52% rise in the share price over Q2, and has been emblematic of the recent attention investors are paying to companies with any form of potential for AI products. Indeed, Nvidia, Tesla and Meta have risen by 196%, 142%, and 130% respectively over the year to date. This characteristic, of performance being concentrated in a narrow number of stocks can be symptomatic of the late phases of equity bull markets.
Equity valuations rise despite earnings risk. Equities rose for another quarter, despite analysts' forecasting S&P 500 Q2 earnings declining 7.2% on the year prior. This has led the forward earnings ratio for the S&P 500 to rise to 18.9x, from 17.8x in Q1, and comfortably above its 10-year average of 17.4x. Profit margins for US equities have declined to c.12%, from 14% in 2021 but remain above longer term averages and equity markets appear to be looking past the potential effects of high interest rates and discounting a "soft landing" scenario. This would seem to leave the asset class exposed to disappointment.

Equities

Global equities rose sharply in Q2, led by US and Japanese equities for varying reasons. The VIX declined over the quarter from 19 to 14, well down on its average level of 21 for the 5 calendar years 2017 to 2022.

In the US, the S&P 500 rose by +8.7% and the NASDAQ soared by +15.2%. Markets rallied as enthusiasm for AI boosted a number of stocks and an upward adjustment to the Q1 annualised GDP figure (from 1.3% to 2.0%) provided support to the view that the US economy may avoid a recession or 'hard landing' despite the sharp rise in interest rates.

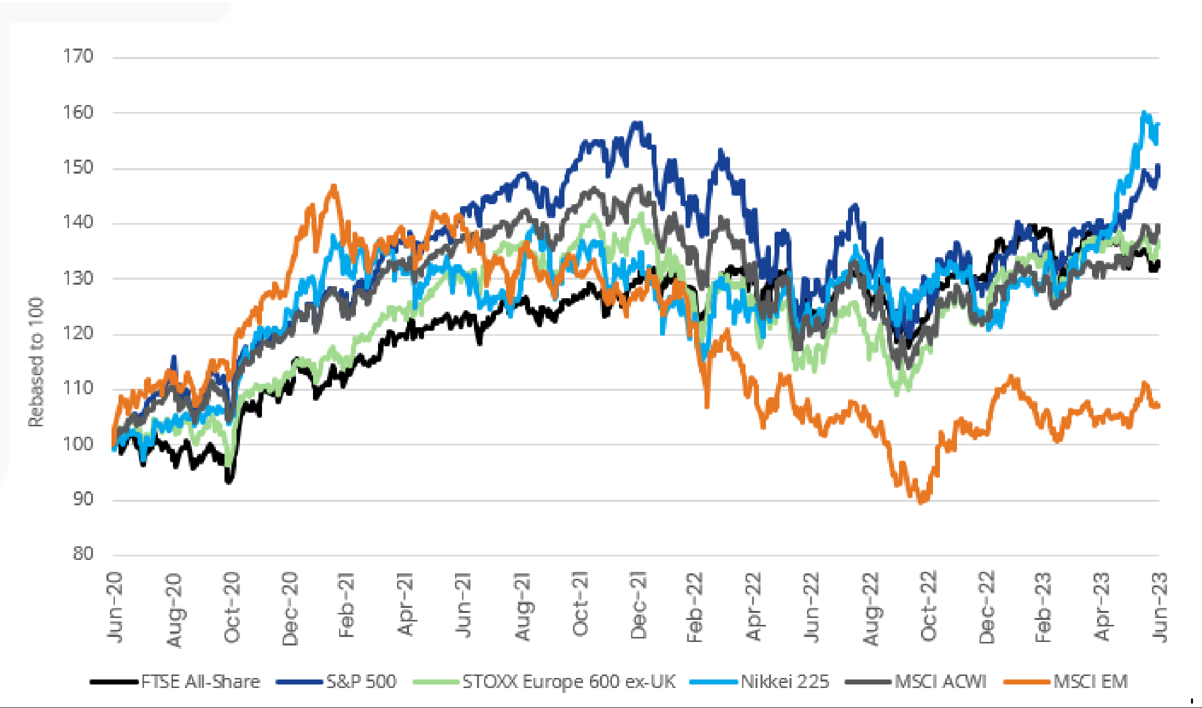
UK equities fell -0.4% and underperformed global equities. Inflation has remained too high in the UK for the Bank of England, resulting in the base rate being raised to 5.0%, from 4.25% at the end of Q1. The BoE had slowed the pace of rate rises from 50bps to 25bps, but moved back to a 50bps rise in Q2. UK CPI was 8.7% in May, well above the 6.1% figure for the Eurozone.

The Euro Stoxx 50 rose by 4.2% in Q2. Economic data was better than expected with inflation continuing to move downwards, although the ECB has maintained a hawkish rhetoric. The composite PMI has however been declining in Q2 and in June fell just into contractionary territory at 49.9.

Japanese equities continued their strong run, rising by +18.5% in Q2. A weakening JPY has boosted exporters, as the BoJ maintains very accommodative monetary policy with core inflation currently at 3.2%, as well as the mentioned prospective corporate governance reform. The yen fell 8.6% vs the USD over the quarter.

Emerging market equities rose +1.0%, underperforming global equities as Chinese stocks fell. Investors had previously pinned hope on a rebound in Chinese stimulus and growth which had propelled Chinese equities in late 2022 and early 2023; however the country has not yet provided meaningful policy stimulus.

Global Equity Markets Performance



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

Fixed Income

Medium- and longer-term bond yields rose over the quarter, generally rising with rate hikes from central banks resulting in negative performance for government bonds. The US yield curve inversion as measured by the 10 year–2 year ended the quarter at -106bps, as short and mid term rates rose more so than longer bond yields. In corporate bonds, high-yield credit outperformed as credit spreads tightened over the quarter. Emerging market bonds rose 2.7% in local currency, and 2.2% in hard currency.

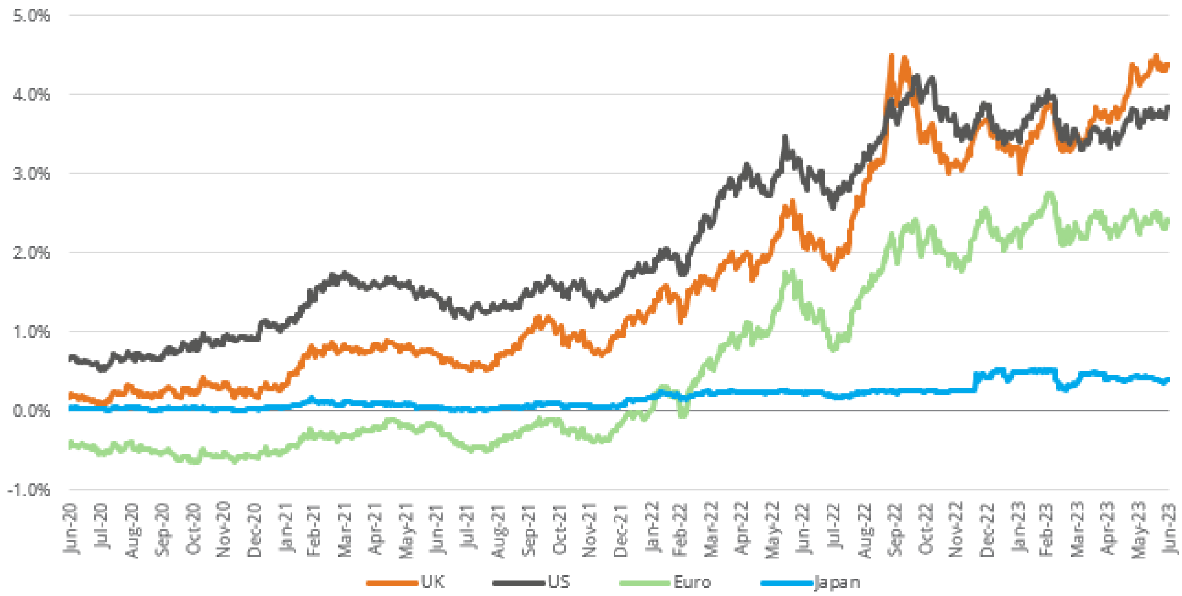
The US 10-year Treasury yield rose in Q2, ending at 3.81% from 3.48%. US rates rose steadily through the quarter, with US GDP being revised upwards for Q1 and job openings (JOLTS) at a strong 9.8 million, compared to 7.2 million in January 2020. The Fed raised their policy rate by 0.25% just once in the quarter (to 5.0%-5.25%).

The UK 10-year Gilt yield rose sharply from 3.49% to 4.39% and 2-year from 3.44% to 5.27%. Over the quarter, the spread between UK and German 10 year bond yields widened, reflecting the increased stress viewed on the UK economy (UK 10pprox.. +200bps now vs +120bps in Q1, and close to the +228bps in September 2022 during the 'mini budget'). The BoE hiked rates by 25bps two times in the quarter.

European government bonds returns were flat in Q2. Yield curves steepened further over Q2, as short end rates rose with rate hikes with the main refinancing rate now at 4.0% (up from 3.5%), while longer term bond yields were little changed. The German 10-year bund yield rose to 2.39% from 2.29%, while Italy's fell from 4.09% to 4.07%.

US high-yield bonds outperformed investment grade, returning +1.7% and -0.3% respectively. European high-yield bonds returned 1.8%, outperforming the 0.2% for European investment grade and -3.1% for UK investment grade.

Government Bond Yields



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

Currencies

In currencies, sterling strengthened against the US dollar (+3.0%) and the euro (+2.3%) over the quarter, as the ongoing high and uncertain inflation in the UK is viewed as requiring a more lengthy period of tighter monetary policy. The US dollar rose modestly in Q2 (Dollar index +0.4%).

Commodities

Energy prices were mixed over Q2, as gas prices rebounded somewhat although still sharply down from the pre-winter figures. Oil prices have traded down driven by concerns over global growth and oil demand.

US gas prices rose 26% in Q2. Prices have fallen dramatically from their 2021/ 2022 peaks.

Brent crude oil fell -6.1% over Q2, to $75 per barrel. Falling prices since 2022 has triggered various OPEC+ announcements of production cuts which have thus far only resulted in small reactions from the market. The US released oil from its Strategic Petroleum Reserve in 2021/ 2022 to meet demand and address high prices, but has yet to restock the inventory.

Gold and Copper fell -2.0% and -8.6% respectively over Q2. Gold fell as investors returned to risk assets, and with high yields available on cash alternatives. Copper fell over the quarter from a high in April, with the growth outlook for China a headwind. Gold and Copper closed Q2 at 1,929 USD/toz and 374 USD/lb, respectively.

Property

Global listed property continued to decline, with the FTSE EPRA Nareit Global Index falling -2.4% in Q2.

The Nationwide House Price Index in the UK has continued its decline, with the price index down -0.3% for the quarter, and down -3.5% on annual basis.

European commercial property has also continued to decline in the face of higher interest rates, with the Green Street Commercial Property Price Index down by -2.3% this quarter and -15.9% over the past 12 months.

Key Indicators at a Glance

	Index (Local Currency)	Q2 2023	Q2	YTD
Equities			**Total Return**	
UK Large-Cap Equities	FTSE 100	7,532	-0.4%	1.7%
UK All-Cap Equities	FTSE All-Share	4,096	-0.6%	1.1%
US Equities	S&P 500	4,450	8.7%	17.3%
European Equities	EURO STOXX 50 Price EUR	4,399	4.2%	17.2%
Japanese Equities	Nikkei 225	33,189	18.5%	30.5%
EM Equities	MSCI Emerging Markets	989	1.0%	5.0%
Global Equities	MSCI World	2,967	7.0%	15.2%
Government Bonds				
UK Gilts	FTSE Actuaries UK Gilts TR All Stocks	2,913	-5.4%	-3.5%
UK Gilts Over 15 Years	FTSE Actuaries Uk Gilts Over 15 Yr	3,481	-8.3%	-5.8%
UK Index-Linked Gilts	FTSE Actuaries UK Index-Linked Gilts TR All Stocks	3,897	-6.6%	-2.6%
UK Index-Linked Gilts Over 15 Years	FTSE Actuaries UK Index-Linked Gilts TR Over 15 Yr	4,298	-10.2%	-5.8%
Euro Gov Bonds	Bloomberg EU Govt All Bonds TR	214	0.0%	2.5%
US Gov Bonds	Bloomberg US Treasuries TR Unhedged	2,223	-1.4%	1.6%
EM Gov Bonds (Local)	J.P. Morgan Government Bond Index Emerging Markets Core Index	133	2.7%	7.6%
EM Gov Bonds (Hard/USD)	J.P. Morgan Emerging Markets Global Diversified Index	836	2.2%	4.1%
Bond Indices				
UK Corporate Investment Grade	S&P UK Investment Grade Corporate Bond Index TR	327	-3.1%	-0.8%
European Corporate Investment Grade	Bloomberg Pan-European Aggregate Corporate TR Unhedged	218	0.2%	2.2%
European Corporate High Yield	Bloomberg Pan-European HY TR Unhedged	408	1.8%	4.8%
US Corporate Investment Grade	Bloomberg US Corporate Investment Grade TR Unhedged	3,063	-0.3%	3.2%
US Corporate High Yield	Bloomberg US Corporate HY TR Unhedged	2,304	1.7%	5.4%
Commodities				
Brent Crude Oil	Generic 1st Crude Oil, Brent, USD/bbl	75	-6.1%	-12.8%
Natural Gas (US)	Generic 1st Natural Gas, USD/MMBtu	2.8	26.3%	-37.5%
Gold	Generic 1st Gold, USD/toz	1,929	-2.0%	5.7%
Copper	Generic 1st Copper, USD/lb	374	-8.6%	-1.8%
Currencies				
GBP/EUR	GBPEUR Exchange Rate	1.1637	2.3%	3.0%
GBP/USD	GBPUSD Exchange Rate	1.2703	3.0%	5.1%
EUR/USD	EURUSD Exchange Rate	1.0909	0.6%	1.9%
USD/JPY	USDJPY Exchange Rate	144.3100	8.6%	10.1%
Dollar Index	Dollar Index Spot	102.9120	0.4%	-0.6%
USD/CNY	USDCNY Exchange Rate	7.25	5.5%	5.1%
Alternatives				
Infrastructure	S&P Global Infrastructure Index	2,697	-0.1%	3.5%
Private Equity	S&P Listed Private Equity Index	175	7.7%	13.5%
Hedge Funds	Hedge Fund Research HFRI Fund-Weighted Composite Index	17,684	-0.8%	0.9%
Global Real Estate	FTSE EPRA Nareit Global Index TR GBP	3,433	-2.4%	-4.4%
Volatility			**Change in Volatility**	
VIX	Chicago Board Options Exchange SPX Volatility Index	14	-27.3%	-37.3%

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

PIRC LAPPA

Local Authority Fund Statistics

2022/23

ASSET ALLOCATION AT END MARCH

	Equity		Bonds		Alternatives		Property		Cash		Diversified Growth	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Average	*51*	***52***	*17*	***18***	*19*	***17***	*9*	***9***	*2*	***2***	*2*	***2***
Range												
Top Quartile	*59*	*60*	*22*	*22*	*21*	*17*	*10*	*10*	*3*	*2*	*8*	*9*
Median	*54*	*54*	*17*	*18*	*13*	*11*	*8*	*9*	*1*	*1*	*0*	*0*
Bottom Quartile	*46*	*46*	*12*	*13*	*8*	*6*	*6*	*7*	*1*	*0*	*0*	*0*
Oxfordshire Pension Fund	55	53	18	20	14	13	9	8	1	2	4	5

TOTAL FUND PERFORMANCE

	1 Year	*Rank*	3 Yrs (%p.a.)	*Rank*	5Yrs (%p.a.)	*Rank*	10 Yrs (%p.a.)	*Rank*	20 Yrs (% p.a.)	*Rank*	30 Yrs (% p.a.)	*Rank*
Universe Average	**-1.6**		**9.5**		**5.9**		**7.3**		**8.4**		**7.7**	
Range of Results												
Upper Quartile	-1.6		10.1		6.2		7.6		8.6		7.7	
Median	-3.3		9.2		5.7		7.2		8.3		7.5	
Lower Quartile	-4.6		8.0		5.1		6.6		7.8		7.3	
Oxfordshire Pension Fund	-3.9	*67*	9.4	*47*	5.7	*53*	7.2	*47*	8.1	*59*	7.3	*78*

EQUITY PERFORMANCE

	1 Year	*Rank*	3 Yrs (%p.a.)	*Rank*	5Yrs (%p.a.)	*Rank*	10 Yrs (%p.a.)	*Rank*	20 Yrs (% p.a.)	*Rank*	30 Yrs (% p.a.)	*Rank*
Universe Average	**0.0**		**14.5**		**7.6**		**8.8**		**10.0**		**8.4**	
Range of Results												
Upper Quartile	0.0		15.1		8.7		9.6		10.3		8.6	
Median	-1.2		14.2		7.9		8.9		9.8		8.3	
Lower Quartile	-2.5		13.3		7.0		8.1		9.6		8.0	
Oxfordshire Pension Fund	0.4	*23*	14.2	*47*	7.0	*76*	8.2	*69*				

BOND PERFORMANCE

	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank	10 Yrs (%p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe Average	-9.1		-0.9		0.3		2.6		4.6		5.7	
Range of Results												
Upper Quartile	-4.0		1.9		0.6		2.9		4.7		5.9	
Median	-8.6		-0.7		-0.2		2.3		4.5		5.6	
Lower Quartile	-13.4		-3.1		-1.2		1.6		3.8		5.0	
Oxfordshire Pension Fund	-16.0	80	-3.9	79	-0.7	58	2.3	41	4.6	43	5.6	45

ALTERNATIVE PERFORMANCE

	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank	10 Yrs (%p.a.)	Rank
Universe Average	6.5		11.6		10.3		9.8	
Range of Results								
Upper Quartile	11.3		13.3		12.7		11.4	
Median	7.3		11.1		9.9		8.2	
Lower Quartile	3.5		8.0		8.1		6.9	
Oxfordshire Pension Fund	-0.1	88	19.5	2	15.1	16	14.6	3

PROPERTY PERFORMANCE

	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank	10 Yrs (%p.a.)	Rank	20 Yrs (% p.a.)	Rank	30 Yrs (% p.a.)	Rank
Universe Average	-7.9		2.9		3.2		6.8		6.0		7.8	
Range of Results												
Upper Quartile	-7.6		3.5		3.5		7.0		6.2		8.0	
Median	-10.4		2.4		2.5		6.6		5.4		7.4	
Lower Quartile	-13.9		1.4		1.9		5.8		4.8		6.6	
Oxfordshire Pension Fund	-6.9	20	2.8	39	3.3	30	6.8	31	4.6	80	6.6	74

DIVERSIFIED GROWTH PERFORMANCE

	1 Year	Rank	3 Yrs (%p.a.)	Rank	5Yrs (%p.a.)	Rank
Universe Average	-4.0		5.3		2.5	
Range of Results						
Upper Quartile	-2.4		6.8		3.4	
Median	-3.5		5.0		2.6	
Lower Quartile	-6.2		3.8		1.4	
Oxfordshire Pension Fund	-6.5	78	3.5	83	1.3	80

These tables are intended solely for the use of the participating funds. Whilst individual fund returns and rankings may be used, the tables in their entirety should not be copied or distributed beyond these funds.

Market thoughts

To finish off with some food for thought from one of the more insightful strategists, courtesy of Jeffries.

GREED & fear: The return of the oil factor

GREED & fear has been reminded of late about a previously identified correlation. For the renewed strength of the oil price has coincided with a renewed pickup in inflation expectations. This is potentially an awkward development in the context of the prevailing narrative that both the Federal Reserve and the ECB are all but done in this tightening cycle even if the official mantra in both cases remains “data dependent”.

The risk of such an outcome is one reason why GREED & fear has maintained energy stocks in the portfolios despite oil’s recent slump. The best explanation for oil’s decline in price in the first half of this year remains that the Biden administration has continued to drain oil from the Strategic Petroleum Reserve (SPR) despite an official statement last October that it would do the exact opposite.

The Biden administration has stopped draining oil out of the SPR for the past four weeks which has coincided with the rally in the oil price. Still on 1 August it reportedly withdrew from buying 6m barrels of oil for the SPR because it did not like the price.

The oil market has of late refocused on the fundamental supply constraints long discussed here, in the context of the lack of investment in oil in recent years as a result of the green lobby’s political attack on fossil fuels combined with the geological reality that US shale production looks like it has peaked in most regions except the Permian. The result is that OPEC is the swing producer again and OPEC-plus, in terms of the agreement with Russia, seem to be cooperating on supply constraints.

The oil market received another reminder of the lack of supply last week with the largest weekly decline in US commercial crude stockpiles in the last week of July since the weekly data began to be published 41 years ago.

The result is that the Biden administration faces an awkward dilemma since a higher oil price threatens the political imperative in the run up to next year’s presidential election to be seen to be prevailing over inflation. Yet a further draining of the SPR invites accusations from political opponents of threatening America’s strategic access to oil for the sake of short-term political expediency.

The common media explanation for oil's weakness in the first half of this year, namely a weak Chinese economy, is not borne out by the data. China's imports of crude oil and refined oil products have risen to a level close to the previous peak level reached in mid-2020.

It may seem odd to be going on about oil when EVs are ramping up globally, most particularly in China. Still oil will be a factor in markets for many years to come even though it is also clear that energy producers, from Saudi Arabia down, need to think about diversification as Saudi is doing. The oil price is clearly relevant for the Fed given the main driver of the statistical decline in inflation this year has been the decline in energy prices.

The oil price rally has also coincided of late with a back-up in Treasury bond yields. GREED & fear remains a structural bear on US Treasury bonds and indeed also G7 government bonds. Yet GREED & fear has been expecting a tactical rally in Treasuries, with the resumption of quanto tightening, in the context of the still anticipated downturn in the US economy as a result of the considerable lags in monetary tightening.

This raises the issue of why Treasury bonds have corrected of late in the absence of unusually strong data. Possible explanations include the oil factor and Japanese selling triggered by the Bank of Japan's adjustment of yield curve control. But another is a reaction to the surprisingly timed Fitch downgrade of US sovereign debt from AAA to AA+ on 1 August. GREED & fear says "surprisingly timed" in the sense that there was no obvious catalyst for the move unless it was the growing number of indictments against America's 45th president.

If the timing was a surprise, the reality is that there is never a good time to downgrade from a Washington perspective while America's fiscal situation has been deteriorating dramatically ever since the MMT-lite policy response triggered by Covid. This deterioration has been primarily driven by the rise in the cost of debt servicing which is the consequence of the growing evidence that Treasury bonds are in a bear market.

The fiscal deterioration, now formally confirmed by Fitch, is why foreign official holdings of Treasury bonds continue to decline, and not just the holdings of the two biggest lenders China and Japan. This is also a related reason for the decline in the US dollar's share of foreign exchange reserves.

One logical conclusion of the above growing evidence of foreigners' increasing reluctance to finance America's federal government borrowing is that the dollar may have put in another long-term peak at the high reached last September even though that was 31% below the all-time high reached back in February 1985 based on the US dollar index.

If that is GREED & fear's base case on the US dollar, until proven wrong, this also has positive implications for both the commodity and emerging market asset classes. The key feature of emerging markets for now remains the dramatic divergence in recent years between the outperformance of local currency emerging market government bonds relative to global government bonds in stark contrast to the continuing underperformance of emerging market equities relative to global equities.

The bull case for emerging market equities is clearly that they play catch up on the outperformance of emerging market debt as a result of the more orthodox monetary and fiscal policies pursued in the emerging markets in recent years relative to G7, and the resulting lower cost of capital. But for this to happen the Fed has to start cutting rates at some point in the context of a declining dollar.

Oxfordshire Pension Fund Performance Report

Quarter ending 30 June 2023

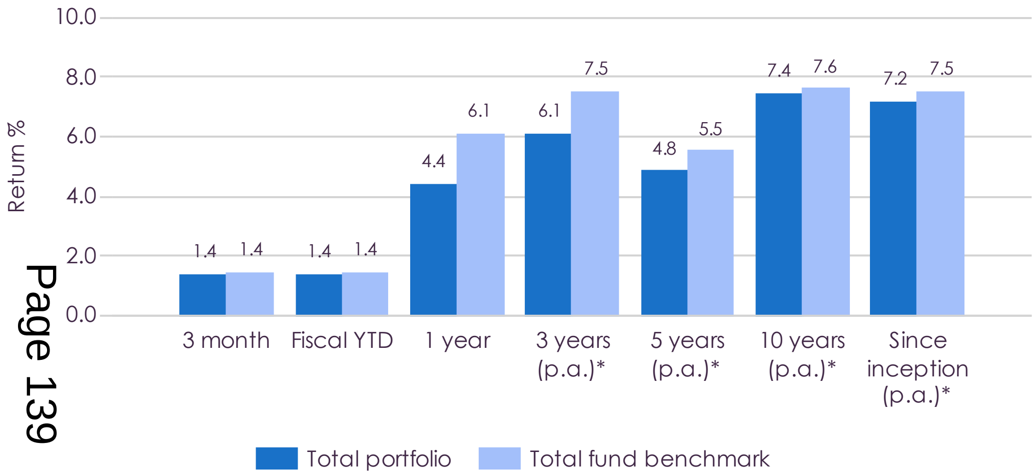
Oxfordshire Pension Fund
www.oxfordshire.gov.uk/pensions

BRUNEL
Pension Partnership

Contents

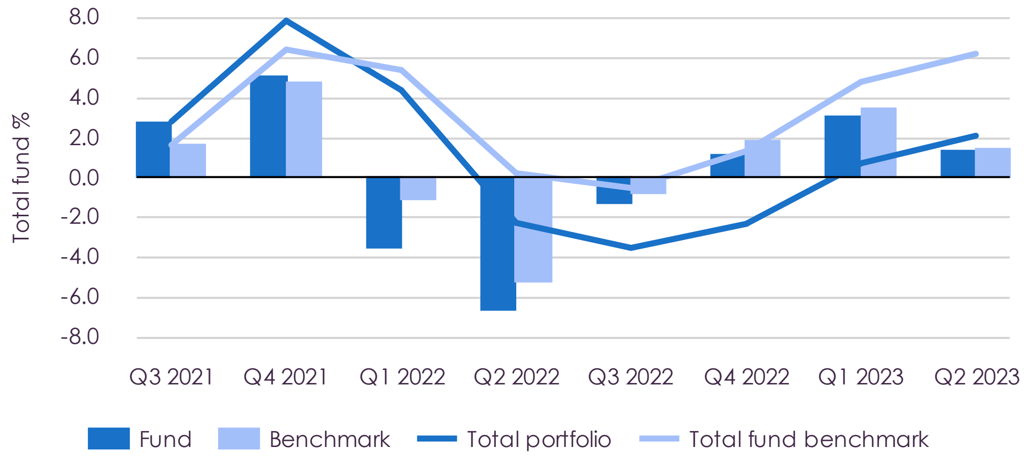
Pension Fund performance

Performance (annualised)



Source: State Street Global Services
*per annum. Net of all fees.

Quarterly performance



Source: State Street Global Services. Net of all fees.

Key events

Quarter 2 was another good quarter for developed market global equities. However, if the so-called magnificent seven of Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla are excluded, global equities actually fell by 2.4%. Apple now represents c5% of global equity indices and therefore is a key determinant of portfolio performance relative to a global index. Emerging Markets and UK equities declined over the period.

Government bonds also fell as interest rates continued to rise – the exception being in Japan.

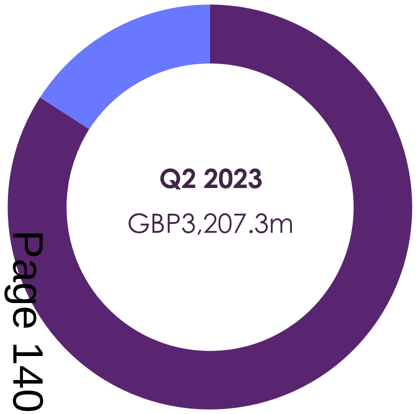
Rising rates continued to dampen activity in Private Markets.

The total portfolio rose 1.4%, matching the return of the benchmark. For the 12 months, the total portfolio lagged the benchmark (+4.4% vs +6.1%).

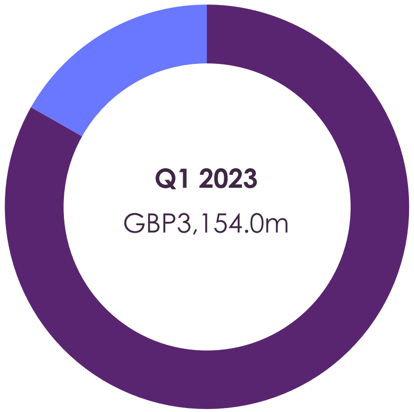
The relative performance of Brunel's active equity portfolios during the quarter was broadly in line with the benchmark. However, Global Sustainable Equities lagged the benchmark by 3.3%. The Multi-Asset Credit portfolio produced a positive return.

Asset summary

Assets transitioned to Brunel



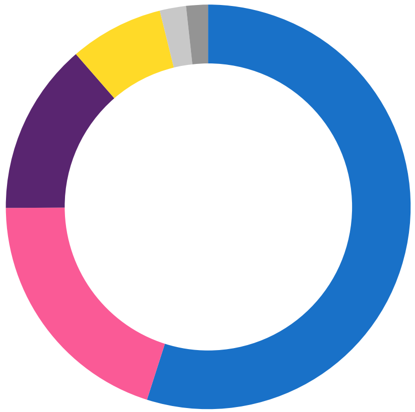
Transitioned	84.13%
Legacy assets	15.87%



Transitioned	83.19%
Legacy assets	16.81%

Source: State Street Global Services. Net of all fees.

Asset allocation breakdown



Key:

Equities	54.89%
Private markets	20.02%
Fixed income	13.72%
Property	7.51%
Other	2.11%
Cash	1.75%

Source: State Street Global Services. Net of all fees.
Data includes legacy assets

Overview of assets

Detailed asset allocation

Equities	£1,760.50m	54.89%
PAB Passive Global Equities	£523.38m	16.32%
UK Active Equities	£495.89m	15.46%
Global High Alpha Equities	£349.44m	10.90%
Global Sustainable Equities	£312.23m	9.74%
Emerging Markets Equities	£79.45m	2.48%
Legacy Assets	£0.10m	0.00%

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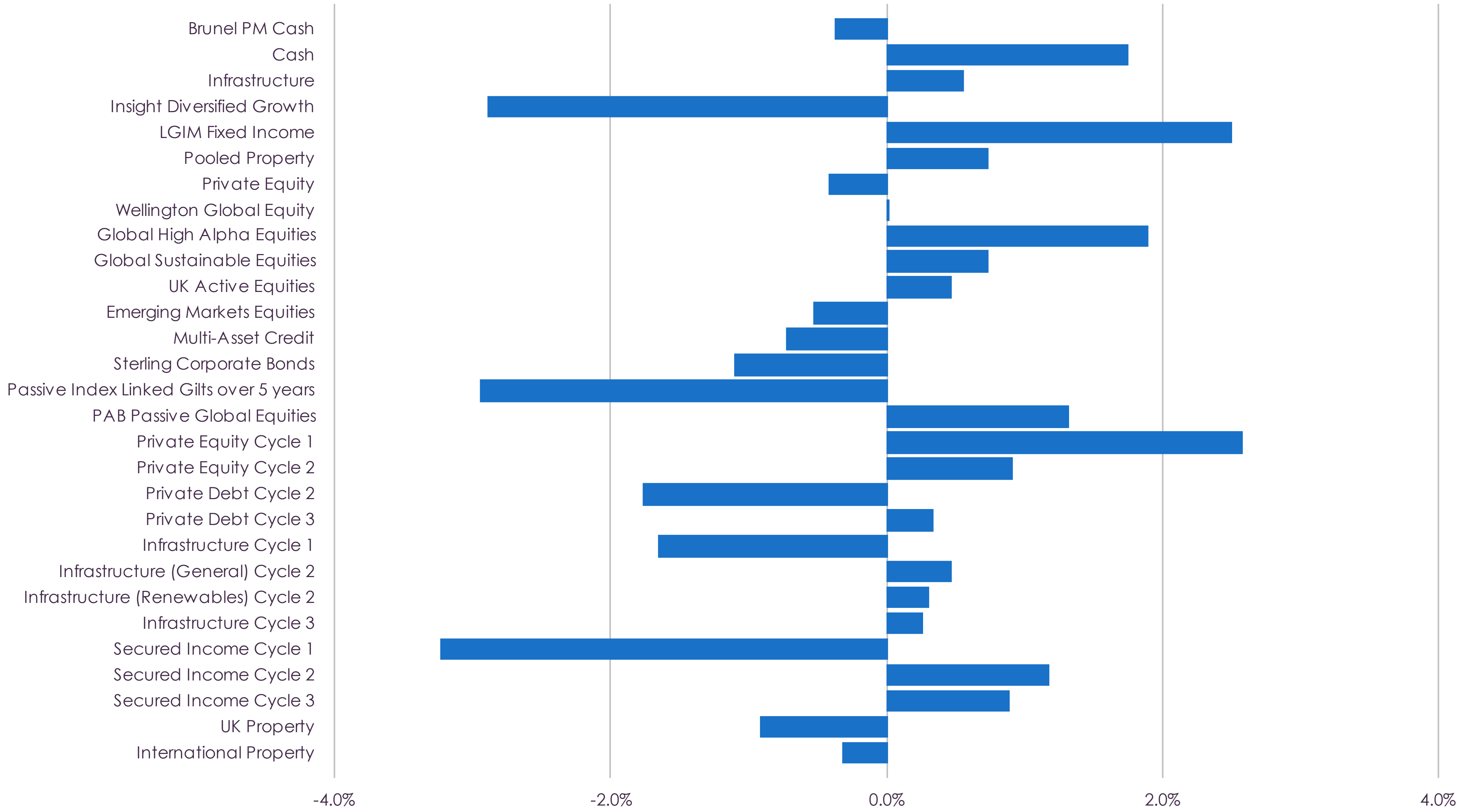
Fixed income	£440.10m	13.72%
Multi-Asset Credit	£136.97m	4.27%
Passive Index Linked Gilts over 5 years	£130.01m	4.05%
Sterling Corporate Bonds	£92.94m	2.90%
Legacy Assets	£80.19m	2.50%

Private markets (incl. property)	£882.83m	27.53%
UK Property	£163.07m	5.08%
Private Equity Cycle 1	£82.61m	2.58%
Secured Income Cycle 1	£56.76m	1.77%
International Property	£54.05m	1.69%
Infrastructure Cycle 1	£43.41m	1.35%
Private Debt Cycle 2	£39.59m	1.23%
Secured Income Cycle 2	£37.51m	1.17%
Private Equity Cycle 2	£29.15m	0.91%
Secured Income Cycle 3	£28.39m	0.89%
Infrastructure (General) Cycle 2	£14.93m	0.47%
Private Debt Cycle 3	£10.65m	0.33%
Infrastructure (Renewables) Cycle 2	£9.74m	0.30%
Infrastructure Cycle 3	£8.13m	0.25%
Legacy Assets	£304.83m	9.50%

Other	£67.73m	2.11%
Legacy Assets	£67.73m	2.11%

Cash not included

Strategic asset allocation



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Performance attribution

Pension fund performance attribution - to quarter end

	End market value £'000	Actual % allocation at end of quarter	Strategic asset allocation (%)	Difference (%)	Fund return (%): 3 months	Contribution to return: 3 month
Brunel PM Cash	-12,090	-0.4%	-	-0.4%	23.8%	0.0%
Cash	56,080	1.7%	-	1.7%	2.2%	0.0%
Infrastructure	17,910	0.6%	-	0.6%	2.5%	0.0%
Insight Diversified Growth	67,729	2.1%	5.00%	-2.9%	1.8%	0.0%
LGIM Fixed Income	80,190	2.5%	-	2.5%	-4.7%	-0.1%
Pooled Property	23,599	0.7%	-	0.7%	-1.8%	-0.0%
Private Equity	275,409	8.6%	9.00%	-0.4%	6.0%	0.5%
Wellington Global Equity	101	0.0%	-	0.0%	-2.3%	-0.0%
Global High Alpha Equities	349,440	10.9%	9.00%	1.9%	3.9%	0.4%
Global Sustainable Equities	312,232	9.7%	9.00%	0.7%	0.1%	0.0%
UK Active Equities	495,892	15.5%	15.00%	0.5%	-0.3%	-0.0%
Emerging Markets Equities	79,455	2.5%	3.00%	-0.5%	-2.4%	-0.1%
Multi-Asset Credit	136,968	4.3%	5.00%	-0.7%	1.8%	0.1%
Sterling Corporate Bonds	92,937	2.9%	4.00%	-1.1%	-2.5%	-0.1%
Passive Index Linked Gilts over 5 years	130,007	4.1%	7.00%	-2.9%	-7.8%	-0.4%
PAB Passive Global Equities	523,378	16.3%	15.00%	1.3%	5.3%	0.8%

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Performance attribution

Pension fund performance attribution - to quarter end

	End market value £'000	Actual % allocation at end of quarter	Strategic asset allocation (%)	Difference (%)	Fund return (%): 3 months	Contribution to return: 3 month
Private Equity Cycle 1	82,614	2.6%	-	2.6%	N/M	N/M
Private Equity Cycle 2	29,150	0.9%	-	0.9%	N/M	N/M
Private Debt Cycle 2	39,591	1.2%	3.00%	-1.8%	N/M	N/M
Private Debt Cycle 3	10,653	0.3%	-	0.3%	N/M	N/M
Infrastructure Cycle 1	43,415	1.4%	3.00%	-1.6%	N/M	N/M
Infrastructure (General) Cycle 2	14,926	0.5%	-	0.5%	N/M	N/M
Infrastructure (Renewables) Cycle 2	9,738	0.3%	-	0.3%	N/M	N/M
Infrastructure Cycle 3	8,133	0.3%	-	0.3%	N/M	N/M
Secured Income Cycle 1	56,763	1.8%	5.00%	-3.2%	N/M	N/M
Secured Income Cycle 2	37,507	1.2%	-	1.2%	N/M	N/M
Secured Income Cycle 3	28,392	0.9%	-	0.9%	N/M	N/M
UK Property	163,070	5.1%	6.00%	-0.9%	N/M	N/M
International Property	54,051	1.7%	2.00%	-0.3%	N/M	N/M

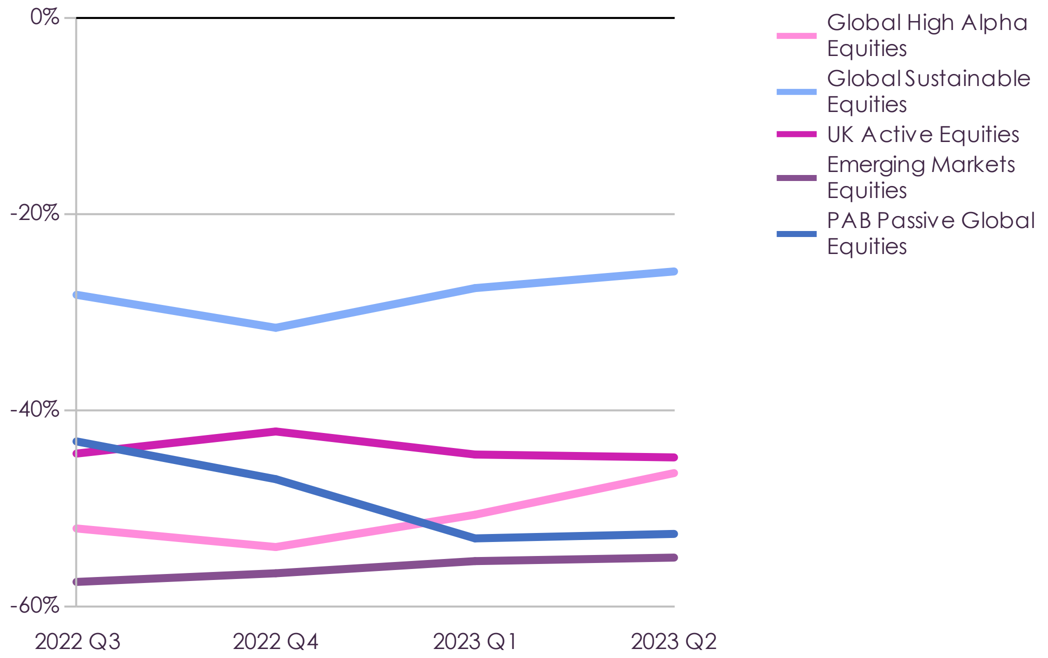
Private Markets 3 month performance is not material.

Stewardship and climate metrics

Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q1	2023 Q2	2023 Q1	2023 Q2	2023 Q1	2023 Q2
Global High Alpha Equities	**82**	**84**	**1.2**	**1.2**	**3.6**	**2.9**
MSCI World*	166	157	3.3	3.1	9.2	8.4
Global Sustainable Equities	**140**	**138**	**2.6**	**1.6**	**5.6**	**5.0**
MSCI ACWI*	193	186	3.3	3.1	9.1	8.3
UK Active Equities	**84**	**85**	**5.0**	**5.6**	**11.3**	**10.4**
FTSE All Share ex Inv Tr*	152	153	6.3	6.2	19.5	18.8
Emerging Markets Equities	**186**	**196**	**1.1**	**0.8**	**4.1**	**4.1**
MSCI Emerging Markets*	418	437	3.6	3.2	7.8	8.1
PAB Passive Global Equities	**79**	**76**	**0.6**	**0.6**	**3.4**	**3.2**
FTSE Dev World TR UKPD*	168	160	3.1	3.0	9.4	8.6

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

Weighted Average Carbon Intensity relative to benchmark



Stewardship reporting links

Engagement records
www.brunelpensionpartnership.org/stewardship/engagement-records/

Holdings records
www.brunelpensionpartnership.org/stewardship/holdings-records/

Voting records
www.brunelpensionpartnership.org/stewardship/voting-records/

Risk and return summary

Brunel portfolio performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Global High Alpha Equities	11.1%	13.9%	11.6%	12.6%
UK Active Equities	8.1%	13.4%	10.5%	13.2%
Emerging Markets Equities	0.3%	13.9%	1.7%	13.1%
Private Equity Cycle 1	19.2%	13.9%	10.5%	11.8%
Infrastructure Cycle 1	6.0%	4.4%	6.6%	2.1%
Secured Income Cycle 1	0.1%	5.2%	6.6%	2.1%

Since portfolio inception

Risk and return summary

Legacy manager performance - 3 year

	Annualised return	Risk (standard deviation)	Benchmark return	Benchmark standard deviation
Brunel PM Cash	72.2%	75.0%	0.0%	0.0%
Cash	7.3%	4.7%	1.2%	0.4%
Infrastructure	13.9%	13.7%	9.6%	2.2%
Insight Diversified Growth	2.4%	5.7%	5.4%	0.5%
LGIM Fixed Income	-8.6%	10.2%	-9.6%	9.8%
Pooled Property	5.7%	13.6%	3.4%	11.1%
Private Equity	23.0%	11.6%	17.7%	13.9%
Wellington Global Equity	-10.2%	13.5%	10.5%	11.8%
Oxfordshire County Council	6.1%	8.5%	7.5%	8.0%

Portfolio overview

Portfolio	Benchmark	Outperformance target	AUM (GBPm)	Perf. 3 month	Excess 3 month	Perf. 1 year	Excess 1 year	Perf. 3 year	Excess 3 year	Perf. SII*	Excess SII*	Initial investment
Equities (54.89%)			**1,760.40**									
Global High Alpha Equities	MSCI World	+2-3%	349.44	3.9%	-0.1%	16.3%	2.5%	11.1%	-0.5%	12.3%	2.0%	15 Nov 2019
Global Sustainable Equities	MSCI ACWI	+2%	312.23	0.1%	-3.3%	10.2%	-1.7%	-	-	5.9%	-4.2%	30 Sep 2020
UK Active Equities	FTSE All Share ex Inv Tr	+2%	495.89	-0.3%	0.1%	8.1%	-0.3%	8.1%	-2.3%	4.0%	-1.3%	21 Nov 2018
Emerging Markets Equities	MSCI Emerging Markets	+2-3%	79.45	-2.4%	-0.6%	-2.6%	-0.2%	0.3%	-1.4%	-0.2%	-1.5%	13 Nov 2019
PAB Passive Global Equities	FTSE Dev World PAB	Match	523.38	5.3%	-	16.7%	-	-	-	3.5%	-0.1%	29 Oct 2021
Fixed income (11.22%)			**359.91**									
Multi-Asset Credit	SONIA +4%	0% to +1.0%	136.97	1.8%	-0.2%	7.6%	0.3%	-	-	-1.5%	-7.3%	01 Jun 2021
Sterling Corporate Bonds	iBoxx Sterling Non Gilt x	+1%	92.94	-2.5%	0.9%	-5.5%	1.4%	-	-	-9.7%	0.5%	02 Jul 2021
Passive Index Linked Gilts over 5 years	FTSE-A UK ILG >5Y	Match	130.01	-7.8%	-	-19.8%	0.2%	-	-	-19.6%	-	09 Jun 2021
Private markets (incl. property) (18.02%)			**578.00**									
Private Equity Cycle 1	MSCI ACWI	+3%	82.61	N/M	N/M	0.5%	-11.4%	19.0%	8.5%	17.9%	7.1%	26 Mar 2019
Private Equity Cycle 2	MSCI ACWI	+3%	29.15	N/M	N/M	-11.4%	-23.3%	-	-	5.9%	-1.6%	05 Jan 2021
Private Debt Cycle 2	SONIA	+4%	39.59	N/M	N/M	13.4%	6.2%	-	-	12.4%	6.4%	17 Sep 2021
Private Debt Cycle 3	SONIA	+4%	10.65	N/M	N/M	-	-	-	-	4.6%	0.3%	20 Dec 2022
Infrastructure Cycle 1	CPI	+4%	43.41	N/M	N/M	8.1%	0.2%	7.4%	0.9%	8.0%	3.3%	02 Jan 2019

Portfolio overview

Portfolio	Benchmark	Outperformance target	AUM (GBPm)	Perf. 3 month	Excess 3 month	Perf. 1 year	Excess 1 year	Perf. 3 year	Excess 3 year	Perf. SII*	Excess SII*	Initial investment
Private markets (incl. property) (18.02%)			**578.00**									
Infrastructure (General) Cycle 2	CPI	+4%	14.93	N/M	N/M	11.0%	3.1%	-	-	8.9%	1.8%	19 Oct 2020
Infrastructure (Renewables) Cycle 2	CPI	+4%	9.74	N/M	N/M	12.7%	4.7%	-	-	9.6%	2.4%	12 Oct 2020
Infrastructure Cycle 3	n/a - absolute return target	net 8% IRR	8.13	N/M	N/M	-	-	-	-	-5.7%	-11.9%	13 Oct 2022
Secured Income Cycle 1	CPI	+2%	56.76	N/M	N/M	-14.9%	-22.9%	-0.8%	-7.3%	-0.6%	-5.3%	15 Jan 2019
Secured Income Cycle 2	CPI	+2%	37.51	N/M	N/M	-10.8%	-18.8%	-	-	-	-8.4%	01 Mar 2021
Secured Income Cycle 3	CPI	+2%	28.39	N/M	N/M	-	-	-	-	-	-0.2%	01 Jun 2023
UK Property	MSCI/AREF UK	+0.5%	163.07	N/M	N/M	-14.9%	2.2%	-	-	3.1%	0.9%	01 Jul 2020
International Property**	GREFI	+0.5%	54.05	N/M	N/M	0.8%	3.6%	-	-	2.1%	-	01 Jul 2020
Total Brunel assets (excl. cash) (84.13%)			**2,698.31**									

*Since initial investment
**Performance data shown up to 31 March 2023
Private Markets 3 month performance is not material.

Portfolio overview

Legacy assets

Portfolio	AUM (GBPm)	Perf. 3 month	Excess 3 month	Perf. 1 year	Excess 1 year	Perf. 3 year	Excess 3 year	Perf. SII*	Excess SII*	Initial investment
Equities (0.00%)			**0.10**							
Wellington Global Equity	0.10	-2.3%	-5.8%	-22.9%	-34.8%	-10.2%	-20.6%	6.2%	-5.6%	01 Oct 2012
Fixed income (2.50%)			**80.19**							
LGIM Fixed Income	80.19	-4.7%	0.6%	-10.0%	1.5%	-8.6%	1.0%	4.3%	0.4%	01 Oct 2003
Private markets (incl. property) (9.50%)			**304.83**							
Infrastructure	17.91	2.5%	-0.4%	-0.1%	-12.4%	13.9%	4.3%	8.8%	1.6%	01 Oct 2017
Private Equity	275.41	6.0%	2.5%	8.2%	-3.7%	23.0%	5.3%	12.3%	5.5%	01 Apr 2005
Pooled Property	23.60	-1.8%	-2.2%	-9.4%	8.0%	5.7%	2.3%	8.0%	1.7%	01 Jan 2010
Brunel PM Cash	-12.09	23.8%	23.8%	45.8%	45.8%	72.2%	72.2%	42.3%	42.3%	14 Dec 2018
Other (3.86%)			**123.81**							
Cash	56.08	2.2%	1.2%	18.1%	15.0%	7.3%	6.2%	2.6%	1.1%	01 Apr 2005
Insight Diversified Growth	67.73	1.8%	-0.3%	1.2%	-6.5%	2.4%	-3.0%	2.1%	-2.4%	01 Jan 2015
Total legacy assets (excl. cash) (15.87%)	**508.93**									

*Since initial investment

Chief Investment Officer commentary

Following another strong quarter, Apple now has a market capitalisation above $3 trillion. It is the first company to pass this mark, it was also the first stock to close above $1 trillion, which it did in August 2018. It is now bigger than Microsoft and Alphabet combined, two behemoths in their own right, and it is valued more highly than the entire FTSE 100. More pertinently it is now close to a 5% weighting in the MSCI All Countries World Index. Why is this important? Well, how much you owned of Apple and indeed if you owned Apple was the biggest contributor to your performance this year.

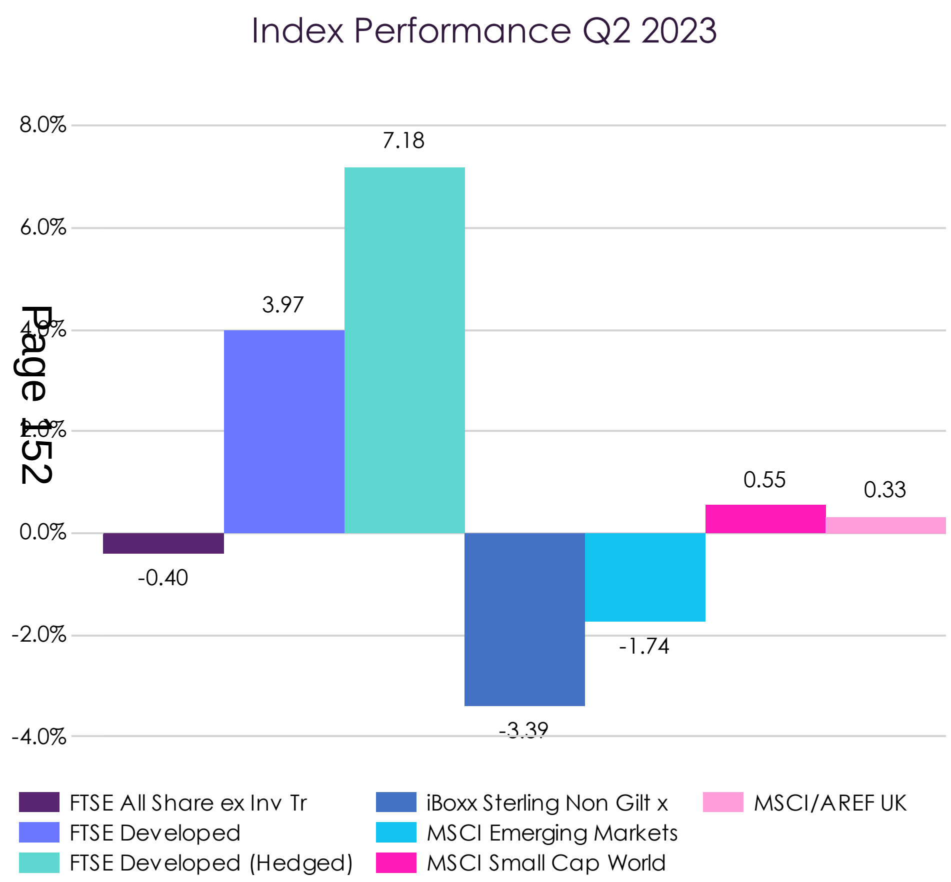
But it isn't just Apple to which this issue relates. The stock market has not been this concentrated since the 1970s when the so-called Nifty 50 stocks dominated the landscape. This quarter the performance of the top seven names, the so-called magnificent 7; Apple, Microsoft, Amazon, Nvidia, Alphabet, Tesla and Meta accounted for 85% of the total gains made by world equities.

Driven by these stocks the second quarter was another strong period for developed market equities, at least optically. An equally weighted index of world equities actually fell by 2.4%. This narrowness of the market was more obvious when looking at the performance of regional markets with Emerging Markets equities and UK equities declining over the period. Small cap equities posted only a marginal gain.

Government bonds also fell, as, apart from Japan, interest rate rises continued, albeit the US central bank did not raise rates in June. This has been coined "a hawkish pause", implying that this is not likely to be the end of the hiking cycle but a pause to allow the effects of previous rises to feed through to the economy. This pause was driven by "better" data, showing that US Inflation not only declined in absolute terms to an annual rate of 4% but also came in lower than expectations. It is worth remembering that oil peaked last year in June and so a decline was to be mathematically expected. The soft-landing narrative also gained more traction given continued robust economic data, particularly wage growth which whilst slowing was still strong enough to support retail sales. Unemployment was also low and as such recessionary forecasts were pushed into 2024 by the remaining bears.

In the UK investors were faced not with a pause but with a reacceleration of interest rate rises culminating in a 50bp increase in June as inflation data suggested that inflation is not yet under control. This initially drove government bond yields back to levels last seen during the aftermath of the budget crisis last year, increasing the spectre of a more severe house price correction as many banks pulled their mortgage offerings.

Chief Investment Officer commentary



Source: State Street

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The impact of rising rates was also felt in Private Markets as this directly fed through to an increase in the cost of capital, most obviously in debt funding costs. This in turn has led to a significant decrease in deal activity. Added to this was the denominator effect impact on fund raising – which started in 2022 and has very much continued into 2023. The immediate implication being that marque funds failed to raise as much capital as they targeted or simply paused their fund-raising activities. The silver lining of the liquidity squeeze that many investors are experiencing is an increase in the attractiveness of secondary deals, where we stand ready to participate opportunistically.

Elsewhere commodities led by metals fell for the second quarter in a row, albeit natural gas, cocoa and soyabeans bucked the trend. This led energy and mining companies to also broadly underperform the wider indices which provided a small tailwind for our equity franchise.

Whilst a soft landing is still very plausible, the eye of the needle has narrowed; a slowdown is needed that both tames inflation and so limits the need for further rate rises but is mild enough not to create economic pain. The fact that this Goldilocks scenario appears to be increasingly consensual means that any negative surprise and reversal of this view would see a larger decline in asset prices. Equity valuations specifically have risen, the US market trades on a forward price earnings ratio of 19x, at a time when earnings look harder to come by. That said ex the afore mentioned 7 large US names that metric falls to a more manageable 15x.

The outlook for earnings therefore remains the key to medium term returns. The US earnings season begins in August and consensus expects a 9% year over year decline, driven by flat revenues and decreasing margins. This looks like a low bar to step over, however the forecast for next year is for growth of 11% which looks optimistic if the much-predicted recession does land.

Global High Alpha Equities

Investment strategy & key drivers
High conviction, unconstrained global equity portfolio

Liquidity
Managed

Benchmark
MSCI World

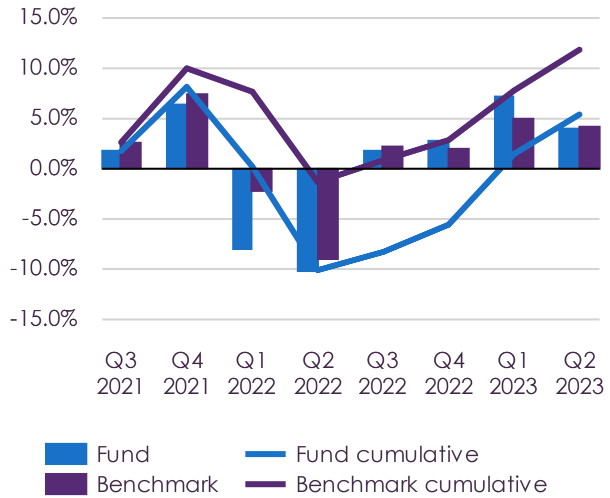
Outperformance target
+2-3%

Total fund value
£4,059m

Risk profile
High

Oxfordshire's Holding:
GBP349m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	Since inception *
Fund	3.9	16.3	13.0
Benchmark	4.1	13.8	11.0
Excess	-0.1	2.5	2.0

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

Global developed equities (as proxied by the MSCI World index) returned 4.1% in GBP terms over the quarter. This strong performance was once again driven by a small number of the very largest technology names in an environment where concerns regarding financial instability receded and enthusiasm for AI gained further traction. Indeed, the seven largest names in the index (Apple, Microsoft, Amazon, NVIDIA, Tesla, Alphabet and Meta - dubbed the 'magnificent seven') returned 2.75%, a contribution of over 65% of total index returns. This concentration of returns masked the more muted performance by the broader index hampered by fears about a potential recession negatively impacting earnings.

The portfolio returned 3.9% during the period, marginally underperforming the benchmark by 0.1%.

The portfolio owned six of the 'magnificent seven' but was underweight these names in aggregate, which detracted 0.5% from relative performance. Managers were able to find pockets of performance outside of these names to offset this, with positive contributions from overweight holdings in names such as Eli Lilly (returned 33%, driven by improved potential for their new diabetes drug Mounjaro), and Delta Airlines (returned 32%, as it benefitted from falling fuel prices and strong second quarter demand).

Sector attribution shows a positive impact from allocation driven by an overweight to the Consumer Discretionary sector and underweights to the two poorest performing sectors, Utilities and Energy. Selection was negative overall and weakest in the Consumer Discretionary sector where the underperformance of Chinese names versus their developed market peers was a material detractor (Alibaba, PinDuoDuo and Meituan).

Two of the five managers outperformed this quarter with a particularly strong relative performance by RLAM (+3.9%). RLAM's differentiated approach was again in evidence this quarter with several names not held elsewhere in the portfolio doing particularly well (Eli Lily, Thor Industries, Lithia Motors). Harris was the poorest performer this quarter following two quarters of outperformance. Their value approach resulted in them holding companies less appreciated by the market as value underperformed growth and quality.

Since inception the portfolio has outperformed the benchmark by 2% p.a.

Global High Alpha Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
MICROSOFT CORP	6.03	4.24	21,075,558
AMAZON.COM INC	3.38	2.12	11,797,984
ALPHABET INC	2.61	2.40	9,126,442
MASTERCARD INC	2.54	0.59	8,860,832
UNITEDHEALTH GROUP INC	2.16	0.79	7,535,160

*Estimated client value

Top 5 active overweights

	Weight %	Benchmark weight %
MASTERCARD INC	2.54	0.59
TAIWAN SEMICONDUCTOR	1.83	-
MICROSOFT CORP	6.03	4.24
UNITEDHEALTH GROUP INC	2.16	0.79
MOODY'S CORP	1.47	0.10

Top 5 active underweights

	Weight %	Benchmark weight %
APPLE INC	1.03	5.40
META PLATFORMS INC	-	1.12
EXXON MOBIL CORP	-	0.77
JPMORGAN CHASE & CO	-	0.75
BERKSHIRE HATHAWAY INC	0.12	0.78

Largest contributors to ESG risk

	ESG risk score* Q1 2023	ESG risk score* Q2 2023
AMAZON.COM INC	30.28	30.53
MICROSOFT CORP	15.00	15.32
ALPHABET INC-CL A	24.60	24.50
NESTLE SA-REG	27.37	27.29
MASTERCARD INC - A	17.02	17.07

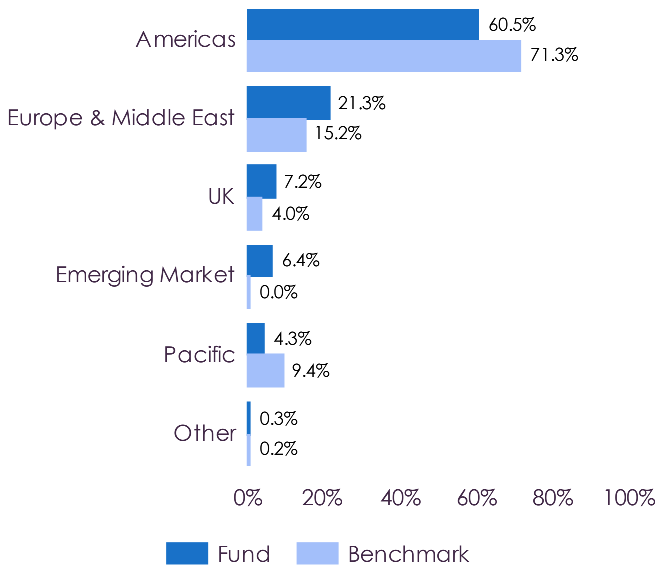
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

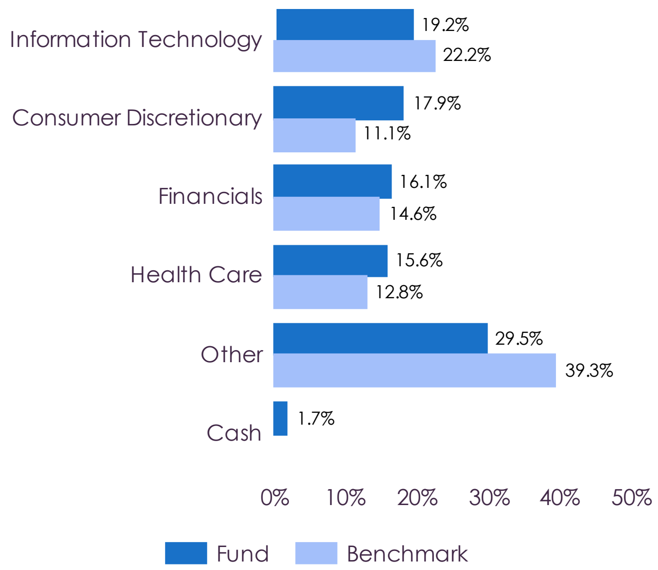
Portfolio	WACI 2023 Q1	WACI 2023 Q2	Total Extractive Exposure[1] 2023 Q1	Total Extractive Exposure[1] 2023 Q2	Extractive Industries (VOH)[2] 2023 Q1	Extractive Industries (VOH)[2] 2023 Q2
Global High Alpha	82	84	1.19	1.24	3.60	2.89
MSCI World*	166	157	3.26	3.07	9.22	8.36

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

Regional exposure



Sector exposure



Global Sustainable Equities

Investment strategy & key drivers

Global equity exposure concentrating on ESG factors

Liquidity

Managed

Benchmark

MSCI ACWI

Outperformance target

+2%

Total fund value

£3,120m

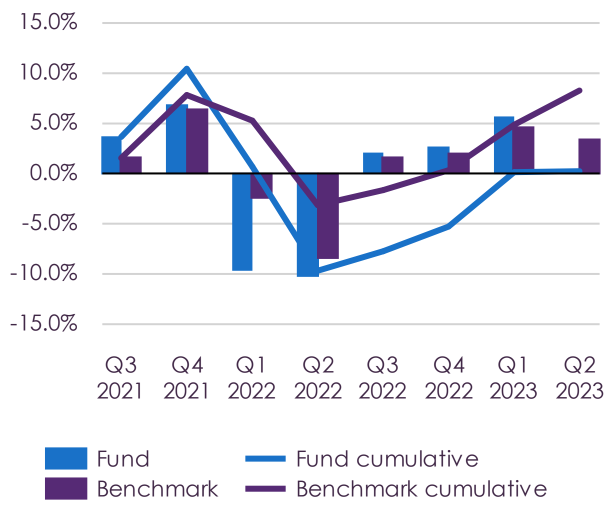
Risk profile

High

Oxfordshire's Holding:

GBP312m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	Since inception *
Fund	0.1	10.2	5.3
Benchmark	3.4	11.9	9.5
Excess	-3.4	-1.7	-4.3

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

The fund returned 0.1% over the quarter on a net basis, a relative underperformance of 3.4% against the MSCI ACWI benchmark. Over the 1-year period the fund has returned 10.2% on a net basis, underperforming the MSCI ACWI by 1.7%, due to the performance of the most recent quarter.

As discussed in the CIO commentary, this quarter can be characterised by the outperformance of a small number of stocks, which occupy the Very Large Cap end of the market cap spectrum. Whilst the portfolio does have some exposure to the 7 names, which contributed 85% of market return, the fund is still relatively underweight. This is largely due to Valuation considerations but also Sustainable considerations when considering the investment case for Meta and Tesla. Altogether the 9% underweight in these 7 names cost the fund 100bps of relative performance over the quarter, notably 50bps from the 4.5% underweight in Apple.

The outperformance of a handful of stocks has continued to drive market concentration within the MSCI ACWI. We highlighted in the CIO commentary that the equally weighted return of the MSCI ACWI was -2.4%, which highlights the affect that the weighting structure is having within the index. If we think about proportional Stock outperformance, this quarter saw only 30% of MSCI ACWI names outperform the index, which implies that 2100 stocks underperformed the MSCI ACWI, the largest proportion of stock underperformance in over a decade of quarterly returns.

If we were to see a reversal in the trend of market concentration driven by the very narrow outperformance of a handful of mega-cap stocks we should hopefully see outperformance within the Sustainable Equity Fund. We have worked with managers over the most recent quarters to gain assurance that the fundamental analysis of the underlying stocks remain attractive and that the underperformance is largely due to short-term market sentiment, which is not reflecting the true value of these sustainable positions.

Since Inception, we have seen managers providing Alpha in different market scenarios and continue to be comfortable with the diversification exhibited. Ownership and Mirova have demonstrated significant outperformance year to date, whilst Jupiter provided defensiveness through 2022. The ability for managers to outperform in different environments should hopefully translate into long term outperformance.

Global Sustainable Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
MICROSOFT CORP	2.74	3.79	8,544,320
MASTERCARD INC	2.55	0.53	7,967,097
ANSYS INC	2.29	0.05	7,148,332
ADYEN NV	2.24	0.06	6,992,403
VISA INC	1.79	0.61	5,603,127

*Estimated client value

Top 5 active overweights

	Weight %	Benchmark weight %
ANSYS INC	2.29	0.05
ADYEN NV	2.24	0.06
MASTERCARD INC	2.55	0.53
SYNOPSYS INC	1.76	0.10
INTUIT INC	1.74	0.20

Top 5 active underweights

	Weight %	Benchmark weight %
APPLE INC	-	4.84
TESLA INC	-	1.18
ALPHABET INC	0.97	2.15
MICROSOFT CORP	2.74	3.79
META PLATFORMS INC	-	1.00

Largest contributors to ESG risk

	ESG risk score* Q1 2023	ESG risk score* Q2 2023
MASTERCARD INC - A	17.02	17.07
MICROSOFT CORP	15.00	15.32
ADYEN NV	16.23	16.23
ANSYS INC	13.05	15.53
FORTIVE CORP	34.76	34.76

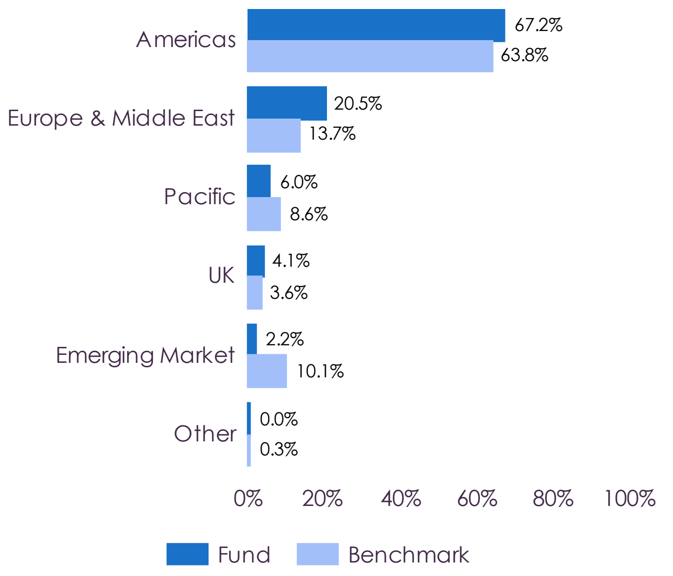
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

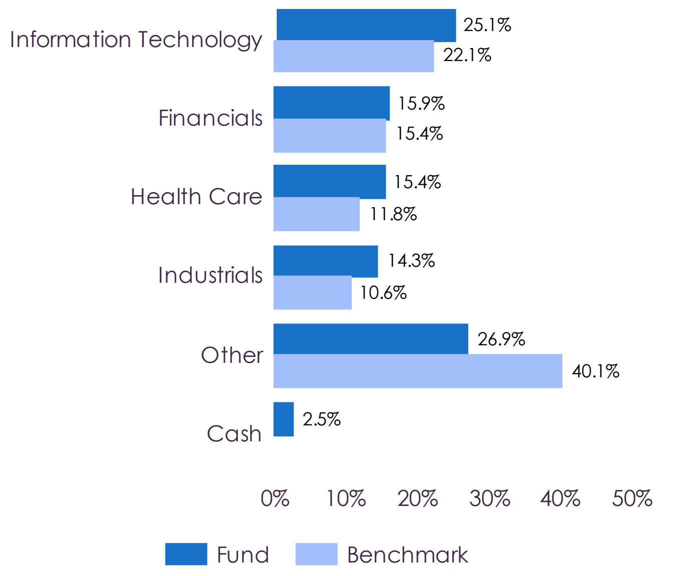
Portfolio	WACI 2023 Q1	WACI 2023 Q2	Total Extractive Exposure[1] 2023 Q1	Total Extractive Exposure[1] 2023 Q2	Extractive Industries (VOH)[2] 2023 Q1	Extractive Industries (VOH)[2] 2023 Q2
Global Sustainable	140	138	2.64	1.55	5.64	4.99
MSCI ACWI*	193	186	3.27	3.07	9.06	8.33

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

Regional exposure



Sector exposure



UK Active Equities

Investment strategy & key drivers

Active stock and sector exposure to UK equity markets

Liquidity

Managed

Benchmark

FTSE All Share ex Inv Tr

Outperformance target

+2%

Total fund value

£1,353m

Risk profile

High

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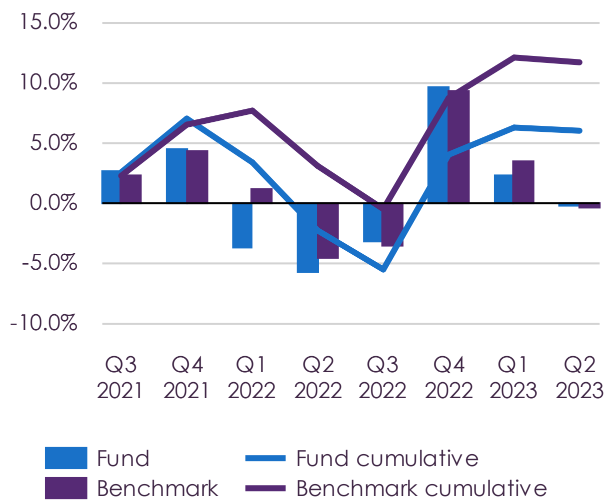
Oxfordshire's Holding:

GBP496m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	Since inception *
Fund	-0.3	8.1	3.9
Benchmark	-0.4	8.4	5.2
Excess	0.1	-0.3	-1.3

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

The FTSE All-Share Index, excluding Investment Trusts, returned -0.4% over the quarter, underperforming the developed market index (MSCI World). This underperformance reflected the UK's under exposure to technology companies that benefitted from the positive surge in sentiment around AI that drove global equity returns.

The portfolio returned -0.3% during the period, outperforming the benchmark by 0.1%. Sector attribution shows a positive contribution from allocation as overweight allocations to Financials and Industrials (the two best performing sectors after Technology) added to relative returns. This more than offset the negative effects from selection where poor selection in both Financials and Industrials detracted. Within Industrials, the overweight position in PageGroup (British based recruitment business) detracted, as profits were impacted by challenging market conditions with people reluctant to change jobs. In contrast the off-benchmark position in Wise (UK-based foreign exchange fintech business) added value, returning over 20% off the back of boosted revenue figures arising from strong customer and volume growth. Within Financials, the underweight position in HSBC hurt as the bank returned over 14%, benefiting from higher net interest margin resulting from the increasing interest rate environment.

Baillie Gifford outperformed by 0.2% over the period, despite the negative impact of not holding HSBC and Shell (the latter returning 2.5%). Two notable examples of smaller growth companies sought by BG that performed well during the quarter were Wise (mentioned above) and Abcam the global leader in the manufacture and distribution of antibodies. Abcam returned 76% following a positive trading update and announcement of a strategic review including the potential sale of the company, which had a further positive impact.

Invesco outperformed the index by 0.1% this quarter. Of the three targeted factors, Momentum and Quality outperformed slightly, whilst the Value factor underperformed as attractively valued companies were not rewarded by market participants.

From inception to quarter-end, the portfolio underperformed the benchmark by 1.3% per annum.

UK Active Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
ASTRAZENECA PLC	6.41	7.71	31,777,976
UNILEVER PLC	5.48	4.76	27,180,911
SHELL PLC	3.84	7.54	19,040,255
HSBC HOLDINGS PLC	3.49	5.79	17,292,981
RIO TINTO PLC	3.00	2.51	14,888,105

*Estimated client value

Top 5 active overweights

	Weight %	Benchmark weight %
BUNZL PLC	2.09	0.47
LEGAL & GENERAL GROUP PLC	2.15	0.62
BURBERRY GROUP PLC	1.77	0.37
BAILLIE GIFFORD UK & BALANCED	1.34	-
MARKS & SPENCER GROUP PLC	1.45	0.17

Top 5 active underweights

	Weight %	Benchmark weight %
SHELL PLC	3.84	7.54
HSBC HOLDINGS PLC	3.49	5.79
BRITISH AMERICAN TOBACCO PLC	0.89	2.70
NATIONAL GRID PLC	-	1.75
LONDON STOCK EXCHANGE	0.16	1.64

Largest contributors to ESG risk

	ESG risk score* Q1 2023	ESG risk score* Q2 2023
ASTRAZENECA PLC	22.47	22.50
SHELL PLC	37.65	36.10
UNILEVER PLC	24.12	24.57
BP PLC	33.81	35.12
RIO TINTO PLC	30.68	31.55

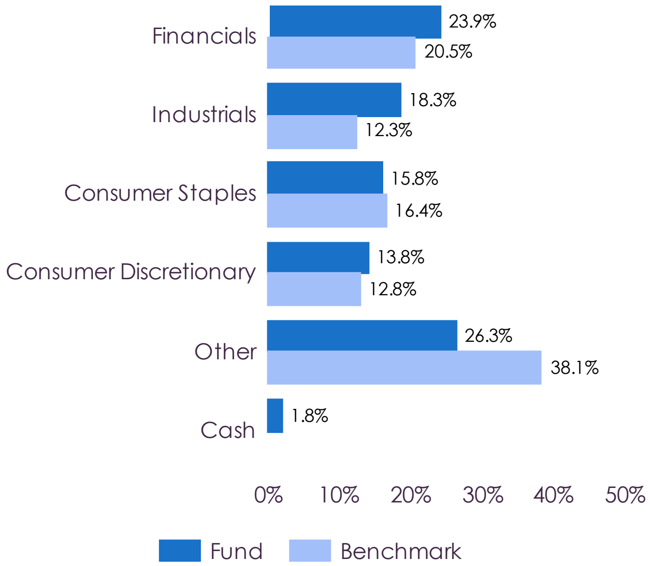
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

Portfolio	WACI 2023 Q1	WACI 2023 Q2	Total Extractive Exposure[1] 2023 Q1	Total Extractive Exposure[1] 2023 Q2	Extractive Industries (VOH)[2] 2023 Q1	Extractive Industries (VOH)[2] 2023 Q2
UK Active Equities	84	85	5.02	5.63	11.30	10.41
FTSE All Share ex Inv	152	153	6.28	6.20	19.50	18.79

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

Sector exposure



Emerging Markets Equities

Investment strategy & key drivers

Equity exposure to emerging markets

Liquidity

Managed

Benchmark

MSCI Emerging Markets

Outperformance target

+2-3%

Total fund value

£1,013m

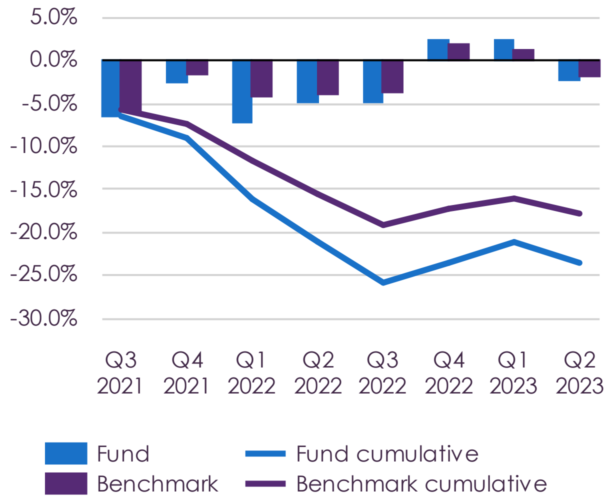
Risk profile

High

Oxfordshire's Holding:

GBP79m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	Since inception *
Fund	-2.4	-2.6	-1.0
Benchmark	-1.7	-2.4	0.8
Excess	-0.7	-0.2	-1.8

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

The second quarter of 2023 saw a slowdown in Emerging Markets (EM), reversing the trend observed at the beginning of the year. Weaker than expected industrial production, retail sales and fixed asset investment proved damaging to investor sentiment in China. Conversely, many Taiwanese and Korean semiconductor companies with tangible links to artificial intelligence posted impressive performance. Outside of Asia, Brazil produced an impressive GBP return of +17.5% following stronger growth and lower inflation.

The Emerging Markets portfolio returned -2.4% last quarter, which was 0.7% behind the benchmark return of -1.7%, proxied by MSCI Emerging Markets. Genesis and Wellington lagged the benchmark by 0.5% and 1.0% respectively, whereas Ninety-One performed in line. Since inception performance is now -1.0%, which is 1.8% behind benchmark.

The most significant stock detractor was Petrobras – a Brazilian oil producer – which appreciated by over 50% in GBP terms over the past quarter. The fund is typically underweight Oil and Gas producers, including Petrobras. This alone was responsible for approximately one third of relative performance.

Country and sector allocations did not work in the portfolio's favour during Q2 2023. The fund has underweight positions in wealthier EM economies such as Korea and Taiwan, which have characteristics akin to developed countries. There is also a significant underweight to the Middle East, primarily due to governance and valuation concerns. These areas appreciated far more than the broader EM universe. Korea, Taiwan and Saudi Arabia appreciated by +1.7%, +2.0% and +3.4% respectively. The portfolio is also biased away from carbon intensive sectors like Energy, which was by far the best performing sector with a return of +9.3%. Consumer sectors, which the fund is biased towards, struggled following poor economic data as cited above. Consumer Discretionary and Consumer Staples both underperformed the benchmark by 7.3% and 1.0% respectively.

The outlook for EM remains fairly positive. Valuations still look appealing vs developed markets and on an absolute basis. There is also increasing evidence that inflation is slowing in parts of Latin American and Asia, implying that monetary tightening is less likely to be a headwind for EM going forward.

Emerging Markets Equities

Top 5 holdings

	Weight %	B'mark weight %	Client value (GBP)*
TAIWAN SEMICONDUCTOR	7.49	6.82	5,953,481
SAMSUNG ELECTRONICS CO LTD	4.78	4.47	3,794,541
TENCENT HOLDINGS LTD	4.34	3.94	3,448,364
ALIBABA GROUP HOLDING LTD	2.01	2.56	1,594,031
AIA GROUP LTD	1.86	-	1,480,689

*Estimated client value

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Top 5 active overweights

	Weight %	Benchmark weight %
AIA GROUP LTD	1.86	-
HDFC BANK LTD	1.65	-
ISHARES CORE MSCI EM IMI UCITS	1.09	-
NETEASE INC	1.55	0.57
NASPERS LTD	1.49	0.53

Top 5 active underweights

	Weight %	Benchmark weight %
RELIANCE INDUSTRIES LTD	0.67	1.42
PETROLEO BRASILEIRO SA	0.23	0.82
BAIDU INC	-	0.57
AL RAJHI BANK	-	0.57
ALIBABA GROUP HOLDING LTD	2.01	2.56

Largest contributors to ESG risk

	ESG risk score* Q1 2023	ESG risk score* Q2 2023
TAIWAN SEMICONDUCTOR	13.62	14.23
TENCENT HOLDINGS LTD	21.76	22.03
SAMSUNG ELECTRONICS CO LTD	19.53	19.41
ALIBABA GROUP HOLDING LTD	26.36	26.53
HDFC BANK LTD-ADR	30.92	30.61

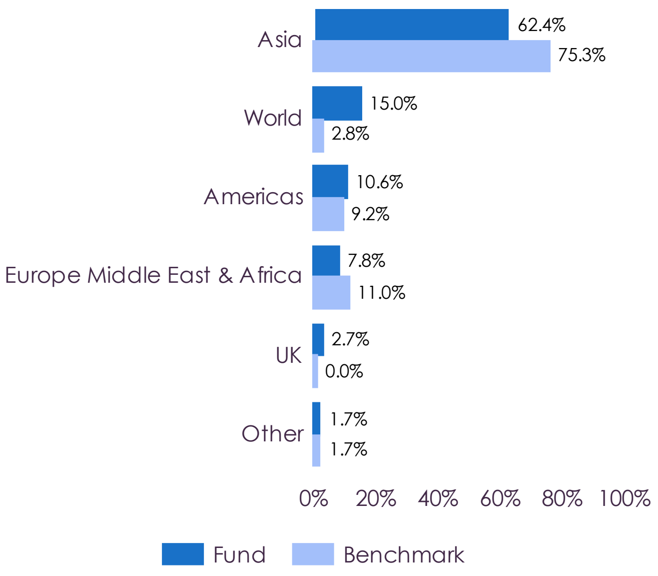
*Source: Sustainalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

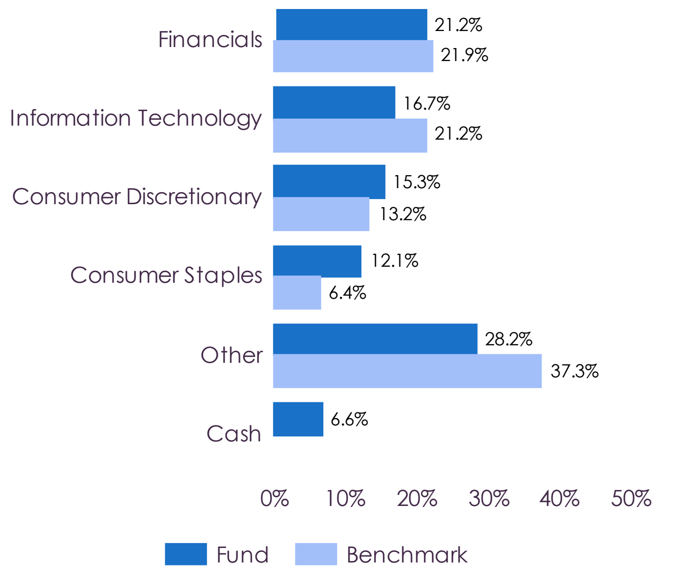
Portfolio	WACI 2023 Q1	WACI 2023 Q2	Total Extractive Exposure[1] 2023 Q1	Total Extractive Exposure[1] 2023 Q2	Extractive Industries (VOH)[2] 2023 Q1	Extractive Industries (VOH)[2] 2023 Q2
Emerging Markets	186	196	1.05	0.84	4.06	4.08
MSCI Emerging	418	437	3.61	3.19	7.78	8.07

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

Regional exposure



Sector exposure



Multi-Asset Credit

Investment strategy & key drivers

Exposure to higher yield bonds with moderate credit risk

Liquidity

Managed

Benchmark

SONIA +4%

Outperformance target

0% to +1.0%

Total fund value

£2,556m

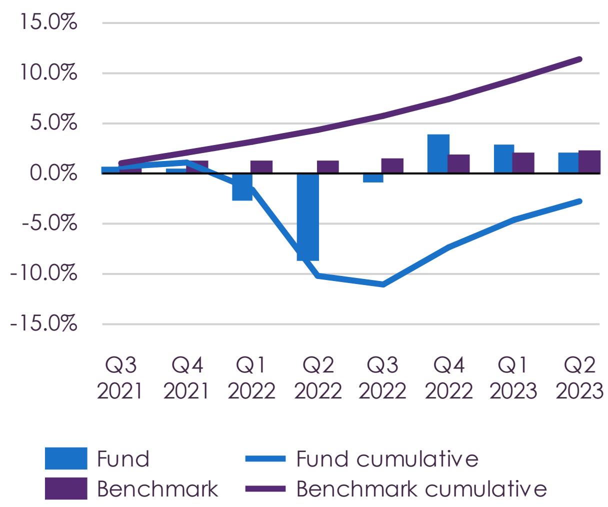
Risk profile

Moderate

Oxfordshire's Holding:

GBP137m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	Since inception *
Fund	1.8	7.6	-1.7
Benchmark	2.0	7.2	5.8
Excess	-0.2	0.3	-7.5

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

It was a positive but volatile quarter in leveraged finance. Positive economic data in the US caused fixed rate debt to reprice in June. The most notable drivers were favourable non-farm payrolls, retail sales and inflation releases for the month of May. The positive data releases provided further capacity for the Federal Reserve to hike interest rates to curb inflation without significantly damaging the economy.

Ultimately, this caused US Treasuries to sell off aggressively in the second quarter, with the policy sensitive 2yr yield increasing to 487bps, an increase of 80bps. Spread tightening was observed across credit because of reduced recession fears. High Yield spreads – proxied by Bloomberg Global High Yield – ended the period at +491bps, a decrease of 56bps.

All areas of leveraged finance produced positive returns, mostly due to strong carry and reduced spreads offsetting the impact of rising interest rates. High Yield and Leveraged Loans – which make up the majority of the leveraged finance universe – both posted strong returns of +2.6% and +2.4% respectively. The best performing asset class by far was Convertible Bonds, which returned +5.3% in local terms.

The portfolio returned +1.8% over the quarter, which was 0.2% behind the primary benchmark of SONIA +4%. The secondary benchmark, comprised of 50% Bloomberg Global High Yield and 50% Morningstar LSTA US Leveraged Loan Index, returned +2.4%. Manager performance was once again mixed. Neuberger Berman, CQS & Oaktree returned +113, +375 & +229bps respectively. Neuberger hold the largest amount of Investment Grade Bond exposure, which drove the underperformance vs other managers due to the higher duration. They are happy to hold investment grade as it offers attractive risk adjusted returns in higher rate environments.

Since inception performance is -1.7%, which lags the primary benchmark by 7.5%. The composite benchmark has returned approximately -1.0% over the same period.

All three managers maintain a cautiously optimistic outlook. All-in yields remain over 9% for the Multi-Asset Credit portfolio with a duration of 2.4 years. However, the recent contraction in spreads – which are now below 500bps in High Yield – have now pushed assets to expensive levels. A resurgence in recession fears could potentially cause a repricing in risk assets and it is unclear whether will be offset by falling rates.

Sterling Corporate Bonds

Investment strategy & key drivers

Managed credit selection to generate excess sterling yield returns

Liquidity

Managed

Benchmark

iBoxx Sterling Non Gilt x

Outperformance target

+1%

Total fund value

£2,138m

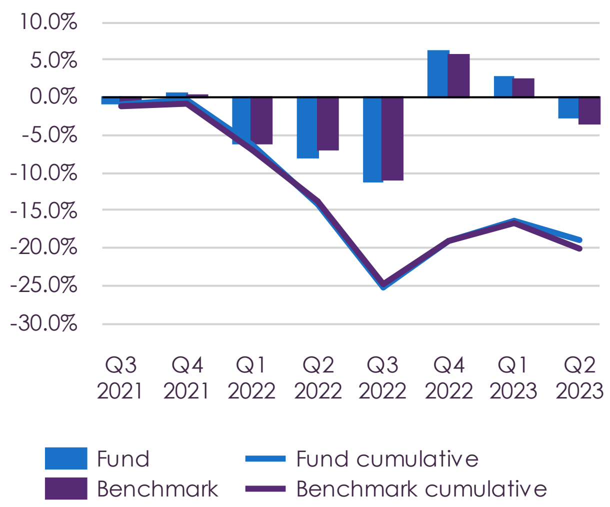
Risk profile

Moderate

Oxfordshire's Holding:

GBP93m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	Since inception *
Fund	-2.5	-5.5	-9.7
Benchmark	-3.4	-6.9	-10.2
Excess	0.9	1.4	0.5

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

The Bank of England (BoE) increased interest rates over the quarter, with hikes of 0.25% and 0.50% in May and June respectively. Whilst market attention has turned towards expectations of when and at what level rates will peak, inflation has remained strong and surprised on the upside over the quarter. In the UK, the 10-year gilt yield rose 90 basis points to 4.39%. The sterling investment grade credit market returned -3.39% over the quarter, reflecting the increase in gilt yields over the period, with credit spreads slightly tighter.

Over the period, the Sterling Corporate Bonds portfolio returned -2.51% (net of fees), outperforming the benchmark by 87bps.

Security selection was the main driver of outperformance, particularly in the bank and insurance sectors. The two sectors saw a strong rebound following the first quarter's sell-off in response to the Credit Suisse collapse.

Credit sector allocation also contributed to relative returns. This was driven by positive contributions from the overweight exposure to insurance and the underweight exposure to supranationals. Whilst the modest overweight allocation to banks had a neutral impact overall, within banks the exposure to AT1 issues had a positive impact on relative returns.

In terms of credit rating bands, the underweight exposure to AAA rated bonds was the most significant contributor to relative returns, while the exposure to B+ bonds was negative reflecting the small holding in Thames Water Kemble. Towards the end of the quarter, the CEO of Thames Water unexpectedly resigned, leading to significant focus on the utility's debt levels. Whilst the impact from exposure to Thames Water was negative for the portfolio, the effect was well mitigated by the portfolio's significant diversification.

In terms of outlook, RLAM expect that inflation has peaked, driven by the view that energy prices will moderate and weaker GDP growth will reduce the tightness of the labour market. Nonetheless, RLAM believe that UK interest rates are likely to rise slightly further as the BoE continues to focus on bringing inflation under control. While credit spreads remain at reasonably attractive levels, it is likely that higher rates will lead to a slowdown in the UK, impacting company earnings and leading to some increase in credit rating downgrades and default rates.

Passive Index Linked Gilts over 5 years

Investment strategy & key drivers

Passive exposure to index linked gilts with over 5 year duration

Liquidity

High

Benchmark

FTSE-A UK ILG >5Y

Outperformance target

Match

Total fund value

£886m

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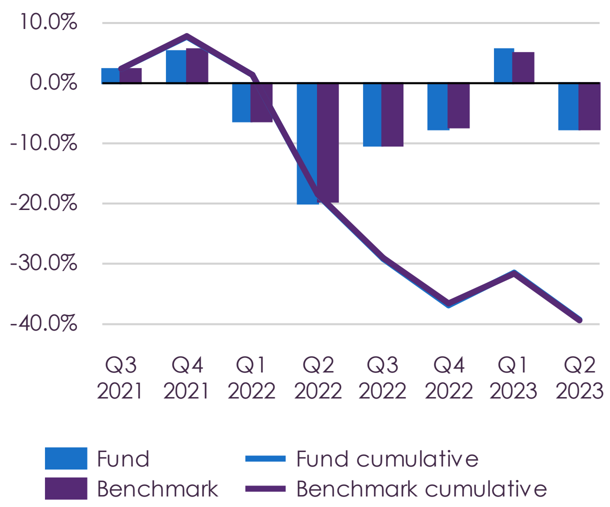
Risk profile

Low

Oxfordshire's Holding:

GBP130m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	Since inception *
Fund	-7.8	-19.8	-19.6
Benchmark	-7.8	-20.0	-19.7
Excess	-	0.2	-

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

The Bank of England (BoE) increased interest rates over the quarter, with hikes of 0.25% and 0.50% in May and June respectively. The BoE started the cycle at 0.1% but has moved rates higher 13 times since the end of 2021, with rates now sitting at 5.00%.

Market attention has turned towards expectations of when and at what level rates will peak. Whilst the level of UK GDP remains little changed since late 2021, inflation has remained strong and surprised on the upside over the quarter.

UK government bonds struggled, being impacted by the higher-than-expected inflation print. Gilts delivered a -5.42% return (FTSE Actuaries) over the second quarter with the benchmark 10-year gilt yield rising 90 basis points to 4.39%. Shorter-dated bonds outperformed longer dated bonds, with the ultra-short end of the curve the only area able to eke out a positive performance in the three-month period.

PAB Passive Global Equities

Investment strategy & key drivers

Passive global equity exposure aligned to Paris Agreement climate goals

Liquidity

High

Benchmark

FTSE Dev World PAB

Outperformance target

Match

Total fund value

£2,328m

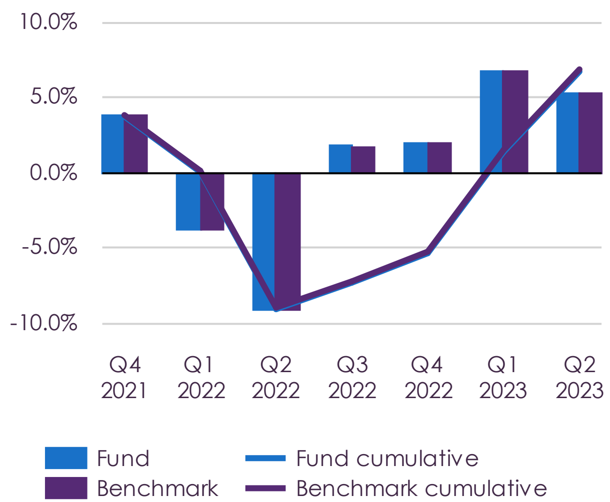
Risk profile

High

Oxfordshire's Holding:

GBP523m

Rolling 2yr performance



Performance to quarter end

Performance	3 month	1 year	Since inception *
Fund	5.3	16.7	3.5
Benchmark	5.3	16.7	3.6
Excess	-	-	-0.1

Source: State Street Global Services
*per annum. Net of all fees.

Performance commentary

The FTSE Developed Paris Aligned index (PAB) performed strongly over Q2 2023, up 5.3%. The PAB Passive Global Equities product closely replicated the performance of the benchmark over this period. The product outperformed the market capitalisation parent benchmark which returned 3.9%.

This outperformance was largely a result of the PAB product having a greater allocation to the Consumer Discretionary companies that have delivered strong performance over the period. Tesla, which made the largest contribution to returns, is held at a larger weight than in the market cap index as a result of positive scoring on emissions, carbon performance and a very high green revenues tilt. Amazon also made strong positive contributions to returns and is held at a larger weight than in the parent index due to positive tilt scoring on scope 3 emissions and green revenues.

The largest negative contribution to returns, relative to the market cap parent benchmark, came from AbbVie, held overweight because of positive tilt scores on emissions, and Nike which is also held overweight as a result of positive tilting on scope 1 and 2 emissions, green revenues and TPI management quality scoring.

At portfolio level, the PAB index has greater exposure to the Consumer Discretionary and Health Care sectors and less exposure to Energy, the Consumer Staples and Financials sectors than the market cap index. The PAB also has a higher level of exposure to the US and companies at the top end of the cap spectrum.

PAB Passive Global Equities

Top 5 holdings

	Weight %	Client value (GBP)*
TESLA INC	6.57	34,408,513
APPLE INC	6.20	32,475,208
MICROSOFT CORP	6.08	31,829,936
ALPHABET INC	5.34	27,953,384
AMAZON.COM INC	5.24	27,439,008

*Estimated client value

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Largest contributors to ESG risk

	ESG risk score* Q1 2023	Q2 2023
TESLA INC	28.82	27.25
AMAZON.COM INC	30.28	30.53
APPLE INC	16.91	16.43
MICROSOFT CORP	15.00	15.32
ALPHABET INC-CL A	24.60	24.50

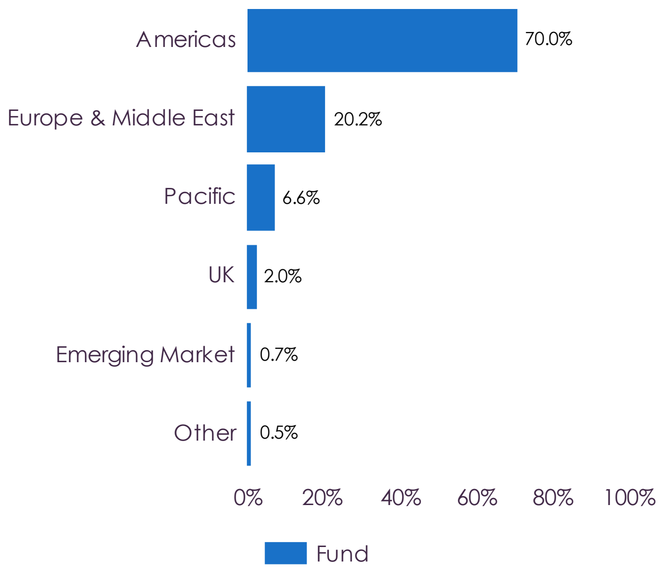
*Source: Sustainanalytics. The table is ordered by negative overall ESG impact on the portfolio, with the most impactful at the top. ESG Risk Score reference: 0-10 is Negligible, 10-20 is Low, 20-30 is Medium, 30-40 is High, 40+ is Severe.

Carbon metrics

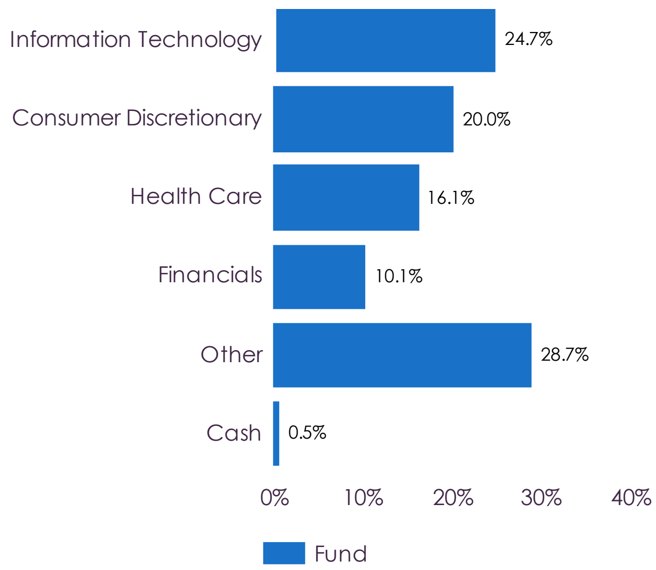
Portfolio	WACI		Total Extractive Exposure[1]		Extractive Industries (VOH)[2]	
	2023 Q1	2023 Q2	2023 Q1	2023 Q2	2023 Q1	2023 Q2
PAB Passive Global	79	76	0.61	0.61	3.42	3.21
FTSE Dev World TR	168	160	3.10	2.99	9.44	8.64

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

Regional exposure



Sector exposure



Private Equity Cycle 1

Investment objective
Global portfolio of private equity investments

Benchmark
MSCI ACWI

Outperformance target
+3%

Launch date
1 October 2018

Commitment to portfolio
£100.00m

The fund is denominated in GBP

Commitment to Investment
£101.10m

Amount Called
£66.76m

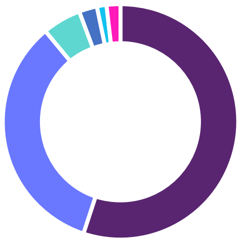
% called to date
66.04

Number of underlying funds
7

Oxfordshire's Holding:
GBP82.61m

Country

Invested in underlying investments

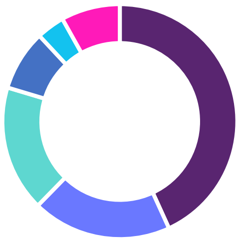


North America	55.1%
Western Europe	33.9%
Asia Pacific	5.3%
Global	2.5%
Middle-East/North Africa	1.3%
Other	1.9%

Source: Colmore
Country data is lagged by one quarter

Sector

GICs level 1



Financials	43.1%
Information Technology	19.2%
Health Care	17.4%
Consumer Discretionary	8.3%
Consumer Staples	3.9%
Other	8.1%

Source: Colmore
Sector data is lagged by one quarter

Performance commentary

Deal Activity has remained depressed due to the continued pressure of economic headwinds. Several of the major themes in the last quarter have continued. Central Banks are raising rates, forcing GPs to continue funding deals with larger amounts of equity. Fundraising has become increasingly difficult with several GPs extending final closes or raising below target fund sizes. Continued slowdown in M&A activity in markets has forced several GPs to increase portfolio activity into existing investee companies versus originating new deals. However, additional attention towards portfolio companies is helpful as they continue to feel the pressure of inflation. Margin pressure has led GPs to emphasise the use of operational value drivers such as digitisation and costs management to drive revenue growth and margin expansion. Whilst headline inflation is beginning to level out and retreat, wage inflation has become a more persistent problem as both US and UK labour markets remain tight.

For Brunel's Private equity portfolio, the high-quality managers selected have both hit fundraising targets and, in some cases, surpassed targets. Valuations in the defensive sectors that Brunel allocate to have held strong.

Portfolio deployment now stands at over 60% of total commitments. Portfolio performance remains positive, despite slight deterioration versus the prior quarter. Fund performance was broadly flat apart from some minor mark downs in valuations amongst some of the buyout funds.

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter		Contribution to return: 1 year	Contribution to return: since inception
82.6	0.5%	17.9%	5,391,126	232,182	5,158,943	1,586,250		-0.0%	0.0%

*Money weighted return. Net of all fees.

Private Equity Cycle 2

Investment objective
Global portfolio of private equity investments

Benchmark
MSCI ACWI

Outperformance target
+3%

Launch date
1 May 2020

Commitment to portfolio
£70.00m

The fund is denominated in GBP

Commitment to Investment
£70.58m

Amount Called
£27.96m

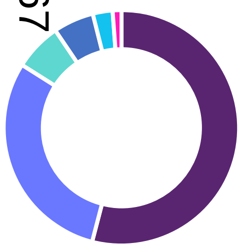
% called to date
39.61

Number of underlying funds
14

Oxfordshire's Holding:
GBP29.15m

Country

Invested in underlying investments



North America	54.0%
Western Europe	30.0%
Asia Pacific	6.5%
Global	5.6%
Middle-East/North Africa	2.7%
Other	1.2%

Source: Colmore
Country data is lagged by one quarter

Sector

GICs level 1

Information Technology	31.4%
Financials	30.4%
Health Care	14.9%
Industrials	10.7%
Consumer Discretionary	5.6%
Other	7.0%

Source: Colmore
Sector data is lagged by one quarter

Performance commentary

Deal Activity has remained depressed due to the continued pressure of economic headwinds. Major themes in the last quarter have continued. Central Banks are raising rates, forcing GPs to continue funding deals with larger amounts of equity. Fundraising has become increasingly difficult with several GPs extending final closes or raising below target fund sizes. Continued slowdown in M&A activity in markets has forced several GPs to increase portfolio activity into existing investee companies versus originating new deals. However, additional attention towards portfolio companies is helpful as they continue to feel the pressure of inflation. Margin pressure has led GPs to emphasise the use of operational value drivers such as digitisation and costs management to drive revenue growth and margin expansion. Whilst headline inflation is beginning to level out and retreat, wage inflation has become a more persistent problem.

For Brunel's Private equity portfolio, the high-quality managers selected have both hit fundraising targets and, in some cases, surpassed targets. Valuations in the defensive sectors that Brunel allocate to have held strong.

The pace of portfolio deployment remains strong, with the portfolio now over one-third deployed and the rate of deployment has escalated over the last year. Portfolio performance showed a modest decline over the period but due to the relative nascency of the portfolio this is not yet meaningful.

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter		Contribution to return: 1 year	Contribution to return: since inception
29.1	-11.4%	5.9%	4,060,546	210,614	3,849,932	75,929		-0.1%	0.0%

*Money weighted return. Net of all fees.

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Private Debt Cycle 2

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

Benchmark
SONIA

Outperformance target
+4%

Launch date
1 May 2020

Commitment to portfolio
£70.00m

The fund is denominated in GBP

Commitment to Investment
£70.00m

Amount Called
£38.71m

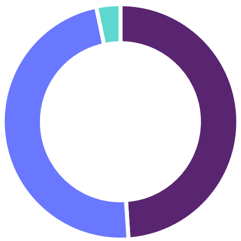
% called to date
55.30

Number of underlying funds
1

Oxfordshire's Holding:
GBP39.59m

Country

Invested in underlying investments



Europe	48.9%
North America	47.8%
Asia Pacific	3.3%
Other	-

Source: Aksia and underlying managers
Country data is lagged by one quarter

Sector

GICs level 1

Health Care	28.0%
Information Technology	22.2%
Industrials	17.8%
Consumer Discretionary	15.7%
Financials	7.8%
Other	8.5%

Source: Aksia and underlying managers
Sector data is lagged by one quarter

Performance commentary

Deal Activity has remained depressed due to the continued pressure of macro-economic headwinds. Central Banks continue to raise rates as June 2023 saw the Bank of England increase interest from 4.5% to 5%. Thus, forcing GPs to continue funding deals in an environment of scarcer debt financing. Whilst headline inflation is beginning to level out and come down in some instances, wage inflation has become a far more persistent problem as both US and UK labour markets tighten. Lenders are prioritising focus on margin pressure/inflation with strong focus on sustained ability to pass through costs to keep cashflow levels/interest coverage intact as debt becomes more expensive. Preference for businesses which are both asset light and have wages with a lower share of cost bases are preferred.

With respect to Brunel's private debt portfolio, the current climate has created an attractive environment for the high-quality lenders that we allocate to. Thus, benefitting from better pricing, less leverage and better terms which means the current market is suited to lenders, however the caveat is reduced deal flow, therefore lenders are relying on strong relationships and existing portfolio companies to drive portfolio activity.

The portfolio is over 50% called. All managers have now called investor capital and some managers are coming towards the end of their investment periods. Portfolio performance has been positive, reflecting the fact that higher interest rates are accretive to portfolio performance.

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter		Contribution to return: 1 year	Contribution to return: since inception
39.6	13.4%	12.4%	6,094,013	2,916,656	3,177,357	3,818,970		0.1%	0.0%

*Money weighted return. Net of all fees.

Private Debt Cycle 3

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

Benchmark
SONIA

Outperformance target
+4%

Launch date
1 April 2022

Commitment to portfolio
£90.00m

The fund is denominated in GBP

Commitment to Investment
£35.48m

Amount Called
£10.78m

% called to date
30.38

Number of underlying funds
2

Oxfordshire's Holding:
GBP10.65m

Performance commentary

Deal Activity has remained depressed due to the continued pressure of macro-economic headwinds. Central Banks continue to raise rates as June 2023 saw the Bank of England increase interest from 4.5% to 5%. Whilst headline inflation is beginning to level out and come down in some instances, wage inflation has become a far more persistent problem as both US and UK labour markets tighten. Lenders are prioritising focus on margin pressure/inflation with strong focus on sustained ability to pass through costs to keep cashflow levels/interest coverage intact as debt becomes more expensive. Preference for businesses which are both asset light and have wages with a lower share of cost bases are preferred.

With respect to Brunel's private debt portfolio, the current climate has created an attractive environment for the high-quality lenders that we allocate to. Thus, benefitting from better pricing, less leverage and better terms which means the current market is suited for lenders, however the caveat is reduced deal flow, therefore lenders are relying on strong relationships and existing portfolio companies to drive portfolio activity.

The portfolio has made commitments to two funds, one of which has called capital. Portfolio performance has shown a minor deterioration but at this point performance measures are not yet meaningful. Additional progress has been made regarding additional manager allocations as the portfolio expects to close ~5-7 manager allocations by the end of 2023.

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter		Contribution to return: 1 year	Contribution to return: since inception
10.7	-	4.6%	2,858,770	90,776	2,767,994	36,142		0.0%	0.0%

*Money weighted return. Net of all fees.

Infrastructure Cycle 1

Investment objective
Portfolio of predominantly European sustainable infrastructure assets

Benchmark
CPI

Outperformance target
+4%

Launch date
1 October 2018

Commitment to portfolio
£50.00m

The fund is denominated in GBP

Commitment to Investment
£49.88m

Amount Called
£40.87m

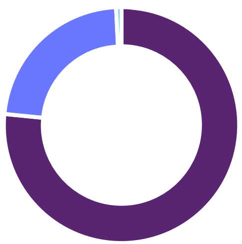
% called to date
81.93

Number of underlying funds
5

Oxfordshire's Holding:
GBP43.41m

Country

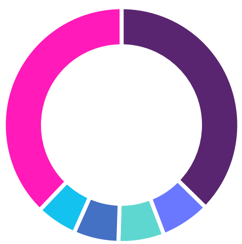
Commitment in underlying investments



Europe (incl. UK)	76.5%
North America	22.8%
Rest Of World	0.7%

Source: Stepstone
Country data is lagged by one quarter

Sector



Wind & Solar	37.3%
Distributed Energy	6.8%
Rail	6.3%
Diversified Renewables	6.2%
Diversified Social	5.6%
Other	37.8%

Source: Stepstone
Sector data is lagged by one quarter

Performance commentary

The fundraising environment for Private Markets has experienced a significant slowdown in 2023 relative to 2022. During 2022, $168bn was committed to infrastructure funds, yet by the end of Q1 2023 only $3.6bn had been raised, representing a 94% year on year drop and the worst since 2009. No real pick up was observed in Q2 2023. This appears to be a wider Private Markets theme and not an infrastructure specific issue, highlighting the importance of selecting top-performing managers with strong franchise appeal that will assist strong fund raises and therefore reduce strategy risk.

In June 2023 the Bank of England surprised many investors by raising interest rates half a percentage from 4.5% to 5%, following stickier inflation and wage growth than they had predicted. The European Central Bank followed suit and raised rates by a quarter-point to 3.5%. Despite headline inflation falling across the developed world in recent months, driven by declining goods inflation, services inflation remains strong, particularly in the UK.

As reported in previous commentary a higher rate environment presents several challenges driven primarily by the impact of higher discount rates. Market recovery continues to be inconsistent, with the increase in market volatility highlighting the importance of well-structured infrastructure investments with downside protection, strong inflation linkage and inherent mission-critical objectives. Brunel's co-investment portfolio has thus far demonstrated resilience in an environment of rising inflation given its defensive attributes thanks to: (1) high visibility of revenues,

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter		Contribution to return: 1 year	Contribution to return: since inception
43.4	8.1%	8.0%	1,966,326	191,630	1,774,696	-301,563		0.1%	0.0%

*Money weighted return. Net of all fees.

Infrastructure Cycle 1

(2) low GDP exposure / high barriers to entry, and (3) inelastic demand.

In Q1 2023 it was reported that an investment into an operating UK offshore wind project had been approved by Brunel. The project has now been approved by Stepstone's Investment Committee and is in closing but subject to various anti-trust clearances expected in October. If concluded, this project completes Cycle 1 and will bring it to ~100% committed.

As at the end of Q2 2023, Cycle 1 Infrastructure remained c.93% committed with overall deployment increasing to c.82% invested. Brunel is pleased with the deployment of Cycle 1 and the overall development of the Portfolio. Focus is shifting from deployment to portfolio performance and monitoring. Early benchmarking metrics for Cycle 1 infrastructure are positive with a caveat that it is too early to be truly meaningful.

Infrastructure (General) Cycle 2

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

Benchmark
CPI

Outperformance target
+4%

Launch date
1 May 2020

Commitment to portfolio
£20.00m

The fund is denominated in GBP

Commitment to Investment
£20.00m

Amount Called
£13.86m

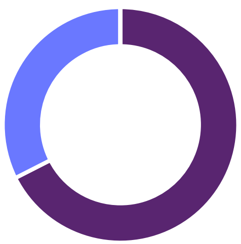
% called to date
69.32

Number of underlying funds
1

Oxfordshire's Holding:
GBP14.93m

Country

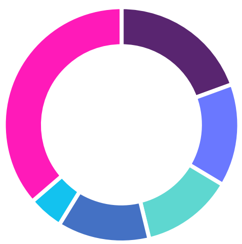
Commitment in underlying investments



Europe (incl. UK)	67.6%
North America	32.4%
Other	-

Source: Stepstone.
Country data is lagged by one quarter

Sector



Fibre	19.4%
Heating & Cooling	14.1%
Energy Efficiency	12.7%
Mass Transit	12.7%
Towers	4.8%
Other	36.3%

Source: Stepstone
Sector data is lagged by one quarter

Performance commentary

The fundraising environment for Private Markets has experienced a significant slowdown in 2023 relative to 2022. During 2022, $168bn was committed to infrastructure funds, yet by the end of Q1 2023 only $3.6bn had been raised, representing a 94% year on year drop and the worst since 2009. No real pick up was observed in Q2 2023. This appears to be a wider Private Markets theme and not an infrastructure specific issue, highlighting the importance of selecting top-performing managers with strong franchise appeal that will assist strong fund raises and therefore reduce strategy risk.

In June 2023 the Bank of England surprised many investors by raising interest rates half a percentage from 4.5% to 5%, following stickier inflation and wage growth than they had predicted. The European Central Bank followed suit and raised rates by a quarter-point to 3.5%. Despite headline inflation falling across the developed world in recent months, driven by declining goods inflation, services inflation remains strong, particularly in the UK.

As reported in previous commentary a higher rate environment presents several challenges driven primarily by the impact of higher discount rates. Market recovery continues to be inconsistent, with the increase in market volatility highlighting the importance of well-structured infrastructure investments with downside protection, strong inflation linkage and inherent mission-critical objectives. Brunel's co-investment portfolio has thus far demonstrated resilience in an environment of rising inflation given its defensive attributes thanks to: (1) high visibility of revenues,

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter		Contribution to return: 1 year	Contribution to return: since inception
14.9	11.0%	8.9%	516,285	57,424	458,861	42,897		0.0%	0.0%

*Money weighted return. Net of all fees.

Infrastructure (General) Cycle 2

(2) low GDP exposure / high barriers to entry, and (3) inelastic demand.

Cycle 2 G is fully committed to 6 primary funds and 7 tactical investments. At the end of Q2, the portfolio is c.70% invested. On the whole Cycle 2G's early performance indicates good resilience to market turbulence. Brunel is very pleased with how the Cycle 2G portfolio has developed. The portfolio is diversified and invested in quality opportunities that we believe will provide strong performance, both in terms of returns and societal and environmental sustainability.

Infrastructure (Renewables) Cycle 2

Investment objective
Global portfolio of renewable energy and associated infrastructure assets

Benchmark
CPI

Outperformance target
+4%

Launch date
1 May 2020

Commitment to portfolio
£20.00m

The fund is denominated in GBP

Commitment to Investment
£20.00m

Amount Called
£9.44m

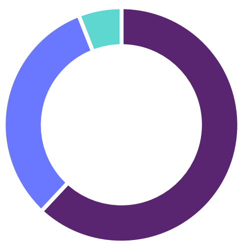
% called to date
47.18

Number of underlying funds
1

Oxfordshire's Holding:
GBP9.74m

Country

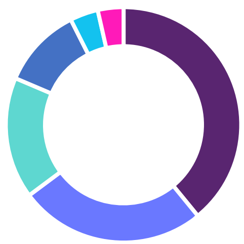
Commitment in underlying investments



Europe (incl. UK)	61.9%
North America	32.2%
Rest Of World	5.9%

Source: Stepstone
Country data is lagged by one quarter

Sector



Solar	39.1%
Wind	25.7%
Diversified Renewables	16.7%
Energy Efficiency	11.1%
Energy Storage	3.9%
Other	3.5%

Source: Stepstone
Sector data is lagged by one quarter

Performance commentary

The fundraising environment for Private Markets has experienced a significant slowdown in 2023. While in 2022 $168bn was committed to infrastructure funds, by the end of Q1 2023 only $3.6bn had been raised, representing a 94% year on year drop and the worst since 2009. No real pick up was observed in Q2 2023. and not an infrastructure specific issue, highlighting the importance of selecting top-performing managers with strong franchise appeal that will assist strong fund raises and therefore reduce strategy risk. Renewable managers and in particular Energy Transition strategies have seen a slightly healthier fundraising environment due to strong appetite from investors to gain exposure to these sectors, driven by an increasing flight to greener assets as well as capitalising on the market tailwinds created by ambitious government targets and need for energy security.

While this is positive for renewables managers, gaining exposure to good renewable deals continues to be challenging for a number of reasons. Competition for operating renewables is high and therefore returns are lower than the cycle 2 hurdle, particularly on a real basis. This forces investors higher up the risk curve. We remain aware of several global headwinds such as grid infrastructure, supply chain and availability of talent. Despite this, Brunel and Stepstone have created a well-diversified portfolio across geographies and renewable technologies including wind, solar, batteries and transmission to name a few of the core exposures.

Activity has ticked up during H1 2023, in line with expectations and identified pipeline opportunities. The Fund offers an

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter		Contribution to return: 1 year	Contribution to return: since inception
9.7	12.7%	9.6%	417,438	79,404	338,034	-250,382		0.0%	0.0%

*Money weighted return. Net of all fees.

Infrastructure (Renewables) Cycle 2

opportunity for investors to gain exposure to the renewables sector across operating, ready to build and development assets, seeking a stable cash yield, and contribution to climate change mitigation. Two further Tactical deals were approved by Brunel in Q2, both Solar opportunities with one being headquartered in Somerset and the other located in the US. Both deals are in final Stepstone DD stages. As at the end of Q2 and not including the recently approved deals, Cycle 2 R is c.46% invested and c.72% committed across 6 primary funds and 8 Tacticals.

Infrastructure Cycle 3

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

Benchmark
n/a - absolute return target

Outperformance target
net 8% IRR

Launch date
1 April 2022

Commitment to portfolio
£60.00m

The fund is denominated in GBP

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Commitment to Investment
£60.00m

Amount Called
£8.50m

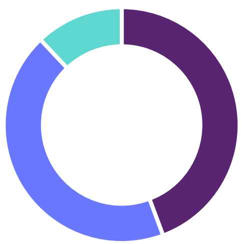
% called to date
14.17

Number of underlying funds
1

Oxfordshire's Holding:
GBP8.13m

Country

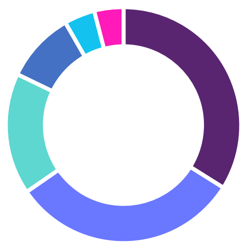
Commitment in underlying investments



Europe (incl. UK)	44.3%
North America	43.6%
Rest Of World	12.1%

Source: Stepstone
Country data is lagged by one quarter

Sector



Timber	33.9%
Utilities	31.5%
Renewables	16.7%
Agriculture	9.7%
Fibre	4.2%
Rail	4.0%

Source: Stepstone
Sector data is lagged by one quarter

Performance commentary

The fundraising environment for Private Markets has experienced a significant slowdown in 2023 relative to 2022. During 2022, $168bn was committed to infrastructure funds, yet by the end of Q1 2023 only $3.6bn had been raised, representing a 94% year on year drop and the worst since 2009. No real pick up was observed in Q2 2023. This appears to be a wider Private Markets theme and not an infrastructure specific issue, highlighting the importance of selecting top-performing managers with strong franchise appeal that will assist strong fund raises and therefore reduce strategy risk.

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As reported in previous commentary a higher rate environment presents several challenges driven primarily by the impact of higher discount rates. Market recovery continues to be inconsistent, with the increase in market volatility highlighting the importance of well-structured infrastructure investments with downside protection, strong inflation linkage and inherent mission-critical objectives. Brunel's co-investment portfolio has thus far demonstrated resilience in an environment of rising inflation given its defensive attributes thanks to: (1) high visibility of revenues,

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter		Contribution to return: 1 year	Contribution to return: since inception
8.1	-	-5.7%	147,766	125,697	22,069	-199,582		-0.0%	-0.0%

*Money weighted return. Net of all fees.

Infrastructure Cycle 3

(2) low GDP exposure / high barriers to entry, and (3) inelastic demand.

Following the closing of Copenhagen Infrastructure Partners Fund V, Cycle 3 is c.31% committed and c.15% deployed across 4 Primaries and 4 Tacitcals. One further Primary investment was approved in Q2, Blackstone Energy Transition Partners IV (BETP), a close is expected in August subject to final DD and side letter negotiations. BETP will be an Energy Transition Fund. The pipeline of primary funds is strong and we expect to be reviewing at least 2 more funds during Q3. A more challenging fundraising environment allows the team to be more selective and push negotiations harder with managers to ensure best possible outcomes for Brunel Clients.

Tactical investments include Project Appellation, a US forestry investment focused on income from carbon credits; Project Ardor, an investment in an operating Indian renewables portfolio and IPP; Suez, the international water and waste company; and Havfram, an offshore wind installation vessel company. The Tactical opportunity alongside Blackstone into a renewables developer in the US mentioned in Q1, failed to progress from final DD stages due to concerns over pipeline valuation.

Secured Income Cycle 1

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

Benchmark
CPI

Outperformance target
+2%

Launch date
1 October 2018

Commitment to portfolio
£60.00m

The fund is denominated in GBP

Commitment to Investment
£60.00m

Amount Called
£59.95m

% called to date
99.91

Number of underlying funds
3

Oxfordshire's Holding:
GBP56.76m

Performance commentary

For both the long lease property funds, the continued gilt yield volatility, caused by higher than expected inflation numbers, is impacting valuations. However, this negative performance seems to have moderated since the considerable repricing towards the start of the year. Both funds have sales programmes to fund investor redemptions. These assets are selected strategically; some are at the end of their business plans, or in a sector the team no longer views favourably, or the asset has poor ESG and will require high capital expenditure to improve to an acceptable standard and in line with regulations. It is worth noting that both funds have an extended redemption process in the current environment, so neither fund has been under time pressure to sell assets. During the Quarter, M&G SPIF, with unitholder permission, amended its redemption process in an investor friendly way.

For GRI, investor commitments are now up to £1.1bn in total, with £838m drawn down to date. GRI called over the quarter, to fund solar and bio-energy from waste projects and the Schroders Greencoat team expect the fund to be fully drawn down by the end of the calendar year. The forecast hold-to-life IRR is estimated to be 8.4% (May 2023). The Fund is well diversified across technologies, projects, locations, revenue streams and subsidy mechanisms, with further pipeline opportunities executable over the next 18 months.

Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter		Contribution to return: 1 year	Contribution to return: since inception
56.8	-14.9%	-0.6%	673,703	490,983	182,720	-12,450		-0.3%	-0.0%

*Money weighted return. Net of all fees.

Secured Income Cycle 2

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

Benchmark
CPI

Outperformance target
+2%

Launch date
1 May 2020

Commitment to portfolio
£40.00m

The fund is denominated in GBP

Commitment to Investment
£40.00m

Amount Called
£39.99m

% called to date
99.97

Number of underlying funds
3

Oxfordshire's Holding:
GBP37.51m

Performance commentary

For both the long lease property funds, the continued gilt yield volatility, caused by higher than expected inflation numbers, is impacting valuations. However, this negative performance seems to have moderated since the considerable repricing towards the start of the year. Both funds have sales programmes to fund investor redemptions. These assets are selected strategically; some are at the end of their business plans, or in a sector the team no longer views favourably, or the asset has poor ESG and will require high capital expenditure to improve to an acceptable standard and in line with regulations. It is worth noting that both funds have an extended redemption process in the current environment, so neither fund has been under time pressure to sell assets. During the Quarter, M&G SPIF, with unitholder permission, amended its redemption process in an investor friendly way.

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Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter		Contribution to return: 1 year	Contribution to return: since inception
37.5	-10.8%	-0.0%	10,903,623	11,586,883	-683,260	68,120		-0.2%	-0.0%

*Money weighted return. Net of all fees.

Secured Income Cycle 3

Investment objective

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

Benchmark

CPI

Outperformance target

+2%

Launch date

1 April 2022

Commitment to portfolio

£60.00m

The fund is denominated in GBP

Commitment to Investment

£38.55m

Amount Called

£14.55m

% called to date

37.74

Number of underlying funds

2

Oxfordshire's Holding:

GBP28.39m

Performance commentary

For both the long lease property funds, the continued gilt yield volatility, caused by higher than expected inflation numbers, is impacting valuations. However, this negative performance seems to have moderated since the considerable repricing towards the start of the year. Both funds have sales programmes to fund investor redemptions. These assets are selected strategically; some are at the end of their business plans, or in a sector the team no longer views favourably, or the asset has poor ESG and will require high capital expenditure to improve to an acceptable standard and in line with regulations. It is worth noting that both funds have an extended redemption process in the current environment, so neither fund has been under time pressure to sell assets. During the Quarter, M&G SPIF, with unitholder permission, amended its redemption process in an investor friendly way.

In June, Brunel used the secondary market to buy £80m abrdn LLP on a pro-rata basis across clients at a 10% discount to the fund's June NAV. This leaves approximately £19m to commit to the fund in Cycle 3, either via a primary subscription or a further secondary market trade, should the opportunity arise.

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Portfolio summary

Market value (GBP millions)	1 Year MWR*	Since Inception MWR*	Inflows	Outflows	Net cash flow latest quarter	Value added latest quarter		Contribution to return: 1 year	Contribution to return: since inception
28.4	-	-	26,768,813	35	26,768,778	-		0.1%	0.0%

*Money weighted return. Net of all fees.

UK Property

Investment strategy & key drivers

Portfolio of active UK property funds seeking capital & income returns

Liquidity

Illiquid

Benchmark

MSCI/AREF UK

Outperformance target

+0.5%

Commitment to portfolio

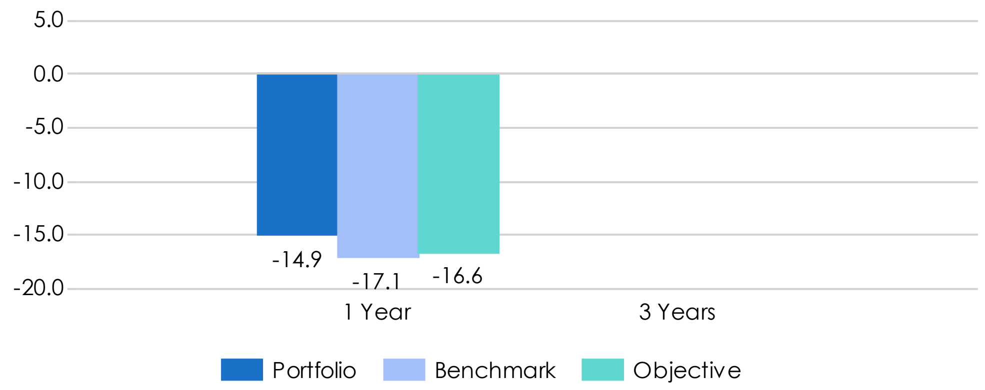
£150.0m

Amount Called

£147.3m

Number of portfolios

16



Performance commentary

Despite a weak start to 2023, UK commercial property performance recorded a marginally positive return in Q1 2023 of +0.2%. The first positive performance for eight months occurred in March, as the transactional market re-opened and valuers started to gain evidence of anticipated trends. Whereas, in 2022, declines affected interest rate-sensitive sectors with very little quality consideration, investors are now narrowly focused on best-in-class assets, particularly on prime industrial, retail park and supermarket assets.

However, in terms of volume, investment activity to April 2023 was still 57% lower than the volume transacted a year earlier, with Industrial assets accounting for 42% of all activity by value which is noteworthy given Industrial value declines were the steepest of all sectors in the 2022 albeit from high levels.

The concern for the future of the retail sector has been overshadowed this year by investors' worries about the outlook for the UK office sector. Office occupiers continue to target accommodation which meets their ESG and Wellness requirements, both in London and in the regional cities. This space represents a small proportion of the market and is commanding rental value growth. However, overall occupational demand in the office sector appears to be falling, as the impact of less optimistic business sentiment and flexible working weighs on employer occupiers. Demand for secondary office accommodation is expected to weaken further, with concomitant negative rental growth forecast.

Property holdings summary

Holding	Cost (GBP millions)	Market value (GBP millions)	Perf. 3 month	Perf. FYTD	Perf. 1 year	Perf. 3 year	Perf. 5 year	Inception Date
Brunel UK Property	95.2	163.1	0.2%	0.2%	-14.9%	-	-	Jul 2020

International Property

Investment strategy & key drivers

Portfolio of active International property funds seeking capital & income returns

Liquidity

Illiquid

Benchmark

GREFI

Outperformance target

+0.5%

Commitment to portfolio

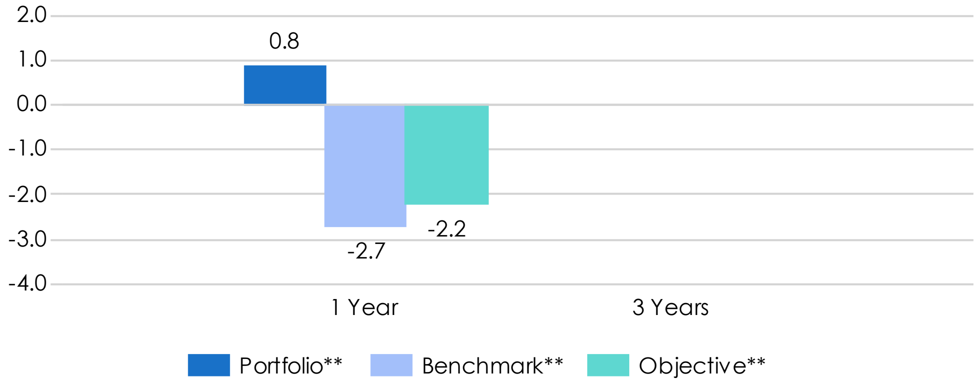
£61.0m

Amount Called

£52.8m

Number of portfolios

10



**Performance data shown up to 31 March 2023

Performance commentary

With global interest rates rising, the relative attraction of real estate has declined relative to fixed income. The resulting international repricing has been slower than in the UK. Markets are also facing higher financing and construction costs. Anecdotally, transaction volumes have fallen; previously strong sectors like industrial and residential have seen the sharpest declines, albeit from high levels.

The denominator effect reached further than just UK investors, resulting in large redemptions, particularly in the US. Mechanisms differ across jurisdictions; in the US there is often no deadline to return capital, which, while frustrating for redeemers, protects the interests of remaining investors.

The benchmark INREV GREFI index in Q1 fell -1.8%, a slight stabilisation from -4.2% in Q4. Asia Pacific was the only region to provide a positive return over the period in local currency. Core funds outperformed their riskier peers on average. Retail posted positive returns in the largest markets, while industrial showed signs of recovery. Fundamentals for industrial assets have remained strong.

Concerns are focused on offices in US and Europe. Remote and hybrid work models are threatening the viability of established office markets, which are seeing rising vacancy levels. Rents, particularly for secondary assets which will require high capital expenditure to keep up with ESG requirements, are coming under pressure. According to CBRE, the Pacific and North-East US markets, with higher crime rates and lower amenities, are particularly vulnerable.

Property holdings summary

Holding	Cost (GBP millions)	Market value (GBP millions)	Perf. 3 month**	Perf. FYTD**	Perf. 1 year**	Perf. 3 year**	Perf. 5 year**	Inception Date
Brunel International Property	17.5	54.1	-6.3%	0.8%	0.8%	-	-	Jul 2020

**Performance data shown up to 31 March 2023

Glossary

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

Term	Comment
EBITDA margin	An EBITDA margin is a profitability ratio that measures how much in Earnings a company is generating Before Interest, Taxes, Depreciation, and Amortization, as a percentage of revenue.
ESG	ESG is an umbrella term to capture the various environmental, social and governance risks investors factor into their assessment of a company's sustainability profile. Brunel views assessing ESG factors as a central part of our fiduciary duty
ESG Score	MSCI (Morgan Stanley Capital International) score based on its assessment of the ESG credentials of an underlying investment. If the portfolio score is below the index, the portfolio is assessed by MSCI to be investing in companies with a better ESG score
extractive exposures VOH	Value of Holdings of invested companies which derive revenues from extractive industries
GP or general partner	In Private Equity, the GP is usually the firm that manages the fund
gross performance	Performance before deduction of fees
Growth	Growth stocks typically exhibit faster long term growth prospects and are often valued at higher price multiples
IRR	Internal Rate of Return - a return that takes account of actual money invested
legacy assets	Client assets not managed via the Brunel Pension Partnership
Low Volatility	Low Volatility is a strategy that attempts to minimise the return volatility.
LP or limited partner	In private equity, an LP is usually a third party investor in the fund
M&A	Mergers and acquisitions

Glossary

Term	Comment
Momentum	An investment strategy that aims to capitalize on the continuance of existing trends in the market
Money-weighted return	A performance measure that takes into account the timing and size of cash flows, including contributions and withdrawals.
MWR	Money weighted return - similar to an IRR - it reflects the actual investment return taking into account cashflows
NAV	Net asset value
net performance	Performance after deduction of all fees
PAB	Paris-Aligned Benchmark - targets a 50% lower carbon exposure from 2020 and then a 7% annual reduction
Quality	Quality stocks typically have a high Return on Equity, a very consistent profit outcome and exhibit higher and stable margins
relative risk	Relative volatility when compared with a benchmark
sector/stock selection	Performance driven by the selection of individual investments within a country or sector
since inception	Period since the portfolio was formed
since initial investment	Period since the client made its first investment in the fund
SONIA	Sterling Overnight Index Average - Overnight interbank interest rate - replacement for LIBOR
source of performance data	Source of performance data is provided net of fees by State Street Global Services unless otherwise indicated

Term	Comment
standard deviation	Standard deviation is a measure of volatility for an investment using historical data. Volatility is used as a measure of investment risk. A higher number may indicate a more volatile (or riskier) investment but should be taken in context with other measures of risk
time-weighted return	A performance measure that eliminates the impact of cash flows, focussing solely on the investment's rate of return over a specific time period. It does not account for the timing and size of contributions and withdrawals.
total extractive exposure	Revenue derived from extractive operations as a % of total corporate revenue
total return (TR)	Total Return - including price change and accumulated dividends
tracking error	A measure of relative volatility around a benchmark. A fund which differs greatly from the benchmark is likely to have a high tracking error
transitioned assets	Client assets that have been transferred to the Brunel Pension Partnership
TVPI	Total Value to Paid In; ratio of the current value of remaining investments within a fund, plus the total value of all distributions to date, relative to the total amount of capital paid in
Value	Value stocks typically have a low valuation when measured on a Price to Book or Price to earnings ratio
WACI	Weighted Average Carbon Intensity; measures the carbon intensity of businesses rather than total carbon emissions. It is expressed as tonnes of CO2 equivalent per million GBP of investment exposure
yield to worst	Lowest possible yield on a bond portfolio assuming no defaults

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Performance data is provided net of fees by State Street Global Services unless otherwise indicated.

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administered by Dorset Council
Environment Agency Pension Fund
Somerset Council
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Cornwall Pension Fund
Devon County Council
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Buckinghamshire Pension Fund
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BRUNEL
Pension Partnership

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OXFORDSHIRE PENSION FUND
REPORT AND ACCOUNTS 2022/23

Registered Number: PS049/20

CONTENTS

FOREWORD TO THE 2022/23 PENSION FUND REPORT AND ACCOUNTS BY THE DIRECTOR OF FINANCE

Introduction

After several years of significant change, 2022/23 was in many ways a year of consolidation and steady progress, although this was in large part due to significant delays in the publication of a number of expected Government proposals. The expected consultations on the future pooling arrangements, investments to support the levelling up agenda, the introduction of improved climate change reporting in line with the requirements of the Taskforce for Climate-related Financial Disclosures (TCFD), good governance and implementing the McCloud remedy to the age discrimination introduced under the Government reforms from 2014 all failed to see the light of day during 2022/23.

That was not to say that 2022/23 was without its highlights, key amongst these being the 2022 Valuation and the setting of the new employer contribution rates for the three years from 1 April 2023. Work also continued on implementing the Fund's Climate Change Policy, further improvements to the Fund's governance arrangements, and a review of the administration software.

Key Outcomes during 2022/23

Work on the 2022 Valuation took place across the whole of 2022/23, with the key outputs being the publication of the revised Funding Strategy Statement, the Valuation results themselves and the parameters for the review of the Fund's Strategic Asset Allocation.

The Funding Strategy Statement was subject to a complete overhaul, led by Hymans Robertson, the Fund Actuary. The revised document consists of a more succinct core document, supported by a series of standalone policy documents providing greater detail on the Fund's approach to key issues including the treatment of Academy Schools, Cessation Calculations etc. The revised documents were approved by the Committee in December 2022 following a full consultation exercise with all key stakeholders.

The formal Valuation results were published in March 2023, although all scheme employers were provided with their provisional results earlier in the process. The Fund is in a much better position than that recorded after the 2019 Valuation, with the funding level rising from 99% to 111%, largely reflecting the 28.5% return on the Fund's investments over the 3-year period between Valuations. The Actuary calculated that there is a 79% likelihood that the Fund will have sufficient funds to pay pension benefits as they fall due based on the current funding level, investment strategy and employer contribution rates. The average employer contribution rate is 20.7% which is just below the average for the 86 Funds in England and Wales of 20.8%.

In light of the Valuation results, the Fund's Independent Investment Adviser proposed limited changes to the Funds Strategic Asset Allocation, although the Committee accepted his recommendations to reduce the exposure to the UK stock exchange and switch the remaining UK exposure from the large companies with an international focus, to the middle and smaller companies which are more aligned to the UK economy and therefore the liabilities of the Pension Fund. The Committee also agreed to delete their small allocation to the specialist Emerging Market equity portfolio. The money released from these two changes will be re-invested largely in a sustainable equities portfolio, with the balance in the passive Paris Aligned Benchmark equity portfolio, reflecting the Committee's commitments under their Climate Change Policy. Other important developments under the Climate Change Policy were the recruitment to a new Responsible Investment post, and participation in the review of the Climate Change Policy operated by Brunel, the Fund's investment manager.

A key outcome in improving further the governance arrangements of the Fund were the appointment of the Fund's first Governance and Communications Manager, who is taking forward the recommendations from the independent governance review. Items completed in 2022/23 were a review of our Scheme Member Engagement Policy, improvements in the Funds website, a review of the Funds cyber security arrangements, and a review of the Fund's administration software which ultimately led to a decision to extend the contract with our current supplier for a further two years. The improved governance arrangements were reflected in the Fund producing the highest results across the Committee and Board Members in the National Knowledge Assessment undertaken by Hymans Robertson across the Pension Funds in England and Wales.

The Fund

The Fund again saw a further significant change in the employer base, largely as a result of out-sourcing arrangements through Academy Schools. We had 176 active scheme employers at the time the Valuation results were published (179 as at 31 March 2022). The Fund had a total of 71,256 members as at 31 March 2023, an increase of 3.5% since last year.

In terms of cash-flow, the Fund remains cash positive, collecting £15m more over the course of the last year in employer/employee contributions than it pays out by way of benefits, and direct administration and investment costs. This allows the Fund to maintain an investment strategy which maximises the long-term returns to the Fund, without the restriction of maintaining high levels of cash or liquid assets to meet pension payments. The work as part of the Fund Valuation suggested that this would remain the case for at least the next three years.

Investment Performance

The Fund value declined slightly over the course of the 2022/23 financial year ending the year at £3.2bn (£3.3billion as at 31 March 2022). This mainly reflected the difficult economic conditions following the invasion of Ukraine by Russia at the beginning of 2022.

The Future

Whilst 2023/24 started with the announcement of further Government delays – this time in respect of the timetable for the Pensions Dashboard, we have now received the much-promised consultation on the future direction of pooling, which also includes several proposals about future investment opportunities the Government would like the LGPS to adopt. The final Regulations on implementing the McCloud remedy to address the age discrimination introduced into the LGPS by the Government changes in 2014 must also be published before the deadline for implementation of 1 October 2023, so we are already clear that the up-coming year will be busy in responding to Government announcements.

The first objective of the Fund’s Business Plan for 2023/24 reflects this work associated with further regulatory change. As well as the areas covered above, it is also hoped that the Government will provide its guidance on reporting for Climate Change, which will help standardise the reporting across this key priority area and send clear messages to companies and the investment industry about the data we all expect to see.

The second priority area in the plan seeks further improvements in the governance of the Fund, and in particular seeks to ensure the Fund is fully compliant with the new General Code of Practice expected from the Pension Regulator later this year. As part of this the Fund will review its policy in respect of breaches of pension regulations and the data protection regulations and review its Administration Strategy to tighten up the expectations on scheme employers. The final priority expected in this area involves the development of a workforce strategy which we expect to be part of the requirements of the awaited Government response of Good Governance.

The third priority area is to improve the operational effectiveness of the Fund through the greater use of technology. As we began 2023/24, we moved the final scheme employer onto iConnect which increased the automation in the monthly collection of scheme member data. We now want to take this forward providing both scheme employers and scheme members the opportunity to upload relevant documents straight to the pensions administration software, as well as increasing the levels of self-service available to both employers and members.

The fourth priority area is our continued work in the area of responsible investment and especially our commitments under the Climate Change Policy. We have already made our first submission to the Financial Reporting Council to be accredited under the Stewardship Code and we will continue to develop our work in this area throughout the year. We are also working with our partner Funds within the Brunel partnership to develop a local impact fund which focuses on delivering climate solutions and mitigations to the South-West of England in the area covered by the 9 local authority funds.

There should be plenty to do for all involved in the governance of the Pension Fund.

Lorna Baxter
Director of Finance July 2023

The Oxfordshire Local Government Pension Scheme (LGPS) Pension Board

All Public Sector Pension Schemes were required under the Public Service Pensions Act 2013 to set up a Pension Board with effect from 2015/16 to assist the administering authorities of their Pension Scheme in ensuring compliance with LGPS and other pension regulations.

The Oxfordshire Pension Fund Committee, acting as administering authority of the Oxfordshire LGPS, agreed the terms of reference of the Pension Board in March 2015. These terms of reference are available on the Board's website at https://www.oxfordshire.gov.uk/cms/content/lgps-local-pension-board .

Under the constitution of the Board, an annual report on the work of the Board should be produced by the Board for inclusion in the Fund's own annual report; and it should be presented to the Pension Fund Committee within 6 months following the end of the municipal year. This report meets that requirement for the 2022/23 financial year, covering the work from the July 2022 Board meeting to their meeting on 5 May 2023.

Board Membership

The Board started the year with a vacancy for one scheme member representative following the resignation of Sarah Pritchard which was confirmed after the July 2022 meeting.

An email was sent to all scheme members who had recorded an email address as part of their pension record, as well as the normal advertisements within the Pension Newsletters and on the Fund Website. This attracted a very strong field of 9 applicants and following an interview process with the Chair and Vice Chair of the Pension Fund Committee and the Head of Pensions Liz Hayden, a retired member was appointed to serve on the Board. Attendance at Board meetings was as follows:

	Attended 8 July 2022 Meeting	Attended 21 October 2022 Meeting	Attended 20 January 2023 Meeting	Attended 5 May 2023 Meeting
Scheme Employer Representatives				
Elizabeth Griffiths (West Oxfordshire District Council)	No	Yes	Yes	No
Angela Priestley-Gibbins (The Thera Trust)	Yes	Yes	Yes	Yes
Marcia Slater (Vale of White Horse/South Oxfordshire District Councils)	Yes	No	Yes	No
Scheme Member Representatives				
Stephen Davis (Oxford Direct Services & Unite)	Yes	Yes	Yes	Yes
Alistair Bastin (Oxfordshire County Council & Unison)	Yes	Yes	Yes	Yes
Sarah Pritchard (Brookes University)	No	N/A	N/A	N/A
Liz Hayden (Retired Member)	N/A	N/A	N/A	Yes

All meetings were chaired by the Independent Chairman, Matthew Trebilcock, the Head of Pensions from the Gloucestershire Pension Fund. Cllr Bob Johnston attended all but the May

2023 meeting of the Board in his capacity as Chairman of the Pension Fund Committee as part of the arrangements agreed within the Governance Review to improve communications between the Committee and Board. Cllr John Howson attended the May 2023 meeting in place of Cllr Johnston. Steve Moran, the Scheme member representative on the Pension Fund Committee also attended the Board meetings in October 2022 and January 2023.

Angela Priestley-Gibbins, Elizabeth Griffiths, Marcia Slater, Alistair Bastin and Stephen Davis all regularly attended the Pension Fund Committee as observers, with one of them presenting the report of the Board to the Committee. Board Members were also regular attenders at the training events run through the year, to which all Committee and Board members were invited.

With the agreement of the Independent Chairman and members of the Board, all meetings of the Board during 2022/23 were held virtually. As the Board was set up under separate legal provision from the other County Council Committees, there is no legal requirement for meetings to be held in person.

The Board welcomed the addition of the new Governance and Communications Manager at their October meeting and noted that the officer would play a key role in the work of the Board going forward.

All voting members of the Board also attended the full day Planning Workshop held on 3 February 2023 which discussed the 2023/24 Business Plan in the morning session, and the Strategic Asset Allocation session in the afternoon.

The Board have also been represented throughout the year on the Climate Change Working Group by Alistair Bastin. Alistair has also served as a member of the Brunel Oversight Board as one of two representatives of all scheme members on that Board following an election process across the ten Funds within the Brunel Pension Partnership.

Work Programme

The work programme for the Board continued as a mix of a regular review of a set of standard reports as presented to the previous meeting of the Pension Fund Committee, ad-hoc review of reports to the Pension Fund Committee and new items brought direct by the Fund's officers or made at the request of Board members.

The standard reports reviewed at each of the Board meetings in that last year were:

- Review of the Annual Business Plan and Budget
- Risk Register
- Administration Report

The main issues identified by the Board and referred back to the Committee for further consideration from these reports included concerns about staffing levels, and in particular the resource requirements of dealing with the McCloud remedy, and cyber risks. They also offered advice to the Committee on the increased use of graphs and trend analysis within the performance reports received by the Committee.

During the year, the Board reviewed the following Committee reports:

- July 2022 – the report on the key assumptions to be adopted in the forthcoming Fund Valuation, and the confidential report on potential changes to the Fund's AVC provider. In both cases the Board was happy with the approach adopted by the Committee

- October 2022 – the further report on the Fund Valuation including the draft Funding Strategy Statement, the initial report on Cyber Security and the Funds latest climate report issued in line with the Taskforce for Climate-related Financial Disclosures (TCFD) report. The Board expressed concerns on the absence of an over-arching cyber risk policy as well as the need to ensure robust arrangements were in place for monitoring how the Fund's third-party suppliers managed cyber risk.
- January 2023 – the Board reviewed a follow up report on cyber risk as well as a report on the review of the Fund's current software provider. The Board endorsed the approach taken by the Committee on both items, noting that their previous comments on cyber risk had been incorporated into the future arrangements
- May 2023 – the Board reviewed the final report on cyber risk, as well as the report on the proposed changes to the Strategic Asset Allocation for the Fund. In respect of the latter, the Board recommended the Committee to add consideration of the fee levels paid and value for money into their final decision.

The new items considered by the Board which had not previously been presented to the Pension Fund Committee were:

- The Boards own Annual Report for the 2021/22 financial year considered at the July 2022 meeting
- The annual report on investment management fees and portfolio performance presented to the Board at its meeting in July 2022. The Board noted the limitations of the report given the lack of long-term data resulting from the significant transition in investments as a consequence of the Government's pooling agenda.
- Two reports on scheme member engagement as presented to the January and May 2023 meetings, where the Board took the lead in shaping the initial proposals and the subsequent implementation plan for further consideration by the Pension Fund Committee.

Future Work Programme

A key area for the Board to consider during 2023/24 will be the monitoring arrangements associated with the new General Code of Practice to be issued by the Pension Regulator. This is consistent with one of the primary objectives of the Board to ensure that the Pension Fund Committee is meeting its regulatory duties and Included within this ensuring all material breaches are reported to the Pension Regulator.

The Board will also maintain its focus on the standard administration report, review of the annual business plan and the risk register to ensure that the Committee is able to meet its statutory duties. A key element of this include the key targets set last year to review the long awaiting Government consultation on the future of the LGPS initially expected last year covering the future direction of pooling, climate related reporting, McCloud and the levelling up agenda.

The Board will maintain its focus on the future Governance arrangements for the Fund and will work closely with the Governance and Communications Manager to review the existing governance arrangements in light of best practice and the Government's response to the Good Governance Review undertaken by Hymans Robertson for the Scheme Advisory Board.

The Board will also oversee the effectiveness of the new approach to scheme member engagement, including developing their own role in ensuring the work of the Board is appropriately communicated to scheme members and scheme employers.

Finally, the Board will continue to be involved in the implementation of the Fund's Climate Policy and wider Responsible Investment duties.

Board Members Training 2022/23 **Appendix**

Alistair Bastin	CIPFA's Annual Conference for Pension Board Members	18th May 2022
Alistair Bastin	Local Authority Conference 2022	13th to 15th June 2022
Alistair Bastin	Barnett Waddingham's Pension Board event	22nd June 2022
Alistair Bastin	Unison South East LGPS Forum AGM	03rd May 2022
Alistair Bastin	CIPFA Annual Pension Board Conference	18th May 2022
Alistair Bastin	Unison South East LGPS Forum	26th May 2022
Alistair Bastin	Brunel Oversight Board	09th June 2022
Alistair Bastin	PLSA Conference	13-15th June 2022
Alistair Bastin	Barnett Waddingham LPB Seminar	22nd June 2022
Alistair Bastin	Brunel Investor Day	28th September 2022
Alistair Bastin	LAPFF Conference	7-9th December 2022
Angela Priestley-Gibbins	Barnett Waddingham's Pension Board event	22nd June 2022
Angela Priestley-Gibbins	Brunel Investor Day	28th September 2022
Marcia Slater	Brunel Investor Day	28th September 2022
Stephen Davis	Local Authority Conference 2022	13th to 15th June 2022
Stephen Davis	Brunel Investor Day	28th September 2022

Statement of Responsibilities for the Pension Fund

The County Council's Responsibilities

The County Council is required to:

- make arrangements for the proper administration of the financial affairs of the Pension Fund and to ensure that one of its officers has the responsibility for the administration of those affairs. For the County Council, that officer is the Director of Finance;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Pension Fund Committee has examined the Pension Fund accounts and authorised the Chairman to approve them on its behalf.

The Responsibilities of the Director of Finance

The Chief Finance Officer is responsible for the preparation of the Pension Fund's accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ('the Code of Practice').

In preparing this Statement of Accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Director of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

LORNA BAXTER
Director of Finance

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF OXFORDSHIRE PENSION FUND ON THE PENSION FUND FINANCIAL STATEMENTS

SCHEME MANAGEMENT & ADVISORS

Administering Authority	Oxfordshire County Council County Hall Oxford OX1 1ND
Administrator	Director of Finance
Pension Fund Committee County Council Members 2022/23 Membership	Cllr Bob Johnston (Chairman) Cllr Kevin Bulmer(Deputy Chairman) Cllr Nick Field-Johnson Cllr I.U. Edosomwan Cllr Sally Povolotsky (to June 22) Cllr Eddie Reeves (to June 22) Cllr John Howson (from October 22)
Representatives of District Councils	Cllr Jo Robb (SODC)
Representatives of Scheme Employers	Alistair Fitt (Oxford Brookes University) Shelley Cook (Academy Sector) Alan Staniforth (Academy Sector)
Scheme Member Representative	Steve Moran Philip Hebson
Independent Investment Adviser	MJ Hudson
Fund Managers	Adams Street Partners Brunel Pension Partnership Legal & General Investment Management Partners Group Insight Investment Management
Internally Managed Funds	Listed Private Equity
Actuary	Hymans Robertson
Auditor	Ernst & Young LLP
AVC Provider	Prudential Assurance Company Ltd
Custodian	State Street Bank and Trust Company
Legal Advisers	Oxfordshire County Council Legal Services
Bankers	Lloyds Bank Plc

HOW THE SCHEME OPERATES

♦ Legal Framework

The Local Government Pension Scheme is a statutory, funded defined benefit pension scheme. The operation of the Oxfordshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 [as amended] (effective from April 2014).[1] The scheme covers eligible employees and employees of other bodies eligible to be employers in the Scheme. A list of all those bodies with employees currently participating in the Scheme is shown on pages 14 to 18.

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

All active LGPS members at 31 March 2014 were transferred to the new LGPS for 1 April 2014. Their final salary benefits linked to the final pay definitions of the previous regulations continue while accrual of membership stopped at 31 March 2014.
Pension Investment and Administration is governed by Her Majesty's Customs and Revenue Office (HMRC) setting out personal maximum values of benefit and reporting structures for schemes.

♦ Contributions

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

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

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The contribution rate reflects an employer experience, the fund deficit or surplus and is the rate at which employers need to contribute to achieve a 100% funding level projected over 22 years.

Contribution rates for 2022 - 2023 were based on the completed valuation of the Scheme's financial position as at 31 March 2019 and are shown on pages 14 to 18.

♦ Benefits

The benefits payable under the Scheme are laid down by the 2013 Regulations. Pension payments are guaranteed and any shortfall is met through the Pension Fund linked to employer contribution rates set by the fund valuation. The Scheme is a 'defined benefit scheme and provides a pension based on 1/49th of pensionable pay each year of membership with annual revaluation, adjusted in line with CPI. A Summary of Benefits is shown on pages 105 to 107.

Overriding legislation

The LGPS exists within rules laid down by HMRC. These provide time limits for benefit payments and also on the member limits to the amount of pension built up within a year and within a lifetime. At retirement a member has to declare any other benefits, not just from the LGPS but all pension provision, to ensure all benefits are within this limit. A tax charge is imposed if this limit is exceeded or if the member fails to make the declaration.

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

Members can convert a portion of their annual pension to provide a larger tax free lump sum at retirement.

The limits an individual can build up in a year and a lifetime are set by HMRC with additional reporting timetables for fund administration.

♦ Adjudication of Disagreements Procedure

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

PARTICIPATING EMPLOYERS

Scheduled Bodies	Contribution Rate: Payroll % 2022/23	Contribution Rate: Additional Monetary Amount 2022/23
Abingdon & Witney College	21.3%	-
Abingdon Learning Trust	21.9%	-
Abingdon Town Council	21.7%	-
AcerTrust MAT	21.1%	-
Activate Learning Education Trust	20.5%	-
Activate Learning	20.4%	-
Adderbury Parish Council	21.7%	-
Ambrosden Parish Council	21.7%	-
Anthem School Trust	21.1%	-
Aspirations Academy Trust	23.7%	-
Banbury Town Council	21.7%	-
Benson Parish Council	21.7%	-
Berinsfield Parish Council	21.7%	-
Bernwode School Trust	21.4%	-
Bicester Town Council	21.7%	-
Blackbird Leys Parish Council	21.7%	-
Bladon Parish Council	21.7%	-
Bloxham Parish Council	21.7%	-
Burford School	23.3%	-
Carterton Town Council	21.7%	-
Chadlington Parish Council	21.7%	-
Chalgrove Parish Council	21.7%	-
Cherwell District Council	15.9%	-

Scheduled Bodies (cont)	Contribution Rate: Payroll % 2022/23	Contribution Rate: Additional Monetary Amount 2022/23
Chinnor Parish Council	21.7%	-
Chipping Norton Town Council	21.7%	-
Cholsey Primary School (OPEN)	18.0%	-
Cumnor Parish Council	21.7%	-
Didcot Town Council	21.7%	-
Drayton Parish Council	21.7%	-
Europa School	18.0%	-
Eynsham Parish Council	21.7%	-
Eynsham Partnership	21.8%	-
Faringdon Academy	21.2%	-
Faringdon Town Council	21.7%	-
GEMS Didcot Primary Academy	18.0%	-
Gillots Academy	18.0%	-
GLF- William Morris	18.1%	-
Goring Parish Council	21.7%	-
Gosford & Water Eaton Parish Council	21.7%	-
Henley College	21.4%	-
Henley on Thames Town Council	21.7%	-
Heyford Park Parish Council	21.7%	-
Kennington Parish Council	21.7%	-
Kidlington Parish Council	21.7%	-
Kingston Bagpuize with Southmoor Parish Council	21.7%	-

List of Participating Employers continues on next page...

PARTICIPATING EMPLOYERS

Scheduled Bodies (cont)	Contribution Rate Payroll % 2022/23	Contribution Rate Additional Monetary Amount 2022/23	Scheduled Bodies (cont)	Contribution Rate Payroll % 2022/23	Contribution Rate Additional Monetary Amount 2022/23
Ladygrove Park Primary School	18.0%	-	Rotherfield Greys Parish Council	-	-
Langtree Academy	18.0%	-	Rotherfield Peppard Parish Council	-	-
Leafield Parish Council	21.7%	-	Shipton under Wychwood Parish Council	21.7%	-
Long Hanborough Parish Council	21.7%	-	Sandford St Martin Parish Council	21.7%	-
MacIntyre Academy Trust	14.9%	-	Sonning Common Parish Council	21.7%	-
Maiden Erlegh Trust	18.0%	-	South Oxfordshire District Council	16.3%	411,000
Marcham Parish Council	21.7%	-	Spelsbury Parish Council	21.7%	-
Milton Parish Council	21.7%	-	St Johns Academy Trust	21.7%	-
Nettlebed Parish Council	21.7%	-	Stonesfield Parish Council	21.7%	-
North Hinksey Parish Council	21.7%	-	Sutton Courtenay Parish Council	21.7%	-
Old Marston Parish Council	21.7%	-	Thame Partnership Academy Trust	21.3%	-
Oxford Brookes University	14.8%	-	Thame Town Council	21.7%	-
Oxford City Council	16.2%	-	The Gallery Trust	17.7%	-
Oxford Diocesan Trust	20.5%	-	The Merchant Taylors Oxfordshire		
Oxford Direct Services	16.2%	-	Academy School Trust	19.4%	-
Oxfordshire County Council	19.9%	-	The Mill Academy Trust	22.2%	-
Propeller Academy Trust	19.8%	-	The Pope Francis MAC	22.5%	-
Radcliffe Academy Trust	17.2%	-	United Learning Trust	16.0%	-
Radley Parish Council	21.7%	-	Vale Academy Trust	21.1%	-
Ramsden Parish Council	21.7%	-	Vale of the White Horse District Council	16.3%	767,000
Ridgeway Education Trust	22.7%	-	Wallingford Town Council	21.7%	-
Risinghurst & Sandhills Parish Council	21.7%	-	Warriner MAT	21.9%	-
River Learning Trust	19.9%	-	Watlington Parish Council	21.7%	-

List of Participating Employers continues on next page...

PARTICIPATING EMPLOYERS

Scheduled Bodies (cont)	Contribution Rate: Payroll % 2022/23	Contribution Rate: Additional Monetary Amount 2022/23
West Oxfordshire District Council	17.6%	726,000
Wheatley Parish Council	-	-
Willowcroft Academy Trust	17.4%	-
Witney Town Council	21.7%	-
Woodstock Town Council	21.7%	-
Wootton Parish Council	21.7%	-
		-
Admitted Bodies		-
A2 Dominion	16.3%	-
All Care (GB) Ltd	19.9%	-
Alliance in Partnership Limited	22.2%	-
Alliance in Partnership Limited – The Cooper	0.0%	-
School (Bicester Learning Academy) catering	21.4%	-
APCOA Parking (UK) Ltd	28.3%	12,000
Aspens Services Limited – Pope Francis Multi Academy Company (St Gregory the Great Secondary School and St Joseph's Primary School ,Thame, (catering contract)	23.5%	-
Banbury Museum Trust	16.3%	-
Barnardos	32.8%	-
Calber Facilities Management Limited – Caldecott Primary School, Abingdon (cleaning contract)	19.9%	-
Capita	-	-
Cara Services Limited	23.7%	-

Admitted Bodies (cont)	Contribution Rate: Payroll % 2022/23	Contribution Rate: Additional Monetary Amount 2022/23
Caterlink Limited – Acer Trust (Botley School, Oxford) (catering contract)	21.1%	-
Caterlink – Faringdon Learning Trust	25.9%	-
Caterlink Ltd – Oxford Diocesan Schools Trust (St Frideswide CofE Primary School) (catering contract)	20.5%	-
Cater Link – United Learning Trust (catering contract)	16.0%	-
Charter Community Housing	37.3%	131,000
Chartwells – GLF (Aureus Secondary School, Didcot) catering contract	18.1%	-
Clarendon Limited – Clanfield Church of England Primary School (cleaning contract)	19.9%	-
Cleantec Services Limited - Pope Francis Multi Academy Company (St Gregory the Great Secondary School)	23.5%	-
Cleantec Services Limited – River Learning Trust (cleaning contract)	19.9%	-
Community Integrated Care (OCC care contract)	19.9%	-
Culinera Ltd – River Learning Trust (The Swan School) (catering contract)	19.9%	-
Direct Cleaning Services – Abingdon Learning Trust (John Mason School) (cleaning contract)	21.9%	-
Dolce Limited at Eynsham Partnership Academy (Eynsham Primary School) (catering contract)	21.8%	-
Dolce Limited – River Learning Trust (Bayards Hill School, Oxford) (catering contract)	19.9%	-

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	Contribution Rate: Payroll % 2022/23	Contribution Rate: Additional Monetary Amount 2022/23
Dolce Limited – River Learning Trust (Lots 6 and 7) (catering contract)	19.9%	-
Ecocleen Services Limited – Vale Academy Trust (King Alfred's School, Wantage) (cleaning contract)	21.1%	-
Edwards and Ward (Banbury Dashwood Academy)	23.7%	-
Edwards and Ward (Benson C.E. Primary School)	19.9%	-
Edwards & Ward – River Learning Trust Lot 1 (The Oxford Academy and Wheatley Park School) (catering contract)	19.9%	-
Edwards & Ward – River Learning Trust Lot 2 (Chipping Norton School) (catering contract)	19.9%	-
Edwards and Ward (St Andrews C.E. Primary School)	19.9%	-
Edwards & Ward (Sutton Courtenay C of E Primary) catering contract	19.9%	-
Edwards & Ward - Vale Academy Trust	21.1%	-
Edwards and Ward – Vale Academy Trust (Larkmead School) (catering contract)	21.1%	-
Energy Kidz (John Hampden)	19.9%	-
Fresh Start Ltd (Bloxham School contract)	19.9%	-
Fresh Start Ltd (St Mary's Catholic Primary School Bicester)	19.9%	-
Fresh Start Catering Limited – West Witney Primary School (OCC) (catering contract)	19.9%	-

Admitted Bodies (cont)	Contribution Rate: Payroll % 2022/23	Contribution Rate: Additional Monetary Amount 2022/23
Fusion Lifestyle	16.2%	-
Greenwich Leisure Limited	16.3%	-
Groundwork South	19.9%	-
Hayward Services Limited – Ridgeway Education Trust (St Birinus School, Didcot) (cleaning contract)	22.1%	-
HF Trust Limited (Lot 5)	23.8%	-
HF Trust Limited (Lot 8)	26.1%	9,000
Hill End Outdoor Education Centre	25.7%	-
KGB Cleaning South West Limited	21.8%	-
KGB Cleaning South West Ltd - Activate Learning Education Trust (Bicester Tech & School)	20.5%	-
Kidz Zone Club Limited – Langford Village Community Primary School (OCC) (before and after school clubs contract)	19.9%	-
Maid Marions Ltd– Faringdon Academy of Schools	21.2%	-
Maid Marions Limited – The Warriner Multi Academy Trust (Warriner School) (cleaning contract)	21.9%	-
Maid Marions Ltd (02) at Warriner MAT (Warriner School)	21.9%	-
M Group Services	19.9%	-
Order of St John's Care Trust (Oxford)	19.9%	-
Oxford Archaelogical Unit	16.3%	-
Oxford Community Work Agency	16.3%	-
Oxfordshire LEP	19.9%	-
Oxfordshire South & Vale Citizens Advice Bureau	-	-

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	Contribution Rate	
	Payroll %	Additional Monetary Amount
	2022/23	2022/23
PAM Wellbeing Ltd	19.9%	-
Publica	17.6%	-
Rapid Clean - Stockham Primary School	19.9%	-
Rapid Commercial Cleaning Ltd	19.9%	-
Regency Cleaning Services Limited – Meadowbrook College (Radcliffe Academy Trust) cleaning contract	17.2%	-
Saba Park Services	26.5%	24,000
School Lunch Company (Bishop Loveday CE Primary School)	21.9%	-
School Lunch Company – Bure Park Primary School (catering contract)	19.9%	-
School Lunch Company (Great Milton CofE Primary School)	19.9%	-
School Lunch Company (North Hinksey CE Primary School)	20.5%	-
School Lunch Company (Orchard Fields)	19.9%	-
School Lunch Company (The Batt CE Primary School, Witney)	20.5%	-
School Lunch Company – The Blake CofE Primary School, Cogges	20.5%	-
School Lunch Company (St Kenelm's C of E Primary School	19.9%	-
School Lunch Company (St Mary's CofE Infant School, Witney (Cleaning) ODST	20.5%	-

Admitted Bodies (cont)	Contribution Rate	
	Payroll %	Additional Monetary Amount
	2022/23	2022/23
School Lunch Company (St Michael's CofE Primary School, Oxford)	19.9%	-
School Lunch Company (St Nicolas CofE Primary School, Abingdon)	19.9%	-
School Lunch Company (Windmill Primary School, Oxford) catering contract	19.9%	-
School Lunch Company (Wroxton CofE Primary School)-ODST	20.5%	-
School Lunch Company (Wychwood CE Primary School)	19.9%	-
Stir Food Limited – Mill Academy Trust (Queen Emma's Primary School) (catering contract)	22.2%	-
Swalcliffe Park School Trust	16.3%	-
Thames Valley Partnership	16.3%	-
The Camden Society - Lot 1	19.9%	-
The Camden Society - Lot 2	19.9%	-
The Camden Society - Lot 6	19.9%	-
UBICO Limited	17.6%	-
Vale Capita	-	-
West Oxon Citizens Advice Bureau	16.3%	-
Yorkshires Cleaning Service Ltd – ODST (St Christopher's CofE Primary School, Cowley, Oxford) (cleaning contract)	20.5%	-
Yorkshires Cleaning Services - St Francis CE Primary School, Cowley, Oxford	19.9%	-

Governance

Conflicts of Interest

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

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

Pension Fund Committee

Committee Membership and Attendance 2022/23

Councillor	10-Jun-22	10-Oct-22	02-Dec-22	03-Mar-23
County Councillors;				
Councillor B Johnston (on committee since June 2021)	✓	✓	✓	✓
Councillor K Bulmer (on committee since May 2017)	✓	✓	✓	✗
Councillor N Field-Johnson (on committee since May 2017)	✗	✗	✓	✗
Councillor I U Edosomwan (on committee since May June 2021)	✓	✓	✓	✓
Councillor E Reeves (on committee since March 2022)	✗	n/a	n/a	n/a
Councillor S Povolotsky (on committee since March 2022)	✓	n/a	n/a	n/a
Councillor J Howson (on committee since October 2022)	n/a	✓	✓	✓
District Councillors;				
Councillor J Robb (on committee since September 2019)	✓	✓	✓	✓
Scheme Employers;				
Alistair Fitt (Oxford Brookes University) (on committeee since June 2021)	✗	✓	✓	✗
Shelley Cook (Academy Sector) (on committee since September 2021)	✓	✓	✓	✗
Alan Staniforth (Academy Sector) (on committee since September 2021)	✓	✓	✗	✗

Committee Members Training Received 2022/23

Councillor	**Date**	**Training Course**
County Councillors;		
Councillor B Johnston	11-Jun-22 28-Sep-22 10-Oct-22 Various	Hymans Robertson – Financial and Demographic Assumptions Brunel Investor Day Hymans Robertson - 2022 Valuation Hymans Online Learning Academy Modules 1-6
Councillor K Bulmer	11-Jun-22 28-Sep-22 10-Oct-22 Various	Hymans Robertson – Financial and Demographic Assumptions Brunel Investor Day Hymans Robertson - 2022 Valuation Hymans Online Learning Academy Modules 1-6
Councillor I U Edosomwan	11-Jun-22 10-Oct-22 Various	Hymans Robertson – Financial and Demographic Assumptions Hymans Robertson - 2022 Valuation Hymans Online Learning Academy Modules 1-6
Councillor J Howson	28-Sep-22 10-Oct-22 20-Oct-22 10-Nov-22 06-Dec-22	Brunel Investor Day Hymans Robertson - 2022 Valuation Fundamentals - Day 1 Fundamentals - Day 2 Fundamentals - Day 3
Councillor N Field-Johnson	Various	Hymans Online Learning Academy Modules 1-6
District Councillors;		
Councillor J Robb	11-Jun-22 10-Oct-22	Hymans Robertson – Financial and Demographic Assumptions Hymans Robertson - 2022 Valuation
Scheme Employers;		
A Fitt (Oxford Brookes Academy)	11-Jun-22 10-Oct-22	Hymans Robertson – Financial and Demographic Assumptions Hymans Robertson - 2022 Valuation
Shelley Cook (Academy Sector)	11-Jun-22 18-Oct-22 10-Oct-22	Hymans Robertson – Financial and Demographic Assumptions Fundamentals - Day 1 Hymans Robertson - 2022 Valuation
A Staniforth (Academy Sector)	11-Jun-22 10-Oct-22	Hymans Robertson – Financial and Demographic Assumptions Hymans Robertson - 2022 Valuation
Beneficiary Observer;		
S Moran	11-Jun-22 13-15/06/22 28-Sep-22	Hymans Robertson – Financial and Demographic Assumptions Local Authority Conference 2022 Brunel Investor Day

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

Risk Management

Internal Risk Management

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

The Council's Internal Audit function undertook a review of the Pension Administration operations in 2019/20 with an overall conclusion of 'G' (There is a strong system of internal control in place and risks are being effectively managed. Some minor action may be required to improve controls.). There were four management actions resulting from the audit findings which are being addressed. The Pension Investments function was also subject to an internal audit during 2019/20. The overall conclusion was 'A' (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). There were four management actions resulting from the audit findings which are being addressed.

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

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

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

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

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

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

Risks are analysed between:

- Financial
- Administrative
- Governance

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

The table below details the highest scoring risks from the most recent version of the risk register for the Fund (a copy of the full risk register is available in the Pension Fund Committee papers for June 2023 which is on the Council's public website).

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

Summary of Key Risks identified on the Pension Fund Risk Register

Risk	Cause	Impact	Likeli-hood	Risk Score	Actions Required
Operational					
Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Poor training programme	4	2	8	Implement new training plan 2023/24.
Insufficient Skills and Knowledge amongst Board Members	Turnover of Board member-ship	4	2	8	Implement new training plan 2023/24.
Lack of administrative resources and knowledge for FPS, specifically with additional remedy workload and second options exercise for on call fire fighters.	Court judgements have created additional work. Also, concern that there is a key person risk.	4	3	12	Seek PFC agreement for FRS to appoint additional administrator to collate data required for remedy and second options exercise and then to work in tandem with Pension Administrators to complete work required. This is at cost to FRS.
Investment					
Failure of Pooled Vehicle to Meet Local Objectives.	Sub-funds agreed not consistent with our liability profile	4	2	8	Agree changes to Remuneration Policy and review arrangements to ensure resilience of business model.
Administrative					

Risk	Cause	Impact	Likeli-hood	Risk Score	Actions Required
Insufficient Resource and/or Data to Comply with Consequences of McCloud Judgement & Sergeant.	Significant requirement to retrospectively re-calculate member benefits	4	3	12	Signed up with the LGPS Framework. Now in procurement process to get additional resource to support the McCloud Project. Review resources for FPS.

Third Party Risk Management

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

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

The following reports were received and reviewed:

Company	Report Type	Reporting Period End	Auditor
Adams Street Partners	SOC 1	30 September 2022	KPMG
Partners Group	ISAE 3402	31 December 2022	PricewaterhouseCoopers
State Street Bank & Trust Company (Custodian)	SOC 1	31 March 2023	Ernst & Young
Insight Investment Management	SSAE 18 / ISAE 3402	30 September 2022	KPMG
Legal & General Investment Management	AAF 01/20 / ISAE 3402	31 December 2022	KPMG

The pension investment team analyse and reconcile valuation information provided by the custodian to that of the investment manager and follow up any significant variations. The custodian also undertakes a monthly reconciliation between its records and those of funds managers and is required to investigate and report the reasons for any significant variances.

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

Scheme Administration and Administration Performance

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

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

Data assurance comes from internal checks; process review; and internal and external audit reviews.

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

- Communication Policy Statement
- Annual Report and Accounts
- Triennial Valuation Report
- Investment Strategy Statement
- Funding Strategy Statement
- Governance Policy Statement
- Statements of Policy about Exercise of Discretionary Functions
- Administration Strategy

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

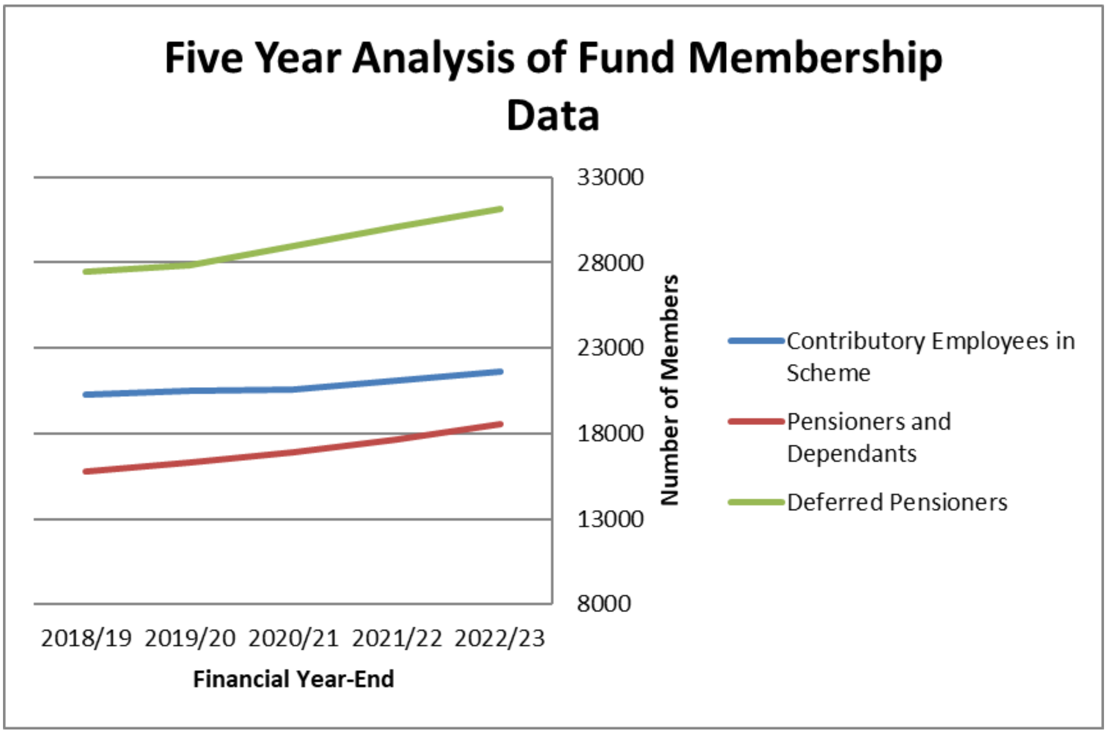
- Stage 1 – depending upon nature of complaint the Appointed Person from either the fund or scheme employer will review and provide a written determination to the points raised.
- Stage 2 – should the member be unhappy with the decision made at age 1 they have the right to ask for the Appointed Person at stage 2 to review their case.
- If, after this second independent review the member remains unhappy with the outcome they can then refer their case to the Pension Ombudsman.

The Regulations – Under the framework of overarching pension regulations The Local Government Pension Scheme is governed by statutory regulations which are the responsibility of the Ministry of Housing, Communities and Local Government.

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

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

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



Promotion of Scheme Membership

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

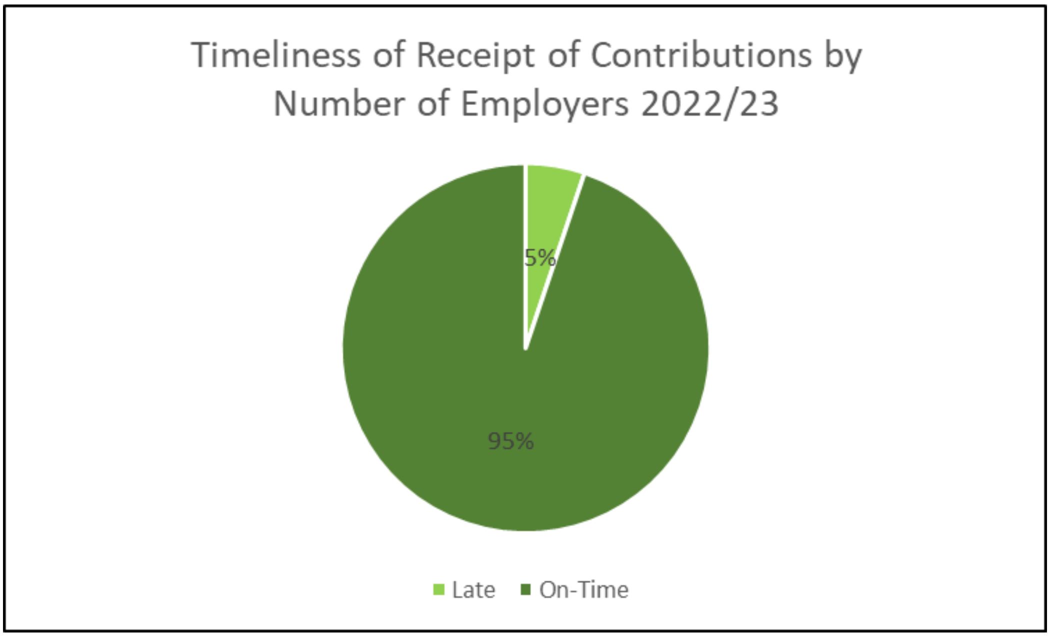
Memberships

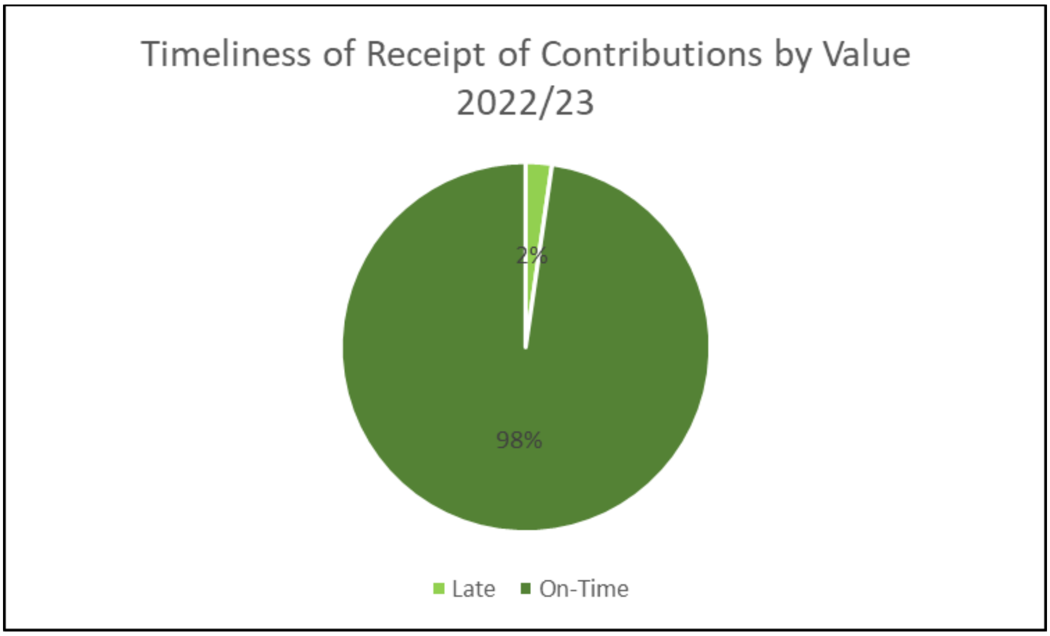
The Fund is a member of the National Association of Pension Funds, Local Authority Pension Fund Forum, Institutional Investors Group on Climate Change, Climate Action 100+, and subscribes to the CIPFA Pensions Network.

Financial Performance

Contributions

Payment of contributions from employers is monitored on a monthly basis as they fall due. Reconciliations are undertaken between contributions received and those expected with any discrepancies followed up with the employer. Late payments are immediately followed up with employers to request payment. If contribution payments are repeatedly late the issue is escalated and a letter is sent to employers. Fines are also issued in accordance with the Administration Strategy. The graphs below illustrate the timeliness of the receipt of contributions from employers during 2022/23.





Budget

The below table shows budget for 2022/23:

	Budget £'000	Actual £'000	Variance £'000
Administrative Expenses			
Administrative Employee Costs	1,402	1,262	-140
Support Services Including ICT	886	639	-247
Printing & Stationary	82	33	-49
Advisory & Consultancy Fees	315	12	-303
Other	59	41	-18
Total Administrative Expenses	**2,744**	**1,987**	**-757**
Investment Management Expenses			
Management Fees	12,836	12,751	-85
Custody Fees	40	52	12
Brunel Contract Costs	1,160	1,182	22
Total Investment Management Expenses	**14,036**	**13,985**	**-51**
Oversight & Governance			
Investment & Governance Employee Costs	405	345	-60
Support Services Including ICT	12	8	-4
Actuarial Fees	190	309	119
External Audit Fees	50	30	-20
Internal Audit Fees	16	16	0
Advisory & Consultancy Fees	135	85	-50
Committee and Board Costs	63	49	-14
Subscriptions and Memberships	69	43	-26
Total Oversight & Governance Expenses	**940**	**885**	**-55**
Total Pension Fund Budget	**17,720**	**16,857**	**-863**

Investment Pooling – Brunel Pension Partnership

In 2015 the Department of Communities and Local Government (as it then was) issued LGPS:
Investment Reform Criteria and Guidance which set out how the government expected funds to establish asset pooling arrangements. The objective was to deliver:

- Benefits of scale.
- Strong governance and decision making.
- Reduced costs and excellent value for money, and
- An improved capacity and capability to invest in infrastructure.

This has led to the creation of eight asset pools which have significantly changed the previous approach to investing, although it should be stressed that the responsibility for determining asset allocations and the investment strategy remain with individual pension funds.

As a result of the investment pooling agenda, the Oxfordshire Pension Fund joined with nine other LGPS administering authorities to set up the Brunel Pension Partnership. Oxfordshire County Council approved the business case for Brunel, based on estimated potential fee savings of £550 million over a 20 year period across the ten funds, of which Oxfordshire's share was £18 million with a breakeven year of 2025. The expected costs and savings for the Oxfordshire Pension Fund, as per the original business case approved, and then submitted to Government, are set out in the following table:

	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023	2023/ 2024	2024/ 2025	2025/ 2026	2026 to 2036	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Set up costs	117	1,041										**1,158**
Ongoing Brunel Costs			430	558	577	595	614	634	655	676	8,093	**12,833**
Clients Savings			(114)	(117)	(120)	(124)	(128)	(132)	(136)	(140)	(1,648)	**(2,658)**
Transition costs			1,231	2,315	12							**3,558**
Fee savings			(191)	(504)	(920)	(1,070)	(1,235)	(1,413)	(1,513)	(1,620)	(24,618)	**(33,084)**
Net costs / (realised savings)	**117**	**1,041**	**1,357**	**2,252**	**(452)**	**(599)**	**(748)**	**(910)**	**(994)**	**(1,084)**	**(18,173)**	**(18,194)**

Following approval of the business case, the Brunel Pension Partnership Ltd was established in July 2017, as a company wholly owned by the Administering Authorities (in equal shares) that participate in the pool. The company is authorised by the Financial Conduct Authority (FCA). It is responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds' assets within defined investment portfolios. In particular, Brunel researches and selects the external managers or pooled funds needed to meet the investment objective of each portfolio.

Now that Brunel is operational, the financial performance of the pool will be monitored to ensure that Brunel is delivering on the key objectives of investment pooling. This includes reporting of the costs associated with the appointment and management of the pool company including set up costs, investment management expenses and the oversight and monitoring of Brunel by the client funds. The set up and transition costs incurred to date are set out in the following table.

	Cumulative £000s
Set up costs:	
Recruitment	18
Legal	133
Consulting, Advisory & Procurement	82
Other support Costs e.g.IT, accommodation	0
Share Purchase / Subscription Costs	840
Other Working Capital Provided e.g. loans	-
Staff Costs	-
TOTAL SET UP COSTS	**1,072**
Transition Costs:	
Transition Fee	240
Tax	833
Other Transition Costs	6,553
TOTAL TRANSITION COSTS	**7,626**

A summary of the costs and savings to date compared to the original business case is provided in the following table.

	2021/22				2022/23			
	Budget		Actual		Budget		Actual	
	In Year £000	Cumulative to date £000	In Year £000	Cumulative to date £000	In Year £000	Cumulative to date £000	In Year £000	Cumulative to date £000
Set up costs	-	1,158	-	1,072	0	1,158	0	1,072
Ongoing Brunel Costs	595	2,160	1,083	3,904	614	3,558	1,172	7,626
Clients Savings	(124)	(475)	-	-	(128)	(603)	0	0
Transition costs	0	3,558	685	7,626	0	2,775	0	5,076
Fee savings	(1,070)	(2,685)	(4,064)	(6,574)	(1,235)	(3,920)	(3,644)	(10,217)
Net costs / (realised savings)	**(599)**	**3,716**	**(2,296)**	**6,028**	**(748)**	**2,968**	**(2,472)**	**3,557**

Investment Review 2022/23

Economic Background

In a sense this last year has seen a roll forward of the consequences arising from what was breaking news at the end of the last year; namely the Russian invasion of Ukraine. It should have been the post Covid-19 recovery period, instead we saw world markets unsettled by substantially higher fuel and food prices, leading to a much higher level of inflation than we have seen for a very long time. Of much greater impact to our members would have been the even higher rate at which the cost of living was rising. In the UK the Consumer Prices Index (CPI) peaked at 11.1% in October, with a small decline to 10.1% by March.

Central banks were effectively caught between a rock and a hard place, knowing that they had to raise interest rates to try to bring inflation back to more reasonable levels, but at the same time not wishing to cause unnecessary damage to economic activity as a result. In March the UK Base Rate rose to 4.25%, with an expectation that further increases would be necessary, given that inflation is staying higher and for longer than had been forecast by the Bank of England.

One notable success in the economic battle with Putin was that European gas supplies had been boosted by an increase in storage capacity ahead of the 2022-23 winter. That, combined with a generally mild winter, has seen energy prices falling considerably from the peak levels seen after the invasion of Ukraine. Attention has also been focused on increasing the amount of energy derived from non-fossil fuel origins, thus increasing the sustainability of future energy supplies independent of Russia.

In 2022, GDP rose by 4.1% in the UK, by 2.1% in the US, by 1.9% in the Eurozone and by 1.0% in Japan. In China, which has experienced a different Covid economic pattern due to the way in which they attempted to contain it, GDP grew by 3.0%.

Market Returns

The 2022-23 fiscal year was certainly a tale of two halves so far as Fund values were concerned, along with the differentiated performance of public and private markets. Fund values fell during H1and then recovered to some extent during H2, ending the year down by just -3.7%. Given the turmoil seen at times during the course of the year, this is a reasonable outcome in the circumstances. In general terms equities fell during H1 and then recovered to some degree during H2, with the position reversed for the private market investments. Emerging Markets were particularly volatile, driven in large part by China.

For the purposes of this report, we are reviewing the year in total, regardless of the ups and downs experienced along the way. The All-World Index recorded a total return of -0.9% for the year to March 2023. North America represents 60% of the All World Index, so despite relatively good performance from most other developed markets the -4.2% return from North America has had a detrimental impact on the overall outcome for Global Equities. Europe (ex UK) recovered well from a difficult period earlier in the year, with a total return of 8.7%. Asia Pacific (excluding Japan) and Emerging Markets had a difficult year, both in negative territory.

UK Bonds in particular had a very difficult year as inflation continued to rise rapidly and markets priced in interest rate increases, not helped by the disruption caused by the blast of Trussenomics back in September. Yields on bonds are therefore at the highest levels seen for a long time, but while rising bond yields are in some ways are welcome, falls in value are not. This does however present an interesting buying opportunity.

With the gathering concerns around increases in interest rates in some geographies, currencies moved to reflect that. In the year to March sterling fell by -5.9% against the dollar, with a low point of -17.0% seen in the market turmoil in September. Sterling also fell -4.3% against the Euro, but gained 2% against the Yen.

UK Commercial Property gave up a large part of the gains seen in values during 2021-22, caused primarily by the urgent requirement for liquidity from corporate pension funds seeking extra collateral for their Liability Driven Investment (LDI) schemes in the wake of the collapse in Bond values in September/October last year. Values did see some recovery during Q1 2023.

The Oxfordshire Pension Fund achieved a total return of -3.7% for the year, compared with a -0.8% return on its benchmark. Despite the volatile markets seen during 2022-23, the end of March Fund valuation was only down slightly on a valuation basis, however the relatively poor performance against benchmark is also starting to have a negative impact on the medium-term performance periods. The longer-term position remains satisfactory, which is the most important measure of a Fund's investment health.

Outlook

The outlook is distinctly cloudy, in fact a deep look into the proverbial crystal ball is about as good as it gets at the moment. Even the Bank of England doesn't seem to have much of a clue about what happens next.

Geopolitics has a big part to play in this uncertainty. It has to be hoped that Ukraine's resolve to drive the invaders out of their country is successful in the near term and that Putin is put in his box. The trouble is that instability in that region is likely to continue, regardless of the short-term outcome. Continued and if anything intensified sabre rattling by the Chinese government certainly doesn't help the nerves, for us or investment markets. This will almost certainly run and run for the foreseeable future.

In the short term the current volatility in financial markets, coupled with high interest rates and inflation clearly raises some concerns. LGPS pensioners have the benefit of index linked (CPI) increases to their pensions each year. This is in contrast to most private sector pension schemes, that tend to have a cap (or a limit) on the amount that pensions will increase each year, regardless of the rate of inflation. Certainly for pensioners this provides some relief to the rapid increase in the cost of living, but it is acknowledged that with the large increases seen in energy costs and most food items times will still be challenging for many.

Over the longer term the investment strategy of the Fund is designed to ensure that the ability to pay pensions in the short, medium and long term is fully maintained. The Fund invests in a diversified range of assets that over time is anticipated to increase in value and to provide a secure flow of income to pay those pensions. The assumptions that are made in the management of the Fund are regularly reviewed to ensure that changes to economic forecasts, including the cost of living, are incorporated within the investment strategy. With the expectations that the rate of inflation and interest rates will stay relatively high in the short term, but then fall back to lower levels (but higher than we have seen in recent years), the recent asset allocation review ensures that the investment strategy is adjusted accordingly to maintain the correct balance of assets between those that see a growth in value over time and those that generate a steady flow of income. One of the great strengths of the LGPS is the way in which it is designed to provide a secure income in retirement to our pensioners and to be able to absorb short term challenges due to the long-term strength of the asset base.

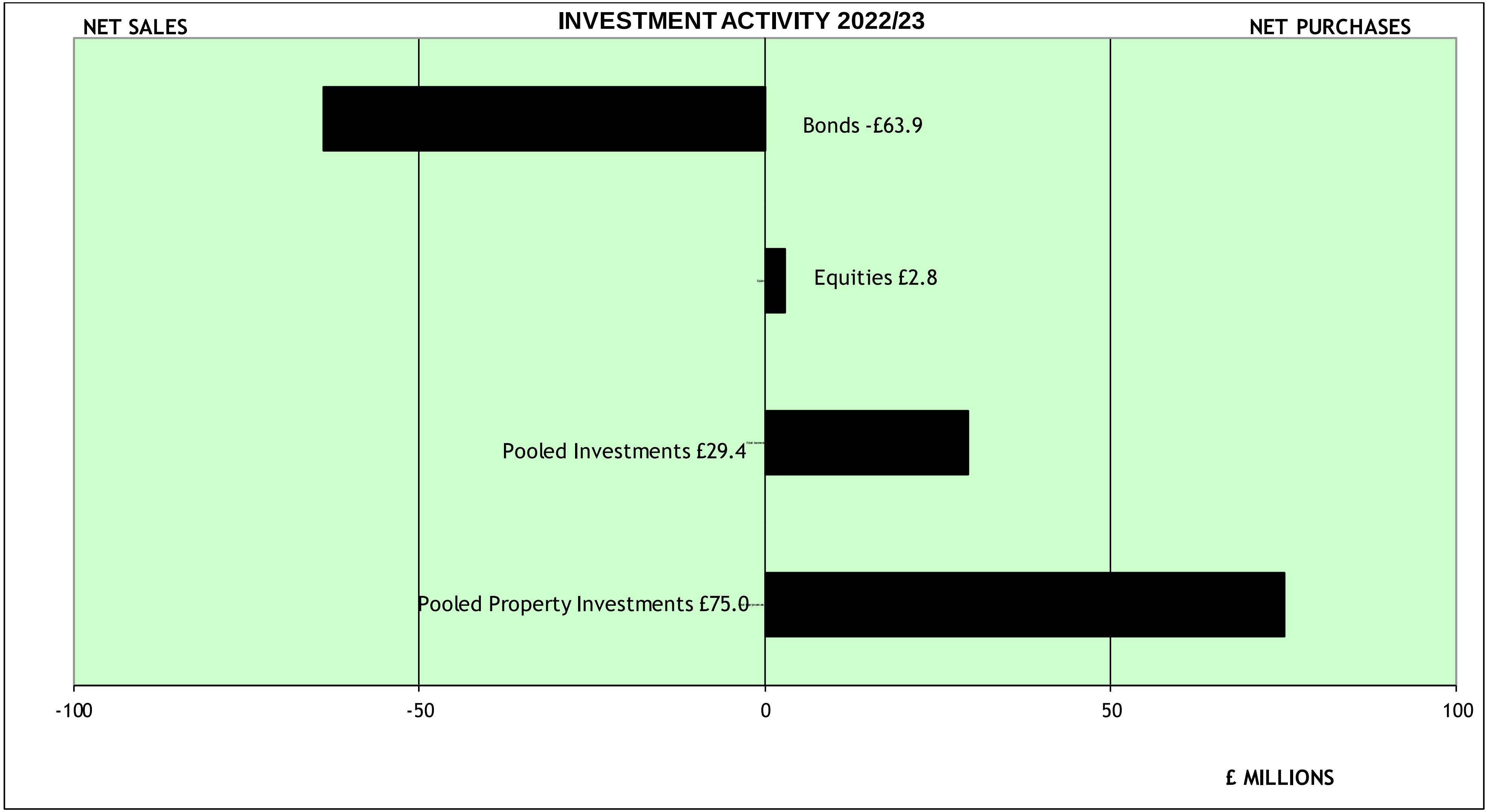
Philip Hebson
Independent Investment Advisor
June 2023

Table showing the total returns (capital plus income) in sterling terms calculated on major indices for the year to 31 March 2023.

SECTOR		INDEX	% Total Returns Year to 31.3.23
Equities	Global	FTSE All World	-0.9%
	UK	FTSE All Share	2.9%
	North America	FTSE AW – North America	-4.2%
	Japan	FTSE AW - Japan	1.4%
	Europe	FTSE AW - Europe (ex UK)	8.7%
	Asia Pacific (ex Japan)	FTSE AW - Asia Pacific (ex Japan)	-6.1%
	Emerging Markets	FTSE AW – Emerging Markets	-4.4%
Bonds	UK Government	FTSE-A Government	-16.3%
	UK Index-Linked	FTSE-A Index- Linked (over 5 years)	-30.4%
	UK Corporate Bonds	iBoxxSterling non-Gilt All Stocks	-10.2%
	Overseas	JP Morgan Global Government (ex UK) Traded Bond Index (£)	-2.1%
Cash	UK	SONIA Compounded Index	3.0%
Property	UK Commercial	MSCI/AREF-UK Quarterly Property Fund Index	-14.5%

- **Investment Activity**

The Pension Fund invested a net £43.3 million during the year ended 31 March 2023. The amounts invested or disinvested in each principal category of asset are shown in the chart below. Derivatives are not included in the chart.



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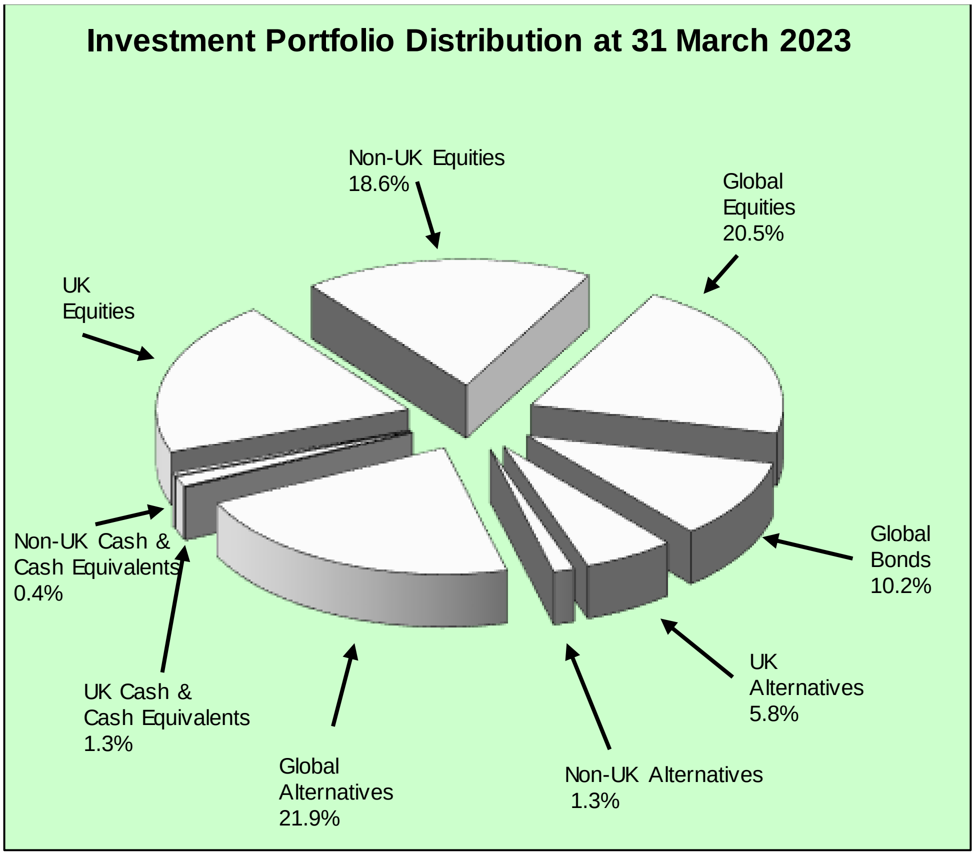
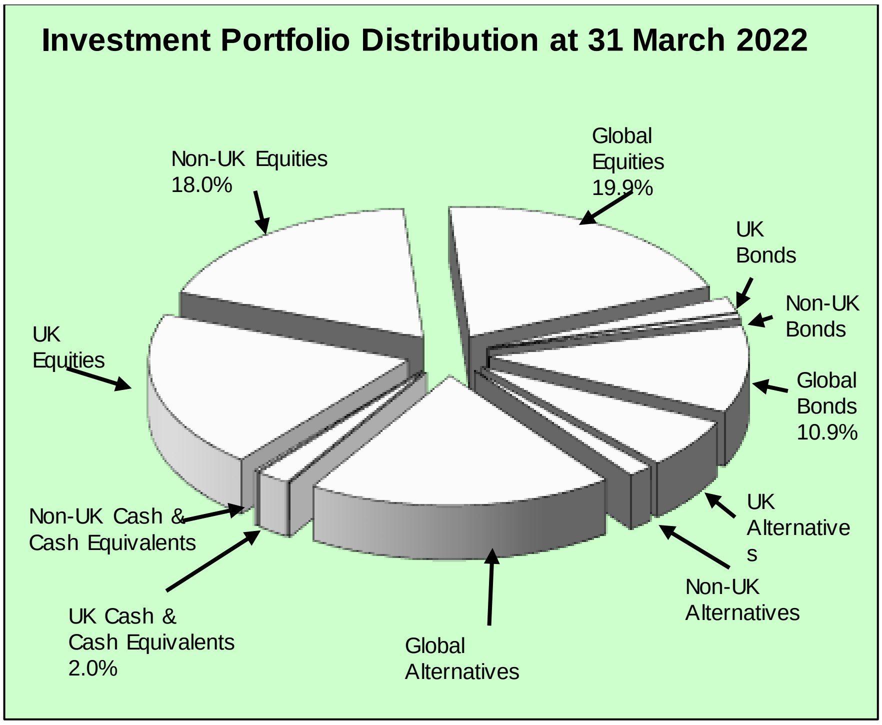
Portfolio Distribution

The distribution of the Pension Fund amongst the principal categories of assets as at 31 March 2023 is shown in the chart below. A comparative chart of the position at 31 March 2022 is also shown. Changes in the asset weightings, from one year to another, are due to investment activity and market movements.

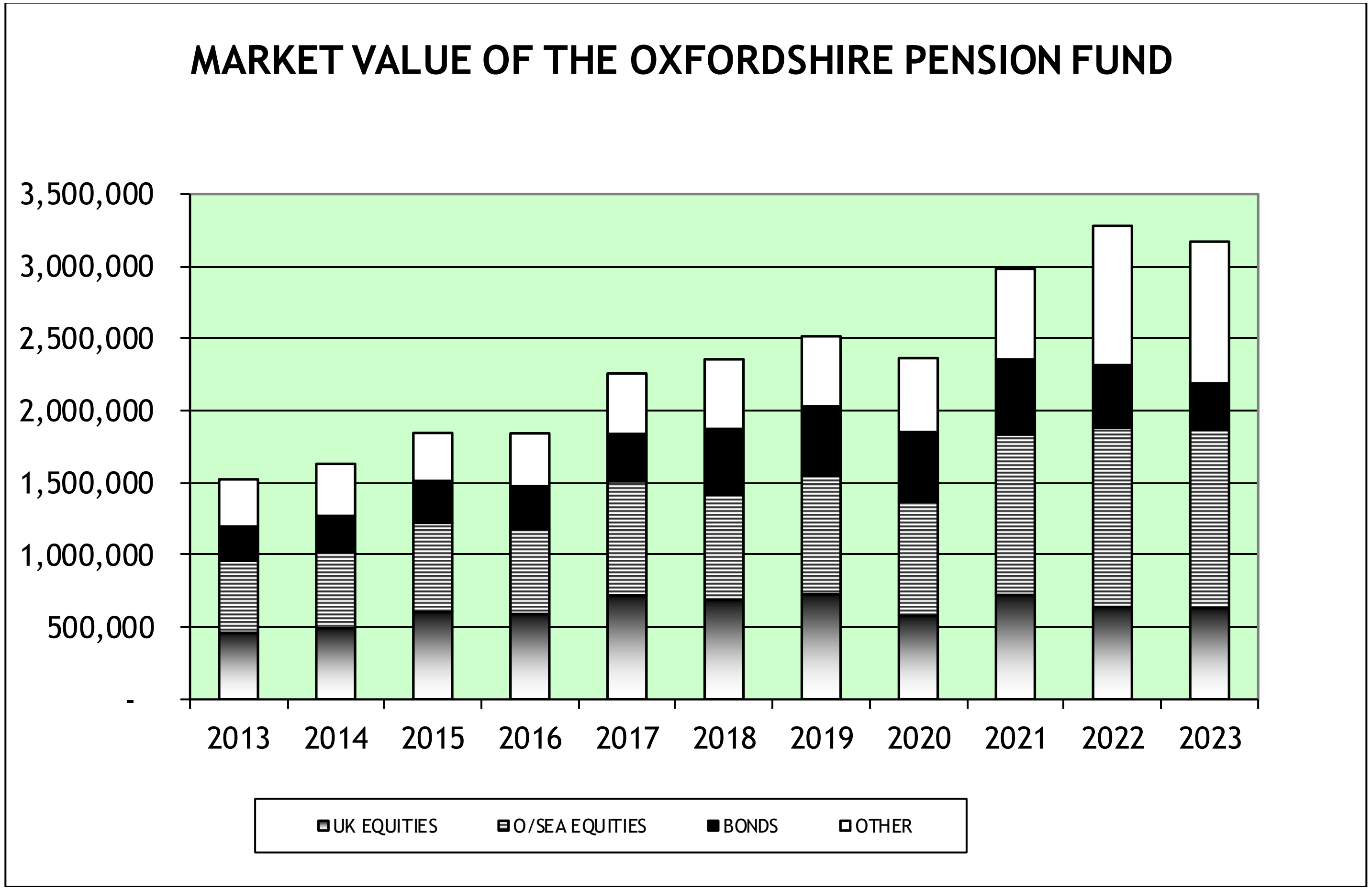




Portfolio Asset Allocation over the Ten Years to March 2023

The total assets (including accruals) of the Pension Fund have grown from £1,524 million at end of March 2012 to £3,170 million at end of March 2023 (see chart below).

Over the period the percentage in UK equities decreased from 30.3% to 20.0% and bonds decreased from 15.5% to 10.1%.



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♦ Investment Benchmark and Performance

The performance of the individual Fund Managers against their benchmark is shown in the following table. Each Fund Manager is given a different target to outperform their benchmark over a rolling three-year period. The table shows that performance in 2022/23 at the total fund level was 3.1% below benchmark with an overall return of -3.9%.

Fund Manager	Target %	One Year Ended 31 March 2023		Three Years Ended 31 March 2023		Five Years Ended 31 March 2023	
		Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %
Brunel UK Equities	2.0	3.9	2.3	14.0	12.3	-	-
Passive Dev Eq Paris Aligned	n/a	0.7	0.7	-	-	-	-
Brunel Global Sustainable Equities	n/a	-0.9	-1.3	-	-	-	-
Brunel Global High Alpha Equity	2-3	-0.5	0.4	17.1	17.9	-	-
Brunel Emerging Market Equity	2-3	-4.5	-5.1	8.3	7.1	-	-
Legal & General Fixed Income	0.6	-16.2	-16.1	-5.9	-4.7	-1.7	-1.2
Brunel Sterling Corporate Bonds		-10.2	-10.7	-	-	-	-
Brunel Multi-Asset Credit		6.3	-3.4	-	-	-	-
Passive Index Linked Gilts Over 5 Years		-30.4	-30.4	-	-	-	-
Brunel UK Property		-14.4	-11.5	-	-	-	-
Brunel International Property		17.5	3.4	-	-	-	-
Insight Diversified Growth Fund	3-5	6.9	-6.5	5.1	3.5	4.9	1.3
In-House Property	Excess	-14.5	6.1	2.6	5.8	2.5	5.9
In-House Private Equity	1.0	-0.9	-5.9	23.1	20.3	8.7	15.4
Brunel Private Equity - Cycle 1	3.0	-0.9	14.5	16.0	18.2	-	-
Brunel Private Equity - Cycle 2		-0.9	3.1	-	-	-	-
In-House Infrastructure	4.0	14.5	4.5	8.9	9.8	7.2	10.2
Brunel Infrastructure - Cycle 1	4.0	10.1	14.6	5.9	7.9	-	-
Brunel Infrastructure - Cycle 2		10.1	15.9	-	-	-	-
Brunel Infrastructure - Cycle 3		-	-	-	-	-	-

Brunel Secured Income – Cycle 1	2.0	10.1	-12.4	5.9	0.6	-	-
Brunel Secured Income – Cycle 2		10.1	-6.9	-	-	-	-
Brunel Private Debt - Cycle 2		6.3	8.1	-	-	-	-
Brunel Private Debt - Cycle 3		-	-	-	-	-	-
Cash	n/a	2.2	16.9	0.8	6.6	0.8	4.2
Total Fund		**-0.8**	**-3.9**	**10.7**	**9.4**	**6.3**	**5.7**

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

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

% Returns per annum for the financial year ended 31 March 2023				
Actual Returns	1 year	3 years	5 years	10 years
Oxfordshire Total Fund Return	-3.9	9.4	5.7	7.2
Average Returns				
PIRC LGPS Universe Median Return	-1.6	9.6	6.0	7.3
Oxfordshire Benchmark	-0.8	10.7	6.3	7.4

Responsible Investment

Fund managers produce reports outlining their engagement and ESG related activity. All of the Fund's investment managers are signatories to the United Nations Principles for Responsible Investment Initiative. Fund managers and officers monitor ESG related developments and ad-hoc reports are produced for the Committee on topical ESG issues relevant to the Fund. In 2019/20 the Pension Fund adopted a Climate Change Policy recognising this 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. A copy of the Policy is available on the Council's website: (https://mycouncil.oxfordshire.gov.uk/documents/s50129/PF_MAR0620R20%20Appendix%20to%20Annex%201%20OCCPF%20Climate%20Change%20Policy%20Draft.pdf).

The Fund has produced a report based on the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations which is included below on pages 41-67:

Voting

Introduction

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

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

The Oxfordshire County Council Pension Fund's voting policy is set out in its Investment Strategy Statement which states that in practice the Fund's Investment Managers are delegated authority to exercise voting rights in respect of the Council's holdings. Voting decisions are fully delegated to fund managers, while recognising that the Fund maintains ultimate responsibility for ensuring that voting is undertaken in the best interests of the Fund.

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

Oxfordshire County Council Pension Fund TCFD Report 2022/23

August 2023

Oxfordshire County Council Pension Fund Taskforce on Climate-related Financial Disclosures Report 2022/23

Introduction

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

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

The United Nations Environment Programme's 2022 Emissions Gap Report shows how far off-target the world currently is from meeting a commitment of keeping global temperature rise below 1.5°C. According to the report, policies currently in place point to a 2.8°C temperature rise by the end of the century. Implementation of the current pledges will only reduce this to a 2.4-2.6°C temperature rise by the end of the century, for conditional and unconditional pledges respectively. These temperatures are well above the goals of the Paris agreement and would lead to catastrophic changes in the Earth's climate, with severe associated damage to society and the economy

Both reports still give some cause for optimism in that they state that there is time for a technically feasible, cost-effective, and socially acceptable pathway to achieve net zero by 2050. However, the pathways are narrow and extremely challenging and require a rapid step up in the commitments and actions of all stakeholders across the globe.

The UNEP report identifies the financial system as key to moving the global economy into alignment with a 1.5°C pathway. "Realignment of the financial system is a critical enabler of the transformations needed".

Background to the TCFD

In 2017 the TCFD released its recommendations for improved transparency by companies, asset managers, asset owners, banks, and insurance companies on how climate-related risks and opportunities are being managed. Supporters of the TCFD total over 3,800 organisations across 92 countries. The Task Force consists of 35 members from across the G20, representing both users and preparers of financial disclosures, and is currently chaired by Michael R. Bloomberg founder of Bloomberg L.P.

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

Core Elements of Recommended Climate-Related Financial Disclosures

Governance
The organization's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Risk Management
The processes used by the organization to identify, assess, and manage climate-related risks

Metrics and Targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

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

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

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

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

At present there is no requirement for LGPS funds to report under TCFD. However, the Department for Levelling Up, Housing & Communities (DLUHC) has stated that it intends for TCFD reporting in the LGPS to become mandatory and intends to issue guidance on this in due course. The Pension Fund determined in its Climate Change Policy Implementation Plan that a TCFD report would be included in its 2020/21 Annual Report and in each Annual Report going forwards.

This report looks to align the Oxfordshire Pension Fund's reporting under the TCFD framework with the expectations outlined in draft guidance produced by DLUHC.

Governance

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

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

The Pension Fund Committee are responsible for setting the Fund's Investment Strategy Statement which includes the approach to responsible investment. The Fund has an Independent Investment Adviser who provides investment advice to the Fund including on investment strategy, this includes the integration of climate change related risk assessment into the investment approach of the Fund.

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

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

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

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

The Fund, along with nine other LGPS funds, is a part of the Brunel Pension Partnership which develops investment portfolios that are made available to client funds to invest in. Under pooling requirements set by the government the Pension Fund is required to make all investments through Brunel while maintaining responsibility for asset allocation decisions. The key bodies where the Fund interacts with Brunel are the Client Group, Brunel Oversight Board, and Shareholder Forum where fund representatives and Brunel meet. There is also a Responsible Investment sub-Group where discussions take place between Brunel and the various client funds about the approach to assessing and managing climate related risks, amongst other issues.

Climate related risks and opportunities form a key part of the reporting received from Brunel on their portfolios and activities and Brunel has a dedicated responsible investment team.

As the asset manager responsible for appointing sub-asset managers, Brunel has a key role ensuring that climate related risks and opportunities are integrated into the investment process. In fact, Brunel go beyond this, with a stated aim to "*systematically change the investment industry to ensure that it is fit for purpose for a world where the temperature rise needs to be kept to 1.5°C compared to pre-industrial levels.*"

In practical terms this translates into a focus on five principal areas, as shown in the chart below: Policy Advocacy; Product Governance; Portfolio Management; Persuasion; and Positive Impact.

Brunel regularly publishes its own plans and performance in this area – going beyond regulatory requirements. Brunel's annual RI & Stewardship Outcomes Report considers performance in meeting Brunel's responsible investment goals – including on climate change; their annual Carbon Metrics Report shows the exposure of all its active holdings; and the TCFD Climate Action Plan reports on Brunel's progress around climate metrics and targets.

Brunel published its first Climate Change Policy in 2020. In 2022, a Climate Stocktake was undertaken to review this Policy. Following an extensive consultation and review that considered each of the five areas shown in the diagram above, in February 2023 Brunel published its new Climate Change Policy 2023-30.

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

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

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

In order to increase capacity in this area, the Fund created a new post of Responsible Investment Officer, which was filled in April 2023. A key area of responsibility for this role is around monitoring and reporting on the Fund's climate related risks and how these are being managed.

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

Strategy

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

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

The most significant long-term risk is the systemic risk across financial markets, including social and other factors, associated with climate change that could arise if actions are not taken to adhere to the Paris Agreement. Setting a target of Net Zero Paris alignment by 2050 is a commitment by the Fund to help to manage and mitigate that systemic risk, with a view to being able to meet the Fund's liabilities into the future.

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

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

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

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

The Fund's Climate Change Policy states that where there are two investment options that broadly aim to deliver the same investment objective the Pension Fund will prioritise the option that delivers the best fit to its climate change commitment. For example, consistent with this principle the Fund moved around 15% of the Fund from regular market-cap index trackers to a Paris aligned benchmark alternative in 2020.

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

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

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

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

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

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

The draft government guidance by DLUHC on TCFD implementation proposes to place a new duty on LGPS Administering Authorities (AAs) to assess their assets, liabilities, investment strategy and funding strategy against climate risks and opportunities in at least two climate scenarios. This assessment must include at least one scenario based on a global temperature rise of 2°C or lower on pre-industrial levels. This assessment must occur at least once every valuation cycle. In interim years, AAs must consider whether any changes in the fund have been substantial enough to require scenario analysis to be repeated.

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

Given that the intention under government pooling guidance is for all Fund investments to take place via Brunel's portfolios, it makes sense for the Fund's scenario planning to be based upon scenario planning carried out by Brunel. This work by Brunel is due to take place in late 2023 or early 2024. As such, it is the aim of the Fund to include scenario planning based on the modelling carried out by Brunel in the next cycle of TCFD reporting in 2024.

Risk Management

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

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

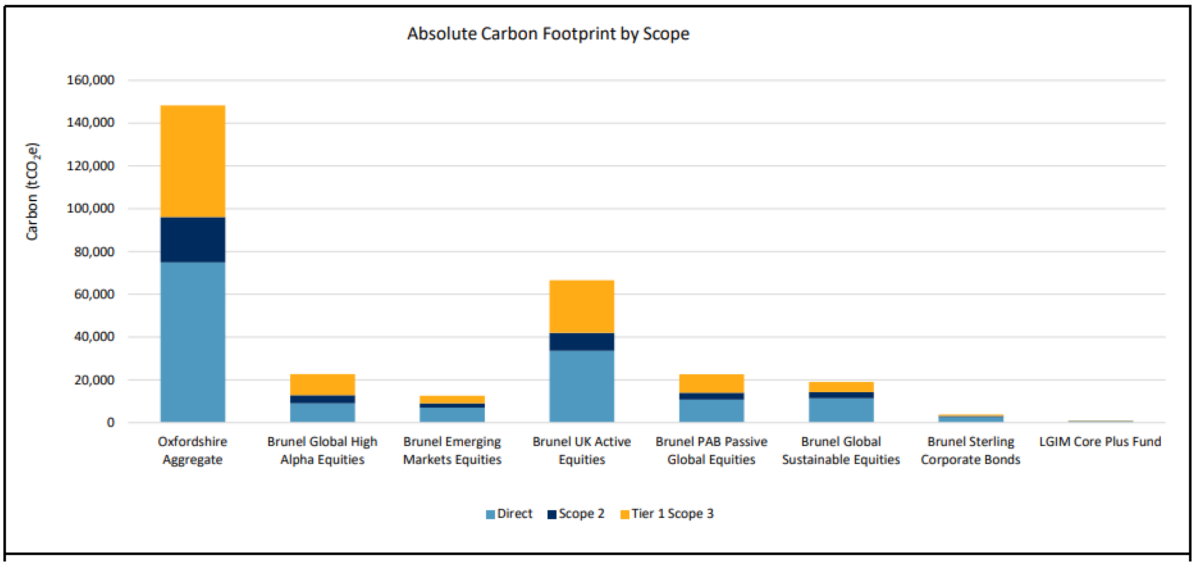
The Fund meets regularly with Brunel and discusses climate issues including any identified from the narrative reporting or climate metrics provided by Brunel.

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

Case Study – reallocation from the UK Equity Portfolio

The graph below is taken from the 2023 Brunel Climate Metrics report for the Oxfordshire Fund. It shows the 2022 absolute carbon footprint for the Fund, at both an aggregated fund level and at portfolio level. This data shows that around half of the aggregated absolute carbon footprint of the Fund originated in the UK Active Equities Portfolio.

This information, alongside other data in the Carbon Metrics report on fossil fuel reserves, where the UK Active Equities Portfolio had the greatest exposure, helped inform a decision by the Pension Fund Committee in June 2023 to reallocate around 5% of the overall Fund value away from the UK Active Equities portfolio and into the Global Sustainable Equities and Passive World Developed PAB portfolios. In addition, for the remaining 10% allocation to UK Equities the Fund determined to move away from the FTSE100 which has a high weighting to emissions intensive companies to a broader UK benchmark incorporating small and mid-cap companies.



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

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

The key method by which the Fund's risk is managed is through diversification of investment into a variety of asset classes. Within this strategy there is also embedded an approach of integrating climate change risk management into the investment process.

Case Study – climate change opportunities in private markets:

Through Brunel the Fund invests into private market portfolios, including an infrastructure portfolio with a skew towards renewable technologies and sustainable infrastructure. Climate risk, in terms of both transition and physical risks, is fully embedded into the approach of Brunel's private markets team. The risks are managed to maximise effectiveness in each of the strategies but are also appropriate for the level of control Brunel can exercise in different vehicles.

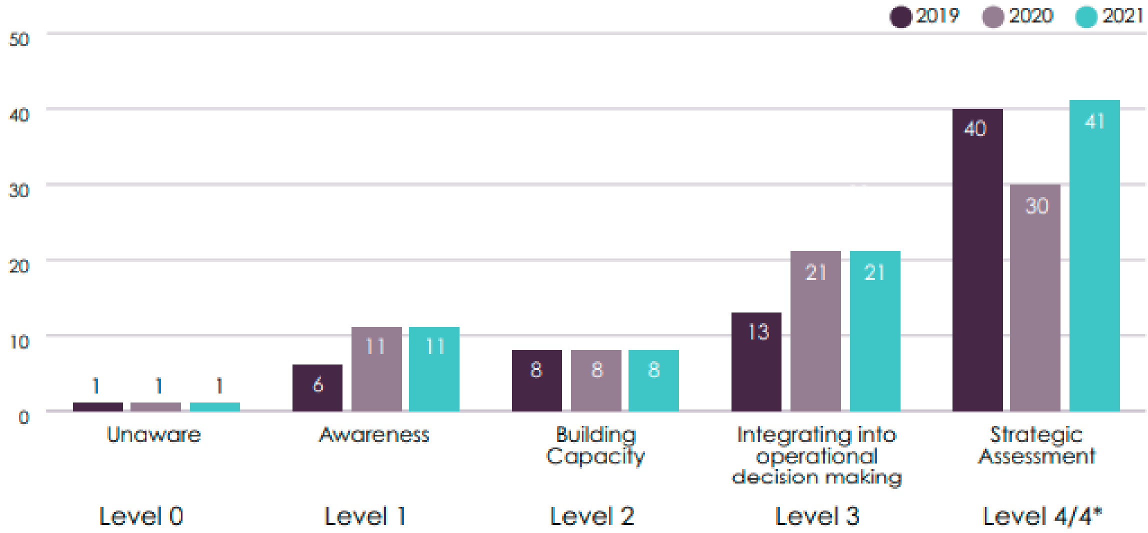
The private market portfolios are also the area where Brunel has identified significant potential for investing in climate solutions. Renewable energy investments are a core component in Brunel's private market investments, representing in excess of 35% of cycle 1 commitments and at least 50% of cycle 2 commitments within its infrastructure portfolios.

Case study: solar energy infrastructure investment

Springbok is a 448 Megawatt solar development in Kern County, California, one of the largest solar developments in the world. The fund is invested, through Cycle 1, in the development of the site through the Capital Dynamics Clean Energy Infrastructure VII-A fund.

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

Brunel's approach to voting escalation sees an initial vote against the reappointment of a company Chair escalate to other board members where they have not met their climate disclosure expectations. These expectations will increase over time with the target of all their material holdings being on the Transition Pathway Initiative (TPI) Level 4, and having made meaningful progress to alignment with a 2 degree or below pathway. The chart below shows the available TPI scores for 2019 - 2021 across Brunel's listed equity portfolios.



Case study - AGM voting at Shell and BP in 2023

During 2023 senior management at both BP and Shell announced that they were weakening the medium-term fossil fuel reduction targets set in the previous year. The targets being rolled back had been endorsed by shareholders in the previous year, and the decision to weaken those targets was not consulted on with shareholders beforehand. In response to this Brunel, alongside other pension funds such as USS and the Church Commissioners, voted against the reappointment of the Chairs of both companies at their 2023 AGMs.

In a follow up action Faith Ward, Brunel's Chief Responsible Investment Officer, in her role as Chair of the UK Asset Owner Roundtable, will be convening a meeting of major fund managers following the proxy season. This is in response to concerns that have been raised by several members of the UK Asset Owner Roundtable about a perceived misalignment between their long-term interests as asset owners and how investment managers are exercising proxy voting at key annual general meetings of European oil and gas majors.

The Fund, through Brunel and the Fund's membership of the Institutional Investors Group on Climate Change (IIGCC), is involved in the development of Paris Aligned Portfolios under the IIGCC's Net Zero Framework. It is intended that this work will lead to all portfolios offered by Brunel being Paris aligned eventually.

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

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

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

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

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

We work with our asset manager Brunel to identify the areas of greatest risk and agree resource allocations in response to those assessments. This allocation strategy helps the Fund to mitigate and manage those risks. A key tool for this process is the annual Climate Metrics report provided by Brunel for the Fund. This provides a useful snapshot of performance and risk in relation to the Fund's Net Zero targets at both an aggregated overall Fund level and portfolio level.

Metrics and Targets

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

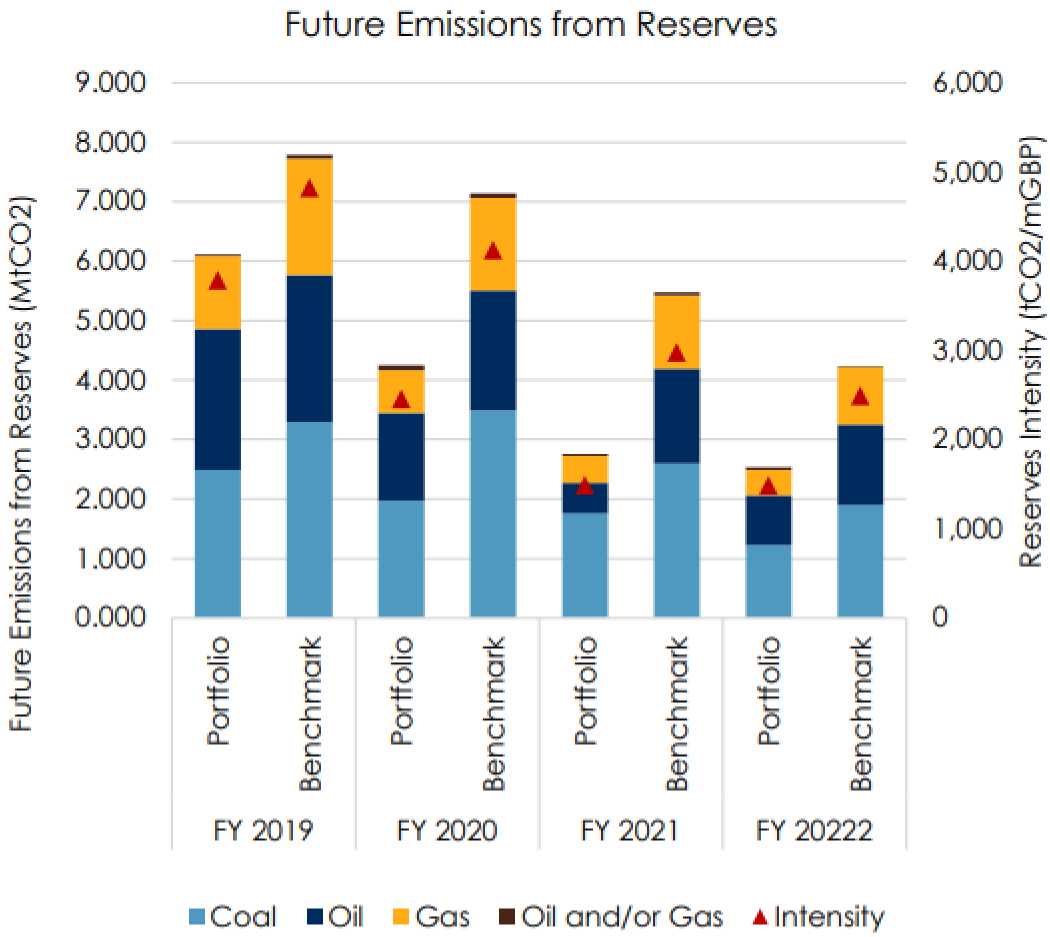
Metrics reported in this section are from the Fund's Carbon Metrics Reports. The report includes equity and fixed income assets covering around 55% of the Fund's overall investment portfolio. The Fund is working to improve reporting across other asset classes, including private markets, so that the level of coverage can be increased.

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

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

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

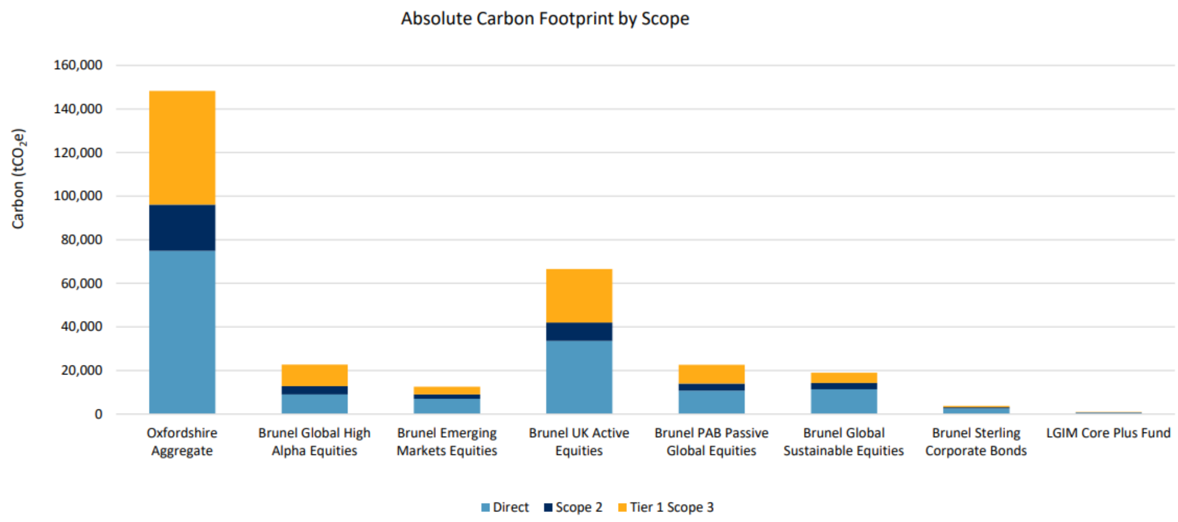
The bar chart below shows fossil fuel reserves exposure for the Fund as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022



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

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

The graph below provides a snapshot of the Absolute Carbon Footprint by Scope of the Fund at an aggregated level and also at an individual portfolio level as at 31/12/2022.

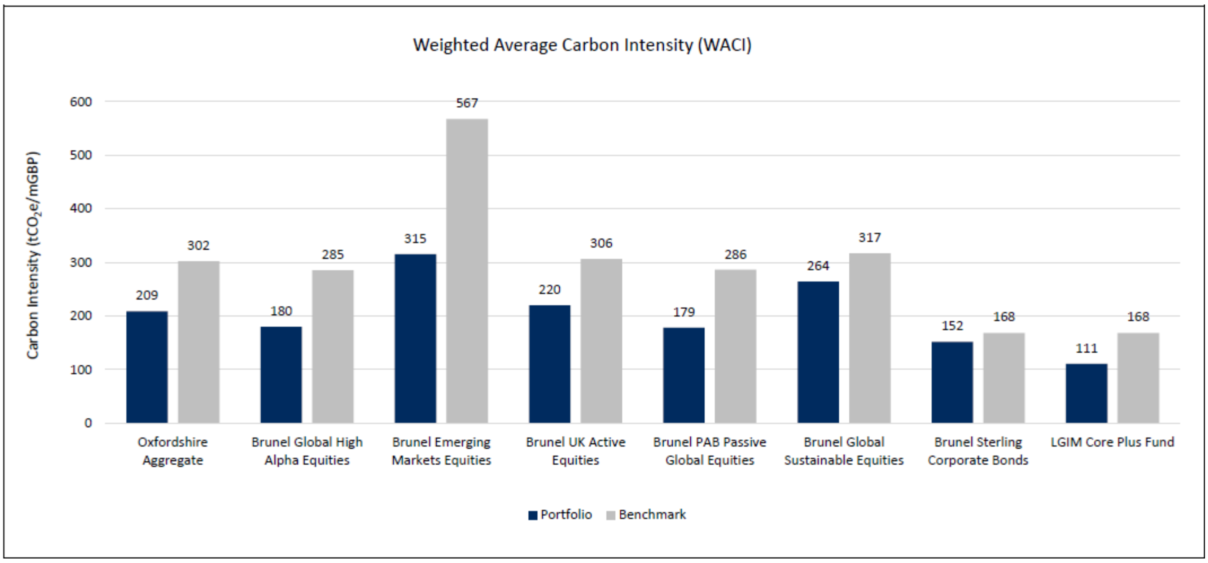


TCFD Recommended Disclosure – c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

The Fund has an annual reduction target for GHG emissions across its investment portfolios of 7.6%.

The metric that has been identified in the Climate Change policy to track progress against this target is the Weighted Average Carbon Intensity (WACI) figure. This metric takes the carbon intensity (total carbon emissions divided by total revenue) of each investee and multiplies it by its weight in the portfolio.

According to the most recent Climate Metrics report from Brunel the WACI of the Oxfordshire Aggregate Portfolio is lower than its Strategic Benchmark, with a relative efficiency of +31%. Of the underlying portfolios within the aggregate, the highest intensity was the Brunel Emerging Markets Equities Portfolio (315t CO2e/mGBP), while the lowest one was the LGIM Core Fund Plus Portfolio (111t CO2e/mGBP). As shown in the graph below all portfolios have lower levels of carbon intensity compared to their respective benchmarks.



The overall WACI figure for 2022 saw an increase of 1.5% compared to the 2021 level. This means the annualised rate of reduction from 2019 is 5.2%, 2.4% below the annual target of 7.6%.

The main portfolios driving the rise in the WACI in 2022 were the Active UK Equities and the Active Global High Alpha Equities. There was also a relatively small (1%) increase in the FTSE Passive Paris Aligned Benchmark (PAB) Global Index WACI.

The increase in the Passive PAB Global Index WACI is, on the face of it, surprising because for a fund to be a Paris Aligned Benchmark (PAB) the carbon intensity figure should decline by 7% annually. However, there is an issue here with how those intensity figures are calculated for the PAB compared to other Brunel portfolios.

For TCFD reporting it is recommended that the key portfolio carbon metric is the Weighted Average Carbon Intensity (WACI), which is based on the amount of carbon emissions associated with the company's *revenues*. This is the metric that the Fund uses as a target. The metric for measuring the carbon intensity of an index for it to be Paris Aligned is based upon the carbon emissions associated with the *value of the company* when the share price and debt are combined, this figure for a company is called enterprise value including cash (EVIC). Under this latter calculation the Passive PAB Global Index met its target of a 7.5% decline in intensity, however, under the WACI calculation using revenues there was a slight increase.

This highlights the drawbacks of only looking at a single metric and links into the Fund's target to develop additional metrics including forward looking ones. Brunel is currently in the process of engaging with the FCA to develop a set of metrics that could be applied across all portfolios to measure the extent to which they are aligned with a Net Zero Paris target of holding global temperatures rises at or below 1.5°C.

Whilst the Fund does not have a specific fossil fuel reserves exposure reduction target, it does support seeking to reduce exposure over time, in line with our commitment to be Net Zero by 2050.

One area that is important to track to understand if the Fund is making progress towards its Net Zero target is to calculate its investments into companies delivering the green products and services driving the transition to a low carbon economy. Following on from last year's pilot FTSE Russell have assessed a number of Brunel's portfolios for their exposure to green revenues vs their benchmark, see table below:

Portfolio	Green revenues	Benchmark green revenues
Active Global High Alpha Equity	9.1%	7.7%
Active Emerging Markets Equity	9.5%	9.1%
Active UK Equity	3.4%	4.2%
Passive World Developed Equity PAB Index	12.2%	7.7%
Active Global Sustainable Equity	13.1%	7.9%
Sterling Corporate Bonds	7.0%	9.4%

As the table shows all of the portfolios apart from the Active UK Equity and Sterling Corporate Bonds are ahead of their benchmarks, with the Passive World Developed PAB Index and the Active Global Sustainable Equity portfolios showing significant outperformance.

Climate Change Policy Implementation Plan Progress

The table below gives a high-level status on progress against the various actions identified as required to deliver the Climate Change policy Implementation plan

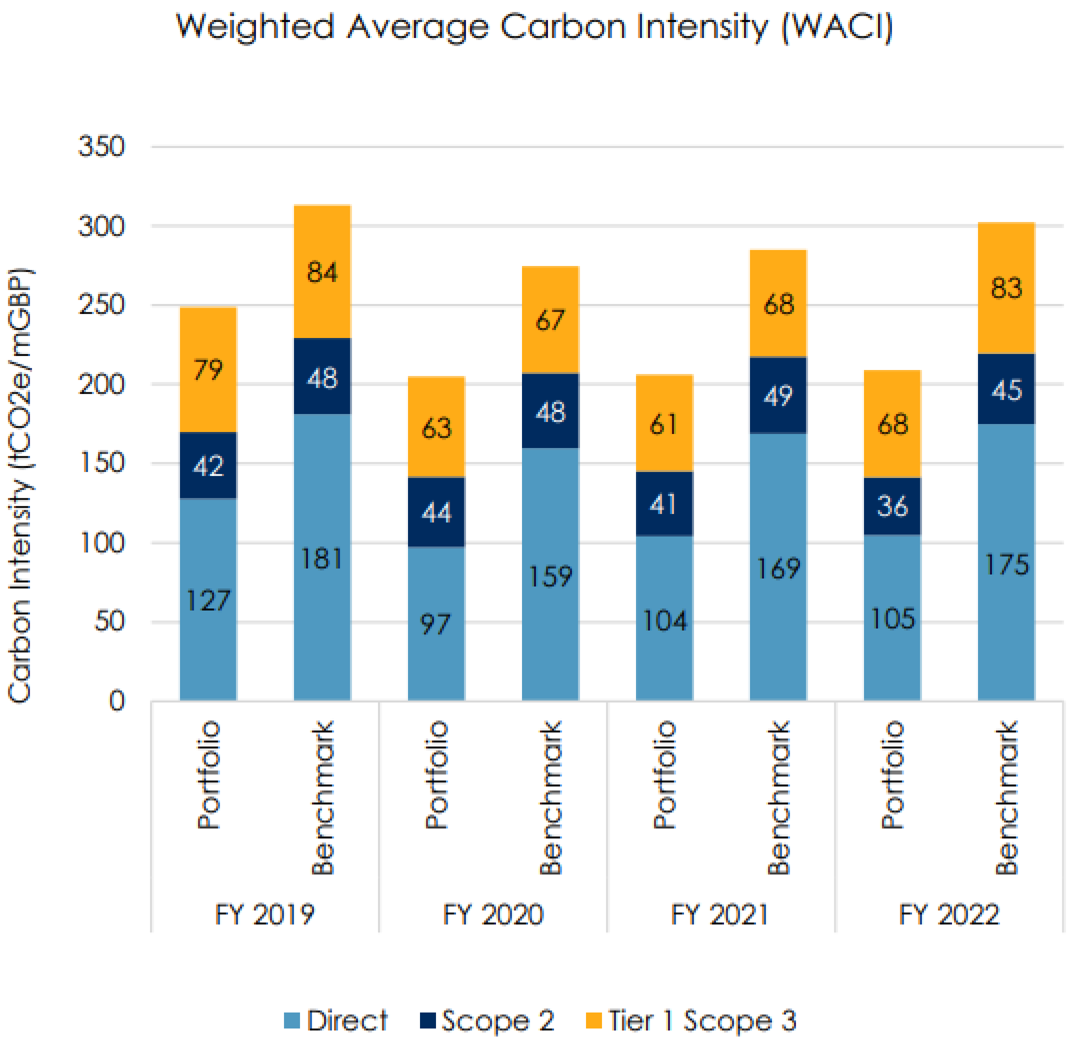
Activity	Status	Notes
Target a 7.6% annual reduction in GHG emissions across its investment portfolios using WACI as a metric	Slightly under target	Currently delivering a 5.2% annual reduction using WACI as a metric, 2.4% below the target
Work with Brunel to establish whether alternative portfolios are available that better deliver on the Policy than current options	On target	Passive funds moved to PAB index; rebalancing of equity towards Global Sustainable and Passive FTSE PAB portfolios
Consider the renewable infrastructure weighting when making future allocations to the Brunel Infrastructure portfolio	On target	Infrastructure funds Cycle 2 and 3 have higher renewables weighting. Exploring investment into a specific climate solutions portfolio
Investigate an appropriate metric for measuring the proportion of assets invested in climate mitigation and adaptation	On target	Green revenues data now available for equity, bonds and infrastructure portfolios
Work with Brunel to set appropriate targets and measures of success in relation to engagement activity undertaken on the Fund's behalf	On target	The Fund supports the use of internationally recognised standards and frameworks such as the Transition Pathway Initiative as the basis for engagement
The effectiveness of the engagement approach operated by Brunel will be formally reviewed as part of the 2022 stocktake of their Climate Change Policy and the Pension Fund will contribute to this review.	Slightly under target	The Fund contributed to the Stocktake. Additionally, the Fund is supportive of escalation activities relating to BP and Shell this AGM voting season. The Fund is in ongoing discussions with Brunel regarding the effectiveness of the engagement approach in light of current portfolio holdings in tar sands companies.
Work with Brunel to identify or develop appropriate metrics, across all investment portfolios, to monitor the successful implementation of the Policy.	On target	Climate metrics report is a useful tool for measuring implementation of the policy. Also working with Brunel to develop metrics on green revenues and widening of coverage to all asset classes.
Consider joining investor groups whose aims align with those of the Pension Fund's Climate Change Policy.	On target	Member of the IIGCC, Climate Action 100+ and the Local Authority Pension Fund Forum
Investigate options for portfolio scenario analysis based on different climate change scenarios so that this can be incorporated in the next fundamental asset allocation review in 2023.	Under target	Working with Brunel on developing scenario analysis for all investment portfolios/asset classes

Pension Fund to be carbon neutral on its own operations by 2030.	On target	Working with the Oxfordshire County Council Net Zero team to benchmark current operations

Emissions Reduction Target

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

The chart below shows the Fund's Weighted Average Carbon Intensity (WACI) as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022. These were 248, 204, 206 and 209 tonnes of CO_2 equivalent per million pounds revenue respectively representing **a reduction over the three-year period of 15.7% and an annualized rate of reduction of 5.2%.**



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

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

However, WACI has limitations in being used to assess progress against the Fund's emissions reduction target, principally because it is an efficiency measure and so while efficiency may improve this does not mean actual emissions are necessarily reducing. The Fund's investment in the Brunel Sustainable Equities portfolio can also have a short-term impact on WACI performance as the managers in the portfolio are actively targeting investments in companies who are at the forefront of the energy and industrial transition to Net Zero. These are leaders in challenging and difficult-to-abate sectors. These sectors inevitably have a higher carbon intensity today than companies in most other sectors, whose own transition journey is dependent on such companies. For example, one such company in the portfolio is Waste Management Inc. which is a waste and environmental services company operating in the US.

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

It is important that the Fund continues to work with Brunel to monitor and develop metrics such as fossil fuel reserves exposure, overall carbon emissions and green revenue exposure to be able to give a more granular and rounded assessment of progress towards its Net Zero target.

Other Implementation Plan Items

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

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

Brunel worked closely with leading index provider FTSE Russell to develop two indexes that met the EU criteria to be classified as a Climate Transition Benchmark or a Paris Aligned Benchmark. These indexes were made available for investment in November 2021. The Pension Fund Committee made a decision to move the

Fund's full passive holdings of c.£530m to the Paris Aligned Benchmark fund putting it among the first group of investors to invest in the index. Of the two funds developed the Paris Aligned Benchmark has stricter climate criteria and effectively excludes fossil fuel companies from the index. The Fund has also been rebalancing some of its active equity funds away from portfolios with higher fossil fuel reserves exposure towards the Global Sustainable Equity and the Passive FTSE PAB Index portfolio, where exposure to reserves is lower and green revenues higher.

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

Brunel has removed the renewable infrastructure sleeve from its cycle 3 infrastructure portfolio and as such the Pension Fund is not able to separately allocate to renewables within its infrastructure allocations. However, the infrastructure portfolio specification states that a majority of the portfolio will seek to deliver climate solutions and a just energy transition to a lower carbon global economy.
To enable the Pension Fund to set targets for investments in Climate Solutions and have control over this the Fund is seeking the development of a Climate Solutions Portfolio to enable it to make specific allocations to climate solutions. Initial meetings between Brunel and the client funds have taken place on the development of this portfolio.

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

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

In order for the Fund to set targets it first needs to be able to establish the current level of investments in climate solutions/green revenues. Once a baseline has been established then the percentage increase over time of investments by the Fund into companies contributing to the low carbon transition of the economy can be tracked and reported on.

FTSE Russell produced a 2022 paper on green revenues exposure of equity portfolios in a 1.5°C scenario. According to this analysis a 1.5°C Paris aligned calculation (low case) calls for:

- 12% green economy exposure of the listed equity market by 2023.
- By 2030 this should be 20%
- By 2050 this should be 25%
- Therefore exposure is heavily front-loaded in order to mitigate temperature rises above 1.5°C.

Brunel have carried out an initial review in December 2022 and calculated the Weighted Absolute Value (£) of Green Revenues of the Fund's equity and bond portfolios using the FTSE Russell green revenues methodology. On this basis it is estimated that the Fund's exposure to green revenues as at December 2022 was £138,798,772.70, as a percentage of total investment into bonds and equity this equals 8.1%. Brunel have also calculated the green revenues from the Stepstone managed private market infrastructure portfolios, which are equivalent to £40,000,000 out of a total investment into those funds of £53,000,000. If we add these two together that translates into 10.1% of total investment into bonds, equity and infrastructure private markets.

Whilst this figure is slightly below the likely required green revenues exposure, estimated to be at around 12%, it is important to note that the calculation did not include investments into other asset classes including private equity and property where the percentage may well be higher. Going forwards we will work with Brunel to develop a metric for green revenues that includes the Fund's investments into all asset classes.

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

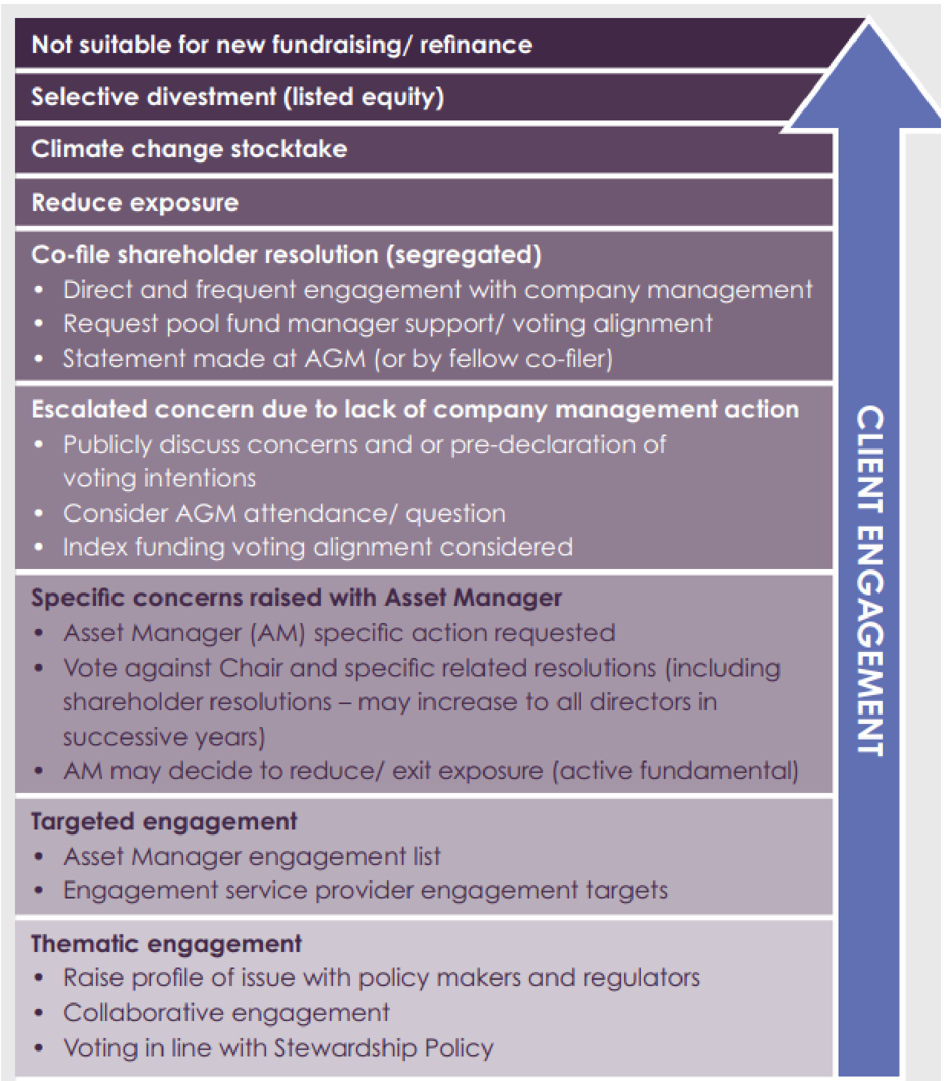
Brunel has three main strategies that it uses to persuade companies and other entities to act on climate change, namely: (a) direct engagement, including voting its shareholdings, (b) collaborative engagement, in particular through Climate Action 100+ (CA100+), and (c) engagement via its investment managers.

In relation to company engagement, Brunel expects companies in high-emitting sectors to publish their climate transition action plan, and to annually disclose emissions and progress against their commitments and targets. These expectations apply across all of the asset classes that Brunel invests in. In listed equities (and fixed income, in cases where investors are granted formal voting rights), Brunel has built these expectations into its voting policy.

Brunel will vote against the re-election of the company Chair where:

• Oil & Gas, Utilities, and all European companies have not at least reached Level 4 of the Transition Pathway Initiative (TPI) framework
• A company has not reached level 3 of the TPI framework for the US and Asia, or where the TPI score has fallen from level 4
• A company's strategy is materially misaligned with the goals of the Paris Agreement
• A company's strategy is misaligned to Net Zero ambitions

In cases where escalation is necessary Brunel has the following approach:



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

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

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

In 2022 Brunel engaged with 899 companies on 3,606 environmental, social, governance, strategy, risk and communication issues and objectives. Of these engagements 29% were on environmental issues, with 75% of those engagements relating to climate change.

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

The Fund is currently in discussion with Brunel and the other client funds over the effectiveness of the current engagement arrangements following concerns raised over holdings in the pure-play tar sands companies Suncor and MEG in the Global High Alpha portfolio. The Fund is seeking support for the Oxfordshire Engagement Policy agreed in June 2022 which sets a more ambitious approach than that currently adopted by the Partnership and includes timescales.

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

Work on metrics is ongoing and is expected to be an evolving process that incorporates developments in available data with the aim of increasing the accuracy and relevance of metrics as well as increasing the level of portfolio coverage. Brunel are now able to provide an annual set of climate metrics for the Funds equity and bond holdings. We now also have access to green revenues data for some of the private market funds too. Going forwards we will work with Brunel to extend the green revenues data across all investment classes to help better understand the positive impact of the Fund's investments into the transition towards a low carbon economy.

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

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

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

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

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

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

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

The draft government guidance by DLUHC on TCFD implementation proposes to place a new duty on LGPS Administering Authorities (AAs) to assess their assets, liabilities, investment strategy and funding strategy against climate risks and opportunities in at least two climate scenarios. This assessment must include at least one scenario based on a global temperature rise of 2°C or lower on pre-industrial levels. This assessment must occur at least once every valuation cycle. In interim years, AAs must consider whether any changes in the fund have been substantial enough to require scenario analysis to be repeated.

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

Given that the intention is for all investments to take place via Brunel's portfolios, it makes sense for the Fund's scenario planning to be based upon scenario planning carried out by Brunel. This work by Brunel is due to take place in late 2023 or early 2024. As such, it is the aim of the Fund to include scenario planning based on the modelling carried out by Brunel in the next cycle of TCFD reporting in 2024.

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

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

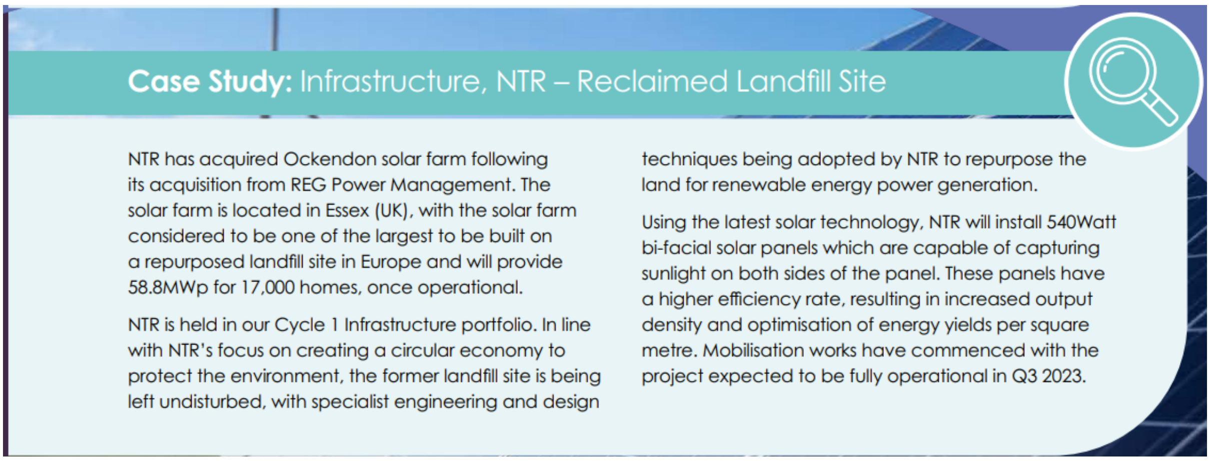
Case studies

Below are some examples of how climate change is being integrated into the investment process within the Brunel portfolios the Pension Fund is invested in.

Engagement - Physical Risk Engagement Project:

Brunel will be engaging a third party advisor to undertake an engagement programme linked to physical climate risk. The core engagement is with 10 companies and the Oxfordshire Fund will be taking part in an elective service to include an additional 10 companies into the project, spanning a two year period.

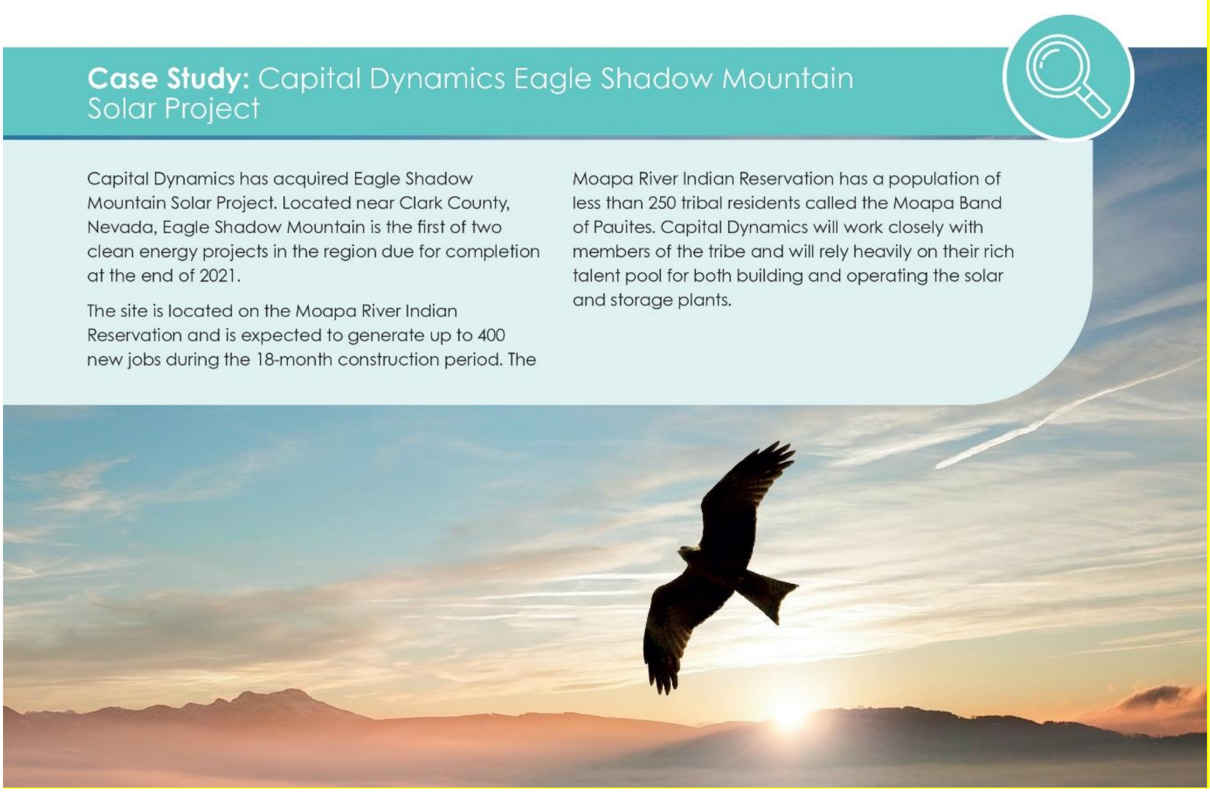
As part of this elective service the Fund will be able to play an active role in the design of the engagement programme, through contributing to the criteria for prioritising companies and feeding into the engagement framework that will be used to assess companies. The Fund will also be able to play an active role in the company engagement through participating in company meetings and reviewing meeting outcomes.


Case Study: Infrastructure, NTR – Reclaimed Landfill Site

NTR has acquired Ockendon solar farm following its acquisition from REG Power Management. The solar farm is located in Essex (UK), with the solar farm considered to be one of the largest to be built on a repurposed landfill site in Europe and will provide 58.8MWp for 17,000 homes, once operational.

NTR is held in our Cycle 1 Infrastructure portfolio. In line with NTR's focus on creating a circular economy to protect the environment, the former landfill site is being left undisturbed, with specialist engineering and design techniques being adopted by NTR to repurpose the land for renewable energy power generation.

Using the latest solar technology, NTR will install 540Watt bi-facial solar panels which are capable of capturing sunlight on both sides of the panel. These panels have a higher efficiency rate, resulting in increased output density and optimisation of energy yields per square metre. Mobilisation works have commenced with the project expected to be fully operational in Q3 2023.



Other Material

Employer Discretions

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

Fund Account for the Year Ended 31 March 2023			
	Notes	2023 £'000	2022 £'000
Contributions and Benefits			
Contributions Receivable	6	-114,312	-104,043
Transfers from Other Schemes	7	-14,980	-9,146
Other Income		-22	-17
Income Sub Total		**-129,314**	**-113,206**
Benefits Payable	8	103,572	97,394
Payments to and on Account of Leavers	9	10,681	7,738
Expenditure Sub Total		**114,253**	**105,132**
Net (Additions)/Withdrawals From Dealings With Members		**-15,061**	**-8,074**
Management Expenses	10	16,857	18,548
Net (Additions)/Withdrawals From Dealings With Members Including Management Expenses		**1,796**	**10,474**
Returns on Investments			
Investment Income	11	-20,338	-13,924
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	15a	128,018	-293,861
Less Taxes on Income	11	14	5
Net returns on Investments		**107,694**	**-307,780**
Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		**109,490**	**-297,306**
Opening Net Assets of the Scheme		3,279,642	2,982,336
Closing Net Assets of the Scheme		**3,170,152**	**3,279,642**

Net Assets as at 31 March 2023			
	Notes	2023 £'000	2022 £'000
Investment Assets			
Bonds	16b	0	80,934
Equities	16b	145,099	164,113
Pooled Investments	16b	2,684,400	2,675,425
Pooled Property Investments	16b	276,454	272,097
Derivative Contracts	16c	0	403
Cash Deposits	16d	11,952	6,626
Other Investment Balances	16d	1,888	2,168
Long-Term Investment Assets	16b	840	840
Investment Liabilities			
Derivative Contracts	16c	0	-628
Other Investment Balances	16d	-66	-548
Total Investments		**3,120,567**	**3,201,430**
Assets and Liabilities			
Current Assets	17	51,818	80,042
Current Liabilities	18	-2,643	-1,833
Net Current Assets		**49,175**	**78,209**
Long-Term Assets	19	410	3
Net Assets of the scheme available to fund benefits at year end		**3,170,152**	**3,279,642**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 26.

Note 1 – Description of the fund

This description of the Fund is a summary only. Further details are available in the Fund's 2022/23 Annual Report and in the underlying statutes.

General

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

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

- The Local Government Pension Scheme Regulations 2013 (as amended)

- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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

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

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

Organisations participating in the Oxfordshire County Council Pension Fund include:
- Scheduled Bodies – Local authorities and similar bodies, such as academies, whose staff are automatically entitled to become members of the Fund.
- Admitted Bodies – Organisations that participate in the Fund under an admission agreement between the Fund and the organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Admitted Bodies can be split in to two groups:
  - Community Admission Bodies – these are typically employers that provide a public service on a not-for-profit basis and often have links to scheduled bodies already in the Fund. Housing Corporations fall under this category.
  - Transferee Admission Bodies – these are bodies that provide a service or asset in connection with the exercise of a function of a scheme employer. Typically this will be when a service is transferred from a scheme employer and is to allow continuing membership for staff still involved in the delivery of the service transferred.

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

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

	As at 31 March 2023	As at 31 March 2022
Number of Contributory Employees in Scheme		
Oxfordshire County Council	8,512	8,206
Other Scheduled Bodies	12,643	12,443
Admitted Bodies	433	478
	21,588	**21,127**
Number of Pensioners and Dependants		
Oxfordshire County Council	10,447	9,996
Other Scheduled Bodies	6,855	6,484
Admitted Bodies	1,210	1,158
	18,512	**17,638**
Deferred Pensioners		
Oxfordshire County Council	16,268	16,234
Other Scheduled Bodies	13,623	12,559
Admitted Bodies	1,265	1,305
	31,156	**30,098**

Unprocessed leavers are included as Deferred Pensioners.

Four Resolution Bodies and ten Admitted Bodies joined the scheme in 2022/23, with a further two Resolution Bodies and seven Admitted Bodies having left the scheme. Overall, the changes did not have a significant impact on the membership of the Fund. The Admitted Body employers that joined and left the Fund were mostly small school service contracts with low membership numbers.

Funding

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The contribution from employees is prescribed by statute, and for the year ending 31 March 2023 rates ranged from 5.5% to 12.5% of pensionable pay.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The latest actuarial valuation took place in 2019 and determined the contribution rates to take effect from 01 April 2020. Employer contribution rates currently range from 14.8% to 37.3% of pensionable pay.

Benefits

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

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

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

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

Note 2 – Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831) prohibits administering authorities from crediting Additional Voluntary Contributions to the Pension Fund. In consequence Additional Voluntary Contributions are excluded from the Net Assets Statement and are disclosed separately in Note 22.

The accounts summarise the transactions of the Pension Fund and detail the net assets of the Fund. The accounts do not take account of the obligation to pay future benefits which fall due after the year-end. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 25.

The accounts have been prepared on a going concern basis. The Fund does not anticipate a significant impact on the Fund's cashflow or balance sheet position over the next couple of years as a result of the Covid-19 pandemic. The fund has not received any requests from employers for a contribution deferral and continues to receive contributions from all employers in line with the rates set in the 2019 actuarial valuation. The Fund's cashflow monitoring shows that cashflows from dealings with members continue to be positive each month and are currently running at around +£0.5m per month on average. Even if the cashflow position from dealing with members turns negative the Fund generates investment income that can also be used to pay pensions without the need to sell assets at a potentially suboptimal time. The Fund has a level of assets that would be able to cover pension payments for over a decade at current pension payment levels even if no further income was received. The Fund is subject to an actuarial valuation every three years so any deterioration in the funding position leading up to the valuation would be factored in when setting contribution rates for employers to ensure the fund is able to meet all its future obligations. The funding level of the Pension Fund as assessed by the Fund's actuary at the 2022 valuation was 111%. Therefore, management are assured the pension fund remains a going concern.

Note 3 – Summary of Significant Accounting Policies

Investments

1. Investments are shown in the accounts at market value, which has been determined as follows:

    (a) The majority of listed investments are stated at the bid price or where the bid price is not available, the last traded price, as at 31 March 2023.

    (b) Unlisted securities are included at fair value, estimated by having regard to the latest dealings, professional valuations, asset values and other appropriate financial information.

    (c) Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.

    (d) Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2023.

    (e) Fixed Interest stocks are valued on a 'clean' basis (i.e. the value of interest accruing from the previous interest payment date to the valuation date has been included within the amount receivable for accrued income).

    (f) Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using market quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

    (g) Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

    (h) All gains and losses arising on derivative contracts are reported within 'Changes in Market Value of Investments'.

Foreign Currencies

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

Contributions

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

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

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

Benefits, Refunds of Contributions and Transfer Values

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

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

Investment Income

5. Dividends and interest have been accounted for on an accruals basis. Dividends from quoted securities are accounted for when the security is declared ex-div. Interest is accrued on a daily basis. Investment income is reported net of attributable tax credits but gross of withholding taxes. Irrecoverable withholding taxes are reported separately as a tax charge. In the majority of cases investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within 'Changes in Market Value of Investments'. Foreign income has been translated into sterling at the date of the transaction. Income due at the year-end was translated into sterling at the rate ruling at 31 March 2023.

Investment Management and Scheme Administration

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

Expenses

7. Expenses are accounted for on an accruals basis.

Cash

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

Listed Private Equity

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

Management Fees

10. Management fees have been accounted for based on the latest guidance from the Chartered Institute of Public Finance & Accountancy. Fees have been accounted for where the pension fund has a direct contractual obligation to pay them. This means where fees are deducted in a pooled fund they have been accounted for, but in a fund of funds the fees for the underlying funds are not included only those the pension fund pays to the fund of funds manager.

Note 4 – Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

Determining the fair value of unquoted private equity investments is highly subjective in nature. Unquoted private equity investments are valued by the investment managers using various valuation techniques and this involves the use of significant judgements by the managers. The value of unquoted private equity, private debt and infrastructure investments at 31 March 2023 was £389.596m (£303.160m at 31 March 2022).

Pension Fund Liability

The pension fund liability is calculated every three years by the Fund's actuary, with annual updates in the intervening years. Methods and assumptions consistent with IAS19 are used in the calculations. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 28. The estimate of the liability is therefore subject to significant variances based on changes to the assumptions used.

Note 5 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date, and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.
The key judgements and estimation uncertainties that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are:-

Item	Uncertainties	Potential Impact
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. The fund engages an actuarial firm to provide expert advice on the assumptions to be applied.	The actuarial present value of promised retirement benefits included in the financial statements is £3,278m. There is a risk that this figure is under, or overstated in Note 25 to the accounts. Sensitivities to the key assumptions are as follows: A 0.1% p.a. increase in the pension increase rate would result in an approximate 2% increase to liabilities (£55m). A 0.1% p.a. increase in the salary increase rate would result in an approximate increase to liabilities of 0.1% (£5m). A 0.1% decrease in the real discount rate would result in an approximate 2% increase to liabilities (£59m). A one-year increase in member life expectancy would approximately increase the liabilities by 4% (£131m).
Unquoted Private Equity	Unquoted private equity and infrastructure investments are valued at fair value using recognised valuation techniques. Due to the assumptions involved in this process	Unquoted private equity, private debt and infrastructure investments included in the financial statements total £389.596m. There is a

	there is a degree of estimation involved in the valuation.	risk these investments are under, or overstated in the accounts. The Pension Fund relies on specialists to perform the valuations and does not have the information (i.e. the assumptions that were used in each case) to produce sensitivity calculations. Further details are included in Note 26.

Note 6 – Contributions

	2022/23 £'000	2021/22 £'000
Employers		
Normal	-75,718	-69,429
Augmentation	0	0
Deficit Funding	-8,721	-7,235
Costs of Early Retirement	-857	-896
	-85,296	**-77,560**
Members		
Normal & Additional*	**-29,016**	**-26,483**
Total	**-114,312**	**-104,043**

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

Deficit recovery contributions are paid by employers based on the maximum 22 year recovery period set out in the Funding Strategy Statement. Where appropriate, the Actuary has shortened the recovery period for some employers to maintain as near stable contribution rates for those employers, in line with the Regulations.

	Employer Contributions	Members Contributions

	2022/23 £'000	2021/22 £'000	2022/23 £'000	2021/22 £'000
Oxfordshire County Council	-36,321	-32,404	-12,072	-10,672
Scheduled Bodies	-41,908	-38,495	-14,468	-13,344
Resolution Bodies	-4,191	-4,086	-1,623	-1,600
Community Admission Bodies	-1,490	-1,099	-373	-362
Transferee Admission Bodies	-1,386	-1,476	-480	-505
Total	**-85,296**	**-77,560**	**-29,016**	**-26,483**

Note 7 - Transfers In

	2022/23 £'000	2021/22 £'000
Individual Transfers In from other schemes	-14,980	-9,146
Group Transfers In from other schemes	0	0
Total	**-14,980**	-9,146

Note 8 - Benefits

	2022/23 £'000	2021/22 £'000
Pensions Payable	85,687	80,268
Lump Sums – Retirement Grants	14,892	13,988
Lump Sums – Death Grants	2,993	3,138
Total	**103,572**	**97,394**

	Pensions Payable		Lump Sums	
	2021/22 £'000	2020/21 £'000	2021/22 £'000	2020/21 £'000
Oxfordshire County Council	39,124	38,411	7,162	7,375
Scheduled Bodies	34,771	33,924	7,608	4,264
Resolution Bodies	1,094	946	791	608
Community Admission Bodies	4,124	3,921	1,111	769
Transferee Admission Bodies	1,155	1,019	454	472
Total	**80,268**	**78,221**	**17,126**	**13,488**

Note 9 - Payments to and on account of leavers

	2022/23 £'000	2021/22 £'000
Refunds of Contributions	218	213
Payments for members joining state scheme	-2	-2
Group Transfers Out to other schemes	0	0
Individual Transfers Out to other schemes	10,465	7,527
Total	**10,681**	**7,738**

Note 10 - Management Expenses

	2022/23	2021/22

	£'000	£'000
Administrative Costs	1,987	2,951
Investment Management Expenses	13,985	13,776
Oversight & Governance Costs	885	1,821
Total	**16,857**	**18,548**

Within oversight and governance costs are fees paid to the Pension Fund's external auditors of £0.025m (2021/22 £0.024m) for the audit of the Pension Fund's Annual Report and Accounts. Further external audit fees of £0m were paid in 2022/23 (2021/22 £0.0012m).
A further breakdown of Investment Management Expenses is in Note 12.

Note 11 - Investment Income

	2022/23 £'000	2021/22 £'000
Bonds	-578	-1,907
Equity Dividends	-4,084	-4,189
Pooled Property Investments	-6,877	-5,281
Pooled Investments – Unit Trusts & Other Managed Funds	-7,744	-2,469
Interest on cash deposits	-1,055	-77
Other – securities lending	0	-1
	-20,338	**-13,924**
Irrecoverable withholding tax - equities	14	5
Total	**20,324**	**13,919**

Note 12 - Investment Management Expenses

	2022/23 £'000	2021/22 £'000
Management Fees	13,933	13,703
Custody Fees	52	73
Total	**13,985**	**13,776**

Investment Management & Custody Fees are generally calculated on a fixed scale basis with applicable rates applied to the market value of the assets managed. See Note 3 for details of the accounting treatment of management fees.

Note 13 - Securities Lending

The Fund operated a securities lending programme with its custodian State Street Bank and Trust Company for the duration of the financial year. Collateralised lending generated income of £0.000m in 2022/23 (2021/22 £0.001m). This is included within investment income in the Pension Fund Accounts. At 31 March 2023 £0m (31 March 2022 £0m) of stock was on loan, for which the fund held £0m (31 March 2022 £0m) worth of collateral. Collateral consists of acceptable securities and government and supranational debt.

Note 14 - Related Party Transactions

The Pension Fund is required to disclose material transactions with related parties, and bodies or individuals that have the potential to control or influence the Pension

Fund, or to be controlled or influenced by the Pension Fund. Disclosure of these transactions allows readers to assess the extent to which the Pension Fund might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Pension Fund.

Members of the Pension Fund Committee and the post of Service Manager (Pensions) are the key management personnel involved with the Pension Fund. During 2022/23, the Committee consisted of five County Councillors (voting members),four employer representatives and a scheme member representative. Members of the Pension Fund Committee are disclosed in the Pension Fund Report and Accounts. An amount of £0.123m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

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

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

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

For the 12 months ended 31 March 2023, employer contributions to the Pension Fund

	2022/23 £'000	2021/22 £'000
Short Term Benefits*	106	102
Long Term/Post Retirement Benefits	17	17
Total	**123**	**119**

from the County Council were £36.321m (2021/22 £32.404m). At 31 March 2023 there were receivables in respect of contributions due from the County Council of £4.049m (2021/22 £4.096m) and payables due to the County Council of £0.336m (2021/22 £0.186m).

The County Council was reimbursed £1.682m (2021/22 £1.553m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

Brunel Pension Partnership Ltd (Company Number 10429110)

Brunel Pension Partnership Ltd (BPP Ltd) was formed on the 14th October 2016 and oversees the investment of pension fund assets for the following LGPS funds: Avon, Buckinghamshire. Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire.

Each of the 9 Administering Authorities, including Oxfordshire County Council, and the Environment Agency own 10% of BPP Ltd. Pension Fund transactions with BPP Ltd are as follows:

	2022/23 £'000	2021/22 £'000

Income	0	0
Expenditure	1,182	1,098
Receivables	0	0
Payables	0	0

Note 15 - Investments

	Value at 31.3.2023 £'000	Value at 31.3.2022 £'000
Investment Assets		
Bonds	0	80,934
Equities	145,099	164,113
Pooled Funds:		
- Fixed Income	152,779	152,090
- Index Linked	167,642	202,619
- Global Equity	1,226,423	1,230,190
- UK Equity	497,259	486,075
- Private Equity	218,892	192,661
- Private Debt	40,443	12,204
- Infrastructure Funds	130,261	98,295
- Diversified Growth Fund	116,201	162,007
- Multi Asset Credit Fund	134,500	139,284
Pooled Property Investments	276,454	272,097
Derivatives:		
- Forward Currency Contracts	0	126
- Futures	0	277
Cash Deposits	11,952	6,626
Long-Term Investments	840	840
Investment Income Due	1,888	2,134
Amounts Receivable for Sales	0	34
Total Investment Assets	**3,120,633**	**3,202,606**
Investment Liabilities		
Derivatives:		
- Forward Currency Contracts	0	-554
- Futures	0	-74
Management Expenses Due	-66	-158
Amounts Payable for Purchases	0	-390
Total Investment Liabilities	**-66**	**-1,176**
Net Investment Assets	**3,120,567**	**3,201,430**

Note 15a – Reconciliation of Movements in Investments and Derivatives

	Value at 1 April 2022	Purchases at Cost & Derivative Payments	Sales Proceeds & Derivative Receipts	Change in Market Value	Cash Movement	Increase in Receivables/ (Payables)	Value at 31 March 2023
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Bonds	80,934	34,495	-98,362	-17,067			0
Equities	164,113	2,813	-12	-21,815			145,099
Pooled Investments	2,675,425	120,155	-90,803	-20,377			2,684,400
Pooled Property Investments	272,097	108,030	-32,974	-70,699			276,454
Long-Term Investments	840						840
<u>Derivative Contracts</u> FX	-428	2,299	-1,687	-184			0
Futures	203	3,248	-5,133	1,682			0
Other Investment Balances							
Cash Deposits	6,626	62,228	-56,215	441	-1,128		11,952
Amounts Receivable for Sales of Investments	34	0	0			-34	0
Investment Income Due	2,134	0	0	1		-247	1,888
Amounts Payable for Purchases of Investments & Management Expenses	-548	0	0	0		482	-66
Total	**3,201,430**	**333,268**	**-285,186**	**-128,018**	**-1,128**	**201**	**3,120,567**

Transaction costs are borne by the scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

There have been no employer-related investments at any time during the year.

Purchases and sales relating to derivative contracts consist of forward foreign exchange contracts that are used for the purpose of currency hedging. Further details are contained in note 15c.

	Value at 1 April 2021	Purchases at Cost & Derivative Payments	Sales Proceeds & Derivative Receipts	Change in Market Value	Cash Move-ment	Increase in Receivables/ (Payables)	Value at 31 March 2022
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Bonds	310,417	712,588	-951,066	8,995			80,934
Equities	128,163	38	-236	36,148			**164,113**
Pooled Investments	2,258,527	2,393,511	-2,184,570	207,957			**2,675,425**
Pooled Property Investments	211,155	61,923	-41,446	40,465			**272,097**
Long-Term Investments	840						**840**
Derivative Contracts							
FX	3,857	2,228	-5,878	-635			**-428**
Futures	0	1,861	-2,763	1,105			**203**
Other Investment Balances							
Cash Deposits	26,978	50,748	-61,620	-181	-9,299		**6,626**
Amounts Receivable for Sales of Investments	751					-717	**34**
Investment Income Due	1,810			7		317	**2,134**
Amounts Payable for Purchases of Investments & Management Expenses	21,174					20,626	**-548**
Total	**2,921,324**	**3,222,897**	**(3,247,579)**	**293,861**	**-9,299**	**20,226**	**3,201,430**

Note 15b - Analysis of Investments (Excluding Derivative Contracts, Cash Deposits and Other Investment Balances)

Long-Term Investments Assets

	2022/23 £'000	2021/22 £'000
Brunel Pension Partnership Ltd	840	840
Total	**840**	**840**

Bonds

	2022/23 £'000	2021/22 £'000
UK Government	0	22,248
Overseas Government	0	18,405
UK Government Index Linked	0	40,281
Total	**0**	**310,417**

Equity Investments

	2022/23 £'000	2021/22 £'000
UK Equities	135,423	154,024
Overseas Listed Equities:		
North America	9,343	9,768
Europe	333	321
Total	**145,099**	**164,113**

Pooled Investment Vehicles

	2022/23 £'000	2021/22 £'000
UK Registered Managed Funds - Property	86,893	88,341
Non UK Registered Managed Funds - Property	49,637	18,429
UK Registered Managed Funds - Other	2,044,102	2,070,974
Non UK Registered Managed Funds - Other	640,298	604,451
UK Registered Property Unit Trusts	97,605	113,909
Non UK Registered Property Unit Trusts	42,319	51,418
Total	**2,960,854**	**2,947,522**

Total Investments (excluding derivative contracts, Cash Deposits and Other Investment Balances)

	2022/23 £'000	2021/22 £'000
	3,106,793	**3,193,409**

Note 15c - Derivative Contracts

Objectives and policies

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

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

Forward Foreign Exchange – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.
Futures – exchange traded futures are permitted in the fixed interest portfolio to provide exposure to or hedge against movements in the underlying government bonds or interest rates.

Forward Foreign Exchange (FX)
The scheme had no open FX contracts at the year-end:

Contract	Settlement Date	Currency Bought £'000	Currency Sold £'000	Asset value at year end £'000	Liability value at year end £'000	Net Forward currency Contracts £'000
Forward Currency Contracts at 31 March 2023				**0**	**0**	**0**
Prior Year Comparative						
Forward Currency contracts at 31 March 2022				**126**	**-554**	**-428**

Futures
The scheme had exchange traded overseas fixed interest index futures outstanding at the year-end relating to its bond portfolio as follows:

Type	Expires	Economic Exposure £'000	Market Value 31 March 2023 £'000	Economic Exposure £'000	Market Value 31 March 2022 £'000
Assets					
Overseas Fixed Income Futures	Less than one year	0	0	-16,462	277
Total Assets			**0**		**277**
Liabilities					
UK Fixed Income Futures	Less than one year	0	0	970	-7
Overseas Fixed Income Futures	Less than one year	0	0	713	67
Total Liabilities			**0**		**-74**
Total Assets			**0**		203

£0 (2021/22 -£780.82) is included within cash balances in respect of initial and variation margins arising on open contracts at the year end.

Note 15d - Other Investment Balances

	2022/23 £'000	2021/22 £'000
Receivables		
Sale of Investments	0	34
Dividend & Interest Accrued	1,659	1910
Inland Revenue	229	224
	1,888	**2,168**
Payables		
Purchase of Investments	0	-390
Management Fees	-61	-155
Custodian Fees	-5	-3
	-66	**-548**
Total	**1,822**	**1,620**

Cash Deposits

	2022/23 £'000	2021/22 £'000
Non-Sterling Cash Deposits	11,952	6,626
Total	**11,952**	**6,626**

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

	2022/23 £'000	% of Total Fund	2021/22 £'000	% of Total Fund
Brunel UK Equity Fund	497,259	15.69	486,075	14.82
FTSE PAB Developed Equity Index Fund	496,833	15.67	493,610	15.05
Brunel HG ALP GLB EQ	336,236	10.61	334,815	10.21
Brunel GBL Sustainable Mutual Fund	311,965	9.84	315,963	9.63
Blackrock Aquila Life Fund	140,978	4.45	202,619	6.18

Note 16 - Current Assets

	2022/23 £'000	2021/22 £'000
Receivables:		
Employer Contributions	6,853	6,902
Employee Contributions	2,331	2,368
Rechargeable Benefits	1,065	1,107
Transferred Benefits	1,883	2,202
Cost of Early Retirement	110	236
Inland Revenue	18	11
Other	222	177
Cash Balances	39,336	67,039
Total	**51,818**	**80,042**

Note 17 - Current Liabilities

	2022/23 £'000	2021/22 £'000
Transferred Benefits	-186	-151
Benefits Payable	-865	-326
Inland Revenue	-1,190	-1,058
Employer Contributions	-1	0
Staff Costs	-135	-146
Consultancy	-50	-12
Other	-216	-140
Total	**-2,643**	**-1,833**

Note 18 - Long-Term Assets

	2022/23 £'000	2021/22 £'000
Employer Contributions	410	3
Total	**410**	**3**

Note 19 - Assets under External Management

The market value of assets under external fund management amounted to £2,928.266m as at 31 March 2023. The table below gives a breakdown of this sum and shows the market value of assets under management with each external manager.

	31/03/2023		31/03/2022	

Fund Manager	Market Value		Market Value	
	£'000	%	£'000	%
Brunel Pension Partnership	2,625,431	89.65	2,586,085	86.28
Legal & General	84,129	2.87	128,237	4.28
Insight	116,201	3.97	162,007	5.41
Adams Street Partners	63,600	2.17	74,040	2.47
Partners Group	39,314	1.34	45,888	1.53
Total	**2,928,675**	**100.00**	**2,996,257**	**100.00**

Note 20 – Top 5 Holdings

Value of the Fund's Top Five Holdings at 31 March 2023	£'000	% of Fund
HG Capital Trust Plc	66,688	2.10
Aberdeen Private Equity Opportunities Trust Plc	20,401	0.64
3i Group Plc	20,019	0.63
CT Private Equity Trust Plc	19,504	0.62
KKR + Co Inc Common Stock USD.01	9,343	0.29

Note 22 – Taxation

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

Note 22 – Additional Voluntary Contributions

	Market Value 31 March 2023 £'000	Market Value 31 March 2022 £'000
Prudential	12,278	13,816

AVC contributions of £1.044m were paid directly to Prudential during the year (2021/22 - £1.134m).

The AVC provider to the Fund is the Prudential. The assets of these investments are held separately from the Fund. The AVC provider secures additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year. The Administering Authority does not handle these monies. Instead, if employees decide to pay AVCs their employer (the member body) sends them to Prudential.

Note 23 – Contingent Liabilities and Capital Commitments

As at 31 March 2023 the fund had outstanding capital commitments (investments) totalling £313.060m (31 March 2022 - £258.535m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the pooled investments and pooled property fund elements of the investment portfolio. The amounts 'called' by these funds are irregular in both size and timing from the date of the original commitment due to the nature of the investments.

Note 24 – Investment Strategy Statement

Oxfordshire County Council Pension Fund has an Investment Strategy Statement. This is published in the Pension Fund Annual Report and Accounts which is circulated to all scheme employers and is also available on the Council's webpage.

Note 25 – Actuarial Present Value of Promised Retirement Benefits

	2023 £'000	2022 £'000
Present Value of Funded Obligation	3,278	4,529

The movement from March 2022 can in part be explained by the normal changes over the year as new benefits are accrued and previous benefits paid out. This explains an increase in the present value of the Funded Obligation of £435m (2022 - £202m increase).
There has been a decrease in the present value of the Funded Obligation of £1,686m (2022 - £350m decrease) reflecting changes in the financial assumptions used by the actuary as a consequence of changes in the financial markets. The key changes in financial assumptions were:

- A decrease in the assumed level of CPI, and therefore pension increase, from 3.2% to 3.0% (net effect a decrease in Present Value of Funded Obligation)
- A decrease in the assumed level of salary increases from 3.2% to 3.0% (net effect a decrease in Present Value of Funded Obligation)
- An increase in the discount rate to 4.75% from 2.7% (net effect a decrease in Present Value of Funded Obligation).

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections.

There will therefore be a retrospective increase to members' benefits, which in turn will give rise to a past service cost for the Fund employers.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Oxfordshire County Council Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.5% higher as at 31 March 2021, an increase of approximately £6m.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

Note 26 – Financial Instruments

Note 26a – Classification of Financial Instruments

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

	2022/23			**2021/22**		
	Fair Value through Profit & Loss £'000	**Financial Assets at Amortised Cost £'000**	**Financial Liabilities at Amortised Cost £'000**	**Fair Value through Profit & Loss £'000**	**Financial Assets at Amortised Cost £'000**	**Financial Liabilities at Amortised Cost £'000**
Financial Assets						
Bonds	0			80,934		
Equities	145,099			164,113		
Pooled Investments	2,684,400			2,675,425		
Pooled Property Investments	276,454			272,097		
Derivatives	0			403		
Cash		51,288			73,665	
Long-Term Investments	840			840		
Other Investment Balances	1,659			1,944		
Receivables		96			91	
	3,108,452	**51,384**	**0**	**3,195,756**	**73,756**	**0**

Financial Liabilities						
Derivatives	0			-628		
Other Investment Balances	-66			-548		
Payables			-194			-292
	-66	**0**	**-194**	**-1,176**	**0**	**-292**
Total	**3,108,386**	**51,384**	**-194**	**3,194,580**	**73,756**	**-292**

Note 26b - Net Gains and Losses on Financial Instruments

	31-Mar-23 £'000	31-Mar-22 £'000
Financial Assets		
Fair Value through Profit and Loss	-128,460	294,035
Loans and Receivables	0	0
Financial Assets at Amortised Cost	442	-174
Financial Liabilities		
Fair Value through Profit and Loss	0	0
Financial Liabilities Measured at Amortised Cost	0	0
Total	**-128,018**	**293,861**

Note 26c - Valuation of Financial Instruments Carried at Fair Value

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

Level 1
Fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2
Fair value is based on inputs other than quoted prices included within Level 1 that are observable either directly (i.e., from prices) or indirectly (i.e., derived from prices).
Level 3
Fair value is determined by reference to valuation techniques using inputs that are not observable in the market.

Level 2 includes pooled funds where the valuation is based on the bid price, where bid and offer prices are published, or the net asset value provided by the issuing fund. Within Level 2 there are also listed private equity investments where the market for the security is not deemed active; for these investments the valuation is based on the most recently available bid price in the market.

Included within Level 3 are pooled private equity investments made in Limited Liability Partnerships where fair value is determined using valuation techniques which involve significant judgements by fund managers due to the unquoted nature of the underlying fund investments. The valuations are obtained from the audited financial statements of the issuing funds and are normally adjusted for cashflows where data does not cover the full financial year for the Pension Fund.

Some listed private equity investments have been included within Level 3 of the hierarchy where it has been determined that the market for the fund is inactive. These listed private equity investments are valued using the most recently available bid price in the market.

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

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

Value at 31 March 2023	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial Assets				
Financial Assets at Fair Value through Profit & Loss	31,021	2,275,363	802,069	3,108,453
Financial Assets at Amortised Cost	51,383	0	0	51,383
Total Financial Assets	**82,404**	**2,275,363**	**802,069**	**3,159,836**
Financial Liabilities				
Financial Liabilities at Fair Value through Profit & Loss	-66	0	0	-66
Financial Liabilities at Amortised Cost	-194	0	0	-194
Total Financial Liabilities	**-260**	**0**	**0**	**-260**
Net Financial Assets	**82,144**	**2,275,363**	**802,069**	**3,159,576**

Value at 31 March 2022	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial Assets	108,541	2,371,112	716,103	3,195,756
Financial Assets at Fair Value through Profit & Loss	73,756	0	0	73,756
Financial Assets at Amortised Cost	**182,297**	**2,371,112**	**716,103**	**3,269,512**
Total Financial Assets				
Financial Liabilities	-548	-628	0	-1,176
Financial Liabilities at Fair Value through Profit & Loss	-292	0	0	-292
Financial Liabilities at Amortised Cost	**-840**	**-628**	**0**	**-1,468**
Total Financial Liabilities				
Net Financial Assets	**181,457**	**2,370,484**	**716,103**	**3,268,044**

Reconciliation of Movement in Level 3 Financial Instruments

	UK Equities £'000	Pooled Private Equity Funds £'000	Pooled Property Funds £'000	Pooled Infrastructure Funds £'000	Pooled Private Debt Funds £'000	Multi Asset Credit Funds £'000	Long-Term Investments £'000
Market Value 31 March 2022	722	192,661	272,097	98,295	12,204	139,284	840
Transfers In	0	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0	0
Purchases	0	37,412	79,009	29,608	29,197	0	0
Sales	0	-29,384	-32,680	-11,006	-227	0	0
Unrealised Gains/(Losses)	-43	3,317	-44,336	19,505	-731	-4,784	0
Realised Gains/(Losses)	0	14,886	2,364	-6,141	0	0	0
Market Value 31 March 2023	**679**	**218,892**	**276,454**	**130,261**	**40,443**	**134,500**	**840**

	UK Equities £'000	Pooled Private Equity Funds £'000	Pooled Property Funds £'000	Pooled Infrastructure Funds £'000	Pooled Private Debt Funds £'000	Multi Asset Credit Funds £'000	Long-Term Investments £'000
Market Value 31 March 2021	**758**	**133,739**	**211,155**	**51,862**	**0**	**0**	**840**
Transfers In	0	0	0	0	0	0	0
Transfers Out	0	0		0	0	0	0
Purchases	0	37,949	5,085	40,162	12,141	226,930	0
Sales	0	-32,817	-7,076	-2,587	-242	-85,998	0
Unrealised Gains/(Losses)	-36	39,385	60,085	8,885	305	-1,918	0
Realised Gains/(Losses)	0	14,405	2,848	-27	0	270	0
Market Value 31 March 2022	**722**	**192,661**	**272,097**	**98,295**	**12,204**	**139,284**	**840**

Level 3 Sensitivities

Level 3 Investments	Valuation Range +/-	Value at 31 March 2023 £'000	Valuation on Increase £'000	Valuation on Decrease £'000
UK Equities	10%	679	747	611
Pooled Private Equity Funds	10%	218,892	240,781	197,003
Pooled Property Funds	3%	276,455	284,749	268,161
Pooled Infrastructure Funds	5%	130,261	136,774	123,748
Pooled Private Debt Funds	5%	40,443	42,465	38,421
Multi Asset Credit Funds	5%	134,500	141,225	127,775
Long-Term Investments	0%	840	840	840

Level 3 Investments	Valuation Range +/-	Value at 31 March 2022 £'000	Valuation on Increase £'000	Valuation on Decrease £'000
UK Equities	10%	722	794	650
Pooled Private Equity Funds	10%	192,661	211,927	173,395
Pooled Property Funds	3%	272,097	277,539	263,934
Pooled Infrastructure Funds	5%	98,295	103,209	93,380
Pooled Private Debt Funds	5%	12,204	12,814	11,594
Multi Asset Credit Funds	5%	139,284	146,248	132,320
Long-Term Investments	0%	840	840	840

Note 27 – Risk

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

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

- The triennial Fund Valuation which reviews the assets and liabilities of the Fund, and resets employer contribution rates to target a 100% Funding Level. The 2022 Valuation estimated that the current Funding Level is 111%.
- The Investment Strategy Statement which sets out the Fund's approach to the investment of funds, and sets out the approach to the mitigation of investment risk.

- The review of the Strategic Asset Allocation to ensure it is appropriately aligned to the Fund's liability profile and to ensure compliance with the Investment Strategy Statement.
- The regular review of the performance of all Fund Managers.

Key elements of the approach to managing the investment risk as set out in the Investment Strategy Statement include:

- Maintaining an element of the asset allocation in assets such as fixed income securities, the behaviour of which closely mirrors that of the Fund's liabilities. The allocation to liability matching assets is regularly reviewed with the intention that the allocation will increase as the maturity of the fund increases, as was the case following the 2016 valuation. Whilst the Fund maintains a high proportion of active members where the payment of liabilities is not due for many decades and remains cashflow positive, the Fund can afford to seek the higher investment returns associated with the more volatile and illiquid asset classes.
- Maintaining an element of the asset allocation in passive equity funds which removes the risk associated with poor manager performance (though retaining the market risk).
- Ensuring a diversification amongst asset classes, and in particular an allocation to alternative asset classes for which performance has historically not correlated to equity performance.
- Ensuring a diversification of Fund Managers and investment styles (e.g. some with a growth philosophy, some with a value philosophy) to mitigate the risk of poor manager performance impacting on asset values.
- The Fund's policy on ensuring Environmental Social & Governance factors are taken into account in investment decisions. During 2019/20 the Fund developed a Climate Change Policy dealing with how it will manage climate change related risks and opportunities. The policy was developed as the Fund sees climate change as single most significant risk to long-term investment performance given its systemic nature.

The key risks associated with the level of liabilities stem from the level of initial pension benefit payable, the indexation of this benefit and the time the benefit is in payment for. These risks largely lie outside the control of the Pension Fund. Changes to the scheme were made in 2014 with the aim of making the scheme more sustainable including; linking the normal retirement age to future estimates of life expectancy to bring stability to the length of time benefits are in payment, a change in the calculation of benefits to career average revalued earnings to avoid the sudden hike possible in final benefits possible under a final salary scheme, and a switch in the basis of indexation to CPI which is generally lower than the RPI alternative.

The Actuary, when completing the 2022 Valuation, undertook sensitivity analysis calculations to look at the impact on potential liabilities and the funding level. A variation of 0.2% per annum in the discount rate would move the calculated funding level from 111% down to 108% or up to 115%. A change in the CPI assumption of 0.2% per annum would lead to a reduction in the funding level to 108% or an increase to 115%. A change to the rate of mortality improvement of 0.25% would move the funding level down to 110% or up to 112%.

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

- Credit risk – the possibility of financial loss stemming from other parties no longer being able to make payments or meet contractual obligations to the Pension Fund.

- Liquidity Risk – the possibility that the Pension Fund might not have the funds available to meet its payment commitments as they fall due.
- Market Risk – the possibility that the Pension Fund may suffer financial loss as a consequence of changes in such measures as interest rates, market prices, and foreign currency exchange rates.

Credit Risk

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

At 31 March 2023 the Fund's exposure to credit risk predominantly related to the following investments:

Investment Category	31 March 2023 £'000	31 March 2022 £'000
UK Government Gilts	15,350	22,248
UK Corporate Bonds	127,160	152,091
UK Index Linked Gilts	167,642	242,900
Overseas Government Bonds	10,269	18,405
Multi Asset Credit Funds	134,500	139,284
Non-Sterling Cash Deposits	11,952	6,626
Cash Balances	39,336	67,039
Total	**506,209**	**648,593**

The Pension Fund manages the credit risk by ensuring a diversification of investments both in terms of product and in terms of redemption dates, whilst limiting investments made to sub-investment grade bonds to those made through pooled funds. Corporate Bonds are held through a pooled fund vehicle and up to 15% of holdings can be invested in sub-investment grade bonds. Cash held in sterling at 31 March 2023 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

	Rating	Balance at 31 March 2023 £'000	Rating	Balance at 31 March 2022 £'000
Money Market Funds				
Aberdeen Standard	AAA	14,465	AAA	25,004
State Street Global Advisors	AAA	33,389	AAA	41,625
Bank Current Accounts				
Lloyds Bank Plc	A+	2,507	A+	5,941
Santander UK Plc	A+	0	A+	0
State Street Bank & Trust Co	AA+	927	AA+	1,095
Total		**51,288**		**73,665**

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

Liquidity Risk

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

During 2022/23 the Pension Fund received/accrued income related to dealings with members of £129.3m (2021/22 £113.2m) and incurred expenditure related to dealings with members of £131.1m (2021/22 £123.7m). There were further receipts/accruals of £13.9m (2021/22 £13.9m) in respect of investment income, against which need to be set taxes of £0m (2021/22 £0m). The net inflow was therefore £12.1m (2021/22 £3.4m).

The figures show that the Fund is still cashflow positive at the whole fund level. A cash flow forecast is maintained for the Fund to understand and manage the timing of the Fund's cash flows. On a daily basis, the Fund holds a minimum of £40m of cash in call accounts and money market funds to meet benefit payments due, drawdowns from fund managers, and other payments due from the Fund. The Fund has also looked at longer-term cashflow forecasts to gain a greater understanding of when the balance of pension payments and contributions may become negative so as to consider how this may affect the Fund's investment strategy in the future. The Fund has already taken some steps in this regard including allocating to the Secured Income portfolio offered by Brunel Pension Partnership.

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

There are risks in this area going forward as a result of continuing reductions in public expenditure, and the resulting impact on active scheme membership. The reductions in public sector expenditure will impact on the liquidity of the Pension Fund both in terms of a reduction in contributions receivable as the workforce shrinks, as well as an increase in benefits payable as staff above the age of 55 are made redundant and become entitled to early payment of their pension. There are changes to the Scheme being consulted on that could impact on scheme membership levels although these changes would be expected to impact gradually over time. In addition, some employers are adopting models that have the potential to reduce scheme membership.

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

Market Risk

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

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

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

Interest Rate Risk

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

Asset Type	Carrying Amount as at 31 March 2023	Change in Year in the Net Assets Available to Pay Benefits	
		1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	11,952	120	-120
Cash Balances	39,336	393	-393
Bonds	320,421	3,204	-3,204
Multi Asset Credit Funds	134,500	1,345	-1,345
Total Change in Assets Available	**506,209**	**5,062**	**-5,062**

Asset Type	Carrying Amount as at 31 March 2022	Change in Year in the Net Assets Available to Pay Benefits	
		1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	6,626	66	-66
Cash Balances	67,039	670	-670
Bonds	435,644	4,357	-4,357
Multi Asset Credit Funds	139,284	1,393	-1,393
Total Change in Assets Available	**648,593**	**6,486**	**-6,486**

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

Currency Risk

Currency risk concerns the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is exposed to foreign exchange risk on financial instruments that are denominated in currencies other than the Fund's functional currency (£GBP). Risks around foreign currency rates are mitigated in part by allowing the Fund Managers to put in place currency hedging arrangements up to the value of the stock held in a foreign currency (also see note 15c).

The table below shows the impact a 10.0% weakening/strengthening of the pound against the various currencies would have on the assets available to pay benefits.

This analysis assumes that all other variables remain constant.

Currency Exposure - Asset Type	Asset Values as at 31 March 2023	Change in Year in the Net Assets Available to Pay Benefits	
		10.00%	-10.00%
	£'000	£'000	£'000
Overseas Equities	9,677	968	-968
Pooled Global Equities	1,226,423	122,642	-122,642
Pooled Private Equity (LLPs)	168,224	16,822	-16,822
Pooled Property	63,725	6,373	-6,373
Infrastructure	34,204	3,420	-3,420
Cash	11,952	1,195	-1,195
Total Change in Assets Available	**1,514,205**	**151,420**	**-151,420**

Currency Exposure - Asset Type	Asset Values as at 31 March 2022	Change in Year in the Net Assets Available to Pay Benefits	
		10.00%	-10.00%
	£'000	£'000	£'000
Overseas Equities	10,089	1,009	-1,009
Pooled Global Equities	1,230,190	123,019	-123,019
Pooled Private Equity (LLPs)	151,779	15,178	-15,178
Pooled Property	43,070	4,307	-4,307
Infrastructure	68,016	6,802	-6,802
Cash	6,626	662	-662
Total Change in Assets Available	**1,509,770**	**150,977**	**-150,977**

Other Price Risk

Other price risk represents the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or foreign exchange risk.

All investments in securities present a risk of loss of capital. The maximum risk is the fair value of the financial instrument.

The effect of various movements in market price are presented in the table below along with the effect on total assets available to pay benefits assuming all other factors remain constant:

	Value as at 31 March 2023	**Percentage Change**	**Value on Increase**	**Value on Decrease**
Asset Type	**£'000**	**%**	**£'000**	**£'000**
UK Equities	135,423	10.0	148,965	121,881
Pooled UK Equities	497,259	10.0	546,984	447,533
Global Equities	9,676	10.0	10,644	8,708
Diversified Growth Fund	116,201	3.0	119,688	112,716
Pooled Global Equities	1,226,423	10.0	1,349,065	1,103,781
UK Bonds	0	5.0	0	0
Overseas Bonds	0	5.0	0	0
UK Index Linked Bonds	0	5.0	0	0
Pooled Corporate Bonds	127,160	5.0	133,518	120,802
Infrastructure	130,261	5.0	136,774	123,748
Pooled Private Equity (LLPs)	218,892	10.0	240,781	197,003
Pooled Property	276,454	3.0	284,748	268,160
Multi Asset Credit Fund	134,500	5.0	141,225	127,775
Index Linked Pooled Fund	167,642	5.0	176,024	159,260
Private Debt	40,443	5.0	42,465	38,421
Long-Term Investments	840	0.00	840	840
Cash	51,288	0.00	51,288	51,288
Pooled UK Fixed Interest Bonds	15,350	5.0	16,118	14,583
Pooled Overseas Bonds	10,269	5.0	10,782	9,755
Total Assets Available to Pay Benefits	**3,158,081**		**3,409,909**	**2,906,254**

	Value as at 31 March 2022	Percentage Change	Value on Increase	Value on Decrease
Asset Type	**£'000**	**%**	**£'000**	**£'000**
UK Equities	154,024	10.0	169,427	138,621
Pooled UK Equities	486,075	10.0	534,683	437,468
Global Equities	10,089	10.0	11,097	9,079
Diversified Growth Fund	162,007	3.0	166,867	157,147
Pooled Global Equities	1,230,190	10.0	1,353,209	1,107,171
UK Bonds	22,248	5.0	23,360	21,136
Overseas Bonds	18,405	5.0	19,325	17,485
UK Index Linked Bonds	40,281	5.0	42,295	38,267
Pooled Corporate Bonds	152,090	5.0	159,695	144,486
Infrastructure	98,295	5.0	103,210	93,380
Pooled Private Equity (LLPs)	192,661	10.0	211,927	173,395
Pooled Property	272,097	3.0	280,260	263,934
Multi Asset Credit Fund	139,284	5.0	146,249	132,321
Index Linked Pooled Fund	202,619	5.0	212,750	192,488
Private Debt	12,204	5.0	12,814	11,593
Long-Term Investments	840	0.0	840	840
Cash	73,665	0.0	73,665	73,665
Total Assets Available to Pay Benefits	**3,267,074**		**3,521,673**	**3,012,476**

Note 28 - Actuarial Valuation

The contribution rates within the 2022/23 Pension Fund Accounts were determined at the actuarial valuation carried out as at 31 March 2019.
This valuation showed that the required level of contributions to be paid to the Fund by the County Council for the year ended 31 March 2023 was 19.9% of Pensionable Pay. The corresponding rates of contribution that are required from the major participating employers for this period are:

	% Pay	Additional Monetary Amounts £'000
South Oxfordshire District Council	16.3	411
West Oxfordshire District Council	17.6	726
Cherwell District Council	15.9	-
Oxford City Council	16.2	-
Vale of White Horse District Council	16.3	767
Oxford Brookes University	14.8	-

The funding policy of the scheme is set out in the Funding Strategy Statement and can be summarised as follows:-

- To enable Employer contribution rates to be kept as stable as possible and affordable for the Fund's Employers.
- To make sure the Fund is always able to meet all its liabilities as they fall due.
- To manage Employers' liabilities effectively.
- To enable the income from investments to be maximised within reasonable risk parameters.

The actuarial method used to calculate the future service contribution rate for Employers was a risk-based approach. The risk-based approach uses an Asset Liability Model to project each employer's future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore asset values) are variables in the projections.

By projecting the evolution of an employer's assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of the future projections being successful i.e. meeting the funding target by the funding time horizon.

The market value of the Fund's assets at the valuation date was £2,515m representing 99% of the Fund's accrued liabilities, allowing for future pay increases. The Actuary has certified contribution rates for all Fund employers from 1 April 2020 which, subject to the financial assumptions contained in the valuation, would result in the deficit being recovered over a period of no more than 20 years.
The main financial assumptions were as follows:

Assumptions for the 2019 Valuation	Annual Rate %
Pension Increases	2.3
Salary Increases	2.3
Discount Rate	4.3

Assumptions are also made on the number of leavers, retirements and deaths. One of the important assumptions is the mortality of existing and future pensioners. Mortality rates have been based on up to date national standard tables adjusted for the recent experience of the Oxfordshire County Council Pension Fund and make allowance for an expectation of further improvements in mortality rates in the future.

Oxfordshire County Council Pension Fund ("the Fund") Actuarial Statement for 2022/23

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated December 2022. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants

- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)

- where appropriate, ensure stable employer contribution rates

- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy

- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations

- manage the fund in line with the stated ESG policies.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 70% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £3,280 million, were sufficient to meet 111% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £329 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method
The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions
A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.
The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	**31 March 2022**
Discount rate	4.6% pa
Salary increase assumption	2.7% pa
Benefit increase assumption (CPI)	2.7% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	**Females**
Current Pensioners	22.3 years	24.9 years
Future Pensioners*	23.0 years	26.3 years

*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund’s website.

Experience over the period since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund’s assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates which reduces the value placed on the Fund’s liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Tom Hoare FFA
For and on behalf of Hymans Robertson LLP
07 July 2023

SUMMARY OF BENEFITS AT MARCH 2023

Introduction

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

• Employers' Discretion

The regulations require each employer within the Oxfordshire Fund to determine their own local policy in specific areas. These policy statements have to be published and kept under review.
The specific areas include how employers will exercise discretionary powers to, award additional pension for a member, agreement to flexible retirement on request of the member ,setting up a shared cost AVC scheme, and waiving the reduction to a pension which is being paid early.

• Retirement

The 2014 scheme reintroduced the 2 year vesting period to qualify for any benefit other than that following a death in service. The scheme retirement age is linked to State Pension Age (SPA) for men and women, membership of the scheme continues when employment continues after SPA. All pensions contributions must cease before the 75th birthday.
Scheme benefits can be taken voluntarily after leaving employment from age 55, but the benefit payable will be reduced. Alternatively when retirement is deferred until after SPA, the benefit will be increased.

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

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

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

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

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

• Benefits

A retirement benefit, whether payable immediately or deferred, consists of an annual retirement pension and lump sum retirement grant for membership to 31 March 2008 and an annual retirement pension on membership from April 2008 (see below). However there is an option for members to convert pension to lump sum retirement grant. The minimum period of membership to qualify for retirement benefits is 2 years. The standard pension calculation, for membership to 31 March 2008, is 1/80 of final years' pensionable pay for each year of membership and the retirement grant is 3/80 of final year's pensionable pay for each year of membership. From 1 April 2008 to 31 March 2014 the standard calculation is 1/60 of final years' pensionable pay for each year of membership. From April 2014 the standard calculation is pay x 1/49 for the year with annual pension revaluation. NB Where members choose to pay into the 50/50 section of the scheme their accrual for that period will be pay x 1/98 and not 1/49 as shown.

Example - retirement in 2020

25 years membership to 31 March 2014 and then six years in the 'new scheme', 'final pay' and career average pay £15,000 as at 31 March 2020

Annual Pension

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

5 years x 1/60 x £15,000 = **£1,250**

£15,000 x 6/49 = **£1,836.73**

Retirement Grant

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

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

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

• Liability to pay future benefits

The Pension Fund financial statements provide information about the financial position, performance and financial arrangements of the Fund. They are intended to show the results of the stewardship and management, that is the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end. The only items that are required to be excluded by regulations are liabilities to pay pensions and other benefits in the future, which are reported upon in the actuary's statement.

• Increasing Benefits

Scheme members have several options as to how they increase their benefits, additional contributions to the LGPS or by contributing to the group AVC scheme arranged with the Prudential.

Additional Regular contributions (ARC's) to the LGPS to buy additional pension and set up before 1 April 2014 may continue but opening a new ARC is not possible.

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

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

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

• Death

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

• Pensions are due to the eligible survivors: partners and /or children. The pension due to survivors reflects the changing regulations and the partnership status. Whilst the regulations no longer require prior nomination of co-habitees,

eligibility must be determined before making payment. Widows' and Widowers' Pension; Civil Partners' Pension; Nominated co-habiting partners' Pension
The formula for pensions for surviving partners is 1/160 of the members' final year's pensionable pay for the allowable membership to 31 March 2014 with enhancements assessed under the CARE scheme from 1 April 2014 until the members state retirement age.

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

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

INVESTMENT STRATEGY STATEMENT

The Pension Fund's Investment Statement in effect at 31 March 2023 is available at the following link: Investment Strategy Statement (oxfordshire.gov.uk).

The Pension Fund's Climate Change Policy, which forms an annex to the Investment Strategy Statement, in effect at 31 March 2023 is available at the following link: OCCPF Climate Change Policy (oxfordshire.gov.uk).

GOVERNANCE POLICY STATEMENT

The Pension Fund's Governance Policy Statement in effect at 31 March 2023 is available at the following link: Oxfordshire Pension Fund

FUNDING STRATEGY STATEMENT

The Pension Fund's Funding Strategy Statement in effect at 31 March 2023 is available at the following link: FundingStrategyStatement.pdf (oxfordshire.gov.uk).

COMMUNICATIONS POLICY STATEMENT

The Pension Fund's Communications Policy Statement in effect at 31 March 2023 is available at the following link: Communication Policy (oxfordshire.gov.uk)

COMMUNICATION

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

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

- **Intranet** - is not maintained by Pension Services as it reflects the decisions and policies of the County Council as a fund employer. Their pages also provide links and access to the Pension Fund website. Other fund employers also provide information on their intra-net sites for employees.
- **Talking Pensions –** This is an informal monthly newssheet for all employers in the Oxfordshire Fund distributed to all Human Resources and Payroll contacts.
- **Annual Benefit Statements -** Pension Services issue statements to current members and to members who have left the scheme with an entitlement to pension but not to an immediate payment. Additional information to the Statement is available from the website.
- **Administration principles -** we encourage all new employers to attend a meeting to help acquaint themselves to our requirements and importantly, their responsibilities within the scheme.

USEFUL CONTACTS AND ADDRESSES

BENEFIT ADMINISTRATION

Pension Services
Oxfordshire County Council
4640 Kingsgate
Oxford Business Park South
Oxford, OX4 2SU

Telephone:
0330 024 1359
email:
pension.services@oxfordshire.gov.uk

ACCOUNTS AND INVESTMENTS

Financial Manager – Pension Fund Investments
Corporate Services
Oxfordshire County Council
County Hall
Oxford, OX1 1ND

email:
pension.investments@oxfordshire.gov.uk

BENEFICIARIES REPRESENTATIVE

c/o Pension Services
Oxfordshire County Council
4640 Kingsgate
Oxford Business Park South
Oxford
OX4 2SU

SPECIFIED PERSON FOR ADJUDICATION OF DISPUTES PROCEDURE
Disputes to be sent to:-

Pensions Services Manager
Oxfordshire County Council
4640 Kingsgate
Oxford Business Park South
Oxford, OX4 2SU

Telephone: 01865 323854
Email: sally.fox@oxfordshire.gov.uk

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW 0345 600 1011
www.thepensionsregulator.gov.uk

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU 0800 731 0193
www.gov.uk/find-pension-contact-details

The Pensions Advisory Service (TPAS)
11 Belgrave Road
London
SW1V 1RB 0800 011 3797
www.pensionsadvisoryservice.org.uk

Pensions Ombudsman
10 South Colonnade
Canary Wharf, London
E14 4PU 0207 630 2200
www.pensions-ombudsman.org.uk

The Division(s): n/a

ITEM 17

PENSION FUND COMMITTEE – 8 SEPTEMBER 2023

STEWARDSHIP CODE AND COMPANY ENGAGEMENT

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to

a) endorse the Stewardship Report at Annex 1,
b) note the result of the application under the Stewardship Code and the resultant feedback, and
c) agree the actions set out in the report and identify any further actions necessary to further strength performance in this area.

Introduction

1. At their last meeting in June, the Committee were informed that Officers had submitted an application under the Stewardship Code to the Financial Reporting Council. A copy of the Stewardship Report submitted as part of that application is contained as Annex 1 to this report.

2. At the end of August, the Financial Reporting Council (FRC) wrote to inform us that the application had been successful and the Oxfordshire Pension Fund will now be listed as a signatory under the UK Stewardship Code. This is clear recognition of the work we are undertaking in the responsible investment space and that we take our role as a responsible investor seriously.

3. As part of the results letter, the FRC provide a full analysis of whether we met, partially met or failed to achieve the expected standard for each of the 12 Principles under the Code, with feedback provided on each of the expectations underlying these principle. Where feedback is provided that the Fund failed to meet the required standard or only partially met the standard, the FRC expects the Fund to take the necessary actions to improve the position in advance of submitting a new report by 31 May 2024 to retain our position as a signatory to the Code.

Key Feedback on Stewardship Code Application

4. The letter from the FRC indicates that their approval of our application was borderline. This is not a significant surprise as the application was put together in the very limited time between the appointment of our new Responsible Investment Officer and the deadline for this year's application. Senior Officers made the decision not to delay the application for a further year, understanding

the feedback received from the FRC would enable an improved application to be submitted in 2024.

5. The application is assessed against 12 principles, each which have a number of underlying criteria. We are assessed as either meeting the criteria, partially meeting or failing to meet. The 12 principles and a summary of our assessment scores is set out in the table below:

Principle	Number of Criteria Met	Number of Criteria Partially Met	Number of Criteria Not Met
1. Purpose, Beliefs Strategy and Culture	5	0	0
2. Governance, Resources and Incentives	6	1	0
3. Management of conflicts of interests	2	0	1
4. Identification and response to market-wide and systemic risks	3	0	2
5. Review of policies, assurance of processes and assessment of effectiveness of activities	3	0	1
6. Taking account of client and beneficiary needs and communication of outcomes to them	5	2	3
7. Systematic integration of stewardship and investment	3	0	2
8. Monitoring and holding account of managers and service providers	0	2	0
9. Engagement with issuers to maintain value	3	0	0
10. Participation in collaborative engagements	1	1	0
11. Escalation of stewardship activities to influence issuers.	2	1	0
12. Active exercise of rights and responsibilities	3	0	4
Total Scores	36	7	13

6. As well as the assessment score against each individual criteria, the FRC also provided a summary assessment of the key areas for improvement. Across several of the principles, this summary assessment consistently welcomes the policy statements made by the Fund and the strength of the partnership work we are involved in but seeks more evidence of the role the Fund itself is playing in setting out its expectations to our partners and monitoring the work of these partners and assessing their effectiveness in delivering against our own objectives. Principle 12 which explores the extent to which signatories actively exercise their rights and responsibilities is seen as the weakest area.

7. There is a similar call for greater evidence on the direct work of the Fund in several areas, again with an emphasis as to how we monitor the effectiveness of our actions and assess our own contribution towards the desired outcomes.

8. The third main area covered within the summary assessment is in respect of our dealings with scheme members and other stakeholders under Principle 6. The FRC are looking for more evidence of how we have sought the views of stakeholders and taken these into account when determining future actions.

9. One of the key gaps Officers had themselves identified was the absence of an overall Responsible Investment Policy. We have a clear policy in respect of Climate Change but not the wider environmental, social and governance issues facing the Fund. In putting together the Stewardship Report, information had to be pulled from several disparate sources and a drawn together to present a comprehensive picture.

10. The first clear action to take forward the stewardship agenda is therefore seen to produce a comprehensive Responsible Investment Policy, which will set out our approach to the key ESG challenges facing the Fund and identify the key priorities the Fund wants to address in future engagement activity.

11. The production of such a comprehensive Policy document will also provide a strong basis for our engagement with Brunel and our other key stakeholders, both in terms of setting our expectations where they are undertaking activity on our behalf and in monitoring their subsequent performance. This will help address a number of the issues raised within the feedback from the FRC.

12. The other key initiative identified by Officers and the scheme member representatives on the Pension Board which directly contributes to addressing the gaps identified by the FRC, is an investment survey of scheme members. Officers have already contacted other Funds who have run similar surveys to seek to identify the approach and questions which help deliver an effective survey. This work will be taken forward with the support of the Board Members.

13. It is important to manage the timing of these two initiatives, such that the survey results can be taken into account in developing the final version of the new Responsible Investment Policy, and we can demonstrate how we have taken the views of scheme members into account in planning our future approach to responsible investment and engagement. The intention is to bring a first draft of the Responsible Investment Policy to the December meeting of this Committee, although it is likely that this drat will be subject to further consultation before final sign off at the March Committee meeting. It is intended to hold a workshop to which all members of the Committee and Board are invited as part of the approach to developing the initial draft.

14. It will also be important to agree the approach for monitoring the success of the implementation of the policy and how the policy is kept under regular review.

15. Other work that is currently on-going that will support future versions of the Stewardship Report include the discussions with Brunel about how they deliver against the Fund’s Engagement Policy and the Chronos Engagement Policy which is enabling greater direct involvement with the engagement process with selected companies by Fund Officers.

Brunel's Responsible Investment and Stewardship Outcomes Summary Report

16. As noted above, one of the key areas where the FRC is looking for improvement is evidence of the Committee's own engagement in key stewardship activities and how it holds its partners to account for the work they do on behalf of the Fund.

17. It is therefore seen as important that the Committee review the key outcome reports produced by Brunel and others and review the extent that these reflect the priorities of the Fund itself, and that any actions have been effective in delivering against our key objectives.

18. As noted above, assessing the performance of Brunel is limited by the fact that the Fund has not set out clearly its own expectations and priorities in respect of the full range of responsible investment activities and its priorities within that. It can though in the meantime make an assessment of the extent that Brunel's activities and those of its key partner EOS Hermes have delivered against the objectives within Brunel's own policies.

19. The key outcome focussed report produced by Brunel is the Responsible Investment and Engagement Outcomes Annual Report. The summary version of this report is contained at Annex 2 to this report.

20. The summary report does set out the investment risks and key client priorities adopted by Brunel, and reports on the delivery of commitments against these priorities. The Committee should consider whether they are happy to adopt the current priorities or whether they wish to see changes in the priority areas going forward.

21. The area the Committee is best able to assess the performance of Brunel is Climate Change where we do have our own Policy Document and Targets to act as a benchmark. The report does cover some of the key data around emissions reductions but is perhaps light on progress against the annual 7% reduction target and how current engagement is targeted to support deliver of this target. Similarly, more information would be welcome on the engagement approach to companies not currently at TPI Level 4 or above on the Management Quality Score, with greater detail on the escalation process and timescales for delivery of the required changes.

22. Across the other priority areas, it is harder to assess the performance of Brunel as Brunel themselves have not specified quantitative targets they are seeking to hit (often because such metrics are not widely available). The report does though produce a number of qualitative measures and case studies which allows the Committee to assess the effectiveness of Brunel's activities. The Committee should consider the results they would expect to see against each of the priority areas, and include these in their own Responsible Investment Policy, to provide the benchmark against which Brunel and other partners can be assessed going forward.

Lorna Baxter
Director of Finance

Contact Officer: Sean Collins
Email: sean.collins@oxfordshire.gov.uk

August 2023

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

Oxfordshire County Council Pension Fund Stewardship Code Statement 2023

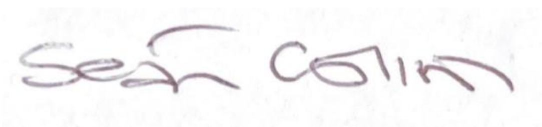
May 2023

Introduction

The Oxfordshire County Council Pension Fund is pleased to present this report detailing how the Fund meets the 12 principles under the FRC's 2020 UK Stewardship Code. As an asset owner and pension fund the Fund has a responsibility to its members and beneficiaries. We believe that stewardship is integral to the achievement of the Fund's objectives in seeking to deliver long-term investment performance and is identified as a key objective in the Fund's business plan.

We support and apply the Code's definition of stewardship: "Stewardship is the responsible allocation, management and oversight of capital to create long-term value for beneficiaries leading to sustainable benefits for the economy, the environment and society" and seek to demonstrate how we put this into action through this report.

The Fund has taken significant action over the last year to implement and build on its Climate Change Policy which includes a commitment for the Fund's investments to be net-zero emissions by 2050. Stewardship continues to provide an ever-changing landscape and while a lot of progress has been made the Fund continues to explore ways to further strengthen its approach and expand its stewardship activities both as a Fund and in collaboration with others.



Sean Collins
Head of Pensions

Principle 1: Purpose, Strategy & Culture

The Oxfordshire County Council Pension Fund (the Fund) is one of 89 funds in England and Wales set up under the Local Government Pension Scheme (LGPS); a statutory, funded, multi-employer defined benefit scheme.

The operation of the Oxfordshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 [as amended]. The scheme covers eligible employees and employees of other bodies eligible to be employers in the Scheme. A list of all those bodies with employees currently participating in the Scheme is shown on pages 13 to 17 of the 2021/22 Annual Report.

The Fund is administered by Oxfordshire County Council (the Council) who are legally responsible for the Fund. The Council delegates its responsibility for administering the Fund to the Oxfordshire Pension Fund Committee (the Committee), which is its formal decision-making body.

The ultimate purpose of the Fund is to meet all pension liabilities as they fall due. The Fund has a Funding Strategy Statement that sets out the requirements around this objective including a need to maintain long-term solvency, develop an investment strategy consistent with the funding strategy, and where appropriate ensure stable employer contribution rates.

The Fund's Investment Strategy Statement has been developed to deliver on the funding strategy statement objectives. It also sets out the Fund's approach to stewardship and recognises that, as a pension fund with liabilities several decades into the future, the Fund must adopt a long-term approach to its investment strategy.

The following statement from the investment strategy sets out the Fund's belief in respect of incorporating environmental, social, and governance considerations into investment decisions:

The 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. 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 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.

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.

Stemming from this belief the Fund is currently involved in discussions to develop a climate solutions portfolio and is seeking to set a Fund level target for investments in climate solutions.

The Council requires its Investment Managers to monitor and assess those environmental, social and governance considerations which may impact on financial performance when selecting and retaining investments, and to engage with companies on these issues where appropriate. The Council believes that the operation of such a policy will ensure the sustainability of a company's earnings and hence its merits as an investment.

The Committee's principal concern is to invest in the best financial interests of the Fund's employing bodies and beneficiaries. Its Investment Managers are given performance objectives accordingly. These relate to the ESG performance of the investments, as well as the financial performance.

The Council has set out the organisational values that underpin the way in which it operates and these are supported by policies, processes and guidance including the key behaviours that align with these values. The five values are:

- Always learning
- Be kind and care
- Equality and integrity in all we do
- Taking responsibility
- Daring to do it differently

Case study:

The Fund's Climate Change Policy has a specific commitment that where there are two investment options that broadly aim to deliver the same investment objective the Pension Fund will prioritise the option that delivers the best fit to its climate change commitment.

In 2020 the Fund considered options for moving an existing global equity mandate into the Brunel pool. The Fund considered the available global equity portfolios and determined to move the full mandate to a sustainable equities portfolio that is focused on identifying companies that are part of the solution to material sustainability challenges. This decision considered that the global equity portfolios aimed to achieve a similar investment outcome but that the sustainable portfolio was better aligned to the Fund's investment beliefs and policies through which these are expressed.

Every three years the Fund's actuary undertakes a full valuation of the fund and determines a funding level. Over the last three valuations the funding level has been determined as follows:

2016 – 91%
2019 – 99%
2022 – 111%

As such, the Fund considers that it’s funding and investment strategies and associated beliefs have been effective in delivering against their objectives.

Principle 2: Governance, Resources & Incentives

As noted under Principle 1, Oxfordshire County Council is the Administering Authority of the Fund and has delegated responsibility for the administration of the Fund to the Pension Fund Committee. The Committee meets on a quarterly basis and considers all investment and administration issues relevant to the Fund.

The Committee consists of five voting members made up of County Councillors, and five non-voting members selected to provide a broad level of representation to the wide range of employers and members in the Fund. Non-voting members consist of one District Council representative, one representative from Oxford Brookes University, two Academy representatives, and one scheme member representative.

Under the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, the Committee have established a Local Pension Board. The role of the Board is to assist the Pension Committee (in its role as Scheme Manager), to secure compliance with the Regulations and all associated legislation, and to ensure the efficient and effective governance and administration of the scheme.

As well as these formal groups the Fund has established an informal Climate Change Working Group that meets on a quarterly basis. The role of the working group is to review the Fund’s strategy on managing climate related risks and opportunities and to monitor progress against the Fund’s agreed Climate Change Policy and associated Implementation Plan, which sets out the actions the Fund aims to take to deliver the policy objectives. The group consists of Committee and Board members, officers, the Fund’s independent financial adviser and a member of Fossil Free Oxfordshire, a local interest group.

Under the Pensions Act 2004 members of the Local Pension Board are required to have the required level of knowledge and understanding of scheme rules, Fund policies, and pensions law. This legal requirement does not apply to members of the Committee but there is an expectation that they will seek to obtain the same level of skills and knowledge as required under the 2004 Act. The Fund understands the key role of training in meeting these legal duties and contributing to the effective operation of the Board and Committee.

In 2022 Committee and Board members completed Hymans Robertson’s National Knowledge Assessment covering eight key areas:

- 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

Additionally, in 2021/22 nine members of the Committee received a training session from Faith Ward, Chief Responsible Investment Officer at Brunel on active vs passive equity investment and the options to meet the Fund's climate change requirements.

The results of the assessment have been used as the basis to develop a Training Plan for 2023/24 to address those areas where scores were weaker.

A log is kept of training undertaken by Committee and Board members, and this is published annually in the Fund's Annual Report.

The Fund has also established a Training Policy that requires all members of the Committee within their first year of membership to undertake an induction session on the Fund's policies and to have completed either the three-day Fundamentals course run by the Local Government Association or the relevant modules from the Pension Regulators Trustee Toolkit. This training requirement also applies for substitutes to attend the Committee.

The fund has a Head of Pensions and an investment team consisting of four team members. In April 2023 the Fund appointed a Responsible Investment Officer to provide additional resource to achieve its stewardship goals and further the work undertaken in this area.

In 2021 the Fund commissioned Hymans Robertson to undertake an independent governance review for the Fund. The report was presented to the Committee at its March 2021 meeting and made a number of recommendations to improve the governance arrangements at the Fund that the Fund has now implemented.

The Fund is a member of various bodies through which it receives research and analysis including the Local Authority Pension Fund Forum, Climate Action100+, and the Institutional Investors Group on Climate Change.

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. As a client of Brunel, the Fund has the right to expect certain standards and quality of service. The Service Agreement between Brunel and its clients sets out in detail the duties and responsibilities of Brunel and the rights of the Fund as a client. It includes a duty of care of Brunel to act in its clients' interests.

Brunel believes in the importance of regular and in-depth shareholder and stakeholder engagement. Brunel's responsible investment strategy and policy, Stewardship Policy and Climate Change Policy were developed in conjunction with key stakeholders, including the Brunel Oversight Board, Brunel Client Group and Client Responsible Investment Subgroup. Whilst the strategy and policies are designed for the long term (5+ years), they are reviewed annually. The Brunel Board approves and is collectively accountable for the broader suite of Brunel's Policies, which includes the Stewardship Policy. Operational accountability on a day-to-day basis is held by the Chief Responsible Investment Officer, who is supported by a dedicated Head of Stewardship to ensure high levels of coordination and implementation.

Brunel has identified seven priority themes which are informed by its investment beliefs, Clients' policies, and priorities together with stakeholder views, regulatory and statutory guidance, aligned with best practice. The seven priority themes, as part of an integrated Responsible Investment process, are illustrated in the diagram below (see section on Principle 5). Brief information on the seven priority themes is covered in the Responsible Investment Policy. Further detailed information is included in Brunel's annual Responsible Investment and Stewardship Outcomes Report.

Brunel has a dedicated Responsible Investment team, including a dedicated Stewardship Manager who oversees voting and engagement. Stewardship at Brunel is applied across three avenues. Firstly, by appointed asset managers, secondly, through a specialist provider in EOS at Federated Hermes (EOS), and lastly via collaborative forums. The appointment of a dedicated engagement and voting provider enables a wider coverage of assets and access to further expertise across different engagement themes. The EOS team is diverse, made up of many nationalities and language capabilities, which facilitates engagement in local language and an understanding of cultural customs. Brunel will seek to undertake direct engagement where they feel that this will add value. Brunel publishes its gender pay gap in its annual report and accounts and staff profiles are located on their website.

Responsibility for managing specific ESG risks, including climate risk are explicitly incorporated into Brunel's investment principles and the role specifications of its Board, executives, and other key personnel. Responsible investment is a component of staff member annual objectives, which informs annual appraisals; no staff receive bonus pay.

Principle 3: Conflict of Interest

The period 2021/22 saw significant changes to the operational governance arrangements of the Fund, following the independent governance review undertaken by Hymans Robertson during 2020/21. In response to recommendations from the governance review a new Conflict of Interest policy for the Fund Committee was agreed. This policy covers all potential conflicts of interest, including in relation to responsible investment and stewardship.

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

At the start of any meeting, Committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.

A briefing is provided to all new members of the Committee clearly setting out their roles and responsibilities on the Pension Fund Committee, including in relation to the Conflict of Interest policy.

The Governance Compliance Statement which details the degree of compliance with best practice is available on the Council's public website. This includes a section on conflicts of interest.

Case study:

To date no conflicts of interest have arisen in relation to stewardship. However, this is not to say that such a conflict, or conflicts, of interest will not arise in the future. For example, there is potential for the Fund to invest into local impact funds which could include investments into local infrastructure, for example, renewable energy projects or affordable housing projects in the County. In such cases there is a risk that political considerations may lead to the preference of one project over another. Such a potential conflict of interest would be mitigated by the appointment of an independent asset manager responsible for selecting those assets for inclusion in any local impact fund based only upon risk and return factors as defined within the Fund's ISS, rather than local political considerations.

In cases where a Committee member did have a conflict of interest, for example if they sit on the board of a project selected for inclusion in the impact fund, then they would be expected to declare that interest ahead of any Committee meeting where the impact fund was on the agenda, and, if appropriate, recuse themselves from any decisions in relation to investments into the impact fund.

The Fund expects all service providers to have effective policies addressing potential conflicts of interest. This includes consideration of where a conflict of interest could arise in respect of stewardship or responsible investment. Where such a conflict was identified then the Fund would engage with the service provider to identify how the conflict was being managed, and any related risks being mitigated.

Brunel maintain a Conflict of Interest Policy, which is published on their website and includes a specific section on Stewardship conflicts. Examples of how Brunel manage perceived conflicts are included in their 2022 Responsible Investment and Stewardship Outcomes Report.

Principle 4 - Promoting well-functioning markets

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

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

The risk management process involves: Risk identification; risk analysis; risk control and monitoring. This includes monitoring of the investment environment in order to identify market-wide and systemic risks. The Pension Fund Committee receive quarterly investment performance reports and regular updates from fund managers which provide an opportunity to ensure their strategies are in line with expectations and to discuss any risks the Committee is concerned about. Officers also have regular meetings with the Fund's Independent Financial Advisor and fund managers, including reports from Brunel specifically addressing systemic risks related to sustainability themes. It is through these meetings and reports that fund manager performance is reviewed and key issues are discussed. The Fund's officers carry out ongoing reviews of the global market to identify systemic risks, including risks related to sustainability issues.

Diversification is the Fund's primary tool for managing investment risk. Diversification can improve returns and reduce portfolio volatility by ensuring that investment risk is not concentrated in a particular asset class or investment style and by reducing exposure to losses through the poor performance of an individual asset class.

The 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. The objective of responsible investment is to decrease investor risk and improve risk-adjusted returns. 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 also recognises that it is a relatively small player when it comes to the overall size of the fund, and that one key approach to amplifying its voice when engaging with investee companies is through collaborating with other investors. The Fund's participation in the fund pooling of the Brunel Pension Partnership or its membership of the Local Authority Pension Fund Forum (LAPFF) are examples of sector-specific collaboration. Stewardship and responsible investment are key considerations for both groups. The Fund's membership of broader coalitions of investors such as the Climate Action 100+ group, or the Institutional Investors Group on Climate Change (IIGCC) enables it to have a voice within cross-industry convening of investors and to take part in coordinated engagement with companies on climate change and the associated risks.

The Pension Fund has a fiduciary duty to invest in the best financial interests of its members. The investment goals of the Pension Fund are set out in its Investment Strategy Statement. Climate change has been assessed as presenting a material risk to the Pension Fund's investment returns over the long-term. It follows that the Fund's fiduciary duty inherently requires that it is managing climate related risks to its investments, particularly given the Pension Fund's long-term investment horizon; even if the Fund closed to future accrual today the Fund would still potentially be operating 80 years later.

The Pension Fund currently identifies climate change risk 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.

The Fund has published both a Climate Change policy, and an accompanying Implementation plan which provide guidance on both its commitment as a fund to transitioning its investment portfolios to net-zero GHG emissions by 2050 and how it will go about achieving this via its investment activity. The Pension Fund also commits to transitioning its investment portfolios consistent with the best available scientific knowledge, including the findings of the Intergovernmental Panel on Climate Change, to pursue efforts to limit any temperature increase to 1.5°C above pre-industrial levels. The Pension Fund will regularly report on progress, including establishing intermediate targets consistent with the annual carbon emissions reduction targets set in the United Nations Environment Programme's Emissions Gap Report.

The Pension Fund will seek to reach this Commitment through its investment activity as well as through advocating for, and engaging on, corporate and industry action, and public policies, for a low-carbon transition of economic sectors in line with science and under consideration of associated social impacts. The Implementation Plan gives specific targets to achieve net zero, for example by committing to a 7.6% annual reduction in GHG emissions across its investment portfolios, provided that the 2020 baseline position of the Fund is broadly similar to that for global emissions.

Case study:

In order to align the Oxfordshire Fund's passive funds to a 2050 Net Zero target Brunel worked closely with leading index provider FTSE Russell to develop two indices that met the EU criteria to be classified as a Climate Transition Benchmark and Paris Aligned Benchmark. These indices were made available for investment in November 2021. The Pension Fund Committee made a decision to move the Fund's full passive holdings of c.£530m to the Paris Aligned Benchmark fund, putting it among the first group of investors to invest in the index. Of the two funds the Paris Aligned Benchmark has stricter climate criteria and effectively excludes fossil fuel companies from the index.

The Policy also commits to seeking to increase investments in climate change mitigation and adaptation.

Case study:

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

Although the Committee views climate change as the single greatest sustainability risk facing the Fund there is recognition that there are other significant risks relating to sustainability themes, such as biodiversity loss or social disruption stemming from breaches of international human right standards, that may also pose major risks. The Fund is committed to assessing the systemic nature of these risks and, where there is a market-wide risk, to develop policies that seek to manage and mitigate these risks.

Principle 5: Review & Assurance

The Fund's policies are kept under regular review and are updated and approved by Committee as required.

Every three years the fund undertakes a fundamental review of its investment strategy, taking into account the latest results of the triennial funding valuation, and which draws on the expertise of the Fund's Independent Financial Adviser.

Case study:

On reviewing the Fund's Investment Strategy Statement in 2019 it was determined that the Fund should expand its policies around climate change given the increasing importance the Committee attached to the topic. The Fund was conscious of a range of views among stakeholders from previous engagement on this topic.

In order to achieve a consensus approach a full day climate change workshop was arranged with an independent facilitator. A series of short presentations were given by a variety of sources including academics, fund managers, climate consultants, students, and other pension funds. Committee and Board members, officers and members of Fossil Free Oxfordshire, a local interest group, all attended and had the opportunity to discuss the topics presented.

Following the meeting a set of agreed principles were drafted by the independent facilitator which were used as the basis for developing the Fund's Climate Change Policy, which was approved in June 2020.

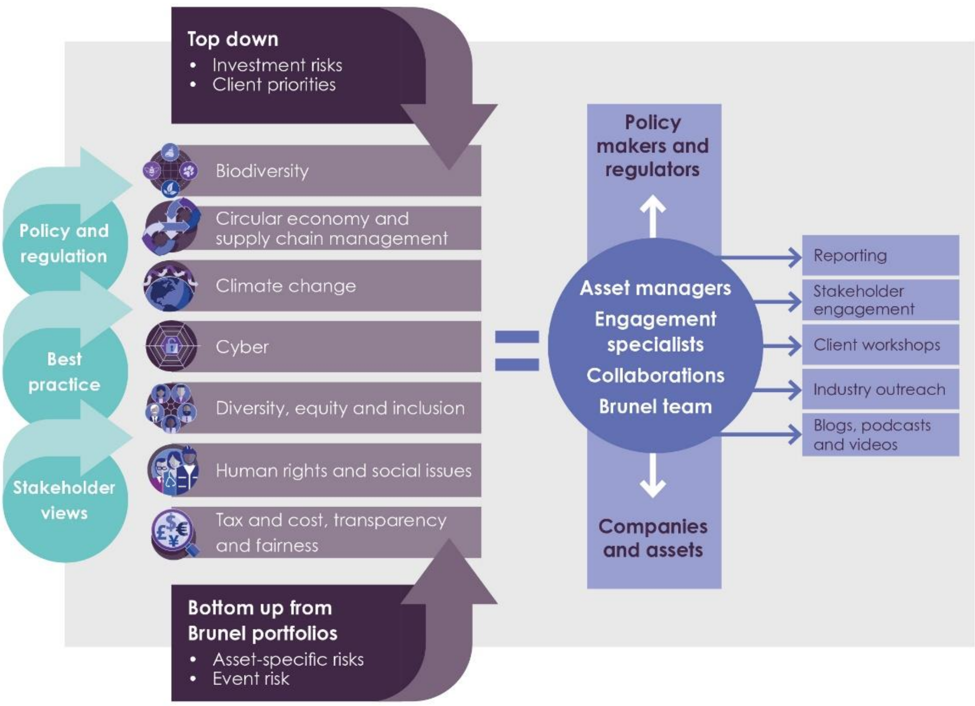
The Fund publishes its policies along with details of stewardship related activities including holdings data and voting records on its website. As a public body the Fund has a legal duty to ensure that its website complies with accessibility requirements including the need to ensure content is written clearly and in plain English.

Each year the Committee agrees a business plan setting out the service priorities for the year ahead. In order to set the priorities a business planning session is held in advance of producing the business plan, where Committee and Board members discuss and agree priorities with support from officers and Hymans Robertson. For 2023/24 one of the four priority areas identified is the enhanced delivery of responsible investment responsibilities. The report sets out the actions the Fund will take to achieve this goal and set measures of success. An update on the measures of success is reported to Committee at its quarterly meetings where progress against each measure is rated as red, amber or green along with commentary on progress and actions to complete.

In line with the Fund's Climate Change Policy Implementation Plan the Fund has produced a report using the Taskforce on Climate-related Financial Disclosure framework, which is included in the Fund's annual report. Using the TCFD framework helps ensure that the Fund can report on its progress against its climate commitments in a fair, balanced and understandable way.

Brunel's responsible investment strategy and policy, Stewardship Policy and Climate Change Policy were developed in conjunction with key stakeholders, including the Brunel Oversight Board, Brunel Client Group and Client Responsible Investment Sub-group on which the Fund sits. Whilst the strategy and policies are designed for the long term (5+ years), they are reviewed annually. The Brunel Board approves and is collectively accountable for the broader suite of Brunel's policies, which includes the Stewardship Policy. Operational accountability on a day-to-day basis is held by the Chief Responsible Investment Officer, who is supported by a dedicated Head of Stewardship to ensure high levels of coordination and implementation.

Brunel has identified seven priority themes which are informed by its investment beliefs, Clients' policies, and priorities together with stakeholder views, regulatory and statutory guidance, aligned with best practice. The seven priority themes, as part of an integrated Responsible Investment process, are illustrated in the diagram below. Brief information on the seven priority themes is covered in the Responsible Investment Policy. Further detailed information is included in Brunel's Responsible Investment and Stewardship Outcomes Report.



Reporting outputs provided by Brunel are reviewed by the RI Sub-group to ensure that stewardship reporting is understandable, fair, and balanced. Brunel publishes its stewardship activities, including engagement and voting records on its website.

Through Brunel the Fund receives an annual carbon metrics report. The Fund reports the results from the report in its annual TCFD report and uses the emissions data to assess performance against the annual reduction target set out in its Climate Change Policy.

Principle 6 - Client and beneficiary needs

The operation of the Oxfordshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 [as amended] (effective from April 2014). The scheme covers eligible employees and employees of other bodies eligible to be employers in the Scheme. A list of all those bodies with employees currently participating in the Scheme is shown on pages 13 - 17 of the Fund's 2021/22 annual report.

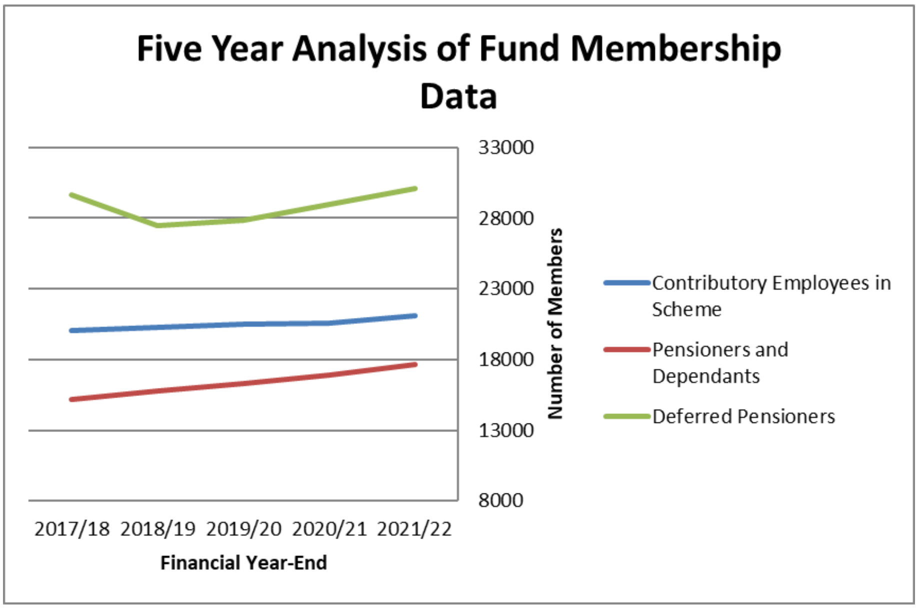
Benefits
The benefits payable under the Scheme are laid down by the 2013 Regulations. Pension payments are guaranteed and any shortfall is met through the Pension Fund linked to employer contribution rates set by the fund valuation. The Scheme is a 'defined benefit' scheme and provides a pension based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

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The surplus of contributions and investment income over benefits being paid is invested. The contribution from employees is prescribed by statute at rates between 5.5% and 12.5% of pay.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The contribution rate reflects the fund deficit or surplus and is the rate at which employers need to contribute to achieve a 100% funding level projected over 22 years.

The Fund again saw a further significant change in the employer base, with 22 new scheme employers and 24 leaving the Fund, resulting in a total of 179 active employers as at 31 March 2022. The majority of these changes were in the school's sector reflecting movement between academy trusts and outsourcing contracts for school meals and cleaning. The Fund had a total of 68,863 members as at 31 March 2022, an increase of 3.7% since the previous year.

A breakdown of the fund membership over the past five years is shown below:

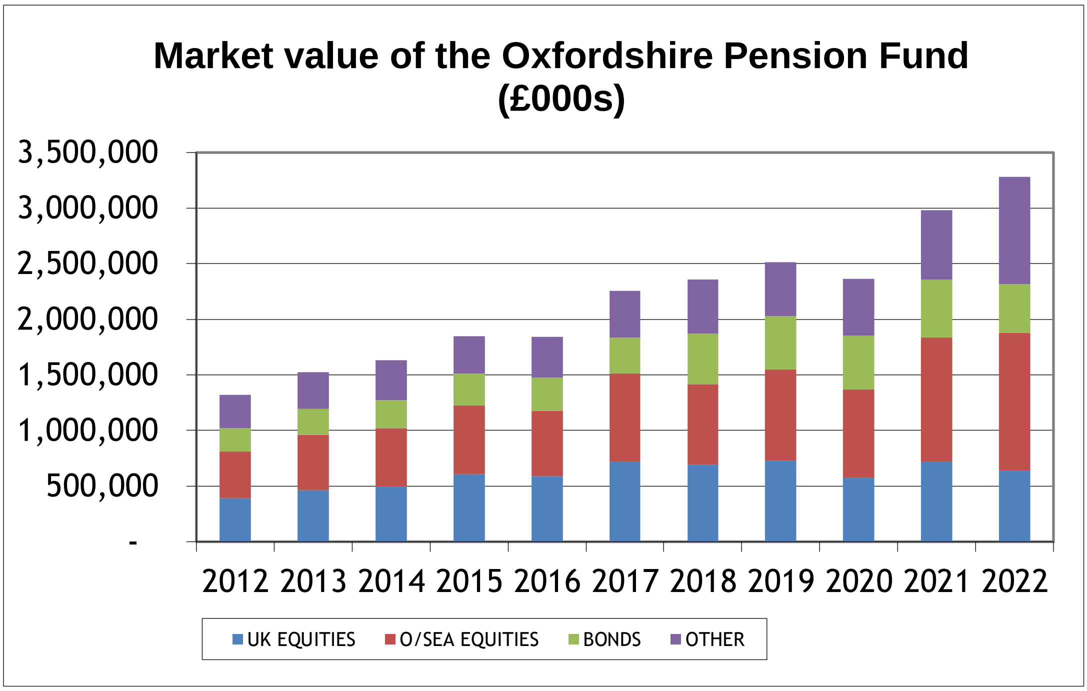


In terms of cash-flow, whilst the trend is downwards, the Fund remains cash positive, collecting £0.5m more on average each month in employer/employee contributions than it pays out by way of benefits, and direct administration and investment costs. This allows the Fund to maintain an investment strategy which maximises the long-term returns to the Fund, without the restriction of maintaining high levels of cash or liquid assets to meet pension payments, although this will need to be reviewed as part of the next strategic asset allocation due at the end of 2022/23.

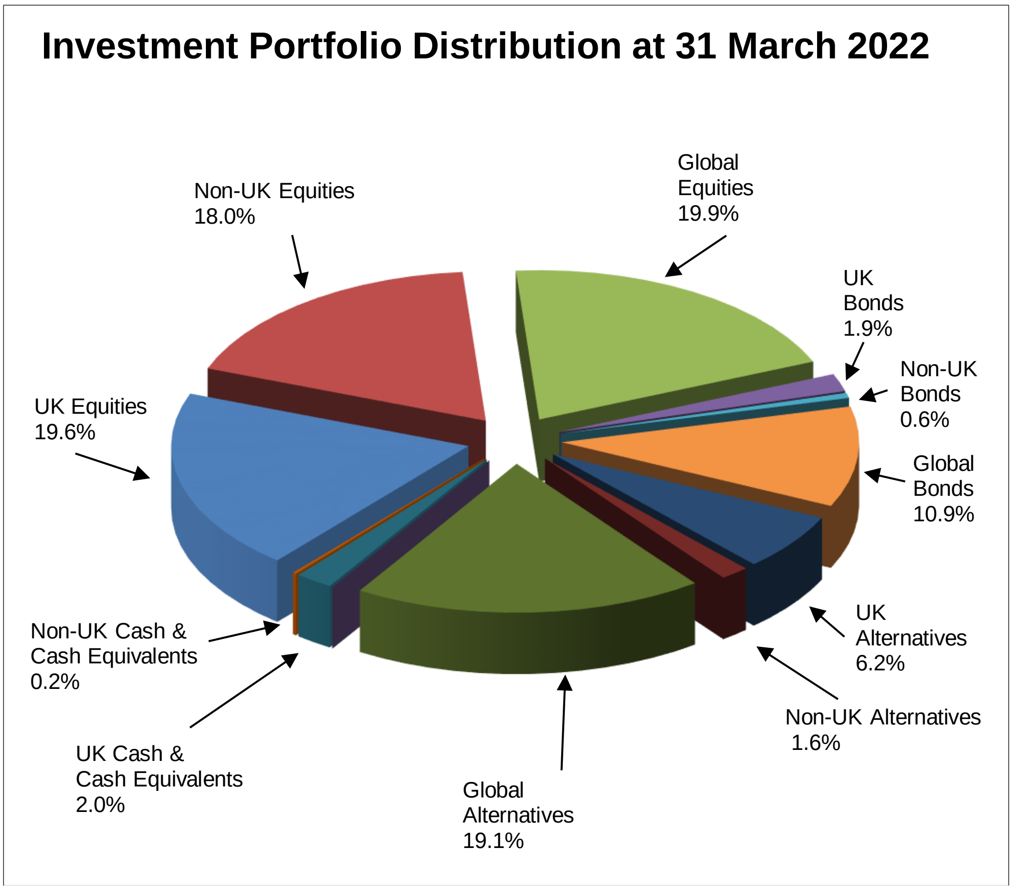
Investment Performance

The Fund increased in value by around £0.3billon over the course of the year, as the financial markets continued their post pandemic recovery. The total value of the investment assets was £3.3billion as at 31 March 2022.

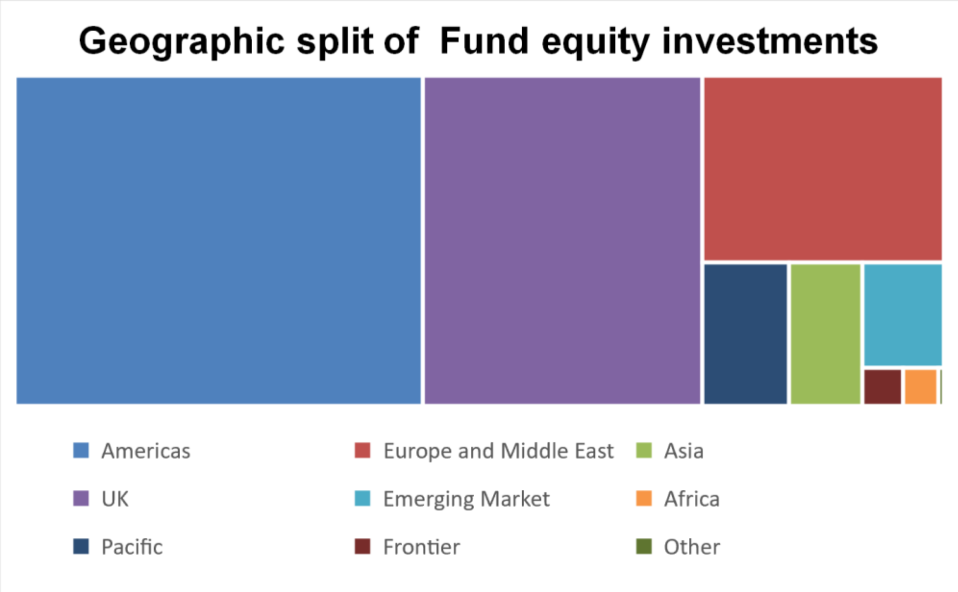
Market value of the Oxfordshire pension fund 2012 – 2022



The distribution of the Pension Fund amongst the principal categories of assets as at 31 March 2022 is shown in the chart below. Changes in the asset weightings, from one year to another, are due to investment activity and market movements.



Below is a chart showing the geographical distribution of equity investments of the fund as at March 2022.



Investment horizon
The Pension Fund is a long-term investor, with a long-term investment horizon. Even if the Fund closed to future accrual today the Fund could still need to be operating 80 years later, so it needs to be looking that far ahead to ensure it has sufficient funds to meet its liabilities at that point in the future.

The Fund recognises the importance of promoting the highest standards of corporate governance and corporate responsibility amongst investee companies in order to protect the long-term investment interests of beneficiaries. As part of its fiduciary duty, it is seeking to forge better futures by investing for a world worth living in.

Communication with stakeholders
The Pension Fund recognises the need to communicate effectively with its stakeholders and engage them in relation to the investment decisions made by and on behalf of the Fund.

There is a Communication policy which covers both members/beneficiaries and employers.

The Fund maintains a dedicated area of the website to provide resources and information about investments activity which includes information on:

- The Brunel Pension Partnership
- Strategy and policy documents, including the Climate Change policy and accompanying Implementation Plan
- Up to date investment holdings and voting activity downloadable reports
- Responsible investment statement

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

The main communication channels for the Scheme are via the website, email alerts or the appropriate newsletter. There is a quarterly newsletter sent out to members, and a monthly newsletter to employers.

As part of the Hymans Robertson governance review carried out in 2021 there was a recommendation to appoint a Governance Manager to reduce key person risk. When the role was created, it was decided to make this a Governance and Communications Manager post to enhance both governance and communications resourcing for the Fund.

Key policies such as the Investment Strategy Statement, Funding Strategy Statement, Communication policy and Governance Compliance statement are made freely available to stakeholders, both online and as appendices in the Annual Report. The Annual Report also contains information on stewardship and responsible investment, for example, a copy of the most recent TCFD report is included.

There are a number of initiatives around engaging members in relation to the fund and stewardship, for example, a Council Workers climate group meeting was addressed by the Head of Pensions, and there are member representatives on the Pension Committee. There has also been collaboration with stakeholders, for example Fossil Free Oxfordshire were consulted on the development of the climate change policy. Committee meetings are open to the public and allow members to voice their opinions and concerns directly to Committee-members and Officers. The agenda, minutes and papers for each Committee meeting are made available on the Pension Fund Committee page of the Oxfordshire County Council website.

On an ongoing basis, Officers respond to written and verbal questions and queries submitted directly by members or, on their behalf through unions, as well as Freedom of Information requests in relation to stewardship and responsible investment.

Although there are currently a number of different channels and approaches to communicating and engaging with stakeholders on the Fund’s responsible investment and stewardship activity, there is scope for improvements in this area, with engagement levels relatively low given the size of the member base. This is not just an issue around stewardship, broader member engagement on pensions has proven to be consistently challenging. Going forwards the Fund’s officers will be exploring different approaches to broaden and deepen member/beneficiary engagement, including around stewardship.

One area that the fund is looking to expand is to include more stewardship/responsible investment relevant content in the regular newsletters, as well as potentially producing more ‘brochure’ type content that is more accessible than a 30+ page report.

The creation of the Pension Fund Investment area of the website, with the facility for users to download holdings and engagement reports, has provided a good resource for those stakeholders interested in a more detailed understanding of what investments have been made on behalf of the Fund, and how the Fund exercises its voting rights. However, website traffic has been comparatively low, with only around 4% of those users accessing the Pension Fund website entering the Investment page. This is potentially an area where greater engagement can be developed, and the Oxfordshire Fund's staff will be exploring how best to go about this.

Principle 7 - Stewardship, investment and ESG integration

The Fund's Investment Strategy Statement makes clear that 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 Committee recognizes 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. The objective of responsible investment is to decrease investor risk and improve risk-adjusted returns. 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." (ISS p.9)*

The Fund invests across a wide range of asset classes. These investments are managed by Brunel Pension Partnership, who in turn engage a range of asset managers. The only exceptions are relatively small holdings in private equity and a fixed income portfolio managed by Legal and General Investment Management.

The Fund has worked with Brunel Pension Partnership and other partner funds to define and develop the company's approach to responsible investment and stewardship, and to ensure that approach is aligned to the beliefs and policies of the partner funds, including Oxfordshire.

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

In 2019/20 the Pension Fund adopted a Climate Change Policy recognising this issue 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.

In order to help track and report on progress against the delivery of the Climate Change policy the Fund produces a report each year based on the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations. This TCFD report is included in the Annual Report.

Brunel Pension Partnership:
Responsibility for managing specific ESG risks, including climate risk, as they affect Brunel and its Clients, are explicitly incorporated into the role specifications of Brunel’s' Board, executives, and other key personnel. Brunel expects appointed managers to weigh up and clearly demonstrate how Environmental, Social and Governance (ESG) risks and opportunities are embedded into their investment process and how it is as part of their wider evaluation of investment risk and return objectives, as opposed to treating them as a stand-alone concern.

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.


Responsible Investment Overview of ESG in action at Brunel

	To Integrate	To Collaborate	To be Transparent
Own Operations	• Board commitment • In all we do • Staff objectives	• Contributing to local and global community initiatives • Diversity and inclusion ambassadors	• Best practice own reporting including climate change, diversity and tax
Portfolio implementation	• All asset classes globally • Fully integrate into managers selection • Low carbon and sustainability portfolio options	• Innovating investment solutions • Cross pool collaboration • ESG risk metrics and tools	• Impact reporting • Positive case studies • Carbon and sustainability metrics
Responsible Stewardship	• Single voice • Active engagement	• Annual engagement plan • See Partnerships and Affiliations	• Proxy voting Policy and records • Pre-declaration on selective votes

The Fund has requirements to integrate stewardship considerations into the tendering process for providers of investment services.

Brunel, through its Asset Manager Accord, sets the expectation for tenders to supply asset management services to the Partnership. These expectations have been developed in cooperation with the pooled funds, including Oxfordshire, and will cover the majority of asset manager service providers.

The Fund also includes stewardship and responsible investment factors into the tendering processes for other investment service providers. For example, a recent tender that went out for the recruitment of a new Independent Financial Advisor to the Fund included the provision that the IFA will also be expected to attend meetings of the Climate Change Working Group, which is developing recommendations for the Committee on implementing the fund’s Climate Change Policy. Additionally, the tender scoring under the Quality criteria (which made up 90% of the total selection criteria) included a section on ESG Skills and Knowledge, which had a 20% weighting of the total.

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. Brunel also examines a manager’s organisational culture and approach to teams, challenge, risks, and approach to stewardship. The asset class, geography and risk objectives will have a bearing on which Responsible Investment and ESG risks will be most relevant to focus on when making an appointment, thus the manager selection criteria are determined for each search.

Through the pooled structure the Fund has delegated primary responsibility to Brunel Pension Partnership for setting expectations for asset managers and following up to see that these expectations are met.

Brunel’s Asset Management Accord was designed to help clarify understanding and shape expectations in the implementation of the investment accord awarded. The accord captures not only Brunel’s expectations of managers, but also the spirit of what they can expect from Brunel. It supports long-term sustainable finance and specifically calls on managers to work collaboratively with Brunel across five main areas. These are; long termism; communication; responsible investment and stewardship; collaboration; and thought leadership and innovation.

Brunel expects companies and fund managers to effectively identify and manage the financially material physical, adaptation and mitigation risks and opportunities arising from climate change as it relates to entire business models. Brunel has an expectation that companies should:

- put in place specific policies and actions, both in their own operations and across its supply chain, to mitigate the risks of transition to a low carbon economy and to contribute to limiting climate change to below 1.5°C above pre-industrial levels.

- disclose climate related risks and actions to mitigate these identified risks in line with latest best practice guidelines, such as those of the Financial Stability Board’s Taskforce on Climate-related Financial Disclosures (TCFD).

- include an assessment and scenario analysis of possible future climate change risks in addition to those that have already emerged. As part of its manager selection and ongoing monitoring Brunel use data from the Transition Pathway Initiative (TPI) and carbon foot printing. Both these tools greatly inform portfolio construction and design.

In line with its own Climate Change policy, the Oxfordshire Pension Fund commits to transitioning its investment portfolios to net-zero GHG emissions by 2050. The Fund also commits to transitioning its investment portfolios consistent with the best available scientific knowledge, including the findings of the Intergovernmental Panel on Climate Change, to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. To achieve this goal in a sustainable and measurable way over time the Fund will target a 7.6% annual reduction in GHG emissions across its investment portfolios, provided that the 2020 baseline position of the Fund is broadly similar to that for global emissions.

Case study:
The Fund receives an annual report providing climate metrics from Brunel across the Fund's investment portfolios, so officers can monitor and assess progress against the Fund's climate change policy. This report includes an analysis of absolute emissions, weighted average carbon intensity (WACI), fossil fuel related revenues, reserves exposure and the disclosure rates among companies within the Fund's listed equity portfolio.

According to the 2021/22 carbon metrics report the Fund's Weighted Average Carbon Intensity as at 31 December 2019, 31 December 2020 and 31 December 2021 were 248, 204 and 206 million tonnes of CO2 equivalent per million pounds revenue respectively, representing a reduction over the two-year period of 16.9% and an annualized rate of reduction of 8.9%, which is ahead of the 7.6% annual target.

The main driver behind the increase in the WACI figure in 2021 was an increase from the Fund's investment in the Brunel Sustainable Equities Portfolio which had a 61.8% increase in carbon intensity compared to 2020. In 2021 Brunel added managers to the sustainable equity portfolio that are actively targeting investments in companies who are at the forefront of the energy and industrial transition to Net Zero. These are leaders in challenging and difficult-to-abate sectors and so inevitably have a higher carbon intensity today than companies in most other sectors, whose own transition journey is dependent on such companies. These investments are essential to the transition, but our existing tools and ways of measuring risk do not always do them justice.

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

Where climate targets are not being met then the Fund's first action would be to request further information from Brunel on the reason or reasons for not achieving the targets. Where there are mitigating circumstances, the Fund would assess these on a case-by-case basis. For example, if there is an increase in Scope 1 emissions for a manufacturer of air source heat pumps to meet rising demand then the Fund's officers would take into account the long-term sustainability benefits of enabling the transition of heating systems to electrification and away from fossil fuels.

The Fund recognizes that the integration of stewardship into the investment process may need to take different forms, dependent on factors such as asset class or geography.

Case study
The 2022 Carbon Metrics report for the Fund shows that, of all the equity portfolios that are invested into by the Fund, the Brunel Emerging Markets portfolio has the highest WACI at 383 tCO_2e per million GBP. However, this figure is over 30% below the WACI of its benchmark portfolio, the widest positive gap compared to the benchmark amongst any of the equity portfolios the Fund invests into. This indicates that, by investing into emerging market companies that are significantly less carbon intensive when generating revenues than their peers, capital is being allocated to companies in these markets that are on a positive transition pathway, even if current emission levels are high in comparison to developed markets companies.

Principle 8: Monitoring Managers & Service Providers

The Pension Fund Committee is responsible for all aspects of managing the pension fund, and receives reports on both investment and scheme administration issues. The terms of reference include the wide power to consider all relevant investment and administration issues. Monitoring of Brunel as the primary asset manager falls under the remit of the Committee.

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

The Competition and Markets Authority, CMA, published an “Investment Consultants Market Investigation” report that concluded, among other matters, that certain features of the investment consultancy market may have an adverse effect on competition and the CMA would implement some of the remedies by an Order. The order came into force as the “Investment Consultancy and Fiduciary Management Market Investigation Order 2019” and ensures that Investment Consultants must be set objectives.

This requirement applies to the Fund’s Independent Financial Adviser and the Fund also takes a report reviewing the performance of the IFA to Committee annually.

The Fund receives internal control reports from its fund managers and Custodian on an annual basis and these are reviewed by officers to identify any potential causes for concern and ensure issues have been suitably explained or rectified.

When appointing managers across all asset classes, Brunel evaluates across 6 P's, philosophy, policies, people, processes, participation, and partnership. These key issues form part of ongoing manager monitoring where a risk assessment is carried out on a quarterly basis and a rating given. This includes managers’ stewardship.

This is reviewed by the Brunel Investment Risk Committee. Further detail is included in Brunel's Responsible Investment policy.

In line with any procurement of third-party services, there is a monitoring process in place to ensure delivery of service meets expectations. In the event that expectations are not met, Brunel would proceed to retender in line with its standard policies and practices.

In evaluating the Manager and considering whether to place the Manager on Watch or even to terminate the mandate, Brunel will principally consider whether the expectation of long term outperformance is still intact. Demonstration of original idea generation, examples of detailed research on key issues and topics, thoughtful portfolio construction, application of good price discipline and evidence of successful trading with good cost control will all be viewed positively.

In contrast the following factors are likely to cause concern:

- Persistent failure to adhere to Brunel's investment principles and the spirit of the Accord.
- A change in investment style, or investments that do not fit into the expected style.
- Lack of understanding of reasons for any underperformance, and/or a reluctance to learn lessons from mistakes. Conversely, complacency after good performance should be avoided.
- Failure to follow the investment restrictions or manage risk appropriately, including taking too little risk.
- Organisational instability or the loss of key personnel.

Case study
With the adoption of the Fund's climate change policy and associated implementation plan it became clear that there needed to be regular reporting from Brunel as Asset Manager on the key metrics relating to climate change for the portfolios the fund invests into. Along with the other pooled funds Oxfordshire provided feedback to Brunel on the development of a set of climate metrics that could form the basis of an annual report. This report has now been developed and allows the Fund to both benchmark and measure progress against the commitments laid out in the climate change policy.

The report consists of a set of metrics including: weighted average carbon intensity (WACI); estimated future emissions from reserves; reserves exposure; and disclosure rates. These metrics are provided at both a portfolio level and an aggregated level. There is also a comparison of the carbon metrics measured against the benchmark for each portfolio.

To date these metrics cover the following portfolios:

- Brunel Global High Alpha Equities
- Brunel Emerging Markets Equities
- Brunel UK Active Equities
- Brunel PAB Passive Global Equities

- Brunel Global Sustainable Equities
- Brunel Sterling Corporate Bonds

The report also provides data on green revenues at a portfolio level.

This report allows the Fund to hold Brunel to account that it is meeting the commitments that it has defined in the climate change policy. Where this is not the case then the Fund's officers can use the portfolio level reporting to identify where the areas of highest risk are and act accordingly, including potentially changing the allocation levels to specific portfolios.

Principle 9 – Engagement

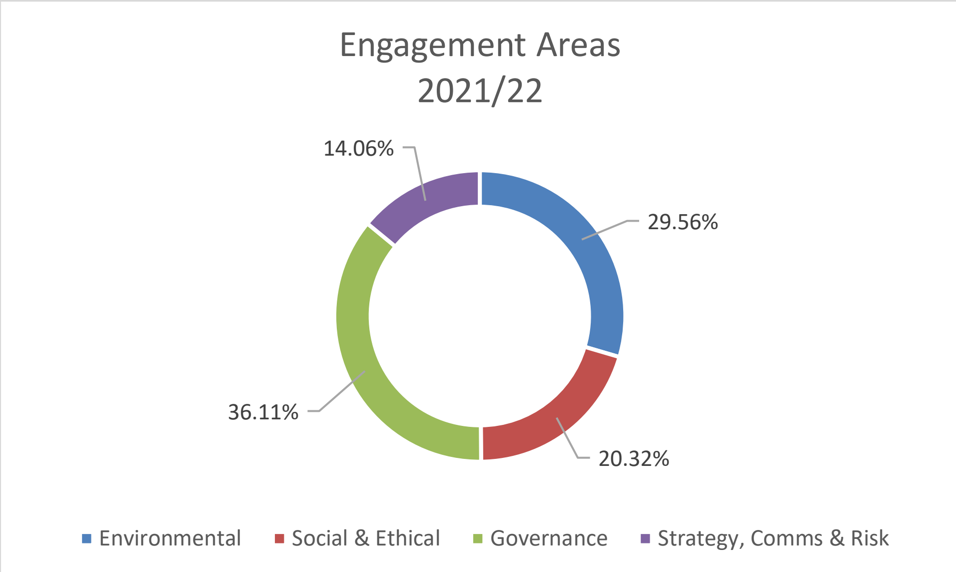
Voting and engagement form an important part of the Fund's management of ESG risks, with particular reference to climate-related risks. Engagement on behalf of the Pension Fund primarily takes place through Brunel, their appointed fund managers, and their engagement provider, in accordance with the approach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

Brunel have contracted the specialist engagement and proxy voting firm EOS at Federated Hermes. Brunel selected EOS as its appointed engagement and voting services provider following a competitive tender and a comprehensive due diligence process.

Coverage includes segregated active equity portfolios and corporate fixed income. In line with any procurement of third-party services, there is a monitoring process in place to ensure delivery of service meets expectations, and in this instance that there is continued alignment of engagement and voting priorities and practices. Brunel is in regular contact with Hermes throughout the year. In the event that expectations are not met, Brunel would proceed to retender in line with its standard policies and practices.

During the financial year 2021/22 EOS Hermes on behalf of Brunel engaged with 1192 companies around 3615 objectives.

Below is a split of these engagements by area:



Expectations
The key expectations that the Pension Fund has of its engagement providers are laid out in the Fund's Engagement Policy. The primary expectation is that investee companies are engaged with to drive outcomes that are consistent with the Fund's climate change policy objective of aligning investments with the Paris Agreement goal to limit global temperature increases to 1.5°C.

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.

Given that there is less flexibility around stock selection in passive funds, the Fund has adopted an approach of moving its investments into a Paris Aligned Benchmark Index to deliver alignment with the Paris Agreement for this investment approach.

The Fund recognises that engagement approaches for other asset classes, such as property, infrastructure or private equity, will need to be developed in future iterations of the Policy due to the different nature of the investments and data sets available.

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, in itself, 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.

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.

Engagement will also aim to accelerate improvements in data quality and coverage by engaging with companies to disclose the required information for assessing alignment.

These expectations have been communicated to Brunel, and via them to EOS Hermes. The majority of engagement on behalf of the Fund relates to Paris 1.5°C alignment, as climate change has been identified as the biggest potential ESG risk to the Fund. EOS Hermes carries out a wide range of engagement on Paris alignment. As a fund, Oxfordshire has identified engagement with the Climate Action 100+ companies as a key target, given that these companies have some of the highest impacts on GHG emissions.

Case study: Methane
Reducing methane emissions this decade is probably the single most important action the world can take to reduce the rate of global heating. Methane warms the planet about 80 times more effectively than CO2 over a 20-year period, although after about a decade it starts to dissipate. Making swift reductions in methane would curb rising temperatures more quickly than carbon dioxide cuts in the short term.

Under the EOS Engagement Plan, EOS Hermes is seeking a 60-75% reduction in oil and gas operational methane emissions by 2030, from a 2015 baseline. Specifically, Hermes asks for methane reduction commitments and implementation plans to be aligned with the UNEP managed Oil & Gas Methane Partnership (OGMP) 2.0 to achieve a critical near-term outcome that progresses longer-term decarbonisation objectives.

Hermes engaged with ConocoPhillips, including in-person at the company's Houston headquarters in early 2022, and were pleased when it joined OGMP 2.0 later in the year.

Engagement with the biggest emitters to get them to reduce their GHG emissions is obviously fundamental to meeting the 1.5°C target. However, there are other related issues around the transition to a low carbon economy, such as those in the just transition case study below, that are also important to engage with companies on.

Case study – Just transition:
Transitioning to a low carbon economy will have a profound impact on workers, their families and certain communities, especially in the energy and transportation sectors. Without consideration of a just transition, investors risk marginalising communities and demographics already disproportionately impacted by climate

change, such as women and people of colour. At the same time, opportunities to lay the social groundwork for a resilient net-zero economy may be missed.

Through its engagements EOS Hermes has identified some companies articulating a just transition. For example, Hermes engaged with the US utility American Electric Power (AEP), asking for the disclosure of a clear just transition plan as it retires some assets, an assessment of the impact on the workforce, and a timeline to complete the transition. Hermes reported that they were impressed by the company's detailed just transition section within its 2021 Climate Impact Analysis report.

The company has formed a special transition taskforce and partnered with a local NGO, the Just Transition Fund, to facilitate a dialogue for the retirement of the coal fired Pirkey Power Plant. It has helped 75% of the workers in the plant to move to other positions, either within or outside the company, or to retire when the plant is closed.

Hermes has stated that it will continue to engage with the company on its just transition plans for retiring additional coal plants and on its assessment of potential unintended social consequences in the supply chain.

Brunel's engagement priorities are formulated with clients and communicated to EOS. There are multiple and distinct touchpoints throughout the year that Brunel and its clients utilise to provide feedback on the engagement plan. To measure progress and the achievement of engagement objectives, a four-stage milestone system is used by EOS. When an objective is set at the start of an engagement, recognisable milestones that need to be achieved are also identified. Progress against these objectives is assessed regularly and evaluated against the original engagement proposal.

All engagement activity on behalf of the Fund by EOS Hermes is published quarterly on the Brunel website. Brunel publishes an annual Responsible Investment and Stewardship Outcomes report, which is made publicly available on their website.

Principle 10 – Collaboration

As an investor the Oxfordshire Fund understand 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 one of ten local authority pension funds that have pooled their resources to create the Brunel Pension Partnership. Under the terms of that pooling arrangement Brunel is the nominated asset manager, with responsibility for company engagement, including collaborative engagements. In fact, collaboration is one of Brunel's 12 core Investment Principles. There is an expectation of Brunel to leverage the power of collaborative engagement to help drive investee companies towards being more sustainable.

Brunel is a signatory to a number of different collaborative investor groups, including the Institutional Investor Group on Climate Change (IIGCC), The Climate Action

100+ group, Investor Policy Dialogue on Deforestation (IPDD) Initiative, Asset Owner Diversity Working Group and ShareAction.

Through membership of these collaborative groups Brunel is able to add its voice to those of other investors when engaging with companies, whether that be via the filing of joint investor resolutions or less formal engagements such as issuing requests for information from companies in high-risk geographies and sectors.

Although the main thrust of engagements on behalf of Oxfordshire focus on the delivery of its climate change policy, Brunel also engages on a wider range of themes on behalf of the Fund, for example on exposure to human rights issues.

Case study- Human slavery
Brunel has been part of a group of 39 investors, representing $3 trillion, that has written to 54 companies in The Gulf, focusing on high-risk sectors such as hospitality, construction and oil & gas. The programme, led by CCLA, seeks to engage companies across several key areas related to the recruitment and ongoing use of migrant labour, in order to minimise the risk of modern human slavery.

Of the 54 companies that were written to as part of the programme, 10 companies reported no current operations in the Gulf Nations and 16 failed to respond. Most companies fell short of best practice in a number of key areas – for example, only 33% of companies forbade recruitment fees and passport retention within their policies. Where companies had not disclosed issues, the engagement team shared effective practice utilised by their peers as well as documents outlining best practice. Where there were specific concerns, the engagement pushed for further information.

The Oxfordshire Fund is also a member in its own right of several investor groups. These include the IIGCC, CA100+ and the Local Government Pension Fund Forum (LGPFF). 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.

Case study – CA100+
During 2021 CA100+ continued to push their focus companies to adopt harder and faster actions to deliver against a Net Zero target. The initiative secured numerous commitments around setting net zero targets, improving climate lobbying disclosure and developing decarbonisation strategies.

For example:

- **Engie** committed to net zero emissions by 2045, following the negotiated withdrawal of a shareholder resolution
- **Ford** and **General Motors** set medium-term SBTi verified targets which include Scopes 1, 2, and 3. Both Ford’s and General Motors’ Scope 1 and 2 emissions targets are aligned with 1.5°C
- **Nissan Motors** has set goals to achieve carbon neutrality across the company’s operations and the life cycle of its products by 2050, investing USD 17.6 billion over the next five years to speed up electrification of its products. The company also aims to have 100% of all new vehicle offerings in

key markets to be electrified by the early 2030s, which will comprise a 50% electrification mix by 2030.

- **Rio Tinto** has more than tripled its medium-term 2030 target, setting a new target to reduce absolute Scope 1 and 2 emissions by 50% by 2030.
- **Rolls-Royce** mapped out detailed decarbonisation plans, with clearer short- and medium-term targets. It committed to making all its civil aero-engines compatible with 100% Sustainable Aviation Fuel (SAF) by 2023 and embedded this target into its executive remuneration policy
- **Xcel Energy** expanded its greenhouse gas reduction target to deliver net-zero greenhouse gas emissions from its natural gas business by 2050. It makes Xcel Energy one of the first North American Climate Action 100+ electric power focus companies to set a comprehensive Scope 3 GHG target.

Principle 11 – Escalation

The Oxfordshire Pension 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.

This is where 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. As mentioned elsewhere, as the Fund's pooled asset manager, Oxfordshire expects Brunel to carry out the majority of any engagements on its behalf, drawing on the support of their engagement and proxy voting advisory, EOS Hermes, where appropriate.

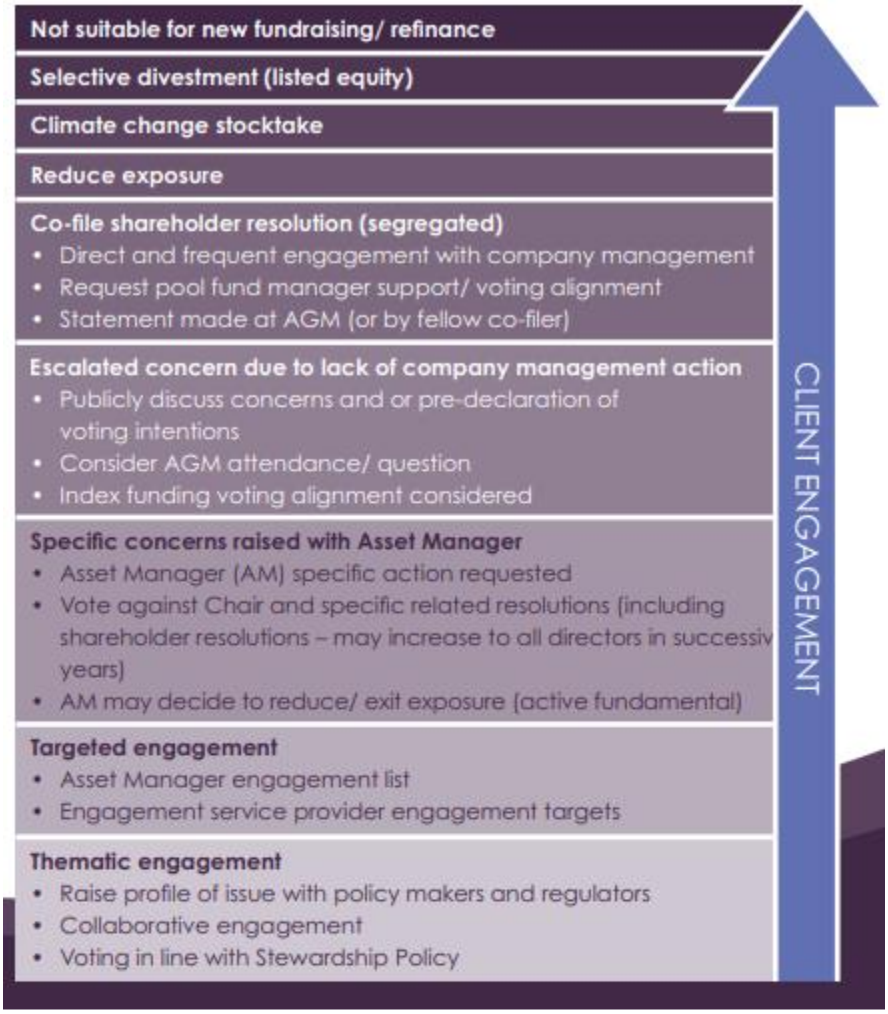
Within the Fund's climate change policy, expectations have been outlined that the companies in the investment portfolio will have developed realistic transition plans to move to alignment with a net zero by 2050 position and that progress over time against these plans can be seen.

The primary source of information on the progress of the highest risk companies is their performance against the CA100+ Net Zero benchmark, with the expectation being that it will be possible to see alignment by 2028 for the highest risk companies.

Companies that have not reached an alignment stage within the required timeframe will be added to an engagement list, with the endpoint being the potential for exclusion. This is very much a last resort and not seen as a desirable outcome. Prior to companies on the list being confirmed for exclusion there will be a qualitative analysis undertaken, including Brunel, client funds, and fund managers as appropriate. The purpose of this analysis is to ensure decisions are made in the best interests of client funds and to take into account the fact that any set of criteria cannot fully capture all elements relevant to an investment decision both in isolation and in terms of portfolio level impacts. The rationale for any decisions taken should be made publicly available as far as possible taking into account any confidentiality constraints.

Where companies are not meeting all the required criteria but are within the timeframe for exclusion, engagement will be utilised targeting those criteria not yet met, with the expectation that consistent progress towards the criteria will be demonstrated. Engagement will follow the existing escalation process where, if insufficient progress is being made, additional actions will be taken 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.

Brunel's investments cover thousands of companies; a pragmatic approach to escalation needs to be taken. Brunel operates a clear process of engagement escalation. Through the Brunel Investment Risk Committee (BIRC) and the Brunel Investment Committee Brunel may identify escalation to its investment managers. Brunel seeks updates on the company's its asset managers are engaging with, what they are engaging on, how they assess the risk, and what level of escalation they are undertaking. In parallel Brunel may look at the engagements EOS Hermes are undertaking, their engagement targets and escalation. Brunel may use collaborative engagement and reach out to other investors to elevate areas of concern to companies. Voting is an intrinsic part of the escalation process. Further details are outlined in [Brunel's Stewardship Policy] with the diagram below demonstrating the process.



Case study – Bank lending to fossil fuel companies

In 2020, Brunel co-filed a shareholder resolution in a shareholder collaboration organised by ShareAction at Europe's second-largest financier of fossil fuels, HSBC Bank. The resolution was subsequently withdrawn as it was replaced by a management-backed resolution committing the bank to phasing out its financing of the coal industry by 2030 in the OECD and by 2040 worldwide. HSBC also committed to publishing emission reduction targets for its oil and gas and power and utilities portfolios and to publishing a coal policy by the end of 2021.

In withdrawing the shareholder resolution, the group's expectations were communicated to HSBC in a letter to the CEO and Chair. It was made clear that further action would be taken the following year if Brunel were dissatisfied with the bank's progress. The bank's coal policy failed to meet expectations and contained significant loopholes, resulting in Brunel co-filing another shareholder resolution for 2022.

In February 2022, HSBC announced new climate commitments, acknowledging the findings of the IEA's Net Zero by 2050 report, which had proposed that, to achieve net zero emissions by 2050, there would need to be no new fossil fuel expansion.

HSBC also committed to review and update its coal policy by the end of 2022 and confirmed it would be updating the scope of its fossil fuel targets to cover capital markets – a significant inclusion. Brunel welcomed the commitments in a letter to the board, but plans to monitor the execution of these commitments closely.

The Fund's main route of engagement escalation, outside of Brunel, is through the Local Authority Pension Fund Forum (LAPFF). A range of factors inform how LAPFF undertakes an engagement, including the company, the sector, and the nature of the issue to be addressed. The primary means by which LAPFF chooses its engagements is driven by aggregate member holdings. If LAPFF's approach to engagement is met with resistance or deemed not to be progressing quickly enough, escalation routes may include voting recommendations to members such as voting against the re-election of board member(s), filing shareholder resolutions at company Annual General Meetings (AGMs), or taking a more public stance such as targeted media campaigns including press releases.

Case study – Escalation with BP

LAPFF has concluded that BP is amongst the most credible of the oil and gas companies in terms of articulating the outcomes of the Paris agreement. Most notable is BP's reference to a finite carbon budget irrespective of the 2050 date, as opposed to merely being net zero by 2050.

Nevertheless, the LAPFF alert in 2022 recommended voting against the BP Climate Change Plan and in favour of the resolution from 'Follow This' a Dutch led shareholder group. Both votes were triggered due to insufficient evidence of a plan for progress by 2030, despite ongoing engagement around this target.

LAPFF subsequently met with the Chief Executive of BP and engagement will continue.

Principle 12 - Exercising rights and responsibilities

Exercising voting rights is one of the fundamental tools that the Fund can use to influence the companies into which it invests. This acts as a safeguard of the long-term value of its investments. As such the Fund places a high value upon the exercising of these rights and seeks to vote 100% of its holdings.

Under the pooled nature of its holdings the Fund delegates responsibility for voting and the exercise of its rights and responsibilities as an investor to Brunel Pension Partner and their chosen proxy voting advisor.

Brunel aims to vote 100% of all available votes. To provide guidance to its managers, Brunel has a single voting policy for all assets managed by Brunel in segregated accounts. Hermes EOS has been appointed to support Brunel as its engagement and voting service provider.

The implementation of Brunel's voting guidelines is supported by EOS at Federated Hermes. The voting principles guide Hermes' voting recommendation alongside country and region-specific guidelines. Voting decisions are also informed by investment considerations, consultation with portfolio managers, clients, other institutional investors, and engagement with companies. The voting process, including the approach across asset classes, is explained in further detail in Brunel's Stewardship Policy.

Both the voting guidelines and Stewardship policy at Brunel are subject to regular review. The Oxfordshire Fund, alongside the other pooled funds are active participants in this process, ensuring that these policies, and how they feed into voting intentions, are representative of the needs and interests of the Fund's members and beneficiaries.

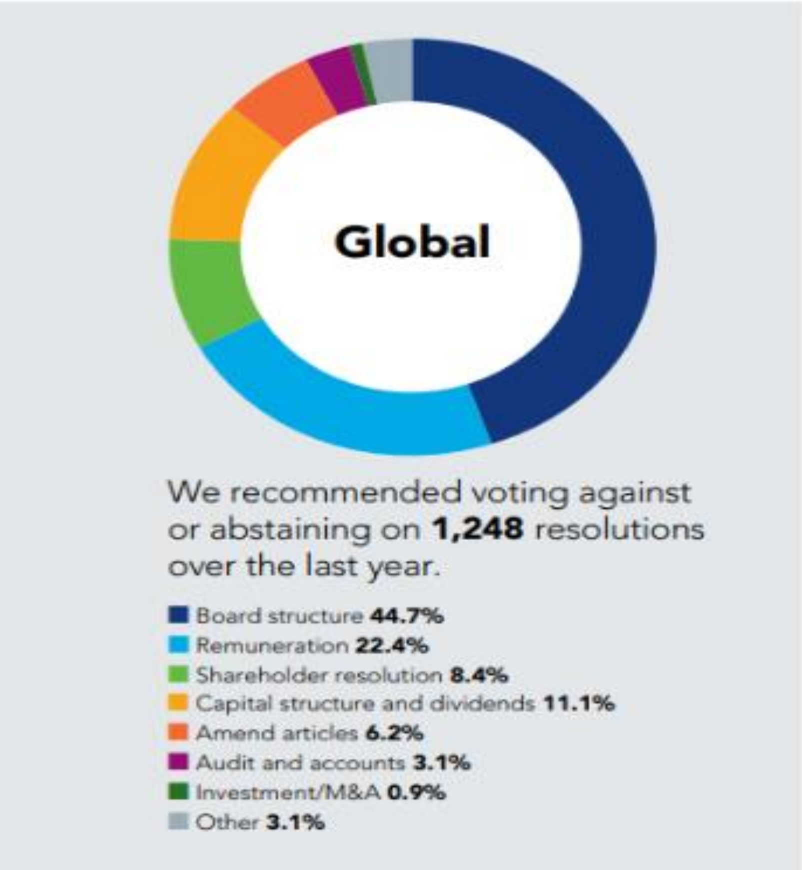
A significant proportion of the Oxfordshire Fund's equity investments are held in a passive portfolio. In this case any voting is carried out on its behalf by the asset manager for this fund, Legal and General Investment Management.

In the case of both Brunel/EOS Hermes and Legal and General Investment Management quarterly voting reports are shared with the Fund's Officers and reviewed to ensure that voting is in alignment with the Fund's expectations.

In 2021, EOS Hermes on behalf of the Fund made voting recommendations on 8,900 resolutions at 709 meetings. At 373 of those meetings, Hermes recommended opposing one or more resolutions, while at 4 meetings, they recommended abstaining. Hermes recommended voting with management by exception at 35 meetings and supported management on all resolutions at 297 meetings.

Brunel also make their consolidated voting records available to view on their website.

The breakdown of the issues on which it was recommended to vote against management on resolutions or abstain is shown in the graph below:



The Fund manages a small portfolio of listed private equity investments. Oxfordshire exercises its full voting rights for these investments, taking advice from its IFA on voting.

Case study – exercising voting rights
An activist investor had tabled a series of votes at one of the private equity funds that the Fund invests into, with the intention of taking control of the company. An analysis by the Oxfordshire Fund's IFA identified that the activist investor operated on a relatively short investment horizon, which would be unlikely to align with the Fund's longer-term investment approach. On that basis the Fund voted against the activist investor's proposals.

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BRUNEL

Pension Partnership

2023
Responsible Investment and Stewardship Outcomes Summary

For the year ending 31 December 2022

Delivering stronger investment returns over the long term, protecting our clients' interests through contributing to a more sustainable and resilient financial system, which supports sustainable economic growth and a thriving society.

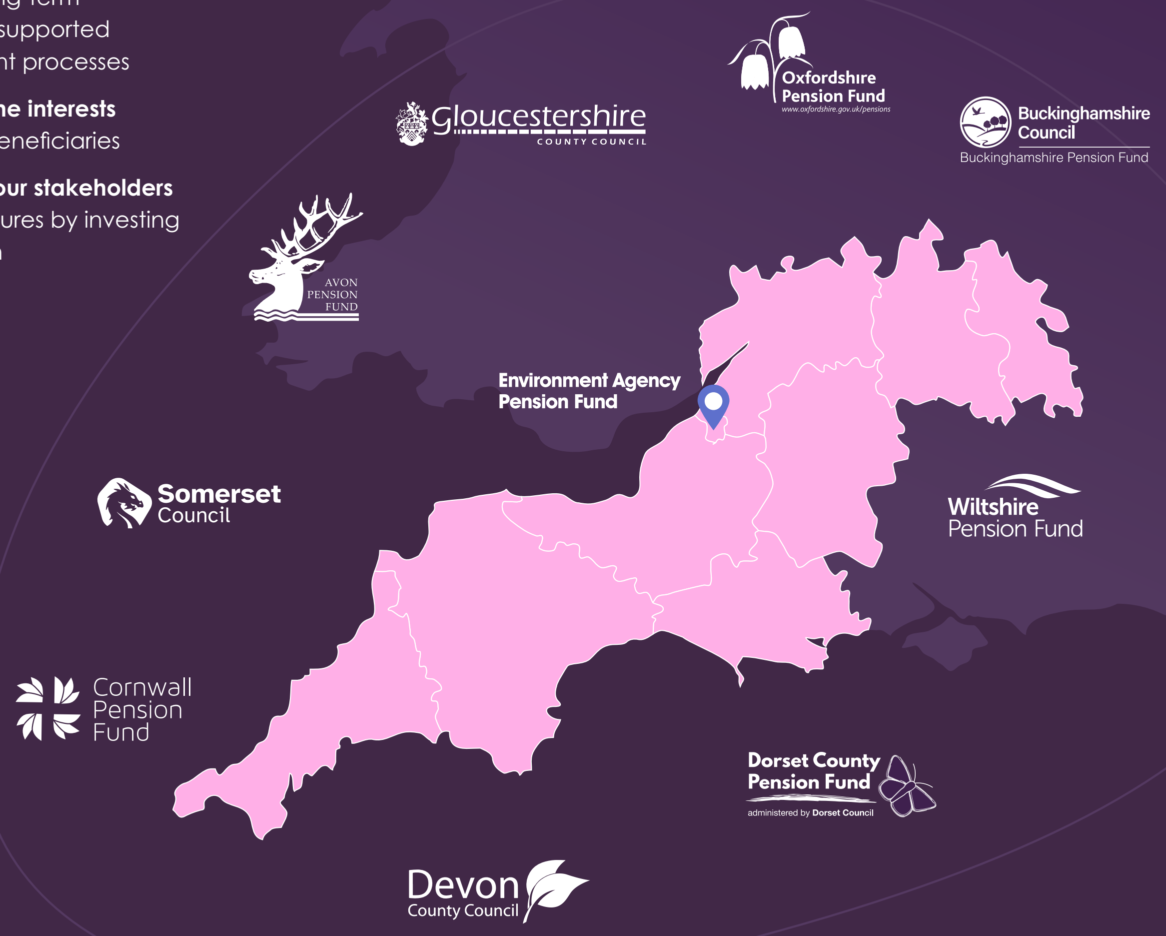
Brunel Pension Partnership Limited (Brunel) is one of eight national Local Government Pension Scheme (LGPS) Pools, bringing together circa £35 billion investments of 10 likeminded pension funds: Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire.

We would like to acknowledge the significant support and contribution of our clients to our work on Climate Change, Responsible Investment and Stewardship underpinning our mutual commitment to investing for a world worth living in.

We believe in making long-term **sustainable investments** supported by robust and transparent processes

We are here to **protect the interests** of our clients and their beneficiaries

In **collaboration with all our stakeholders** we are forging better futures by investing for a world worth living in



Investing for a world worth living in

We aim to deliver stronger investment returns over the long term, protecting our clients' interests through contributing to a more sustainable and resilient financial system, which supports sustainable economic growth and a thriving society.

Our partnership commitments on climate change and Responsible Investment (RI), with our shared values, aim to help our clients provide not only for their members' retirement, but for the world they will retire into.

A global pandemic, the war in Ukraine and the consequential impacts on the supplies of energy, food, and other raw materials, as well as to the cost-of living more broadly, has illustrated the interdependencies of the world we live and invest in. These systemic risks have associated financially material impacts.

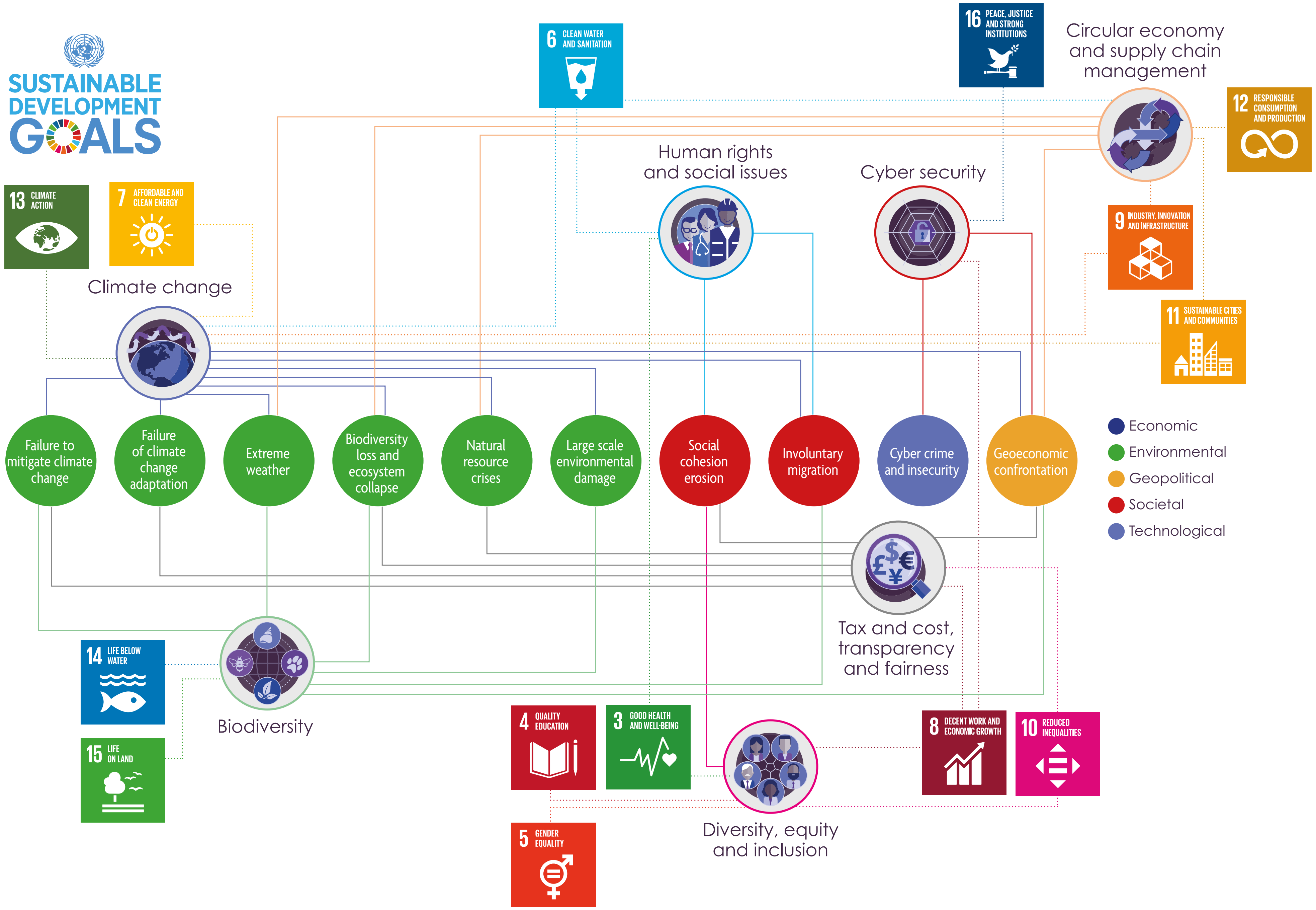
Brunel believes being aware of these impacts, risks and interdependencies, and where possible responding to them, is a core component of fulfilling our fiduciary duty to our clients and their beneficiaries.

This report is a summary of the full 2023 Responsible Investment and Stewardship Outcomes report. Additional detail on points covered can be found in the full report, on our website or in our Climate Change Policy 2023 (which delves into our most systemic risks).

Our illustration shows that Brunel's RI and stewardship priorities reflect major systemic risks (source WEF) and sustainability challenges (source SDGs).

Linking Long-Term Global Risks and Sustainability Goals to Brunel's RI Priorities

Over the next 10 years



1 NO POVERTY 2 ZERO HUNGER

Brunel's RI priorities indirectly support SDG 1& 2 but it was felt inappropriate to imply a direct link.

17 PARTNERSHIPS FOR THE GOALS

Working in partnership is intrinsic to how Brunel operates across the industry. We also support national and international governments in addressing systemic risks.

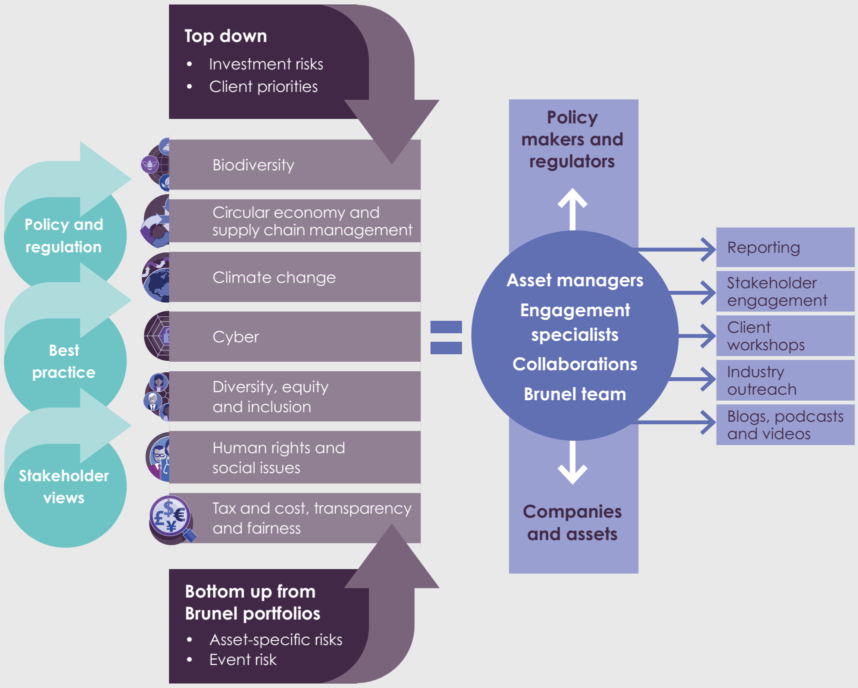
WORLD ECONOMIC FORUM

Our RI priorities

2022 has given us an additional opportunity to focus on our client priorities – our Climate Stocktake included depth interviews with our clients, to ratify that we are aligning our approach with their goals.

Our regular governance forum and partnership approach to working ensure that this is an ongoing dialogue, but getting the additional check is always welcome.

Brunel RI and Stewardship Priorities



Walking the Talk

Our responsible investment policy commits Brunel to integrate RI into everything we do, including our own operations.

Key areas of progress in 2022

- A new People strategy further enhancing our approach to diversity and inclusion, for example providing the option annually to opt out of mandatory bank holidays for the coming leave year and adding up to 8 days annual leave
- LGBT Great accredited* with our CEO, Laura Chappell, as Champion
- Increased take up of our Electric Vehicle and Cycle to Work scheme
- School outreach promoting the finance industry as opportunity for all, promoting diversity in our industry
- Becoming Cyber Essentials Plus certified. This is the highest level of certification offered under the government-backed, industry-supported scheme. We recognise the scheme's rubric as a minimum standard which we aim to exceed across our operations in line with best practices
- Work on establishing our operational carbon footprint progressed, to identify a clear baseline and actions for improving our own climate impacts

Diversity and Inclusion at Brunel

Within our own business we aim to promote diversity and inclusion at the highest level. The top positions on our Board, Chair and CEO, are both held by women: Denise Le Gal and Laura Chappell. Brunel has fewer than 250 employees and is not required to disclose its gender pay gap however, Brunel is committed to be an attractive and transparent employer and therefore voluntarily discloses its gender pay gap data (which can be found in our Annual Report and Financial Statement).

* LGBT Great provides members with business-to-business networking to improve LGBTQ+ DE&I through the Inclusion Index Benchmarking Tool (iiBT).

Cyber

When we appoint managers, we integrate cyber security issues into the selection process. It, therefore, forms a part of the rigorous due diligence undertaken to assess how the manager is handling cyber security, both initially and on an ongoing basis. Any concerns are discussed with the manager and, where needed, conditions may be set around cyber security prior to entering any agreement. In such cases, managers are monitored more frequently.

Responsible Stewardship

We are committed to responsible stewardship and believe that through responsible, active ownership we can contribute to the care, and long-term success, of all the assets within our remit.

Resourcing corporate engagement

Our approach is to leverage an outsourced model to maximise impact. **Our first line of asset-level engagement and stewardship** is via our appointed asset managers. Our inclusion of asset manager case studies as well as those documenting our selection processes aim to provide evidence of this in practice.

Our second line is a specialist engagement provider, who provides additional engagement resource and executes our voting intentions across our non-pooled listed active fund assets. **Finally, our third line is the internal team**, working directly, but often collaboratively, Brunel will undertake direct engagement with businesses.

Integrating Responsible Investment into manager selection is a core part of our work. The examples below show some of the key issues we address when we appoint managers

Philosophy	Policies	People
Board-level leadership	Commitment	Diversity and Inclusion
Corporate culture	Policy framework	Human Capital
Investment	Pricing and transparency	Numbers and retention

Processes	Participation	Partnership
Investment	Thought-leadership	In it together
Reporting	Innovation	Culture fit
Stewardship	Contribution to investment industry	

More information about the selection and monitoring of managers is on our **website**

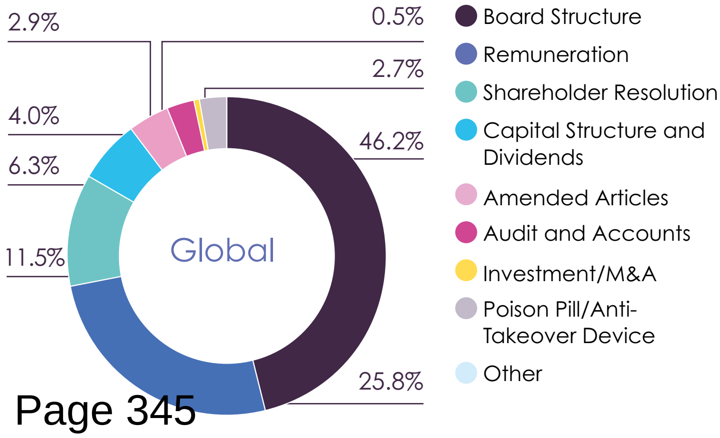
Voting during 2022

In 2022, **1,416** company meetings were voted at, representing **99%** of the voteable meetings. Across passive portfolios, **99%** of meetings were voted at, and across private markets and listed alternatives, **100%** were voted at. This represents an excellent level of voting execution. Unvoted meetings were due to share blocking, Power of Attorney (POA)'s or operational barriers.

'Against' recommendations were made for 813 meetings (60.7%) and with-management-by-exception recommendations for 4 meetings (4.3%); board governance and remuneration remained the areas of highest dissent. The highest level of support for Shareholder proposals were the areas of corporate governance, and social and human rights.

Our voting records are available on our website: Voting Records

We recommended voting against or abstaining on **2,729** resolutions over the last year



Measuring Progress

To ensure meaningful impact and to be able to measure and report effectively, EOS engagement is guided by a client-driven engagement plan. Brunel is in regular contact with EOS and provides input into this plan, together with our clients, who join quarterly update and feedback calls.

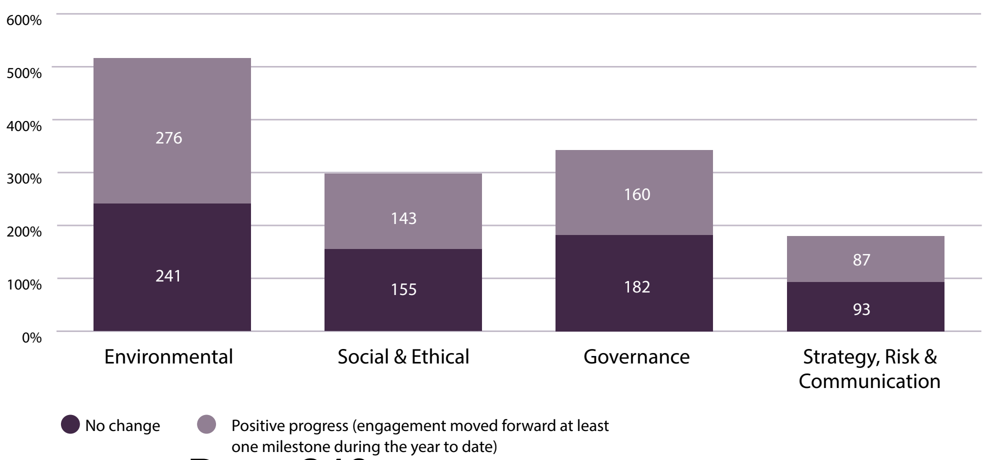
To measure progress and the achievement of engagement objectives, a four-stage milestone system is used by EOS. When an objective is set at the start of an engagement, recognisable milestones that need to be achieved are also identified. Progress against these objectives is assessed regularly and evaluated against the original engagement proposal.

1,256

Milestones EOS engaged with 899 companies on Brunel's behalf

Engagement Progress

Engagement during 2022 made significant progress. EOS undertake engagement over three-year cycles. During 2022, EOS engaged with **899** Brunel-held companies on 1,256 milestones. At least one milestone was moved forward for about **54%** of objectives during the year.



Engagement covers active equity portfolios, please note this does not include engagement undertaken directly by Brunel or its managers.

Private Debt – the final frontier of Stewardship

Private debt funds, alongside hedge and absolute return funds, are generally ranked quite low when it comes to ESG integration, climate, and stewardship*, but at Brunel we like a challenge. We have committed to be a responsible steward across all our asset classes, and whilst being pragmatic, we are also robust and have been clear that we are willing to walk away if we feel the commitment to improve is not evident.

Private debt has been an on-going area of stewardship engagement and one of which we have been pleasantly surprised at the pace of progress. We are currently embarking on our cycle 3 private debt programme which is very much regarded as a continuation of the ambitious work undertaken for cycle 2, but with a notable emphasis on measurement of carbon/ greenhouse emissions (within a broader long-term goal of reducing such in line with Net Zero) for investee companies. It has become increasingly possible to request that General Partners (GP) have (or have clear roadmaps for) the detailed mapping of emissions/carbon intensity data in line with industry best practices (specifically scopes 1-2 and upstream/ downstream measurement for scope 3).

Generally speaking European managers have been more advanced in their efforts to date, and Brunel has been able to make investments with GPs who have extensive mapping efforts underway (even if using a majority of proxy data at this stage). We have also been able to engage them to set ambitious targets around factors such as: (i) efforts to increase the share of portfolio level emissions sourced from actual companies; (ii) establishing a medium term target to move portfolios towards net zero; and (iii) the onboarding of external consultants and data providers to aid in (i) and (ii). A particular success story has been our collaboration with a prominent European GP to help steer the formation of their climate policy and their onboarding of what Brunel regards as leading data providers and initiatives.

Within the US, a region typically further behind on the climate journey, we have been engaging with GPs to help move best-practice RI-integrators towards onboarding the necessary infrastructure to utilise proxy data to measure portfolio level emissions.

* Mercer ESG ratings

"Long-term value is most reliably generated by companies led with a clear sense of purpose that guides their strategy and informs their values" **Brunel letter, 2022**

Policy Advocacy and Systemic Stewardship

In September 2022 Brunel, in collaboration with other investors, wrote to the Prime Minister and subsequently Chancellor/s and Ministers of State in relation to UK Net-zero commitment, addressing the pressures relating to energy security and pressing for renewed commitment to net-zero and a clear delivery plan.

We coordinated a letter cosigned by asset owners, collectively representing £675bn of assets, to Financial Times. The letter sought to voice the views of the significant shareholders of these companies and support the actions taken to think through their purpose and manage environmental, social and governance risks that might impede delivering it.

Case study: Significant Vote Real Living Wage

Engagement Background

Brunel is a member of The Good Work Coalition, a collaborative engagement initiative led by ShareAction, engaging collectively to drive up UK standards in the workplace. Since 2020 the coalition has been sending letters and meeting with companies to discuss the real living wage, the main focus has been supermarkets but has also included other sectors.

Nearly 10,000 employers are accredited with the living wage foundation, nearly half of whom have signed up since March 2020. Over half of the FTSE 100 are accredited.

Why do we support a real living wage?

During Covid we witnessed the great resignation, companies have experienced challenges in filling job posts since; better wages support retention, improve productivity of staff and reduce hiring and training costs. The number of accredited businesses continues to rise, creating increased hiring challenges for companies who pay below the living wage.

Workers in the supermarket sector are one of the largest groups of low paid workers, this contributes towards inequalities, women and ethnic minorities make up larger proportions of this group, 49% of female workers and 44% of ethnic minority workers earn less than the real living wage compared to 35 per cent of men and 41 per cent of white workers.[16] An improvement in the real living wage would contribute towards reducing the pensions pay gap, ethnicity and gender pay gaps. Reducing inequality equips people to focus on the long term increasing public support for initiatives essential to tackling climate change.

Payment below the real living wage is an unaccounted for cost to business and externalised cost to society. Financial stress can impact an individual's physical and mental health, adults living in households in the lowest 20% income bracket in Great Britain are two to three times more likely to develop mental health problems than those in the highest[17] and those individuals typically have access to higher costs of borrowing which perpetuates the situation and further drives inequality.

Escalation Process

Despite improvements in other sectors, no companies within the supermarket sector are accredited, and ongoing engagement was not resulting in progress. The coalition discussed escalation options and decided to proceed with filing a shareholder resolution seeking for Sainsbury's to accredit as a living wage employer by July 2023.

This resolution was ground breaking, the first of its kind in the UK. We brought the resolution to the client responsible investment subgroup for discussion, providing a background on engagement to date and escalation options explored. One question raised was why we were only filing at one supermarket, this was something the coalition had discussed: the shareholder resolution was going to be filed by meeting the 100+ shareholders requirement, as such it takes a lot of time and resource to file, it would not have been possible to cover multiple supermarkets at the same time. Sainsbury's is the second largest U.K. grocery chain with 16.5 per cent of the market share. It operates over 600 supermarkets, 800 convenience stores and at the time directly employed 189,000 workers. Across the coalition the highest holdings were in Sainsburys, and it was felt that given Sainsbury's policies and approach there was a higher chance of success. The resolution was also discussed with the Chief Investment Officer, ultimately clients were supportive, and Brunel proceeded with co-filing the resolution.

Response to the resolution by investors

There was a mixture of investor views on this resolution, a few investors predeclared they would not be supporting the resolution, sighting the filing at only Sainsburys as one of the reasons for this decision. This was to be expected, the resolution tackles a social issue where quantifying the financial materiality can be more challenging. Views differ on the best approach and the changing environment, rising inflation and cost of living, which led some to consider the more near-term impact of the resolution. The resolution itself was filed by investors representing £2.2 trillion in assets, including LGIM. We saw a number of new investors who predeclared that they would support the resolution, Aviva, Coutts and Co, GSI and the Coal Pensions Board.

Impact of the resolution

Following the filing of the living wage shareholder resolution at Sainsburys, Brunel has been involved in ongoing engagement meetings with the supermarket. This led to Sainsbury's announcing an additional pay rise for their London staff in April, resulting in all directly employed staff earning the real living wage, an estimated 19,000 workers benefited as a result. Engagement continued to seek accreditation and coverage of third party contractors, however Sainsburys were not supportive and so the resolution went to the AGM.

Resolution outcome

The resolution was taken to Sainsbury's AGM on the 7th of June where the living wage shareholder resolution received the support of 16.7% of investors, a further 2.6% abstained. This was the first ever resolution of its kind filed in the UK, the level of support for this first of its kind resolution is positive.

Were the goals met?

The resolution did not receive enough support to pass or require a public response from the company and Sainsbury's did not decide to accredit to the real living wage foundation. Whilst this is disappointing, ground breaking resolutions of this kind rarely pass first time, we did secure pay rises for thousands of workers and it did bring the issue to the forefront and drove discussion in the industry.

Next steps?

One challenge posed by the supermarket industry is the split of private and public ownership, expanding the filing of resolutions would mean a number of supermarkets would not be covered by this approach. The coalition will continue to engage with the industry and investors on the real living wage and explore the best next steps.

Biodiversity

We seek to promote action to limit the loss of biodiversity and increase rejuvenation to deliver a net-positive impact on biodiversity in the investment opportunities we make.

Kunming-Montreal Global Biodiversity Framework (GBF) GBF places clear commitments on financial institutions (as well as large companies) **"to monitor, assess, and transparently disclose their risks, dependencies and impacts on biodiversity through their operations, supply and value chains and portfolios."** We are delighted that the agreement strongly reinforces the biodiversity strategy set out by Brunel last year and is available on our website.

Brunel's work on biodiversity in 2022 was focused on outreach to our managers and engagement specialists. This enabled us to highlight the growing importance of the issue, set out our expectations going forward and identify emerging best practices.

Escalating Biodiversity Engagement

Brunel updated its priorities and separated Biodiversity out rather than including it within supply chain management and communicated this priority to our asset managers and appointed engagement and voting provider, EOS at Federated Hermes (EOS).

How is EOS addressing biodiversity through engagement?

EOA are targeting 15 companies from the food and beverage sector around the globe. EOS sent a letter to each company identified outlining the risks of not addressing biodiversity loss. they are integrating more biodiversity discussions for these sectors to progress cross industry action on biodiversity. Material issues for engagement include regenerative agriculture, deforestation, sustainable proteins, water use, animal welfare, antimicrobial resistance, chemicals and pollution, and ocean health. The key topic for EOS is deforestation, as it has the most related metrics and certification schemes across the industry.

Deforestation

Deforestation was an increased area of focus for EOS in engagements and voting for 2022. EOS began engaging on palm oil financing with Singapore's largest bank DBS in January 2019.

The bank confirmed that its new borrowers were asked to demonstrate alignment with No Deforestation, No Peat and No Exploitation (NDPE) or an equivalent. Engagement continued with the bank being urged to ask its existing borrowers to obtain RSPO certification in September 2020. In March 2021, DBS had raised its ESG standards for the palm oil sector, encouraging its customers to apply an NDPE policy throughout the supply chain.

The bank pledges not to knowingly finance companies that are involved in the conversion of high carbon stock forests, planting on peat, or planting without securing both the legal right and community support to use all the land involved. DBS has adopted a zero-tolerance approach to forest burning.

Deforestation is a key priority of our appointed Passive Equities manager LGIM. In 2022 they continued their deforestation engagement campaign with portfolio companies. In September they published their Deforestation Policy, and communicated that they will be sanctioning companies for not meeting their minimum expectations of having a deforestation policy or programme from 2023 onwards.

Examples

Nature Risk Profile

S&P Global (S&P), Brunel's provider of climate analytics, was a logical partner to explore tackling portfolio analysis in relation to nature risk. We are now partnering with S&P Global Environment in a pilot exercise to profile nature related risks within our active portfolios.

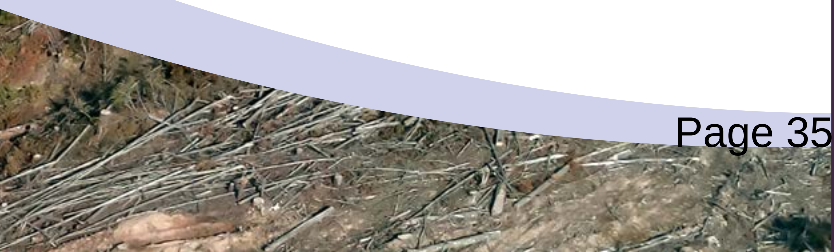
Capacity building in our asset managers

Ballie Gifford is one of our asset managers who has also been tackling the isue and exploring how to analyse and integrate biodiversity related risks into their investment analysis. Building nature risk capability is one of the key asks of our asset managers from our strategy. Baillie Gifford are integrating their screening tool into their firmwide Climate Audit tool to ensure analysts are able to easily identify which holdings are potentially exposed to biodiversity impacts or dependencies (particularly deforestation) and which may therefore require further analysis and potentially engagement.

Next steps

EOS and Brunel will continue to prioritise this topic through:

- Supporting developing industry thought Leadership
- take part in collaborative engagement with policymakers, companies and businesses
- Continuing to raise awareness
- Continuing to engage companies and our fund managers around the importance of managing plastics pollution risks and opportunities
- Using nature risk profile to assess exposure to nature-related risk



Diversity, Equity and Inclusion

We seek to promote fair, diverse, and inclusive business environments and practices across the companies in which we invest, as well as across our own operations.

Diversity formed 20% of EOS's engagement on social issues during 2022. They have continued to focus on diversity, equity, inclusion and representation, asking companies to develop a strategy and action plan to close the ethnic pay gap and achieve proportionate ethnic and gender representation at all levels.

We imbed these into our engagement with companies:

- An increased voluntary target for FTSE 350 Boards, and for FTSE 350 Leadership teams to a minimum of 40% women, by the end of 2025
- FTSE 350 companies to have at least one woman in the Chair or Senior Independent Director role on the Board, and/or one woman in the Chief Executive or Finance Director role in the company, by the end of 2025
- Key stakeholders to set best practice guidance or have mechanisms in place to encourage FTSE 350 Boards that have not achieved the prior 33% target to do so
- Each FTSE 350 company will be asked to set a percentage target for senior management positions that will be occupied by ethnic minority executives in December 2027
- 50 of the UK's largest private companies have been set the target of having at least one ethnic minority director on the main board by December 2027. Each company will also be asked to set a target for the percentage of ethnic minority executives within its senior management team

FTSE 350 Women on Boards meets 40% target three years ahead of the deadline

AODC: A Year in Review

- The signatory base grew from 17 to 24, representing £1.7trn AUM and the first multi manager was onboarded as a signatory.
- Using our questionnaire we were able to understand a baseline and look at best practise guidelines – a full report will be published soon

Next steps

- We aim to stay above our current targets, but seek improvement on the percentage of female representation on Boards for each of our active investment portfolios
- Engaging with companies on ethnic diversity
- Encourage improvements in the amount of data available around diversity and inclusion
- Maintain and publish our own diversity statistics and gender pay
- The Asset Owner Diversity Working Group, with the aim of improving transparency and diversity in the investment industry, will review the charter questionnaire, continue to grow the signatory base and report on progress

Human rights and social issues

We seek to invest in companies that respect all human rights, international norms and promote strong labour standards.

Our Approach

Our work across human rights and social issues continues to build on the momentum over the past years that has elevated the 'S' of ESG.

- expect our fund managers to understand and support the struggle against violations of human rights.
- insist that companies comply with all legal requirements and the duty to respect all internationally recognised human rights, including the obligations of the Modern Slavery Act in the UK and the United Nations Guiding Principles on Business Human Rights (UNGPs).
- encourage companies to adopt and to increase use of appropriate technology to improve transparency on end-to-end supply chains. We engage with companies on their approach to human capital management.

Case Study: Infrastructure – Nobina Project "Rise"

In our Cycle 2- General Infrastructure portfolio, we are co-investors alongside Basalt in Nobina, a bus transport and special needs transportation provider in the Nordics. Nobina has a fleet of ~3,700 buses and transports ~317 million passengers per year.

Bus transportation produces less GHG than the equivalent car journeys, in tandem the vehicle fleet is 78% powered by renewable fuel. By 2030, Nobina is targeting 100% renewable fuel and 80% less CO2 emissions per km driven against its 2015 baseline, with further energy efficiency measures in depots and bus heating. Nobina played an important role during the COVID pandemic through providing special needs transportation for the elderly and sick.

Significant Vote – Concealment Clauses

At Apple's AGM across all listed market portfolios, passive and active, we voted in support of a shareholder resolution requesting a report on concealment clauses. More information on the impact that the company's standard arbitration provision has on Apple's employees may bring information to light that could result in improved recruitment, development and retention and could help the company prepare for pending federal legislation on the matter. The resolution received 50% support. In November 2022 Apple announced that it is ending the use of concealment clauses from employee contracts for all employees.

Climate Change

Using our strengths and our position in the market to systematically change the investment industry so that it is fit for purpose for a world where the temperature rise needs to be kept to well below 2°C, pursuing efforts to limit warming to no more than 1.5°C, above pre-industrial levels.

Overall Strategy Target

We commit to be Net Zero on financed emissions by 2050, with the goal of limiting global temperature rise to 1.5°C, and Net Zero on our own operations (scope 1 and 2) by 2030.

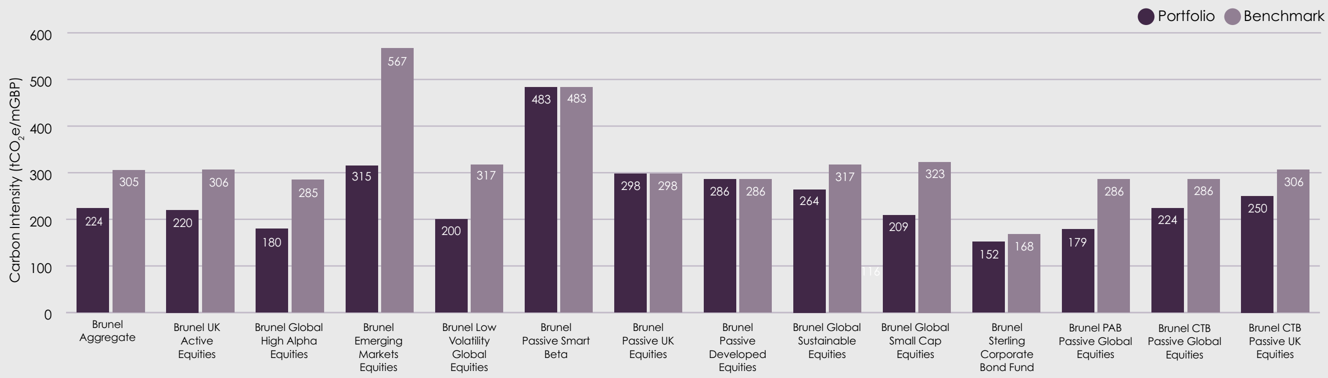
This commitment is made through the Paris Aligned Asset Owners, part of the Paris Aligned Investment Initiative (PAII).

Our new Climate Change Policy 2023-30 was launched. It extends that five-point plan to 2030, as we pursue our aim to change the broader financial system.

Developed in collaboration with our clients and key stakeholders. In each area we have set targets which are consistent with the Net-Zero Investment Framework. **They also reflect the Brunel and client priority to have real world impact and reduce real risk, not to just superficially make our portfolios look better.**

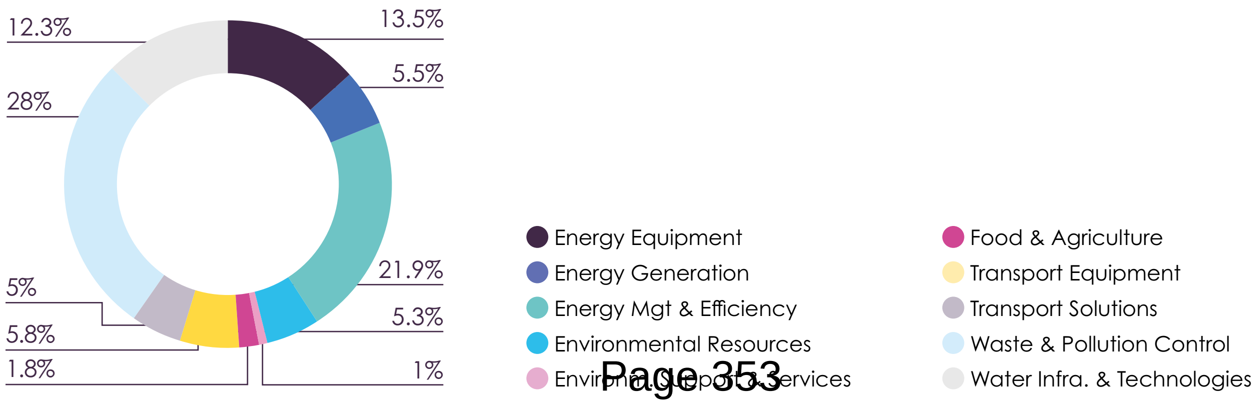
Compared to its benchmark, the aggregate portfolio is 27% less carbon intensive on a Weighted Average Carbon Intensity (WACI) basis and 35% less than the baseline set in 2019.

Carbon Intensity of Brunel's portfolios compared to the Benchmark of December 2022



Measuring positive Impact – FTSE Green Revenues data set

Example portfolio - Brunel Global Sustainable Equities December 2022



Carbon intensity

Weighted Carbon Intensity of Brunel's portfolios compared to 2019 baseline

Portfolio	Reduction %	2022 Portfolio	2019 Baseline
Brunel Aggregate	34.68%	224	343
Active Portfolios			
Brunel UK Active Equities	21.91%	220	282
Brunel Global High Alpha Equities	40.22%	180	301
Brunel Emerging Markets Equities	44.70%	315	570
Brunel Low Volatility Global Equities	40.16%	200	334
Brunel Global Sustainable Equities	20.89%	264	334
Brunel Global Small Cap Equities *	32.25%	209	309
Brunel Sterling Corporate Bonds**	17.52%	152	184
Passive Portfolios			
Brunel Passive Smart Beta	12.81%	483	554
Brunel Passive UK Equities	-5.80%	298	281
Brunel CTB Passive UK Equities	10.96%	250	281
Brunel Passive Developed Equities	5.65%	286	303
Brunel PAB Passive Global Equities	41.08%	179	303
Brunel CTB Passive Global Equities	26.13%	224	303

* Trucost updated methodology in 2020 means we have taken December 2020 as a baseline for the Brunel Global Small Cap Equities

** This Portfolio has a baseline of 31 December 2021

Key highlights of work for 2022

- Extensive outreach promoting our climate public policy positions and promoting the Paris Aligned initiative's Net Zero Investment Framework at UN Climate Conference - COP27
- Supporting well-functioning markets by working collaboratively through Glasgow Financial Alliance for Net Zero (GFANZ) and with the UK Government development of a Green Taxonomy and Transition Plans
- Supporting the development of the International Sustainability Standards Board (ISSB) and specifically the exposure drafts for sustainability report and climate reporting. Brunel's CRIO is a member of the Investor Advisory Group for the ISSB

Climate Action 100+

Brunel Pension Partnership is a signatory to Climate Action 100+, a global initiative led by 700+ investors, whose aim is to ensure that the world's largest listed corporate emitters take action on climate change.

Brunel CA100+ key statistics 2023

The current CA100+ Universe is 159 companies, as at the 31 December Brunel had exposure to 130. Numbers represent the percentage number of companies fulfilling the indicators below;

	Brunel cohort	CA100+
Net Zero commitment	82%	75%
Board level oversight	95%	92%
Committed to the basic aspects of TCFD framework	97%	91%

The TPI Tool

The Transition Pathway Initiative (TPI) is a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy. The TPI tool uses publicly available company information to assess:

Management quality

The quality of companies' management of their greenhouse gas emissions and of risks and opportunities related to the low-carbon transition.

Carbon performance

How companies' carbon performance now and in the future might compare to the international targets and national pledges made as part of the Paris Agreement.

Companies' management quality is assessed annually across 17 indicators.

Companies are placed on one of five levels:

Level 0 - Unaware of, or not acknowledging climate change as a business issue

Level 1 – Acknowledging climate change as a business issue

Level 2 – Building capacity

Level 3 – Integrated into operational decision-making

Level 4 – Strategic assessment

For more information see www.transitionpathwayinitiative.org

Engaging with companies on climate action

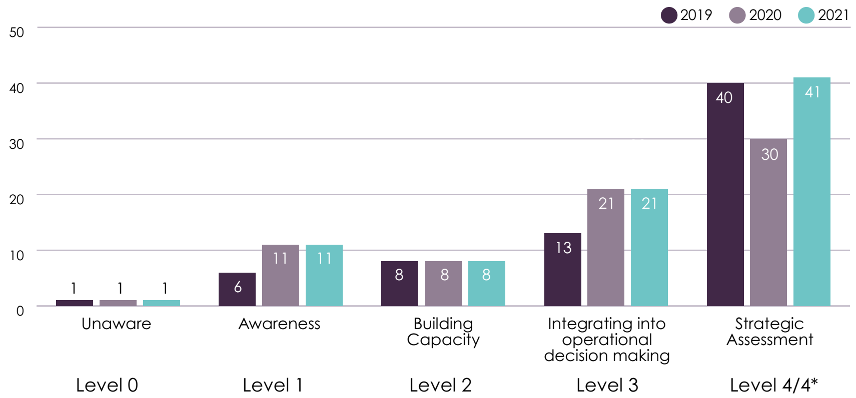
Transition Pathway initiative

We aimed to have all our material holdings on TPI level 4 or above by 2022. We used the TPI management quality scores to assess the transparency of companies' management of their greenhouse gas emissions and of risks and opportunities related to the low carbon transition.

As of December 2022, within Brunel's active equity portfolios there were 101 companies covered by the TPI tool. Of these, 55 holdings (63% by investment value) are categorised as Level 4 or above.

We also aim to move companies forward, evidence by moving up a level. In 2022, 9 names within our active equity portfolios moved up a TPI level.

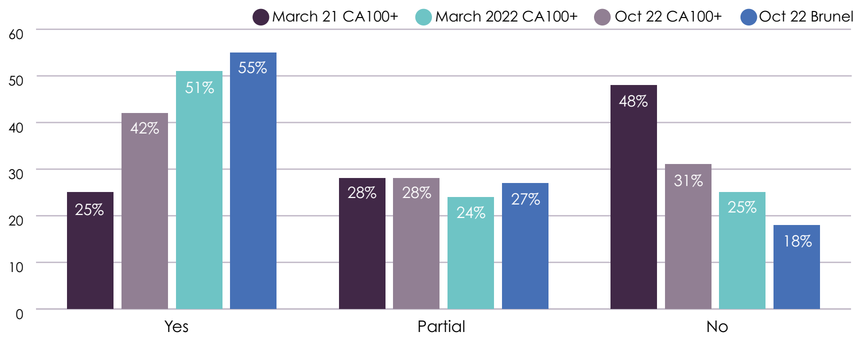
TPI Management Quality Brunel Active Equity Count



Progress across CA100+ focus companies on net zero target setting.

By October 2022, 75% of focus companies have set a net zero emissions for 2050 (or sooner) by ambition that covers, at least, their Scope 1 and 2 GHG emissions, an increase of 42%, significant improvement from March 2021.

Indicator 1 - Net Zero GHG by 2050 (or sooner) ambition



Climate Stocktake

Our climate stocktake

Designed to assess of the effectiveness of actions within our 2020 policy, the review undertaken by Chronos Sustainability, stated that;

- Significant progress had been made both relative to its starting point in 2020 and to the ambitious targets set at that time
- Brunel are ahead of target to reach the Net Zero halfway point by 2030, thanks to outdoing its 7% annual carbon exposure reduction target
- Brunel has undertaken considerable engagement with all of its investment managers on climate change and has developed market-leading investment products (the Paris Aligned Benchmark harnesses indices for climate investing and the Multi-Asset Credit portfolio drives forward RI in more esoteric bond asset classes)
- Brunel facilitated significant investments in green assets via its infrastructure and secured income portfolios
- Brunel has also established firm foundations – in terms of, internal accountability and governance processes, building manager competence, strengthening data and performance measurement – that will underpin its work in the coming years.

Engagement was essential to the process and consisted of 20 interviews across 15 organisations, and were complemented by two deep dive workshops with clients. The engagement highlighted strong support amend Member Funds for our approach to climate change. Overall, stakeholders felt that Brunel met or exceeded their expectations on climate change across each of the five elements of the Climate Policy, but expectations had also increased over the last three years and clear areas for improvement were identified.

As part of the stocktake Brunel specifically undertook to review the effectiveness of its policy advocacy and identify areas for further escalation. The review is publicly available along with other examples and evidence of action against the Policy Advocacy Pillar of our policy.

Case Study: Orchard Street partners

We committed just under £90m with Orchard Street in their inaugural impact fund at first close. Brunel acts as the Fund's cornerstone investor on behalf of eight of our ten underlying local authority partner funds. The fund sits within our UK Property portfolio.

The fund will target value-add real estate investment opportunities with the potential to generate a measurable social and environmental impact. Specifically, it will focus on the three impact areas from decarbonising existing buildings via an accelerated programme of refurbishment, investing in local communities, using a proprietary place-based needs model to identify and respond to local social issues. It will also focus on making buildings healthier for those that live and work in them, for example through improving air quality, access to green space and wellness amenities.

Orchard Street has also taken a market leading approach by linking 30% of its performance fees to the achievement of the Fund's specific impact objectives, thereby aligning itself directly. Not only to financial outcomes, but also to important environmental and social goals.

Next steps

- Publish more details on our activities in our Climate Action Plan Progress Report (later in 2023)
- Development of metrics and targets for private market portfolios, including sustainable exposure
- Enhance the reporting of physical climate risk, climate engagement and real-world outcomes

Tax and Cost, Transparency and Fairness

We seek to promote fair and transparent tax and cost systems as a way for corporations to contribute to the economies in which they operate and asset managers to demonstrate value for money.

We believe openness on investment costs and tax is key to building understanding and trust.

We expect companies to:

- Comply with all tax laws and regulations in all countries of operation
- Recognise the importance of taxation to the funding of good public services on which they and their stakeholders rely and commit to paying their fair contribution
- Ensure that their tax policies and practices do not damage their social licence to operate in all jurisdictions where they operate
- Disclose the taxes they pay (or collect) in each country
- Provide country-by-country reporting to demonstrate that taxes are paid where economic value is generated
- Adopt an approach to tax policy that is sustainable and transparent

We expect asset managers to:

- Comply with LGPS/FCA Cost Transparency Initiative (CTI) for listed market managers
- Support our cost transparency objectives in all asset classes

Key highlights of work for 2022

- Brunel participated in the PRI Tax Reference Group in 2022/23
- EOS will engage on four critical areas: tax policy, governance, stakeholder engagement and transparency.
- Brunel is a signatory of the LGPS Code of Transparency and requires all qualifying managers to be signatories.
- Brunel is supportive of aligning asset manager or fund incentives with broader sustainability outcomes where appropriate. For funds which are explicitly targeting impact, particularly in private markets we support the idea of linking 'carry' which forms part of the fee/ incentive structure for the fund with the outcomes being delivered.

Next steps , continue to

- Continue to support PRI establishment of new asset owner leadership group on Tax and outreach and continue to promote transparency and fairness with investors and companies
- Continue to enhance our disclosures and analysis in relation to cost transparency and fairness

Cyber

We seek to promote corporate awareness and action on cyber security, the responsible use of personal data and use of AI to both protect commercial risks and reputational damage.

We consider 'cyber' to refer to an array of issues covering data privacy, data security and 'big data', including artificial intelligence (AI) and the associated human rights issues.

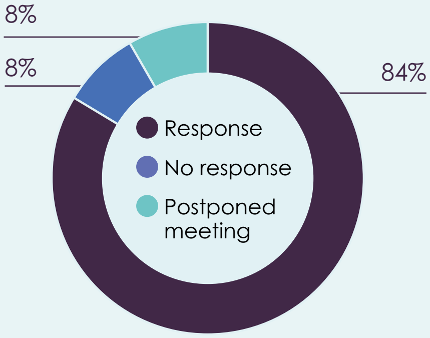
Given the significant financial consequences of poor cybersecurity, the growing threat it presents, and the increase in related regulations worldwide, we believe it is imperative that companies are fully aware and take appropriate action, in particular prioritising partnerships with other organisations.

Cybersecurity Coalition

In 2020, Royal London Asset Management (RLAM) convened the Cybersecurity Coalition, with representatives from Brunel, Border to Coast, NEST, RMPI Railpen and USS. We have found phase 1 and 2 engagements useful to monitor risk given the confidentiality of policies and lack of public disclosure in this area.

In 2022, phase 3 of the engagement programme was launched and twelve companies that may be at higher risk to cyber attacks were identified for engagement. Of the 12 companies we contacted, only one was unresponsive and one requested we delayed our meeting as they were conducting an internal review on ESG disclosures.

Phase 3 Engagement Progress



Example – Privacy rights

EOS wrote letters to some of the largest tech companies around the globe including Alibaba, Alphabet, Amazon, Apple, Baidu, Kakao, Meta, Microsoft, Tencent, and Twitter, introducing the Digital Rights Principles. EOS made several requests including that companies obtain consent from users for the collection, inference, sharing, and retention of their data, and enhance their disclosure on enforcement of policies and protections

Next steps , continue to

- Participate in the Cybersecurity Coalition to phase 4
- Engage with our asset managers on cyber issues; both how they approach integration into investment selection and manage the risks within their operations
- Engage with companies on privacy rights to ensure that user data is being used appropriately and with consent

Circular Economy and Supply Chain Management

We seek to focus on specific companies and sectors where the effective management of suppliers is a principal business risk. The complex and extensive nature of supply chains in a globalised world presents many sustainability and socioeconomic risks.

Voting

We used all of our listed equities to support a shareholder resolution asking for a report on the public health costs of antimicrobial resistance at Abbott Laboratories. The proposed study will contribute to inform shareholders and other stakeholders on how the actions that Abbott Laboratories take, or do not take, may contribute to slowing the growth of anti-microbial resistance (AMR).

Other investors shared the same sentiment and | the proposal received 89% shareholder support. We will be looking to see how the company responded to this proposal. voting in the run up to the next AGM.

Next steps

- Participate in the Mining 2030 steering committee, contributing to the development of a mining 2030 investor agenda
- Continue to raise awareness across the wider investment industry around the importance of the circular economy

Case Study: Washing Machine – Reducing Plastic Waste

Brunel and 26 international investors, joined a collaborative engagement led by First Sentier Investment, with support from the Marine Conservation Society. Engaging with 18 of the largest manufacturers of washing machines to understand what they're doing about microplastics through washing machine use and to champion technological advances to tackle this issue. Samsung, one of our target companies, announced a collaboration with Patagonia to develop a new machine with a microfibre filter.

Getting in touch with the team

If you have any questions or comments about this report please email Faith Ward, Chief Responsible Investment Officer at RI.Brunel@brunelpp.org.

Please visit our website to read our latest reports, news and insights and other materials to keep you up to date.

For general fund manager enquiries, meeting requests and other materials (updates, newsletters, brochures and so on), please contact us on investments.brunel@brunelpp.org.

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