



To: Members of the Local Pension Board

***Notice of a Meeting of the Local Pension Board***

**Friday, 26 October 2018 at 10.30 am**

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

A handwritten signature in blue ink, appearing to read 'Yvonne Rees'.

Yvonne Rees  
Chief Executive

October 2018

Committee Officer: **Julie Dean**  
Tel: 07393 001089; Email: [julie.dean@oxfordshire.gov.uk](mailto:julie.dean@oxfordshire.gov.uk)

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**Membership**

Chairman – Mark Spilsbury

**Scheme Members:**

Alistair Bastin	Stephen Davis	Sarah Pritchard
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**Employer Members:**

Councillor Bob Johnston	David Locke FCA	District Councillor Sandy Lovatt
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**Notes:**

- ***Date of next meeting: 18 January 2019***

## Declarations of Interest

### The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

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

### Whose Interests must be included?

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

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

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

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

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

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

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

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

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

### List of Disclosable Pecuniary Interests:

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

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members’ conduct guidelines.

<http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/> or contact Glenn Watson on **07776 997946** or [glenn.watson@oxfordshire.gov.uk](mailto:glenn.watson@oxfordshire.gov.uk) for a hard copy of the document.

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

# AGENDA

1. **Welcome by Chairman**
2. **Apologies for Absence**
3. **Declarations of Interest - see guidance note opposite**
4. **Minutes (Pages 1 - 8)**

To approve the minutes of the meeting held on 13 July 2018 (**LPB4**) and to receive information arising from them.

5. **Petitions and Public Address**
6. **Exempt Items**

The Board is **RECOMMENDED** to exclude the public for the duration of Items 7 and 8 since it is likely that if they were present during these items there would be disclosure of exempt information as defined in Part 1 of Schedule 12 A to the Local Government Act 1972 (as amended) and specified in relation to the respective item in the Agenda and since it is considered that, in all circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

7. **Exempt Minute - 13 July 2018 (Pages 9 - 10)**

To approve the exempt Minute of the meeting held on 13 July 2018 as a correct record (**LPB7**).

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

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, in that such disclosure would distort the proper process of free negotiations with another party.*

## **READMISSION OF PRESS AND PUBLIC**

8. **Employer Management (Pages 11 - 16)**

The report (**LPB8**) is the latest in the series of reports to the Pension Fund Committee

and this Board on the Fund's approach to employer management. It includes the latest position in terms of the performance against the targets agreed with the Pension Regulator in the Improvement Notice, and the subsequent discussions and action plans.

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

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would distort the proper process of free negotiations with another party.*

***The Board is invited to note the latest position on employer management and to offer any further comments to the Pension Fund Committee.***

## **READMISSION OF PRESS AND PUBLIC**

### **9. Review of the Annual Business Plan (Pages 17 - 20)**

The Board is invited to review the latest position against the Annual Business Plan for 2018/19 as considered by the Pension Fund Committee at their meeting on 14 September 2018, and to offer any views back to the Committee (**LPB9**).

### **10. Risk Register (Pages 21 - 28)**

This is the latest risk register as presented to the Pension Fund Committee on 14 September 2018. The Board is invited to review the report (**LPB10**) and offer any further views back to the Committee.

### **11. Brunel Pension Partnership**

There will be an oral report on the latest position in respect of the development of the Brunel Pension Partnership, to include the latest position on the development of the new investment portfolios and the programme to transition existing assets to these new portfolios.

### **12. Local Pension Board Constitution (Pages 29 - 42)**

The report (**LPB12**) proposes changes to the current Constitution of this Pension Board following the discussion at the last meeting about the setting of the Board's Agenda, and the addition of items of any other business. The Board will be asked to agree the changes for recommendation to the Pension Fund Committee for adoption.

***The Board is invited to review the attached draft Constitution as prepared by the Chairman, to agree any further changes to the draft and to forward the final draft***

***Constitution to the Pension Fund Committee for approval.***

**13. Monitoring Investment Expenditure (Pages 43 - 50)**

At the request of the Board at its last meeting, the report (**LPB13**) covers how the Board can best fulfil its responsibilities for monitoring investment costs including custodian and transaction costs.

***The Board is invited to consider the information contained in the cost transparency template, and the further contextual information contained in this report and determine its approach to monitoring investment management costs going forward.***

**14. Indemnity Insurance (Pages 51 - 52)**

At the request of a Board Member at the last meeting, the report (**LPB14**) covers whether there is a requirement for insurance provision to be put in place to cover members of the Board when carrying out their responsibilities as Board members.

***The Board is invited to note the latest position and to offer any further comments.***

**15. Items to include in report to the Pension Fund Committee**

Following a request from the Chairman of the Pension Fund Committee to include a standing item on the Committee's Agenda so that the Board could report back on any issues it wishes to, the Board is invited to confirm its inclusions in its latest report to the Committee.

**16. Items to be included in the Agenda for the next Board meeting**

The Board is invited to identify any issues it wishes to add to the Agenda for the next meeting.

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## LOCAL PENSION BOARD

**MINUTES** of the meeting held on Friday, 13 July 2018 commencing at 10.30 am and finishing at 12.10 pm

**Present:**

**Voting Members:** Mark Spilsbury – in the Chair

Alistair Bastin  
Stephen Davis  
David Locke FCA  
District Councillor Sandy Lovatt

**Officers:**

Whole of meeting S. Collins, S. Fox and J. Dean (Resources)

*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.*

**22/18 WELCOME BY CHAIRMAN**

(Agenda No. 1)

The Chairman welcomed all to the meeting.

**23/18 APOLOGIES FOR ABSENCE**

(Agenda No. 2)

Apologies for absence were received from Cllr Bob Johnston and Sarah Pritchard.

**24/18 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE OPPOSITE**

(Agenda No. 3)

There were no declarations of interest.

**25/18 PETITIONS AND PUBLIC ADDRESS**

(Agenda No. 4)

There had been no requests to address the meeting or to submit a petition.

**26/18 MINUTES**

(Agenda No. 5)

The Minutes of the last meeting held on 20 April 2018 were approved and signed as a correct record.

## **ORDER OF BUSINESS AND AN ADDITIONAL ITEM OF ANY OTHER BUSINESS**

It was **AGREED** that:

- (a) agenda items 10, 11, 12 and 13 be taken prior to exempt item 8 and
- (b) an additional item of business entitled 'Cost Transparency', as agreed by the Chairman, be taken following Agenda Item 13.

### **27/18 ANNUAL REPORT OF THE PENSION BOARD**

(Agenda No. 6)

The Board was asked if it wished to make any changes to its draft Annual Report (LPB6) which set out the key issues considered by the Board during 2017/18, and its key priorities for the 2018/19 financial year.

In response to a query, Mr Collins confirmed that the finalised report would be published as part of the Annual Report and Accounts of the Pension Fund Committee and it would also be published on Brunel's Scheme Advisory Board's website.

The Board **AGREED** to approve its Annual Report for 2017/18 financial year.

### **28/18 REVIEW OF THE ANNUAL BUSINESS PLAN**

(Agenda No. 10)

The Board was invited to review the latest position against the Annual Business Plan for 2018/19, as considered by the Pension Fund Committee at its meeting on 8 June 2018; and to offer any views back to the Committee (LPB10).

Mr Collins reported that the Plan would feature in subsequent reports over the next two quarters. He pointed out that the Training Day had been attended by 6 out of 7 of the Board members and 10 out of 12 of the Committee members. The Committee's Beneficiaries Observer and the Independent Financial Adviser had also attended. He asked the Board to consider whether there were any other issues it would like in-depth training on. Points raised by members of the Board included the following:

- The officers were congratulated on their hard work in enabling online access to pensioners' accounts, which had recently been launched;
- With regard to the fifth priority - the Pensions dashboard, Sally Fox reported that monetary briefings on the delivery of data was being run by the DWP, who were the software suppliers. She added that she was currently in discussion with DWP regarding data which would need to be uploaded;
- With regard to the fourth priority which addressed the growing importance of Environmental, Social & Governance (ESG) issues, Mr Collins confirmed that a survey would be taken of scheme member representatives, which would include information about the direction the Pension Fund Committee



had taken on the subject of divestment, prior to the major review of the Investment Strategy Statement to be agreed by Committee in 2020.

Members of the Board **AGREED** that they had no comments to relay back to the Committee.

## **29/18 RISK REGISTER**

(Agenda No. 11)

The Board was invited to review the latest report on the Risk Register, which had been presented to the Pension Fund Committee on 8 June 2018 and to offer any views back to Committee (LPB11).

The Board **AGREED** that they had no comments for the Committee.

## **30/18 BRUNEL PENSION PARTNERSHIP**

(Agenda No. 12)

Mr Collins gave an oral update on the latest position in relation to the development of the Brunel Pension Partnership. He reported the following:

- The first transition of assets had taken place that week to Legal & General;
- The process for awarding contracts for the new UK equity portfolio was continuing, with due diligence meetings with the short-listed fund managers to be held in the following week. Part of the process was to minimise the tax implications and to this end Brunel had appointed Fund Rock as its operator;
- Papers were being despatched to the Oversight Board in relation to private markets and how to take this forward; and
- The transition timetable had been reviewed and it had remained unchanged. The next to be transitioned was the Global & Emerging Markets and DGF and Property would be later.

Mr Collins was asked about the costs of transitioning assets to L & G passive. He informed the Board that a report would be produced and then made available by the Transition Manager for the Board and the Committee once the transition had taken place. He added that, in his view, the transition costs would come in under estimate. The Chairman reported that it was expected that there would be overall fee savings across the 10 funds.

The Board asked that a GANT chart be made available in relation to the transition timetable when it was circulated.

In response to a query about whether the Board would be able to request a report from Brunel, or at least a general overall statement on the overall financial situation, Mr Collins stated that the expectation was that Brunel would not attend the Pension Fund Committee every quarter – (it had not yet been agreed on the frequency), but Brunel would be preparing a quarterly performance report. A draft of this report was to be submitted to the Oversight Board the following week. Representatives from Brunel were due to attend either the September 2018 meeting or the December 2018 Committee. Mr Collins also pointed out that currently it was difficult to ascertain the

overall financial situation as so much was still to be determined, but the Oversight Board was currently examining all reporting arrangements and the Client Group was also looking at it. The process would be significantly refined over the next year and the Committee would then be able to see all the monitoring reports it wished to. He added that the intention was to hold another Brunel Engagement day in October or November this year for Oxfordshire, Buckinghamshire and Gloucestershire to present the position as it currently stood.

He informed the Board that as Chair of the Client Group, he had recently met, along with the two Vice Chairs of the Client Group from Devon and Somerset, with the company to discuss the first year of operation. All had agreed that the arrangements were progressing well, though there were issues and actions which needed to improve. For example, the general organisation needed to be tighter as some deadlines had been missed. There was a need, however, to keep in mind that there was a huge amount of work involved. There was also the question for some about where the responsibility lay. All parties needed to get used to their new responsibilities and the new governance arrangements, understanding that they could not now be involved in the level of detail that they were accustomed to. Mr Collins stated that nationally Brunel had a good reputation to date and was proving to be a very good partnership.

The Board **AGREED** to note the report.

### **31/18 REVIEW OF THE BOARD'S CONSTITUTION**

(Agenda No. 13)

In accordance with paragraph 68 of the Constitution (attached at LPB13), the Board was invited to consider whether it wished to make any changes, with particular attention to an issue which had arose in recent meetings regarding the inclusion of items of any other business.

During the ensuing discussion, the Chairman stated his view that items of any other business should be allowed where possible, as this was a meeting held in the public domain (where appropriate). However, he did feel that officers should be given as much time as possible to produce their reports to ensure that proper consideration could be given to them by the Board. To that end, he proposed that a new standard item be added to each Agenda under the title 'Any other Business for Consideration at the next Meeting'.

He proposed also that appropriate items that were considered urgent and which required consideration by the Board at a meeting, would be added to the Agenda with the agreement of the Chairman, as long as no less than one month's notice had been given, in order to allow for a written report to be produced.

Moreover, if any very urgent items arose from Pension Fund Committee which required consideration at the next meeting of the Board, and did not allow for one month's notice to be given, then these would be allowed by the Chairman in special circumstances if the Chairman deemed it appropriate.

The Board **AGREED** the above and requested Julie Dean to bring a revised Constitution to the next meeting for consideration.

### **Item of Any Other Business Allowed by the Chairman – Cost Transparency – Investment Costs**

The Chairman had allowed this item of any other business to be placed on the Agenda.

Employee representative, Alistair Bastin, who had brought this item, stated his concern that the returns submitted to the Pension Fund Committee were silent in respect of costs incurred by the fund managers and fees charged to the Committee. To that end he requested the Board to consider receiving the cost transparency spreadsheets submitted by the Fund Managers at its next meeting so that a thorough monitoring could occur, to enable comparison with Brunel's costs and fees following the transition. He was backed also by Stephen Davis who stated his preference to be aware of the costs and the level of fees incurred now, prior to the complete transition to Brunel.

Suggestions from Members of the Board included a proposal that a summary report from the officers to the Board be prepared which highlighted the key points, rather than receipt of the transparency templates themselves; and the possibility of looking at all spreadsheets to ascertain what each individual fund manager was charging.

It was another Board member's view that the Committee already employed a strategy whereby it looked at the spread of risk profiles employed by the different fund managers in order that a balanced view could be gained. Moreover, net fee levels depended upon the strategic allocations. To look at it in a more detailed manner at that level would, in his view, be unadvisable.

Sean Collins advised the Board that Legal & General submitted four templates for four separate funds and Baillie Gifford, one. The other Fund Managers had not yet submitted any annual returns, having signed up to the transparency code after the end of the financial year. Furthermore, Brunel was not charged with reducing costs, but improving net investment performance. As an example of the dangers of focusing just on investment costs, he cited that Baillie Gifford's transaction costs were always very low because their process focussed on holding growth stocks for the long term. Brunel could appoint a second manager who transacted on a more regular basis as stocks hit the manager's assessment of fair value, so increasing the level of investment costs. No judgement could be made on this without also looking at the impact on investment performance. Therefore, for the reasons above, looking solely at a template would not indicate any key implications/issues. Mr Collins also pointed out that actual fees paid were provided each year and made public within the annual accounts.

Following the Board's discussion it was **AGREED** that Mr Collins be requested to submit a report covering the points made in the discussion to the next meeting.

**32/18 EXEMPT ITEMS**

(Agenda No. 7)

The Board **RESOLVED** that the public be excluded for the duration of items 8 and 9 since it was likely that if they were present during these items there would be disclosure of exempt information as defined in Part 1 of Schedule 12 A to the Local Government Act 1972 (as amended) and specified in relation to the respective item in the Agenda and since it was considered that, in all circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

**33/18 EXEMPT MINUTE - 20 APRIL 2018**

(Agenda No. 8)

The exempt Minute of the meeting held on 20 April 2018 was approved and signed as a correct record (LPB8).

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

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, in that such disclosure would distort the proper process of free negotiations with another party.*

**34/18 EMPLOYER MANAGEMENT**

(Agenda No. 9)

The Board considered the latest in a series of reports to the Pension Fund Committee on the Fund's approach to employer management.

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

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, in that such disclosure would distort the proper process of free negotiations with another party.*

READMISSION OF PRESS AND PUBLIC

**35/18 ITEMS TO INCLUDE IN REPORT TO THE PENSION FUND COMMITTEE**

(Agenda No. 14)

The Board confirmed the following issues it wished to include in its latest report to the Pension Fund Committee:

- Request for a report on fees, in the context of performance, to be submitted to the next meeting of the Board.
- Request for a GANT chart to be produced with regard to the transition timetable.
- How the Committee might like the Board to assist with administration issues.

**36/18 DATES OF FUTURE MEETINGS 2018/19**

(Agenda No. 15)

The Board noted the following dates of future meetings for 2018/19:

(All to take place on a Friday, starting at 10.30am)

- 26 October 2018
- 18 January 2019
- 26 April 2019
- 19 July 2019
- 25 October 2019
- 24 January 2020

..... in the Chair

Date of signing .....

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of the Local Government Act 1972.

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## **PENSION FUND COMMITTEE – 14 SEPTEMBER 2018**

### **REVIEW OF THE ANNUAL BUSINESS PLAN 2018/19**

#### **Report by the Director of Finance**

##### **Introduction**

1. This report reviews progress to date against the key service priorities set out in the annual business plan for the Pension Fund for 2018/19. The report also contains details on the Fund's budget for the year and the training requirements for Committee Members.
2. The key objectives for the Oxfordshire Pension Fund are set out on the first page of the Business Plan for 2018/19, and remain consistent with those agreed for previous years. These are summarised as:
  - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pensions Regulator
  - To achieve a 100% funding level
  - To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
  - To maintain as near stable and affordable employer contribution rates as possible.

##### **Key Service Priorities**

3. The 2018/19 Business Plan contained 5 key service priorities. The first of these relates to the Brunel Pension Partnership and is to manage the successful transition of the initial asset classes which should include all equity assets, and potentially the investment of new money into the private markets.
4. At the time of writing this report, we have successfully completed the process for transitioning the passive equity mandates the new Brunel passive portfolios managed by Legal and General. The process is on-going to complete the full report on the costs of the transition and the new fees payable, including a comparison to the estimates included in the Business Case. Initial indications are that there will be further savings to those initially assumed.
5. As the transition was completed after the end of the first quarter of 2018/19, the first investment performance monitoring report from Brunel will not be due until the next meeting of this Committee. Officers are currently finalising the detail of that report with Brunel and State Street (to Administrator to the Partnership), as well as a series of KPI's and reports which will be used to monitor the performance of Brunel in delivering services under the Services Agreement.
6. Brunel are also finalising the appointment of Fund Managers to the first two of the active equity portfolios, being the UK mandate and the low volatility mandate. Brunel expects assets to transition towards the end of 2018.

Oxfordshire will transition money to the UK portfolio (from the allocation currently managed by Baillie Gifford), but does not have an allocation to the low volatility portfolio.

7. As part of the finalisation of these first two active equity mandates, Brunel have reviewed the processes followed, and the resources required to determine the feasibility of the remainder of the transition timescale. Reports are currently being considered by the Client Group and the Oversight Board to consider any potential changes to the timescales and/or the resources needed to deliver the transition.
8. The Private Markets Team at Brunel is also looking to identify initial investment opportunities across the five private market portfolios. Oxfordshire has provided commitments to the Secured Income, Infrastructure and Private Equity portfolios in line with the Committee's previous asset allocation decisions.
9. It is planned to hold further Engagement Days at the beginning of November, where Officers from Brunel and the Partner Funds can update members of the 10 Pension Fund Committees and Pension Boards on progress. Provisional dates have been set as 5 November in Oxford, 6 November in Bristol and 7 November in Exeter, and invitations confirming details should be sent out shortly.
10. The second key service priority focusses on the need to manage the risks associated with cash flow and employer covenants, and involves working with Hymans Robertson to develop the cash flow model to show the timing of payment of pension liabilities going forward. Delivery of this priority will also involve working with employers within the scheme to understand their strategic direction of travel, and their risk appetite, and developing the funding strategy statement and investment strategy statement to meet their requirements and the requirements of the Fund.
11. Initial discussions have taken place with Hymans Robertson to understand how their current tools will support this priority and a work programme is being put in place. It was always expected that there would be limited work on this priority during the first quarter of 2018/19 to allow resources to focus on the closure of the pension fund accounts. More detailed reports on the outcome of this work will be presented to future meetings of this Committee.
12. The third priority focusses on data quality and the need to ensure the current issues with data quality are addressed and processes and reporting arrangements are put in place to improve the data collection arrangements going forward. This issue is covered fully in the separate report on the administration improvement plan elsewhere on this agenda..
13. The fourth priority addresses the growing importance of Environmental, Social and Governance (ESG) issues within investment decision making. The actions include building on the current work with the responsible investment team at Brunel to develop a suite of reports which demonstrate the

effectiveness of the ESG policies and the impact of company engagement by our Fund Managers.

14. Work continues to progress in this area alongside the team at Brunel, with Oxfordshire also now representing the client side at Brunel on the national cross pool collaboration sub-group on responsible investment. This work includes on-going discussions with State Street as Administrator for the Brunel Pension Partnership as to how ESG scores can be built into the standard reporting suites to be presented to all 10 Pension Fund Committees going forward.
15. The final priority proposed in the 2018/19 Business Plan is the roll out of Member Self Service to deferred and active members. This should allow scheme members access to their records to undertake amendments to their core data and view key information on their pension benefits, so releasing pension administrator time to focus on the other priorities.
16. All deferred and active members have been invited to activate their on-line account. It is expected that take up of this facility will increase significantly now we have uploaded the 2018/19 Annual Benefit Statements to members on-line accounts.
17. Pensioner and Deferred Members who have already activated their accounts have taken advantage of the on-line tools to amend their beneficiary nominations for death grants, and to submit on-line queries to Pension Services. Further functionality will be added going forward.

### **Budget 2018/19**

18. We have reviewed the income and expenditure of the Fund for the first quarter of 2018/19 against the budget. On the administration side, the figures reflect the current staffing vacancies and predict an end of year underspend of £400,000 based on current levels of expenditure. However, this has been offset by the overspends on third party payments for the various improvement and backlog projects agreed previously by this Committee. More detailed analysis of these figures will be completed as part of the development of the further Improvement Plan discussed elsewhere on this agenda, and be reported to the December meeting of this Committee.
19. On the Investment Side, whilst the fees payable to Fund Managers is currently showing a marginal underspend, it is not possible to project an end of year position as the majority of fees are directly related to market values which could move significantly between now and March 2019. These costs will be further impacted by the transition of assets to the new Brunel Portfolio's. On the Brunel Contract costs, a special reserve matter has been agreed which could add a potential £34,000 to our costs this year, but will deliver additional savings in future years. The final position for 2018/19 will very much depend on the timing of the transitions of assets to Brunel.

## **Training Plan**

20. Following the last meeting of the Committee, Hymans Robertson ran a full Training Day for Members of the Committee and Pension Board. This provided a broad introduction into scheme governance, pensions administration and the valuation process. Members were invited to submit proposals for further training sessions, as well as attend externally run sessions, where details had been provided through the Pensions Investment Team.
21. At the present time, no firm proposals have been submitted for further training sessions, and Members are reminded that these can be submitted to any of the Fund's Officers.

## **RECOMMENDATION**

22. **The Committee is RECOMMENDED to:**
  - (a) note the progress against the key service priorities and budget included within the Business Plan 2018/19; and**
  - (b) agree any further subjects it wishes to see included in future training plans.**

Lorna Baxter  
Director of Finance

Contact Officer: Sean Collins, Service Manager, Pensions

Tel: 07554 103465

May 2018

Division(s): N/A

## **PENSION FUND COMMITTEE – 14 SEPTEMBER 2018**

### **RISK REGISTER**

#### **Report by the Director of Finance**

##### **Introduction**

- 1) At the 11 March 2016 meeting, the Committee 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.
- 2) The risk register presented to the March 2016 Committee meeting was the first produced in the new format, which introduced the concept of a target level of risk and the need to identify mitigation action plans to address those risks that were 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.
- 3) A number of the mitigation plans are directly linked to the key service priorities identified in the Annual Business Plan for 2018/19. This report should therefore be considered in conjunction with the business plan report elsewhere on this agenda.

##### **Comments from the Pension Board**

- 4) The Pension Board were generally happy with the risk register as presented to their meeting on 13 July 2018. They raised no material issues for the Committee to consider further.

##### **Latest Position on Risks**

- 5) There have been several changes to the risk scores since the June meeting of this Committee, largely reflecting the work undertaken in delivering the improvement action plan. The change and reason for the change are set out below.
- 6) Risk 3 covers the risks associated with a lack of understanding of individual scheme member choices (opt outs, transfer to 50:50 scheme, early retirements etc) which in the short term could impact on cash flow and in the long-term impacts on funding levels where the investment strategy is not properly aligned with the scheme liabilities. Work to delivered improved reporting on scheme member choices was targeted to be completed for this

meeting, but has slipped due to the higher priority work associated with the improvement action plan. These reports will need to be developed over the second half of 2018/19.

- 7) The target date for Risk 7 has been amended from March 2018 to March 2019. This reflects the decision to take no further action on this risk at the current time (the risk is currently at target score), but to review the approach to employer risk as part of the planning for the 2019 Valuation.
- 8) The likelihood scores for risks 8 to 10 have all been reduced, either from likely to possible, or from possible to unlikely. All three of these risks relate to impacts associated with poor data quality. As discussed elsewhere on this agenda, a significant amount of work has been achieved in delivering the improvement action plan, leading to improvements in our data quality scores, the publication of the majority of our Annual Benefit Statements by the statutory deadline (such that we do not consider that there is a material breach of the Regulations this year), and the resolution of the majority of long standing queries. Whilst there is still work to be undertaken to complete the action plan, and to ensure that we do not have similar issues with data quality going forward, it is felt that sufficient progress has been achieved to reduce the current risk scores.
- 9) Similarly, we have reduced the risk score for risk 11 which relates to the risk of insufficient resource to deliver our statutory responsibilities. This reflects the progress made under the improvement action plan which reduces the overall work pressure on the current staff. The reduction in the likelihood score to possible rather than the target score of unlikely, reflects the fact that the team is still carrying significant vacancies.
- 10) The comments for risk 12 have been updated to reflect the fact that we have now held the initial training day for members of both the Committee and the Board. At this stage though, we do not feel we can reduce the likelihood of the risk of insufficient skills and knowledge on the Committee from possible to unlikely. This will require the completion of follow up training sessions to widen the overall skills and knowledge of the Committee.
- 11) The wording of risk 15 has been amended to clarify that the risks associated with breaches of data security do cover breaches of the General Data Protection Regulations.
- 12) Finally, the likelihood score of risk 18 associated with the impact on the pension liability profile of significant structural change amongst scheme employers, has been reduced to unlikely i.e. the risk is now at target. Whilst structural change remains on the agenda, awareness of the potential pension implications are now much higher, such that any potential impacts should be identified at an earlier enough stage for the impacts to be properly mitigated.

## **RECOMMENDATION**



- 13) **The Committee is RECOMMENDED to note the current risk register, and to determine any changes it wishes to see made.**

Lorna Baxter  
Director of Finance

Contact Officer: Sean Collins, Service Manager, Pensions; Tel: 07554 103465

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## Risk Register

### Identification of Risks:

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

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

### Key to Scoring

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

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### 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)

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
							Impact	Likelihood	Score			Impact	Likelihood	Score		
1	Investment Strategy not aligned with Pension Liability Profile	Financial	Pension Liabilities and asset attributes not understood and matched.	Long Term -Pension deficit not closed.	Service Manager	Triennial Asset Allocation Review after Valuation.	4	2	8	Develop cash flow Model with Actuary. Gain greater understanding of employer changes. Review asset allocation.	March 2019	4	1	4	September 2018	Now working with new Actuary on aligning Investment and Funding Strategies
2	Investment Strategy not aligned with Pension Liability Profile	Financial	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	2	8	Develop cash flow Model with Actuary. Gain greater understanding of employer changes. Review asset allocation.	March 2019	4	1	4	September 2018	Now working with new Actuary on aligning Investment and Funding Strategies
3	Investment Strategy not aligned with Pension Liability Profile	Financial	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	2	6	Develop Improved Management Reports to benchmark, and monitor opt outs, 50:50 requests etc.	September 2018	3	1	3	September 2018	Working with new Actuary on Improved Reports – slipped as a result of priority work on Improvement Plan.
4	Under performance of asset managers or asset classes	Financial	Loss of key staff and change of investment approach.	Long Term -Pension deficit not closed.	Financial Manager	Quarterly review Meeting, and Diversification of asset allocations.	3	2	6			3	2	6		At Target
5	Actual results varies to key financial assumptions in Valuation	Financial	Market Forces	Long Term -Pension deficit not closed.	Service Manager	Moderation of assumptions at point of valuation. Asset allocation to mirror risk. Sensitivity analysis included in Valuation report.	3	2	6			3	2	6		At Target
6	Loss of Funds through fraud or misappropriation.	Financial	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		At Target
7	Employer Default - LGPS	Financial	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 underwriting deficit, or bond put in place.	3	2	6		March 2019	3	2	6	March 2019	No further action subject to planned review of Funding Strategy Statement Key risks accepted as education sector.

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
							Impact	Likelihood	Score			Impact	Likelihood	Score		
8	Inaccurate or out of date pension liability data – LGPS and FSPS	Financial & Administrative	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	4	1	4	Delivery against data quality standards.	June 2018	3	1	3	September 2018	Improved monitoring in place. Escalation issues to ensure data issues are resolved at earliest point, including new charges, and improved training/guidance
9	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative	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	Completion of current review of backlog work.	June 2018	3	1	3	September 2018	Improved monitoring in place, new escalation process agreed as well as new charging structure.
10	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative	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	2	8	Improve process for monthly returns (iConnect)	March 2019	4	1	4	September 2018	
11	Insufficient resources to deliver responsibilities – LGPS and FSPS	Administrative	Budget Reductions	Breach of Regulation	Service Manager	Annual Budget Review as part of Business Plan.	4	2	8	Need to address backlog of work which is impacting on ability of staff to meet statutory deadlines. External resources employed.	June 2018	4	1	4	September 2018	Work under contract by external resource currently underway.
12	Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Governance	Poor Training Programme	Breach of Regulation	Service Manager	Training Review	4	1	4	Develop Needs Based Training Programme.		4	1	4		Score at Target – Further training to be identified.
13	Insufficient Skills and Knowledge amongst – LGPS and FSPS Officers	Administrative	Poor Training Programme and/or high staff turnover	Breach of Regulation and Errors in Payments	Service Manager	Training Plan. Control checklists.	3	1	3			3	1	3		At Target
14	Key System Failure – LGPS and FSPS	Administrative	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme	4	1	4			4	1	4		At Target

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
							Impact	Likelihood	Score			Impact	Likelihood	Score		
15	Breach of Data Security – LGPS and FSPS	Administrative	Poor Controls	Breach of Regulation, including GDPR	Pension Services Manager	Security Controls, passwords etc. GDPR Privacy Policy.	4	1	4			4	1	4		At Target
16	Failure to Meet Government Requirements on Pooling	Governance	Inability to agree proposals with other administering authorities.	Direct Intervention by Secretary of State	Service Manager	Full engagement in Project Brunel	5	1	5			5	1	5		At Target
17	Failure of Pooled Vehicle to meet local objectives	Financial	Sub-Funds agreed not consistent with our liability profile.	Long Term -Pension deficit not closed	Service Manager	Full engagement in Project Brunel	4	1	4			4	1	4		At Target
18	Significant change in liability profile or cash flow as a consequence of Structural Changes	Financial	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 One Oxfordshire project and with other key projects to ensure impacts fully understood	4	1	4			4	1	4	September 2018	At Target

## OXFORDSHIRE LOCAL PENSION BOARD – 26 OCTOBER 2018

### CONSTITUTION OF THE LOCAL PENSION BOARD

#### Report by the Director of Finance

##### Introduction

1. At the last meeting of the Board, members reviewed the Board's Constitution on light of the experience of the first years of operation. Following a discussion in respect of the planning of the Board's agenda, the Chairman undertook to proposed revisions to the Constitution to enable Board Members to add items to the agenda. Following circulation of the draft changes, one member of the Board requested that the item be brought back to this meeting for further discussion, before a revised Constitution was submitted to the Pension Fund Committee for approval.

##### Issues to be Considered

2. At the last meeting, it was the view of members that there needed to be a mechanism to add items to the agenda of future meetings of this Board. At the suggestion of the Chairman, it was agreed to add an item at the end of each meeting where all members of the Board could propose items for future meetings, and following discussion by the Board, the items could be accepted and timetabled as appropriate.
3. Concern was expressed that whilst this process was a useful addition to the current Constitution, it did not allow for items that may arise between meetings. It was further proposed by the Chairman, that all members of the Board could therefore make a request to add such items to a future agenda through the Board Secretary. The Chairman proposed that such requests should be received a minimum of one month in advance of the meeting, to enable Officers to prepare a paper on the item, to be published as part of the agenda pack. This would allow Board Members time to properly consider the item and collect any views from the group they represent, as well as ensuring that the Board continued to operate in a transparent way, and any member of the Fund or the general public could seek to address the Board on the published items
4. It was further argued that there may be occasions were items of great urgency were identified where there was not the ability to provide one month's notice of the item. In these exceptional cases it was proposed that the Chairman of the Board could accept the item onto the next agenda, as long as the reasons for accepting the item as a matter of urgent business were confirmed in writing to the Board members who accepted the need to take the item at the meeting.
5. In the draft Constitution prepared by the Chairman, these issues were covered in a new paragraph 30 to the Constitution. The drafting assumed

that responsibility for final agreement to the agenda remained with the Chairman, to enable the Chairman to exercise h/her responsibility to ensure that the meetings of the Board are productive and effective.

- 6. The Board is invited to review the attached draft Constitution as prepared by the Chairman, to agree any further changes to the draft and to forward the final draft Constitution to the Pension Fund Committee for approval.**

**Lorna Baxter**  
**Director of Finance**

Contact Officer\_ Sean Collins, Service Manager (Pensions), Tel: 07554 103465

October 2018



# LOCAL GOVERNMENT PENSION SCHEME - LOCAL PENSION BOARD OF OXFORDSHIRE PENSION FUND COMMITTEE CONSTITUTION

## Introduction

1. This document sets out the terms of reference of the Local Government Pension Scheme Local Pension Board of Oxfordshire Pension Fund Committee (the 'Administering Authority') a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
2. The Board is established by the Administering Authority and operates independently of the Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
3. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.
4. Except where approval has been granted under regulation 106(2) of the Regulations the Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

## Interpretation

5. The following terms have the meanings as outlined below:

<b>'the Act'</b>	The Public Service Pensions Act 2013.
<b>'the Code'</b>	means the Pension Regulator's Code of Practice No 14 governance and administration of public service pension schemes.
<b>'the Committee'</b>	means the committee who has delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972.
<b>'the Fund'</b>	means the Fund managed and administered by the Administering Authority.

<b>'the Guidance'</b>	means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.
<b>'the Regulations'</b>	means the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended from time to time).
<b>'Relevant legislation'</b>	means relevant overriding legislation as well as the Pension Regulator's Codes of Practice as they apply to the Administering Authority and the Board notwithstanding that the Codes of Practice are not legislation.
<b>'the Scheme'</b>	means the Local Government Pension Scheme in England and Wales.

### **Statement of purpose**

6. The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:
  - (a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
  - (b) to ensure the effective and efficient governance and administration of the Scheme.

It should be noted that the role of the Board is to assist the Pension Fund Committee. It does not replace the Committee nor can it make decisions which are the responsibility of the Pension Fund Committee.

### **Duties of the Board**

7. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the principles of public conduct contained in the Members' Code of Conduct which forms part of the County Council's Constitution. These principles are themselves based upon the Seven Principles of Public Conduct.

## **Establishment**

8. The Board is established on 1 April 2015 subsequent to approval by the Oxfordshire Pension Fund Committee on 13 March 2015 and ratification by County Council on 14 April 2015.

## **Membership**

9. The Board shall consist of 6 voting members, as follows:

3 Member Representatives; and

3 Employer Representatives.

10. There shall be an equal number of Member and Employer Representatives.
11. There shall also be 1 other representative who is not entitled to vote.

### ***Member representatives***

12. Member representatives shall either be scheme members<sup>1</sup> or have capacity to represent scheme members of the Fund.
13. Member representatives should be able to demonstrate their capacity<sup>2</sup> to attend and complete the necessary preparation for meetings and participate in training as required.
14. In light of the requirement for Board members to have the appropriate knowledge and understanding substitutes shall not be appointed.
15. The 3 Member representatives shall be appointed following a transparent recruitment process which should be open to all Fund members and be approved by the Administering Authority. This will comprise of a nomination, or self-nomination process followed by an interview conducted by the Chairman and Deputy Chairman of the Pension Fund Committee and one other member; and two representatives from the main trade unions.

### ***Employer representatives***

16. Employer representatives shall be elected members, office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.

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<sup>1</sup> Active, deferred or pensioner members

<sup>2</sup> See paragraphs 5.16 to 5.20 of the Guidance which outlines what 'capacity' in this context means.

17. Employer representatives should be able to demonstrate their capacity<sup>3</sup> to attend and complete the necessary preparation for meetings and participate in training as required.
18. In light of the requirement for Board members to have the appropriate knowledge and understanding substitutes shall not be appointed.
19. The 3 Employer representatives shall be appointed following a transparent recruitment process which should be open to all employers in the Fund and be approved by the Administering Authority. This will comprise of an interview conducted by the Chairmen and Deputy Chairman and 1 other member of the Pension Fund Committee. The Employers Forum shall also be given the opportunity to offer advice to the Administering Authority on all nominated candidates.

#### **Other members**

20. 1 other member, whose function will be that of independent chairman to the Board, shall be appointed to the Board by the agreement of both the Administering Authority and the Board.

#### **Appointment of chairman**

21. Subject to the meeting arrangements in paragraphs 33 to 35 below a chairman shall be appointed for the Board using the process listed below

*An independent chairman to be appointed by the Administering Authority but shall count as an 'other' member under paragraphs 20 above. In this respect the term independent means having no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer in the Fund or not being a member of the Fund. The appointment of the chairman shall be subject to the passing of a motion to confirm by a majority of the employer and member representatives of the Board.zx*

#### **Duties of chairman**

22. The chairman of the Board:
  - (a) Shall ensure the Board delivers its purpose as set out in these Terms of Reference,
  - (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered; and
  - (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

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<sup>3</sup> See paragraphs 5.16 to 5.20 of the Guidance which outlines what 'capacity' in this context means.

## **Notification of appointments**

23. When appointments to the Board have been made the Administering Authority shall publish the name of Board members, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board.

## **Terms of Office**

24. The term of office for Board members is 4 years.
25. In the interests of retaining relevant knowledge and understanding on the Board, all Board members can seek to be re-appointed for further terms of office, as long as they still meet the criteria necessary to be able to act as a representative of scheme employers or scheme members. Such extensions may be made by the Administering Authority with the agreement of the Board. For members appointed to the initial Board, the Pension Fund Committee can agree an extension of up to 2 years to enable the replacement of members on a phased basis, so that not all the knowledge and understanding is lost at the same time.
26. Board membership may be terminated prior to the end of the term of office due to:
- (a) A member representative appointed on the basis of their membership of the scheme no longer being a scheme member in the Fund.
  - (b) A member representative no longer being a scheme member or a representative of the body on which their appointment relied.
  - (c) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
  - (d) A Board member no longer being able to demonstrate to the Oxfordshire Pension Fund Committee their capacity to attend and prepare for 3 Board meetings in any 12 month period, or to participate in required training.
  - (e) The representative being withdrawn by the nominating body and a replacement identified.
  - (f) A Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.
  - (g) A Board member who is an elected member becomes a member of the Committee.
  - (h) A Board member who is an officer of the Administering Authority becomes responsible for the discharge of any function of the Administering Authority under the Regulations.
  - (i) A serious breach of the Code of Conduct in the opinion of the Monitoring Officer
  - (j) A serious failure to comply with the Knowledge and Understanding Policy in the opinion of the Monitoring Officer
  - (k) Resignation of the member concerned.

## **Conflicts of interest<sup>4</sup>**

27. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.
28. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.
29. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Administering Authority shall ensure that any potential conflict is effectively managed in line with both the internal procedures of the Board's Conflicts of Interest policy and the requirements of the Code.

## **Knowledge and understanding (including Training)<sup>5</sup>**

30. Knowledge and understanding must be considered in light of the role of the Board to assist the Administering Authority in line with the requirements outlined in paragraph 6 above. The Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Board members under the Act. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.
31. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's knowledge and understanding policy and framework.
32. Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board. Each Board Member must be satisfied that they have the appropriate degree of knowledge and understanding and be able to demonstrate this as required.

## **Meetings**

33. The Board shall as a minimum meet 4 times each year
34. Meetings shall normally take place at County Hall, Oxford at a time to be agreed with the Chair of the Board which maximises the assistance to be provided to the Pension Fund Committee.

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<sup>4</sup> See section 7 of the Guidance for more information on Conflicts of Interest.

<sup>5</sup> See section 6 of the Guidance for more information on Knowledge and Understanding.

35. The chairman of the Board, in consultation with the chairman of the Pension Fund Committee and Board members may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and e-mails.

### **Quorum**

36. The quorum for a Board meeting will comprise the Chairman, one representative of scheme employers and one representative of scheme members.
37. A meeting that becomes inquorate may continue but any decisions will be non-binding.

### **Board administration**

38. The Chairman shall agree an Agenda with the 'Board Secretary' prior to each Board meeting.
39. At each meeting, members of the Board may propose matters to be included on the agenda for the next meeting of the Board. Such requests can also be made, via the Board Secretary, up to one month before the next meeting of the Board. In exceptional circumstances requests for urgent items of "Any Other Business" may be made outside of these arrangements. The Chairman of the Board will decide which items are included on the agenda.
40. The agenda and supporting papers will be issued at least 5 clear working days (where practicable) in advance of the meeting except in the case of matters of urgency.
41. Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Board members within 15 working days after the meeting. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition where the Board was unable to reach a decision such occasions should also be noted in the minutes.
42. The minutes may with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.
43. The Board Secretary shall ensure that Board members meet and maintain the knowledge and understanding as determined in the Board's Knowledge and Understanding Policy and Framework and other guidance or legislation.

44. The Board Secretary shall arrange such advice as is required by the Board subject to such conditions as are listed in these Terms of Reference for the use of the budget set for the Board. The Board may be supported in its role and responsibilities through the appointment of advisors. To this end the Board should seek to establish a reciprocal arrangement with a neighbouring Local Pension Board, which allows it to obtain independent advice from the Officers and Advisors to the neighbouring Pension Fund Committee, to minimise the additional costs chargeable to the Pension Fund.
45. The Board Secretary shall ensure an attendance record is maintained along with advising the Administering Authority on allowances and expenses to be paid under these terms.
46. The Board Secretary shall liaise with the Administering Authority on the requirements of the Board, including advanced notice for officers to attend and arranging dates and times of Board meetings.

#### **Public access to Board meetings and information**

47. The Board meetings will be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).
48. The following will be entitled to attend Board meetings in an observer capacity:
  - (a) *Members of the Committee,*
  - (b) *Any person requested to attend by the Board.*Any such attendees will be permitted to speak at the discretion of the Chairman.
49. In accordance with the Act the Administering Authority shall publish information about the Board to include:
  - (a) The names of Board members and their contact details.
  - (b) The representation of employers and members on the Board.
  - (c) The role of the Board.
  - (d) These Terms of Reference.
50. The Administering Authority shall also publish other information about the Board including:
  - (a) Agendas and minutes
  - (b) Training and attendance logs
  - (c) 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.



51. All or some of this information may be published using the following means or other means as considered appropriate from time to time:
- (a) On the Fund's website.
  - (b) As part of the Fund's Annual Report.
  - (c) As part of the Governance Compliance Statement.
52. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

### **Expenses and allowances**

53. The Administering Authority shall meet the travel, subsistence and carers expenses of Board members, in line with those payable under the County Council's Member's Allowance Scheme. These expenses will be paid in respect of attendance at Board meetings, and all training events deemed appropriate for meeting the knowledge and understanding requirements of Board members.
54. The Administering Authority shall pay a special responsibility allowance to the Independent Chairman of the Board in respect of the performance of their duties as the Chairman, including agenda planning, chairing Board meetings, and reporting to the Pension Fund Committee. This payment will be in line with the special responsibility allowance payable to co-opted Committee members as identified under the County Council's Member's Allowances Scheme. In addition to expenses paid under paragraph 52 above, the chairman is entitled to claim expenses when required to attend meetings of the Pension Fund Committee.

### **Budget**

55. The Board is to be provided with adequate resources to fulfil its role. The Administering Authority will allocate an annual budget which is managed by and at the discretion of the Board. All costs of the Board will be chargeable to the Pension Fund. The budget will include cover for the costs of allowances and expenses for Board members, the costs of obtaining appropriate advice and support and the costs of all appropriate training programmes. Any expenditure on independent advisers outside of the budget provision will be subject to the prior approval of the Pension Fund Committee Chairman.

### **Core functions<sup>6</sup>**

56. The first core function of the Board is to assist<sup>7</sup> the Administering Authority in securing compliance with the Regulations, any other legislation relating to the

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<sup>6</sup> In determining the role of the Board, further information can be found in paragraphs 3.27 to 3.29 of the Guidance.

governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) *Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.*
- b) *Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code.*
- c) *Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.*
- d) *Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.*
- e) *Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.*
- f) *Monitor complaints and performance on the administration and governance of the scheme.*
- g) *Assist with the application of the Adjudication of Disagreements Process.*
- h) *Review the complete and proper exercise of Pensions Ombudsman cases.*
- i) *Review the implementation of revised policies and procedures following changes to the Scheme.*
- j) *Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.*
- k) *Review the complete and proper exercise of employer and administering authority discretions.*
- l) *Review the outcome of internal and external audit reports.*
- m) *Review draft accounts and Fund annual report.*
- n) *Review the compliance of particular cases, projects or process on request of the Committee.*
- o) *Any other area within the statement of purpose (i.e. assisting the Administering Authority) the Board deems appropriate.*

57. The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) *Assist with the development of improved customer services.*
- b) *Monitor performance of administration, governance and investments against key performance targets and indicators.*

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<sup>7</sup> Please see paragraph 3.28 of the Guidance for more information on what assisting the Administering Authority means.

- c) *Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.*
  - d) *Monitor investment costs including custodian and transaction costs.*
  - e) *Monitor internal and external audit reports.*
  - f) *Review the risk register as it relates to the scheme manager function of the authority.*
  - g) *Assist with the development of improved management, administration and governance structures and policies.*
  - h) *Review the outcome of actuarial reporting and valuations.*
  - i) *Assist in the development and monitoring of process improvements on request of Committee.*
  - j) *Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.*
  - k) *Any other area within the statement of purpose (i.e. ensuring effective and efficient governance of the scheme) the Board deems appropriate.*
58. In support of its core functions the Board may make a request for information to the Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.
59. In support of its core functions the Board may make recommendations to the Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

## **Reporting<sup>8</sup>**

60. The Board should in the first instance report its requests, recommendations or concerns to the Committee. In support of this any member of the Board may attend a Committee meeting as an observer
61. Requests and recommendations should be reported under the provisions of paragraphs 57 and 58 above.
62. The Board should report any concerns over a decision made by the Committee to the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.
63. On receipt of a report under paragraph 61 above the Committee should, within a reasonable period consider and respond to the Board. The response may be in the form of a written response directly to Board members for subsequent submission to the next meeting.
64. Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.

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<sup>8</sup> See section 8 of the Guidance for more information on Reporting.

65. Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee under paragraph 61 and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.
66. The appropriate internal route for escalation is to the Monitoring Officer or/and the Section 151 Officer as appropriate.
67. The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.
68. Board members are also subject to the requirements to report breaches of law under the Act and the Code [and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy].

#### **Review of terms of reference**

69. This Constitution shall be reviewed on each material change to those parts of the Regulations covering local pension boards and at least every 2 years.
70. These Terms of Reference were adopted on 13 March 2015.

.....  
**Signed on behalf of the Administering Authority**

.....  
**Signed on behalf of the Board**

**Published 5 March 2015**

## OXFORDSHIRE LOCAL PENSION BOARD – 26 OCTOBER 2018

### MONITORING INVESTMENT EXPENDITURE

#### Report by the Director of Finance

##### Introduction

1. This report has been provided to the Board at the request of one of its Members at the July meeting. The request was based on the requirement in the Board's Constitution for the Board to monitor investment expenditure as part of its overall duties. Specifically, the request was to present the transparency templates provided by the Fund Managers to the Board on a regular basis.
2. The report builds on the discussion at the July Board meeting, setting out the detail included in the transparency template, and prompts discussion as to how the Board should best interpret the data and in what context the data should be provided.

##### Transparency Template

3. The Scheme Advisory Board has developed a voluntary Transparency Code which Investment Fund Managers have been invited to sign up to. A copy of the template is attached at the annex to this report. The template has been designed to suit the management of listed assets, but the principles will be equally applicable to the alternative asset classes, and work is on-going to make appropriate amendments to the template to ensure it is fit for purposes for these asset classes.
4. The work led by the Scheme Advisory Board has been welcomed by the Financial Conduct Authority (FCA) and they are working with the Investment Association to develop a template which can be used across the industry, largely based on the LGPS template. The Scheme Advisory Board has stated that once the FCA have finalised their template, they will seek to transition from the LGPS specific template across to the new standard.
5. The Transparency Template has also been welcomed by CIPFA (the Chartered Institute of Public Finance and Accountancy) who are looking to incorporate the transparency principles into their guidance for the preparation of annual reports and accounts.
6. As can be seen from the Annex, the template requires Fund Managers to provide greater detail on the full range of costs associated with their management of the assets under their responsibility. These include the direct management fees charged by the Fund Manager, as well as the direct and indirect costs associated with the day to day transactions, any costs of

research, costs and income associated with stock lending and any ancillary costs.

7. The majority of Fund Managers providing services to LGPS clients have now signed up to the Advisory Board's Transparency Code. However, as a result of the timing of the decisions as to when to sign up, only two of the Oxfordshire Fund Managers completed the transparency template for 2017/18, being Legal and General and Baillie Gifford.

### **Issues to be Considered**

8. There has been much discussion about the monitoring of investment management costs in recent years, which has led to the work on the transparency code. A key element of this discussion is the danger that an over-emphasis on investment costs can remove the focus from the responsibility of the Scheme Manager to deliver investment returns in line with their investment strategies, so ensuring there are sufficient resources to meet the costs of pensions as they fall due, whilst maintaining as near stable employer contribution rates as possible. The Oxfordshire Pension Fund Committee whilst it receives information on total investment management costs as part of the reports on budget management, and within the annual report and accounts, does not undertake any specific work focussed on costs alone. Instead it seeks to monitor the net investment performance of each of its fund managers, following up concerns on overall performance rather than a limited review of a single aspect.
9. The information on investment management costs makes it clear that the lowest costs are payable in respect of passive listed assets, with higher costs charged by active managers and the highest costs associated with the alternative asset classes. The additional costs are associated with higher targeted levels of investment performance, and access to a greater diversification of investment risk. Any monitoring of costs must therefore be seen in the context of investment performance. The transparency template does ask for information on investment returns. As with all reviews associated with investment performance, it is important to review the information over a suitable time period to allow for the normal fluctuations in market cycles and to enable any analysis to reflect on the long-term figures. The Pension Fund's Independent Financial Adviser has stated to the Pension Fund Committee that in his opinion, 3 years is the minimum period over which investment performance should be viewed. It therefore follows that when looking at the costs of delivering that investment performance, a minimum period of three years should be considered.
10. At that point, it is valid to be asking the question whether that level of investment performance can be delivered at a lower cost, for the same level of risk and diversification, or indeed whether the Fund is prepared to accept a lower or higher cost to improve risk and/or diversification further, or target a different level of investment performance. These questions would normally be asked as part of the review of the strategic asset allocation undertaken following the conclusion of the tri-ennial Fund valuation.

11. In terms of the management fees paid to the Fund Managers, costs tend to be linked directly to assets under management (either on a fixed fee expressed at a cost per £ under management, or a tiered arrangement where the cost per £ under management reduces once certain thresholds are reached, reflecting the fixed nature of some of the costs incurred by the Fund Manager) or performance related fees which increase in line with investment performance. These arrangements will normally be fixed as part of the procurement process and contained in the investment management agreements held with the Fund Managers. Variations in these fees will therefore simply reflect changes in the assets under management and/or performance in line with the contract. There is therefore little to be gained in monitoring these costs on a regular basis.
  
12. Transaction costs will depend to a large extent on the fund managers style, the asset class and the markets they operate in. Some fund managers will seek to deliver their target investment performance by buying and holding stocks over a long period of time. As turnover in their portfolio is low, they will have low corresponding transaction costs. Other fund managers will seek to trade on a more regular basis, taking advantage of inefficiencies in the markets and buying under-valued stocks and selling them again once they reach fair value. Such managers would therefore have higher transaction costs, but could still be delivering the same level of net investment performance. Fund managers operating in home markets will have lower transaction costs where they do not have to get involved in the costs associated with currency hedging or foreign exchange. Costs will also vary between asset classes where the implicit costs which measure the spread of prices between those paid in respect of an individual transaction and the mid-market price can differ significantly. Any review of costs therefore needs to be clear on what cost variations have occurred as a result of the Fund's asset allocation and choice of manager styles, and what reflects on the efficiency of the fund managers appointed. The Oxfordshire Pension Fund Committee do monitor whether fund managers are acting in accordance with the style for which they were appointed, but this is achieved by reviewing the actual turnover figures etc. within the portfolios, rather than seeking to identify issues implied by a variation in costs.
  
13. If the Pension Board wish to monitor investment management costs through an analysis of the cost transparency templates, they therefore need to be clear on how they are going to interpret the cost figures, and what further information they need to see to provide the context for this analysis. They also need to be clear about what actions are open to them once they have completed their analysis. As noted above, a major element of the total costs is the management fee paid in accordance with the investment management agreement entered into with the Fund Manager following a tender exercise. There is therefore limited opportunity to seek a change in these costs without running a new procurement exercise. Going forward, the responsibility of replacing individual Fund Managers will lie with the Brunel company.

- 14. The Board is invited to consider the information contained in the cost transparency template, and the further contextual information contained in this report, and determine its approach to monitoring investment management costs going forward.**

Lorna Baxter  
Director of Finance

Contact Officer: Sean Collins, Service Manager (Pensions), Tel: 07554 103465

October 2018



<b>NOTES FOR COMPLETING THE COST COLLECTION TEMPLATES</b>	
<b>SEGREGATED MANDATE COST COLLECTION TEMPLATE</b>	
1	The <b>segregated mandate cost collection template</b> should be used for any segregated portfolio management mandate. It will include costs associated with holdings in any pooled funds selected by the asset manager.
2	The report will normally cover a <b>period of one year</b> ending on a date agreed with the client.
3	According to the GIPS Handbook "the <b>gross-of-fees return</b> is defined as the return on investments reduced by any trading expenses. Returns should be calculated net of non-reclaimable withholding taxes on dividends, interest, and capital gains. Reclaimable withholding taxes should be accrued. Because the gross-of-fees return includes only the return on investments and the associated trading expenses, it is the best measure of the firm's investment management ability and can be thought of as the 'investment return'." .... "These costs must be included because they must be incurred in order to implement the investment strategy."
4	According to the GIPS Handbook "the <b>net-of-fees return</b> is defined to be the gross-of-fees return reduced by the investment management fees incurred, which includes performance-based fees and carried interest. It is important to recognize that the net-of-fees return consists of two distinct components: the gross-of-fees return and the impact of the investment management fee."
5	<b>Investment returns</b> should be shown as annualised percentages.
6	<b>Investment activity</b> is included to give context to transaction costs. Figures are not given for derivatives and foreign exchange because there is no consideration paid when entering into a contract and their contribution to the value of the portfolio is the accrued profit or loss at the reporting date. The asset classes shown are the minimum required level of analysis. Each class can be sub-divided further where, in the opinion of the manager, this will provide more meaningful information.
7	<b>Total opening and closing assets</b> is the sum of all assets and liabilities including cash and accruals. Therefore it is not equal to the sum of the amounts invested in each of the specified asset classes.
8	<b>Turnover</b> is calculated as the lesser of purchases or sales divided by average assets over the period. Taking the lesser figure mitigates the effect of net inflows or outflows.
9	<b>Management fees</b> comprises all income derived by the manager and associates.
10	<b>Payments for research</b> are payments made from the client's assets to fund a Research Payment Account but excludes the research element of any bundled commission payment to a broker, which is included in transaction costs in accordance with 13 below. This item will be applicable only once MiFID II comes into effect on 3 January 2018.
11	<b>Indirect fees</b> comprise all payments deducted from the net asset values of any pooled funds held as part of the portfolio. The figure used should be the figure most recently published by the pooled fund although it is not necessary for the pooled fund to recalculate these figures for the period referred to in item 2 above. The pooled funds' costs can be assumed to emerge evenly throughout the year and may be pro-rated according to the value of the holding. Payments realised by cashing in clients' units in a pooled fund should also be included here.
12	<b>Transaction taxes</b> include stamp duty and any other financial transaction taxes.
13	<b>Broker commissions</b> comprises bundled payments for research and execution. However, when MiFID II comes into effect on 3 January 2018 it will not be permissible to pay for research using commissions generated in proportion to dealing volumes. From that date any research paid for by a client will be reported in accordance with item 10 above. Other levies, such as <b>exchange fees, settlement fees and clearing fees</b> are normally covered by broker commissions but if they are billed separately such amounts should be added to the broker commissions figure.
14	<b>Implicit costs</b> represent the loss of value implied by the difference between the actual transaction price and the mid-market value of the asset. At the time of going to press the precise methodologies are being deliberated by regulators and it is not clear that a one-size-fits-all approach will be possible. Until such time as regulators finalise the methodologies, it is recommended that firms may calculate implicit costs by reference to appropriate measures of market spread and portfolio turnover.
15	<b>Entry/exit charges</b> may arise when a holding in a pooled fund is bought or sold. The amount reported should be the actual amount incurred for each transaction and should include any dilution levies made in addition to the price and any amounts representing the difference between the transaction price and the net asset value per unit calculated by reference to the mid-market portfolio valuation.
16	<b>Indirect transaction costs</b> are transaction costs incurred within pooled funds when they buy and sell their underlying investments. The figure used should be the figure most recently published by the pooled fund although it is not necessary for the pooled fund to recalculate these figures for the period referred to in item 2 above. The pooled funds' costs can be assumed to emerge evenly throughout the year and may be pro-rated according to the value of the holding.
17	<b>Other transaction costs</b> are items not included in any other category of transaction cost. For example, for real estate, this might include legal and valuation fees in respect of transactions, expenditure on repairs and maintenance, costs incurred in relation to aborted transactions and letting and lease renewal fees.
18	<b>Securities lending</b> generates an additional revenue stream for the client. Revenues are normally shared by the client and the asset manager or their appointed lending agent. The disclosure should enable the client to understand the total revenue generated and the proportion of the total they actually receive. The beneficiaries of the revenue sharing arrangements should be identified. Where lending arrangements exist between the client and custodian with no involvement of the manager, any reporting should be provided to the client directly by the custodian without involving the manager.

19	<b>Custody charges</b> and any other ancillary services should be disclosed only where the asset manager provides them or arranges them on behalf of the client. Where the client makes their own arrangements the service provider should account for their charges directly to the client.
<b>POOLED FUND COST COLLECTION TEMPLATE</b>	
1	The <b>pooled fund cost collection template</b> should be used when the client invests directly in the units of a pooled fund.
2	The report will normally cover a <b>period of one year</b> , this being the annual reporting period of the pooled fund. It is not necessary to tailor the report to the client's reporting period.
3	<b>Investment return</b> should be reported net of all charges and costs. Where charges are invoiced outside the pooled fund or are realised by cashing in clients' units in a pooled fund the unit performance record should be adjusted to take account of these charges.
4	<b>Investment returns</b> should be shown as annualised percentages for the share class concerned.
5	<b>Investment activity</b> is included to give context to transaction costs. This information should be given for the fund as a whole and not for individual share classes. Figures are not given for derivatives and foreign exchange because there is no consideration paid when entering into a contract and their contribution to the value of the portfolio is the accrued profit or loss at the reporting date. The asset classes shown are the minimum required level of analysis. Each class can be sub-divided further where, in the opinion of the manager, this will provide more meaningful information.
6	<b>Total opening and closing assets</b> is the sum of all assets and liabilities including cash and accruals. Therefore it is not equal to the sum of the amounts invested in each of the specified asset classes.
7	<b>Turnover</b> is calculated as the lesser of purchases or sales divided by average assets over the period. Taking the lesser figure mitigates the effect of net inflows or outflows.
8	<b>Management fees</b> comprise all income derived by the manager and associates that is invoiced to the client and not deducted from the value of the pooled fund itself. Payments realised by cashing in clients' units in a pooled fund should also be included here. The figure given should be shown net of any rebates, including rebates in respect of the ongoing charges deducted from the pooled fund.
9	The <b>charges and costs</b> figures will be percentages for the share class in question and do not represent the actual experience of a particular client. Clients will be able to apply these percentages to their own holdings records to calculate the monetary amounts of costs incurred. It is for the client to determine their own average holding value for their period of account.
10	<b>Manager's fees</b> comprise all income derived by the manager and associates, except for a performance fee which is disclosed in accordance with 13 below.
11	<b>Other fees</b> comprise all payments made to parties providing services to the pooled fund other than the manager such as, but not limited to, the depository, custodian, auditor, property related expenses to the extent these are not included in transaction costs in accordance with 14 below and any other fees or levies deducted from the pooled fund.
12	<b>Indirect fees</b> comprise all charges deducted from the net asset values of underlying holdings of other pooled funds such as, but not limited to, funds of funds structures.
13	<b>Performance fees</b> should be the amount incurred for the reporting period of the pooled fund.
14	<b>Transaction costs</b> should be calculated in the same way as for the segregated mandate template and expressed as a percentage of the average net asset value over the period.
15	<b>Anti-dilution offsets</b> should be the amounts collected in the period from dilution levies and dilution adjustments (in the case of swinging prices) or the equivalent amounts in relation to the issue and cancellation prices of dual priced funds.
16	<b>Securities lending</b> should be disclosed consistently with the segregated mandate template.

**SEGREGATED MANDATE COST COLLECTION TEMPLATE**

*For use with segregated portfolio management mandates*

*All figures are monetary amounts unless specified*

**Asset Manager** \_\_\_\_\_  
**Portfolio name** \_\_\_\_\_  
**Period of report** Start: \_\_\_\_\_ End: \_\_\_\_\_  
**Currency of report** GBP \_\_\_\_\_

Investment return	1 year	3 years	5 years	10 years	Since formation
Gross return (% pa)					
Net return (% pa)					

Investment activity	Total	Equity	Bonds	Property	Pooled funds	Other (specify)
Opening assets						
Closing assets						
Purchases	0					
Sales	0					
Turnover (% pa)	%					

Management fees	Total
Invoiced fees (less rebates)	
VAT (if applicable)	
Payments for research	
Other charges (specify)	
Performance fees	
<b>Total</b>	<b>0</b>

Indirect fees
Fees paid from NAV of pooled funds

Transaction costs	Total	Equity	Bonds	Property	Pooled funds	Derivatives	Foreign exchange	Other (specify)
Transaction taxes	0							
Broker commission	0							
Implicit costs	0							
Entry/exit charges	0							
Indirect transaction costs	0							
Other transaction costs (specify)	0							
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Transaction costs per value traded

Stock lending (if applicable)		%
Value of stock on loan		
Gross income		
Less: income shared (name recipients)		
Income retained by client	<b>0</b>	

Ancillary services (if provided by manager)
Custody charges
Collateral management
Other (specify)
<b>Total</b>

**POOLED FUND COST COLLECTION TEMPLATE**

*For use with investments in pooled funds*

*All figures in % of average NAV pa unless specified*

<b>Fund Manager</b>	
<b>Fund name</b>	
<b>Share class name</b>	
<b>Date of report</b>	
<b>Currency of report</b>	GBP

<b>Investment return (% pa)</b>	<b>1 year</b>	<b>3 years</b>	<b>5 years</b>	<b>10 years</b>	<b>Since formation</b>
Net return					

<b>Investment activity (GBP unless specified)</b>	<b>Total</b>	<b>Equity</b>	<b>Bonds</b>	<b>Property</b>	<b>Pooled funds</b>	<b>Other (specify)</b>
Opening assets						
Closing assets						
Purchases	0					
Sales	0					
Turnover (% pa)	%					

<b>Management fees</b>	<b>Total (GBP)</b>
Invoiced fees (less any rebates)	
VAT (if applicable)	
<b>Total</b>	<b>0</b>

**Client-specific data** **Client (GBP)** *To be completed by the investing client in order to calculate client-specific amounts*

<b>Ongoing charges</b>	<b>Client (GBP)</b>	<b>Total</b>
Manager's fees		
Other fees		
Indirect fees		
<b>Total ongoing charges figure</b>	<b>0</b>	<b>0.00%</b>

<b>Performance fees</b>	<b>Client (GBP)</b>	<b>Total</b>
Performance fees	<b>0</b>	

<b>Transaction costs</b>	<b>Client (GBP)</b>	<b>Total</b>	<b>Equity</b>	<b>Bonds</b>	<b>Property</b>	<b>Pooled funds</b>	<b>Derivatives</b>	<b>Foreign exchange</b>	<b>Other (specify)</b>
Transaction taxes		0.00%							
Broker commission		0.00%							
Implicit costs		0.00%							
Entry/exit charges		0.00%							
Indirect transaction costs		0.00%							
Other transaction costs (specify)		0.00%							
Anti-dilution offset		-0.01%							
<b>Total transaction costs</b>	<b>0</b>	<b>-0.01%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

<b>Stock lending (if applicable)</b>	<b>Total</b>	
Value of stock on loan		%
Gross income		
Less: income shared (name recipients)		%
Income retained by pooled fund	<b>0</b>	%

## OXFORDSHIRE LOCAL PENSION BOARD – 26 OCTOBER 2018

### INDEMNITY INSURANCE FOR BOARD MEMBERS

#### Report by the Director of Finance

##### Introduction

1. This report has been provided to the Board at the request of one of its Members at the July meeting. The request follows the receipt of guidance from James Goudie Q.C. issued in December 2015. This guidance stated that as the Pension Board was established under the Public Services Pension Act 2013 it was not a Council committee and as such the Council's indemnity insurance arrangements would not automatically apply.
2. The guidance continued to state that there may be circumstances where the Pension Board Members may be liable, although no examples were given of such circumstances, nor what that liability would cover.
3. The guidance concluded with the view that the council should extend its insurance to cover the members of the pension board, or that the Board should procure its own insurance cover.

##### Issues to be Considered

4. The question of insurance cover for Board Members has been discussed on previous occasions, both in Oxfordshire and more widely across the Country. There does not appear to be any clear consensus on the matter, with Local Pension Boards split on whether procuring insurance arrangements is indeed appropriate.
5. The key issue in these discussions is in respect of the duties and responsibilities of the Pension Board vis-a-vis the Pension Fund Committee. Under the relevant Regulations, it is the Pension Fund Committee which is responsible for the delivery of all pension services. The role of the Pension Board is to provide support and challenge to the Committee, but does not take on any responsibility for decision making under the regulations.
6. Given the statutory split of responsibilities between the Pension Fund Committee and Pension Board it is difficult to identify any circumstances where members of the Pension Board would be liable for any losses or damages. Such claims would be properly directed at the Pension Fund Committee.
7. The issue has been raised that under the Constitution of the Pension Board, they are responsible for reporting any breaches of the pensions regulations to the Pension Regulations. As such it is argued that a knowing failure to report a breach of regulations to the Pension Regulator would open the members of

the Pension Board to complaint. Whilst it is accepted that in such circumstances, members of the Pension Board could face action from the Pension Regulator, it would still be expected that any claim for loss or damages would be made against the Pension Fund Committee as the body responsible for the actual breach of regulations.

8. Advice from the County Council's Insurance Team has stated that it is not possible to procure insurance cover against any fines imposed for breach of statutory responsibilities. The Council's current insurance arrangements provide cover against any subsequent loss or damage resulting from the breach. It is therefore felt that there is no insurable loss or damage for which the Pension Board carries the responsibility.
9. In the event that the Pension Regulator was to fine the Pension Board, legal advice is that the fine would be issued to the Pension Board as a corporate body and not the individual members. Responsibility for meeting the cost of the fine would therefore fall to the County Council.
10. **The Board is invited to note the latest position and to offer any further comments to the Pension Fund Committee.**

Lorna Baxter

Director of Finance

Contact Officer: Sean Collins, Service Manager (Pensions), Tel: 07554 103465

October 2018