To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 13 December 2024 at 10.30 am

Please note that there will be a Brunel Governance training session immediately preceding the Committee meeting, starting at 9.30 a.m.

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

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

Martin Reeves
Chief Executive

December 2024

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

Membership

Chairman – Councillor Donna Ford
Deputy Chairman – Councillor Michael O'Connor

County Councillors

Imade Edosomwan
Nick Field-Johnson
John Howson
Peter Stevens
Ian Middleton

Scheme Members

Mr Steve Moran – Non-voting Scheme Member Representative
Mr Alistair Fitt – Non-voting Member of Oxford Brookes University
Cllr Jo Robb – Non-voting Member of District Councils

Notes:

- ***Date of next meeting: 7 March 2025***
- ***The Committee meeting will be preceded by a training session starting at 9.30 a.m. in the meeting room as detailed above.***

OXFORDSHIRE COUNTY COUNCIL

AGENDA

1. Apologies for Absence and Temporary Appointments

2. Declarations of Interest - see guidance note

3. Petitions and Public Address

Members of the public who wish to speak at this meeting can attend the meeting in person or 'virtually' through an online connection. To facilitate 'hybrid' meetings we ask that requests to speak are submitted by no later than 9.00 a.m. four working days before the meeting: 9.00 a.m. on Monday 9 December 2024.

Requests to speak should be sent to Committeesdemocraticservices@Oxfordshire.gov.uk If you are speaking 'virtually', you may submit a written statement of your presentation to ensure that if the technology fails, then your views can still be taken into account. A written copy of your statement can be provided no later than 9.00 a.m. 2 working days before the meeting: 9.00 a.m. 11 December 2024. Written submissions should be no longer than 1 A4 sheet.

4. Minutes of the Pension Fund Committee (Pages 1 - 10)

To approve the minutes of the meeting held on 6 September 2024 and to receive information arising from them.

5. Minutes of the Local Pension Board (Pages 11 - 16)

10:35

A copy of the unconfirmed Minutes of the Local Pension Board, which met on 18 October 2024 is attached for information only.

6. Report of the Local Pension Board (Pages 17 - 18)

10:40

The report sets out the items the Local Pension Board wishes to draw to the attention of this Committee following their last meeting on 18 October 2024.

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

7. Review of the Annual Business Plan 2024/25, including the 'LGPS (E&W): Fit for the Future' Consultation (Pages 19 - 28)

10.50

This report will review progress against the key priorities set out in the Annual Business Plan for 2024/25.

The Committee is RECOMMENDED to:

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

8. Risk Register (Pages 29 - 36)

11.00

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

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

9. Governance and Communications Report (Pages 37 - 62)

11.10

This report covers the key governance and communication issues for the Fund, including a report on any breaches of regulation in the last quarter.

The Committee is RECOMMENDED to:

a) **Note the Fund's update on the Pension Regulator's General Code of Practice.**
b) **Note the results of the Hymans LGPS National Knowledge Assessment 2024.**
c) **Agree changes to mandatory training requirements for Committee members.**
d) **Note the proposed government proposals for fund governance as part of the 'Local Government Pension Scheme (England and Wales): Fit for the future' consultation.**

e) **Note the latest quarter's breaches for the fund.**
f) **Note the communications update.**

10. Administration Report (Pages 63 - 80)

11.15

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

The Committee is RECOMMENDED to note:

a) **The progress of the McCloud project**
b) **The revised benefit administration statistics and to confirm the information required for this report**

11. Policy Reviews (Pages 81 - 118)

11.30

This report will present the following reviewed policies for Committee approval:
LGPS:

- Table of discretionary decisions
- Funding strategy statement
- Voluntary Scheme Pays Policy

The Committee is RECOMMENDED to receive this report and note there are no changes to be made to the policies.

12. Pension Investment Review - A Call for Evidence (Pages 119 - 126)

11.35

This report provides a copy of the Fund's response to the recent call for evidence for noting.

The Committee is RECOMMENDED to:

1. **Note the final version submitted to HM Treasury after feedback from Pension Fund Committee and the Executive Director for Resources & Section 151 Officer.**

13. Corporate Governance and Socially Responsible Investment (Pages 127 - 142)

11.40

This item provides the opportunity to raise any issues concerning Corporate Governance and Responsible Investment which need to be brought to the attention of the Committee.

BREAK

14. Report of the Independent Financial Adviser (Pages 143 - 174)

12:00

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

15. EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 16, 17 and 18 in the Agenda since it is likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it is considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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

16. Brunel: Manager Selection and Listed Market Report (Pages 175 - 182)

12.15

This report will outline the process Brunel Pension Partnership follows during manager selection and provide an update on listed markets.

The Committee is RECOMMENDED to

- **a) Note the update from Brunel Pensions Partnership.**
- **b) Agree if any actions are to be taken to address areas not currently meeting Committee expectations**

17. Affordable Housing Investment Options (Pages 183 - 188)

12.35

Following on from the affordable housing training session prior to the September 2024 Committee and discussion during the meeting, this report sets out further details on the investment options for the Committee to consider.

The Committee is RECOMMENDED to:

a) Discuss the questions posed in paragraphs 12 and 19

18. Workforce Strategy (Pages 189 - 202)

12.55

This report will outline the development of the workforce strategy detailing the plan for next steps on implementation.

The Committee is RECOMMENDED to:

a) **Review progress on development of a Workforce Strategy for the Pension Fund.**
b) **Agree any further actions to be taken to support building an inclusive and sustainable workforce for the future.**

MEETING ENDS

The meeting will end promptly at 13.00.

Councillors declaring interests

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

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

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

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

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

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

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

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

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

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

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

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

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PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 6 September 2024 commencing at 10.15 am and finishing at 12.45 pm

Present:

Voting Members:	Councillor Donna Ford – in the Chair Councillor Imade Edosomwan Councillor Nick Field-Johnson Councillor John Howson Councillor Peter Stevens
Non-Voting Members:	District Councillor Jo Robb, District Councils (non-voting) Alistair Fitt, Oxford Brookes University (non-voting) Steve Moran, Pension Scheme Member (non-voting)
By Invitation:	John Arthur, Independent Financial Advisor
Local Pension Board Members	Alistair Bastian Angela Priestley-Gibbins
Officers:	Lorna Baxter (Executive Director for Resources and Section 151 Officer), Mark Smith (Pension Service Manager), Vicki Green (Pension Services Administration Manager), Mukhtar Master (Governance & Communications Manager), Greg Ley (Pension Fund Investment Manager), Josh Brewer (Responsible Investment Manager), Anna Lloyd (Governance & Communications Officer), Lucy Brown (Senior Democratic Services Officer)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports [agenda, reports and schedule/additional documents], copies of which are attached to the signed Minutes.

104/24 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 1)

Apologies were received from Councillors Middleton and O'Connor, and Liz Hayden, Local Pension Board member.

105/24 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE
(Agenda No. 2)

There were none received.

Following questions from the Committee regarding temporary appointments and the training requirements of any Substitute Member attending the Committee, the Committee were advised that this would be discussed in more detail under Agenda Item 9: Governance and Communications Report.

106/24 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 3)

There were none received for this meeting.

107/24 MINUTES OF THE PENSION FUND COMMITTEE
(Agenda No. 4)

The minutes of the meeting held on 7 June 2024 were agreed as a correct record of the meeting, subject to the following amendments:

Item 81/24: Councillor Howson requested a drawing of lots to decide the Chair following the tied vote and objected to the adjournment.
Item 81/24 Cllr Johnston also announced his resignation from the Committee as he was leaving.

108/24 MINUTES OF THE LOCAL PENSION BOARD
(Agenda No. 5)

The Committee **RESOLVED** to note the unconfirmed minutes of the Local Pension Board which had met on 5 July 2024.

109/24 REPORT OF THE LOCAL PENSION BOARD
(Agenda No. 6)

Alistair Bastin, Local Pension Board Scheme Representative introduced the report which set out the items the Local Pension Board wished to draw to the attention of the Committee following their last meeting. He advised that the Board had reviewed the following standard reports: Annual Business Plan, Governance and Communications Report, Administration Report and Risk Register. The Board also reviewed the Governance and Communications Policy Reviews and Fund Cashflows and 2025 Triennial Valuation reports. He highlighted that the Board would continue to advertise the vacancy for an Employer Representative on the Board, and as part of the discussions on the Risk Register Report, the matter of insufficient resource and/or data (risk 21) was raised and noted that it would be likely the risk rating would increase in this area. The Board had also requested that further information be provided to aid understanding on the rationale of management fees, specifically active versus passive, as a way of way of making savings.

In response to the query raised above regarding the rationale of management fees, Greg Ley, Pension Fund Investment Manager, advised that as the fees were determined by pooled vehicles, they were not subject to management fees from a cashflow perspective. However, it was noted that you would pay lower fees for passive investments, and this split between the two would be demonstrated in the Committee's next asset review.

The Committee **RESOLVED** to note the report.

110/24 REVIEW OF THE ANNUAL BUSINESS PLAN 2024/25

(Agenda No. 7)

Mark Smith, Pension Services Manager presented the report of the Executive Director of Resources and Section 151 Officer which set out the latest progress against the key service priorities set in the business plan for the Pension Fund for 2024/25 scheme year. He outlined the three key service objectives and provided an update on the latest position on each against their assessment criteria for each measure of success.

In response to a query from the Committee regarding the Amber rating of the measure of success: Increase in average scores for the National Knowledge Assessment, Mark Smith advised that this could be reviewed following further discussions but noted that as it stood at the current time, the two new members of the Committee had engaged well and made progress towards completing their mandatory training.

In response to a question relating to the data cleanse included as part of end of year work, under Increased Common Data and Scheme Specific Data Quality scores, Mark Smith advised that this mainly related to the smaller employer scheme members, however more information was available in the Administration Report at Item 12.

Following a question raised regarding the level of training that should be mandatory for not just Committee Members, but also Substitute Members that could sit on the Committee, Mukhtar Master, Governance and Communications Manager, advised that this would be addressed under Item 9: Governance and Communications Report.

The Committee were RESOLVED to:

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

111/24 RISK REGISTER REPORT

(Agenda No. 8)

Mukhtar Master, Governance and Communications Manager presented the report of the Executive Director of Resources and Section 151 Officer which set out the current risk scores in terms of impact and likelihood, and a target level of risk and a mitigation action plan to address those risks not currently at their target score. The risk register was attached at Appendix 1. He advised that there were no red risks and no new emerging risks to report to the Committee, however highlighted the new National Wealth Fund that would invest in industries of the future which could impact on Risk

18: Failure to Meet Government Requirements on Pooling or could require a separate risk altogether.

Following a question regarding if the Committee wished to make changes to its training policy, Lorna Baxter, Executive Director of Resources and Section 151 Officer advised that this would be a decision taken by this Committee to be ratified at Full Council. Mukhtar Master advised that for training requirements for Committee members, there was a requirement under the Constitution and Terms of Reference for the Committee for Substitute Members to have received training in line with the Training Policy. The Training Policy stated that all Members of the Committee should complete training as follows:

a. attend:

- In their 1st year – an induction section on the Oxfordshire Pension Funds Policies, and either
  - The 3-day LGA Fundamentals Course or
  - The 5 Core and 4 DB on-line modules of the Pension Regulators Trustee Toolkit.
- In each subsequent year – all pre-Committee training, and a minimum of 2 days additional training.

He further advised that it was beneficial for new Members of the Committee to join the Committee as soon as possible and complete training within a specified time period, rather than hold off membership and risk lack of quorum. However, he did point out an anomaly, in that Substitute Members to the Committee were expected to complete training prior to sitting on the Committee as a Substitute, whereas Members of the Committee were allowed one year to complete this training.

Members of the Committee and the Local Pension Board discussed the implications of both Committee members joining the Committee with and without the training, and whether the time period of one year should be shortened to better fulfil the requirements of requisite knowledge that was required for this Committee.

Lorna Baxter advised that she understood that there was an inconsistency between the training requirements of the Committee Members and any named Substitutes and suggested that Induction training could be completed by all Members prior to attendance at a committee meeting, and then allow some time to complete the remaining mandatory training. She also highlighted the possibility of a whole new Committee following the May 2025 elections and advised that Induction training would be part of a package supplied to all new and existing Members. It was suggested that this scenario be added as a risk to the Risk Register, as a separate risk, of which was agreed by the Committee for the next meeting. (**ACTION**)

The Chair of the Committee agreed the approach for all members joining the Committee to have completed Induction Training, and then to complete the mandatory training modules within a specified time period, and that this would apply to Substitutes as well as Committee Members.

In response to comments raised regarding Risks 18: Failure to Meet Government Requirements and Poolling and 19: Failure of Pooled Vehicle to meet local objectives, Mark Smith advised the Committee that they were working closely with other pooling partners and Brunel to ensure they were kept informed of any government programmes or consultations for developing the pool.

The Committee RESOLVED to note the latest risk register and accept that the risk register covered all key risks to the achievement of their statutory responsibilities, and that the mitigation plans, where required, were appropriate, *and to add an additional risk which covered the risks involved in a new membership of the Committee following the May 2025 elections of the Council.*

112/24 GOVERNANCE AND COMMUNICATIONS REPORT

(Agenda No. 9)

Mukhtar Master, Governance and Communications Manager presented the report of the Executive Director of Resources and Section 151 Officer which covered the key governance and communications issues for the Fund, including a report on any breaches of regulation in the last quarter. He highlighted the General Code of Practice Action Plan 2024/25 shown in Appendix 1, which had been reprioritised to ensure that modules were reviewed based on the following criteria: (1) Regulatory requirements; (2) TPR expectations; and (3) best practice. It was hoped that all modules would be completed by March 2025. He also advised the Committee on the LGPS National Knowledge Assessment 2024 which would assess all the knowledge and skills of the Committee and Board members, and also following on from a request made at the last Committee meeting, Appendix 2 provided a list of all training that had been undertaken by Committee and Board members.

Following discussion regarding the gaps in training identified in Appendix 2, and taking into account Lorna Baxter's advice during the previous agenda item regarding the process of changing the Training Policy, the Committee requested the following be a recommendation to modify the Training Policy as follows:

- Amended to state that all Members and Substitutes of the Committee complete Induction Training prior to being eligible to attend Committee meetings.
- The LGA Fundamentals or TPR Toolkit training be completed by 31 December in the year that any Member or Substitute join the Committee.
- Induction training and any pre-committee training be offered to all Councillors.

The Committee also requested that the implications of non-attendance of Pension Fund Committee training and eligibility to sit on the Committee be conferred to Group Leaders.

The Committee were resolved to:
i) Note the Fund's update on the Pension Regulator's General Code of Practice.
ii) Note the Knowledge & Skills update.
iii) Review and note the latest quarter's breaches for the fund.
iv) Note the communications update.

113/24 GOVERNANCE AND COMMUNICATION POLICY REVIEWS

(Agenda No. 10)

Mukhtar Master, Governance and Communications Manager presented the report of the Executive Director of Resources and Section 151 Officer which presented the following: Firefighters' Pension Scheme policy documents which included Fire Pension Board Terms of Reference, Administration Strategy and the Conflict of Interest Policy; and the Oxfordshire Pension Fund Conflict of Interest Policy which were all included within the Appendices attached to the report.

Following a comment from the Committee that only generic emails should be used so that contact details move with the role, rather than a person, **the Committee were RESOLVED to approve the following:**

i) Firefighters' Pension Scheme policy documents:

- **(1) Fire Pension Board Terms of Reference**
- **(2) Administration Strategy**
- **(3) Conflict of Interest Policy**

ii) Oxfordshire Pension Fund:

- **(1) Conflict of Interest Policy**

114/24 ANNUAL REPORT AND ACCOUNTS INCLUDING TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT

(Agenda No. 11)

Greg Ley, Pension Fund Investment Manager presented the draft Annual Report and Accounts for the Pension Fund, which included the latest TCFD report, and progress against the targets set out in the Fund's Climate Change Policy. He highlighted the asset allocation tables presented on page 133, the first of which provided information on the amount of asset values at 31 March 2024 which was pooled and not-pooled. The second table showed the Pension Funds' investments in the UK using the guidance from Preparing the Pension Fund Annual Report Guidance for Local Government Pension Scheme Funds for April 2024. He also highlighted the TCFD report which provided detail of the Fund's exposure to fossil fuel reserves and whilst there was not a target on that measure, there was a 60% reduction in 2023, and a 83% reduction since measuring began in 2019.

In response to a question regarding how robust those reductions in fossil fuel reserves were, Greg Ley advised that the report provided information on the weaknesses of monitoring single measures and climate change metrics were utilised to provide a more complete picture.

The Committee expressed concerns regarding the Investment Benchmark and Performance information provided within the Accounts which showed the Council had failed to meet the benchmark and a significant amount of that under the one-year period was within the Brunel part of the funding and that there was a risk that this would impact on the three-year rolling average.

In response to a question regarding the difference in budgeted management fees compared to the actual fees included within the report, Greg Ley advised that this was due to how the funds were measured, which now included additional costs that had been previously allocated elsewhere. However, even with those changes stripped out, there was still a significant difference to the budgeted figures and the

Committee were advised that it was very difficult to budget for management fees, but this could be reviewed as part of the asset allocation review due to take place later in the year. Greg Ley agreed to supply the Committee with a breakdown of the management fees. (**ACTION**)

The Committee noted the report.

115/24 ADMINISTRATION REPORT

(Agenda No. 12)

Vicki Green, Pension Services Manager presented the report of the Executive Director of Resources and Section 151 Officer which updated the Committee on the key administrative issues including service performance measurement, the debt recovery process and any write offs agreed in the last quarter. She provided an update on the current level of staffing and recruitment to those posts that were vacant, and also an update on the numbers presented for the performance statistics in the report.

In response to a question regarding the write off of a historical outstanding overpayment that had resulted from a scheme member's death which had not been notified to the Council, Vicki Green advised that this had been identified during a National Fraud Initiative report and that further initiatives were planned to enable the Council to investigate these cases more fully. She advised that this was a historical case, and better procedures to streamline processes were being developed to ensure similar cases do not occur.

Vicki Green advised that a review of historic death cases where there was outstanding information needed to complete the files would be brought to the December Committee meeting.

The Committee RESOLVED to ~~consider~~ *agree* the write-off of a historical outstanding overpayment resulting from the death of scheme members.

116/24 REPORT OF THE INDEPENDENT INVESTMENT ADVISOR

(Agenda No. 13)

John Arthur, Independent Financial Advisor presented his report which provided an overview of the Fund's investments against the Investment Strategy Statement and commentary on any issues related to the specific investment portfolios. The report also included the quarterly investment performance monitoring report from Brunel.

He further highlighted the Fund had risen since almost pre-Covid levels, however it was behind in benchmarking mainly due to Brunel's selection of managers in the Global Equity portfolios. He advised that whilst it seemed that inflation was now under control, the sensitivity around the changes in long-term trends for inflation meant that spikes in inflation could still materialise in the short term and it was not expected that inflation would fall as quickly as reported. He advised the Committee consider the level of equity weighting back to the benchmark in their asset allocation and reinvest in shorter dated UK corporate investment grade bonds, however advised that this product was not offered by Brunel and would require outside investment.

Mark Smith, Pension Service Manager advised the Committee that Brunel would attend the December Committee meeting to answer questions from the Committee.

In response to a request for additional performance data of asset allocation to Table 2 of the report, John Arthur advised the assumption was that the Committee were supplied with the Custodian's and Brunel's performance reports and had therefore not supplied this within his report but would do so in future reports.

Following discussion by the Committee, it was agreed that Officers would review workable options on affordable housing, and these would be presented to the next Committee meeting. It was also agreed that when reviewing the mix of active and passive investments, Officers also review the blends of those investments between high technology investments and those with lower carbon impacts. (**ACTION**)

The Committee thanked the Independent Advisor for his report.

117/24 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT
(Agenda No. 14)

Greg Ley, Pension Fund Investment Manager presented the Local Authority Pension Fund Forum Quarterly Engagement Report for April – June 2024, which provided the opportunity to raise any issues concerning Corporate Governance and Responsible Investment to be brought to the attention of the Committee.

Following a question regarding the progress made by list of companies provided in the report, Greg Ley advised that whilst there was good progress made across the board, there were still some companies engaging more than others. It was agreed that any companies of concern would be flagged in a report to the Committee. (**ACTION**)

In response to a query raised by the Committee regarding the agreement to move investments from the FTSE 100 Index to the FTSE 250 Index, John Arthur, Independent Financial Advisor advised that following conversations with Brunel, the mandate had been agreed and the appointment of managers would take place before the year end with transition in the next financial year.

The Committee noted the report.

Lorna Baxter left the meeting and did not return.

118/24 RESPONSIBLE INVESTMENT POLICY - MONITORING AND REPORTING
(Agenda No. 15)

Josh Brewer, Responsible Investment Officer presented an update on the Responsible Investment Policy and advised of the changes to the recommendations on the paragraphs noted in recommendation (b).

He advised that at the June 2024 Pension Fund Committee, the Committee resolved to agree the final version of the Responsible Investment Policy, and to agree a set of metrics and targets to measure progress, and these were provided in Annex 1. He advised of the potential issues to be aware of when setting targets, and this was supported by the Independent Financial Advisor who advised the Committee to focus on the direction of travel rather than rely on figures that were subject to movement.

The Committee were RESOLVED to:

a) **agree the proposed set of Responsible Investment metrics and targets included at Annex 1; and**

b) agree the inclusion of the wording in paragraphs ~~20 and 21~~ *S and T* in the Fund's Responsible Investment Policy regarding the exclusion of tobacco holdings.

119/24 EXEMPT ITEMS

(Agenda No. 16)

The Committee RESOLVED that the public be excluded for the duration of Item 17 in the Agenda since it was likely that if they were present during those items there would be disclosure of exempt information as defined in Part 1 of Schedule 12A of Page 10 the Local Government Act 1972 (as amended) and specified in relation to the respective items 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 that information.

120/24 CESSATION OF A SCHEME EMPLOYER

(Agenda No. 17)

The Committee received a verbal update from the Pension Services Manager regarding the report published at the previous Pension Fund Committee meeting held on 7 June 2024.

The Committee discussed the item in private session.

.... in the Chair

Date of signing ....

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LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 18 October 2024 commencing at 10.30 am and finishing at 11.40 am

Present:

Voting Members:	Matthew Trebilcock – in the Chair Susan Blunsden Alistair Bastin Liz Hayden Angela Priestley-Gibbins Janet Wheeler
Other Members in Attendance:	Councillor Donna Ford

Officers:

Whole of meeting	Mark Smith (Head of Pension Services), Mukhtar Master (Governance and Communications Manager), Anna Lloyd (Governance and Communications Officer), Greg Ley (Pension Fund Investment Manager), Josh Brewer (Responsible Investment Manager) and Lucy Brown (Senior Democratic Services Officer)

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

46/24 WELCOME BY CHAIRMAN

(Agenda No. 1)

The Chairman welcomed everyone to the meeting and introduced Janet Wheeler, Town Clerk, Didcot Town Council as a new member to the Board.

47/24 APOLOGIES FOR ABSENCE

(Agenda No. 2)

No apologies for absence were received.

48/24 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE BELOW
(Agenda No. 3)

No declarations of interest were received.

49/24 MINUTES
(Agenda No. 4)

The minutes of the meeting held on 5 July 2024 were agreed as a correct record.

50/24 UNCONFIRMED MINUTES OF THE PENSION FUND COMMITTEE OF 6 SEPTEMBER 2024
(Agenda No. 5)

The Board had before it the draft minutes of the Pension Fund Committee meeting of 6 September 2024.

In noting the minutes, the Board highlighted the error in Alistair Bastin's name on the front sheet, which would be amended for the next Pension Fund Committee meeting.

51/24 REVIEW OF THE ANNUAL BUSINESS PLAN
(Agenda No. 6)

The Board had before it the Review of the Annual Plan and Budget for 2024/25 which set out the latest progress against key service priorities set in the business plan for the Pension Fund for 2024/25 as agreed by the June meeting of the Pension Fund Committee.

Mark Smith, Head of Pension Services presented the report, and highlighted that progress had been made against the succession plan and arrangements were in place to fill the vacancy created by the promotion of the Pension Service Administration Manager, however mitigations had been put in place within the team to support these vacancies with the upskilling of existing staff. The Workforce Strategy would be presented to the Pension Fund Committee's December meeting, and then to the Board in January 2025. He encouraged all Members to complete the National Knowledge Assessment, of which a report would be brought to Committee when completed in Autumn 2024.

Regarding review of the Fund's Investment Strategy Statement in light of Government Policy, Mark Smith advised that he would circulate the response to the call for evidence submitted to Government. (**ACTION**)

In response to a question from the Board regarding the timeline of the Strategic Asset Allocation, Mark Smith advised that this would form part of the work of the 2025 Valuation and the Committee and Board would be involved in those conversations. Following a request from the Pension Fund Committee, this would also include a paper from the Independent Financial Advisor on active vs passive investments.

In response to a question from the Board regarding monies coming out of the Fund affecting the cashflow of the Fund, Mark Smith responded that the cashflow was not directly affected for portfolio investments, however there would be an impact on the Budget.

The Committee noted the report.

52/24 RISK REGISTER
(Agenda No. 7)

The Board were presented with the latest risk register which had been considered by the Committee on 6 September 2024.

Mukhtar, Master, the Governance and Communications Manager presented the report and highlighted that there were no new emerging risks identified in the quarter and none of the risks on the risk register were deemed as increasing in their respective risk rating. However, he advised that the new National Wealth Fund that would invest in industries of the future could impact on Risk 18: Failure to Meet Government Requirements on Pooling or could require a separate risk altogether and was being monitored.

In response to a question regarding Risk 13: Insufficient Skills and Knowledge on Committee, Mukhtar Master advised that all Members apart from two relatively new Committee members had completed the mandatory training that was required of all Members. He also advised that Induction Training was delivered to both the Committee and Board Members, and Mark Smith, Pension Services Manager advised that the new Board Member had completed this training.

The Board expressed their concerns that two Members of the Committee had not completed any training, and this would be raised under agenda item 13, and would hope that this would be rectified before the Board submit their Annual Report.

In response to a question regarding whether substitutes are allowed to attend the Committee meetings, Mukhtar Master advised that this anomaly had been identified, and a new Training Policy that rectified this was being developed to be brought to the next Committee meeting.

The Board noted the report.

53/24 GOVERNANCE AND COMMUNICATIONS REPORT
(Agenda No. 8)

The Board had before it the Governance and Communications Report which had been presented to the Committee on 7 June 2024.

The Governance and Communications Manager presented the report which included an update on the requirement of the Local Government Pension Scheme's (LGPS) need to be compliant against the 51 modules. The action plan had been re-prioritised to ensure that the modules were reviewed based on the following criteria: regulatory requirements; TPR expectations and best practice.

In response to a query from the Board, Mukhtar Master advised that Appendix 1 showed an update as of August 2024, which outlined what had been presented to the Committee and had not been updated for this Board meeting. It was **agreed** by the Board that an updated version of Appendix 1 should be presented to Board meetings so that they can determine the latest information available.

The Board noted the report.

54/24 GOVERNANCE AND COMMUNICATIONS POLICY REVIEWS

(Agenda No. 9)

The Board had before it the report presented to the Committee on 6 September 2024 which brought the following reviewed policies for the Committee's approval:
Firefighters' Pension Scheme:
- Fire Pension Board Terms of Reference
- Administration Strategy
- Conflict of Interest Policy

Local Government Pension Scheme:
- Conflict of Interests Policy

The Board noted that the Firefighters' Pension Scheme have their own independent Board and would not be under the remit for this Board.

Mukhtar Master, Governance and Communications Manager presented the report which provided further detail on the Conflict of Interests Policy and advised that the policy had been updated to reflect that all completed declaration of interest forms were uploaded onto the Modern.Gov system.

In response to a question from the Board, the Senior Democratic Services Officer advised that Declaration of Interest forms should have been completed by all Board members on joining the Board as per the Board's terms of reference and would follow this up if this had not been carried out in line with the Conflict of Interest Policy. (**ACTION**)

The Board noted the report.

55/24 ADMINISTRATION REPORT

(Agenda No. 10)

The Board considered the latest Administration Report as presented to the Committee on 6 September 2024. Mark Smith, Head of Pension Services presented the report which included the latest performance statistics for the service.

Mark Smith highlighted the continued issues with staffing within the team and updated the Board on the current vacancies, however advised that this was an issue experienced on a national level. He also advised that the percentage of Annual Benefit Statements issued by 31 August 2024 was 98.95%, and Deferred Annual Benefit Statements was 99.94% which was a great result for the team.

In response to a question from the Board asking if iConnect had been rolled out to all employers, Anna Lloyd, Governance Communications Officer advised that all employers had been onboarded to the new system.

The Board noted the report.

56/24 ANNUAL REPORT AND ACCOUNTS
(Agenda No. 11)

The Board considered the Annual Report and Accounts for the Pension Fund 2023/24 and were invited to offer comments.

Greg Ley, Pension Fund Investment Manager presented the report and advised that it was expected that the external audit for 2022/23 would be signed off at the next Audit & Governance Committee at their next meeting on 27 November 2024 which would also include the initial results of the current year's external audit.

In response to a question from the Board regarding the statutory publication date of accounts by 1 December 2024, Greg Ley confirmed that it was usual practice to publish the accounts in draft if they had not been agreed.

The Board noted that the report included a list of training undertaken by both the Committee and the Board for the year 2023/24, and the Chair highlighted that it was a statutory obligation to record this data.

The Board noted the report.

57/24 RESPONSIBLE INVESTMENT POLICY - MONITORING AND REPORTING
(Agenda No. 12)

The Board had before it the Responsible Investment Policy – Monitoring and Reporting as presented to the Committee at their meeting on 6 September 2024. He advised that the policy was agreed at the June 2024 Pension Fund Committee and provided a set of metrics and targets to measure progress, which were outlined in Appendix 1. He advised the Board that the metrics were subject to change as the data landscape developed but would consult with stakeholders before making any changes.

The Board noted the report.

58/24 ITEMS TO INCLUDE IN REPORT TO THE PENSION FUND COMMITTEE
(Agenda No. 13)

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

- In consideration of Risk 13: Insufficient Skills and Knowledge on Committee, the Board requested that all Members undertake the relevant training required to sit on the Committee within a reasonable timeframe of appointment.

59/24 ITEMS TO BE INCLUDED ON THE AGENDA FOR THE NEXT BOARD MEETING
(Agenda No. 14)

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

- Report of the Independent Financial Advisor regarding active vs passive investments.

.... in the Chair

Date of signing ....

Division(s): n/a

ITEM 6

PENSION FUND COMMITTEE – 13 December 2024

REPORT OF THE LOCAL PENSION BOARD

Report by the Independent Chairman of the Local Pension Board

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the comments of the Board as set out below.**

Introduction

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

3. This report reflects the discussions of the Board members at their meeting on 18 October 2024. The virtual meeting was attended by Matthew Trebilcock as the independent Chairman, and all five of the five current voting members of the Board. Cllr Donna Ford also attended the meeting to maintain the link to the work of the Pension Fund Committee.

4. Fund Officers, Mark Smith - Head of Pensions, Mukhtar Master – Governance and Communications Manager and Anna Lloyd – Governance and Communications Officer joined the meeting. Lucy Brown – Senior Democratic Services Officer also joined the meeting.

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

5. The Board considered several of reports as presented to the last meeting of the Pension Committee. These included the standard items being the review of the Annual Business Plan, the Governance and Communications report, the Risk Register and the Administration report. The Board also reviewed the reports on Governance and Communication Policy Reviews (LGPS only), Annual Report and Accounts and Responsible Investment Policy – Monitoring and Reporting.

6. The Board members had a good discussion on all items as noted in the draft minutes included elsewhere on today's agenda. The Board welcomed Janet Wheeler, Town Clerk, Didcot Town Council as a new employer representative to Pensions Board.

7. As part of the discussions on the Review of the Annual Business Plan, the matter of resource was raised and noted that this continues to be a challenge across the LGPS nationally. A question was raised regarding the timeline for the Strategic Asset Allocation, this being the most important decision on driving returns on investments, it was noted this would form part of the work for the 2025 Valuation, both Committee and Board would be involved in this process. It was also noted that Strategic Asset Allocation would impact overall cashflows depending on management charges for underlying investments. The Independent Financial Advisor would include a section in his next report to Committee on active vs passive investment, this would also then be included on the agenda for the next Board meeting in January 2025.

8. As part of the discussions on the Risk Register Report, Board raised concerns and requested these to be included in item 13, the report to Committee. It was noted that to date, two Members of the Committee had not completed any training, and the hope would be that this could be rectified before Board submit their Annual Report and that Members undertake the relevant training required within a reasonable timeframe following appointment.

9. As part of their discussions on the Annual Report and Accounts, in response to a question, the Board noted that it was usual practice to publish the accounts in draft if they had not been agreed ahead of the statutory publication date of 1 December. It was also noted the report includes a list of training undertaken by both the Committee and Board and the Chair highlighted that it was a statutory obligation to record this data.

Matthew Trebilcock
Independent Chairman of the Pension Board

Contact Officer: Mark Smith, Head of Pensions, 01865 328734,
mark.smith@oxfordshire.gov.uk

December 2024

Division(s): n/a

ITEM 7

PENSION FUND COMMITTEE

13 December 2024

REVIEW OF THE ANNUAL BUSINESS PLAN AND BUDGET 2024/25

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

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

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

Introduction

2. The report sets out the latest progress against the key service priorities set in the business plan for the Pension Fund for 2024/25 as agreed by this Committee.

3. The key objectives for the Oxfordshire Pension Fund as set out in the Business Plan for 2024/25 remain consistent with those agreed for previous years. These are summarised as:

   - To fulfil our fiduciary duty to all key stakeholders
   - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the 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

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

Key Service Priorities – Progress to Date

5. There were 3 key service priorities included in the 2024/25 Plan each with a number of key measures of success. The latest position on each is set out in the

paragraphs below. The assessment criteria for each measure of success is as follows:

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

6. Deliver further improvements to the governance arrangements of the Fund. The position against the 5 agreed measures of success are set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Succession Plan in place, and suitably skilled and knowledgeable replacements recruited for Head of Pensions and Pension Services Administration Manager. GREEN	Transition between Heads of Pensions and Pension Services Administration Managers has been completed with the continuing smooth running of the Fund during the transition.	Succession planning for the future will be incorporated into the Workforce Strategy going forwards.
Workforce Strategy in place. AMBER	Workforce Strategy paper to be reviewed as an exempt item later in this Committee meeting.	Further work to be completed as set out in the Workforce Strategy plan.
End of year compliance with General Code of Practice in line with targets set. GREEN	Progress is being made in line with project plan.	Reviews to be completed, and actions agreed and delivered to address any gaps in compliance. Further independent scrutiny and review to be completed by Hymans Robertson, in the first half of 2025.
Committee satisfied they are able to evidence compliance with their policies and demonstrate the performance standards of the Fund. AMBER	New Committee and Board members have been provided access to inductions including details of Fund policies. Additional information has been included in the administration report, with the aim of continuing to evolve and develop the reporting to Committee, to increase	Improved KPI reports are being developed. Along with the review of policies and oversight in light of the new Government consultation.

	transparency and improve oversight.	
Increase in average scores for the National Knowledge Assessment. AMBER	National Knowledge Assessment has been completed with 100% completion rate, more information and results are included in the Governance and Communication Report later in the agenda of this Committee.	Training plan for 2025/26 to be created focusing on key areas requiring development and incorporation of the developing requirements under the Government consultation.

7. Progress has been made against the measures of success and whilst due to external factors delivery remains challenging, we are on target to deliver across all of the agreed measures of success in this area. More information is included in the Governance and Communications report regarding the National Knowledge Assessment, including key aspects of the Good Governance Review which have been included in the Governments latest consultation (LGPS – fit for the future). We welcome the inclusion of the Good Governance Review in this consultation, much of which we have already adopted in our regular activity.

8. Compliance with the General Code of Practice continues to make progress (as detailed with the Governance and Communications Report elsewhere on today's agenda). At the present time we remain on target to be fully compliant by the end of 2024/25 scheme year. As further assurance to Committee we have engaged Hymans Robertson to undertake a review and scrutinise the work completed by the Fund, an update will be provided to Committee mid-2025.

9. The Measure of Success in respect of Committee and Board members National Knowledge Assessments is also currently showing Amber. This in part reflects the high turnover of membership of both the Committee and the Board, and the loss of previous skills, knowledge and experience, more information is included the report on the National Knowledge Assessment, contained within the Governance and communications report. A point worth noting around the scores relating to actuarial methods as 2025 is a valuation year, we would expect an increased focus on training in this area, which will help to improve knowledge and understanding of both Committee and Board.

10. Business planning for 2025/26 has commenced, Committee and Board will be invited to a planning meeting on 16 January 2025, whereby objectives can be discussed and then formally approved in March 2025 Committee.

11. <u>Deliver further operational effectiveness of the administration function, including delivery of regulatory changes.</u> There were also 6 specific measures of success set out in the 2024/25 Business Plan in respect of this priority. The progress against these in set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Issue all estimates/benefit calculations in line with the McCloud requirements. AMBER	Progress continues and more information can be found in the Administration Report. The key focus remains the Active and Deferred members in order to comply with Statutory date for Annual Benefits Statements by 31 August 2025.	Complete collection and loading of missing data. Complete backlog of calculations in line with Government's priority guidance.
Increased Common Data and Scheme Specific Data Quality scores. GREEN	Data cleanse is an ongoing task throughout the year, the latest scores show a slight improvement on last year. Common Data – 94.5% Scheme Specific – 98.69%	Build in further data cleanse activities as part of ongoing work to improve scores for next year.
Reduction in numbers of reported regulatory breaches/fines issued under the Administration Strategy. GREEN	Report to Committee included in the Administration Report.	Increasing focus on support and engagement with employers.
Reduction in number of formal complaints. GREEN	Numbers of complaints have fallen, however it is too early to say if this is a meaningful trend.	Website improvements to improve processes and management of member expectations.
Increased customer satisfaction scores. AMBER	Customer satisfaction survey results remain positive with the majority of interactions rated as either 4 or 5 stars (72%).	Review trends in member survey scores and develop action plans as necessary.
Reduction in scheme costs associated with technology improvements. AMBER	Fund officers continue to engage with Heywoods to maximise our use of technological solutions. Progress is being made on the procurement of Dashboards, due for go live October 2025.	Continue to work with Heywood to develop further functionality within the System software.

12. Delivery against the McCloud Project Plan remains challenging, although progress is being made to ensure Active and Deferred members records reflect the necessary information to enable the production of Annual Benefit Statements before the 31 August 2025 Statutory deadline.

13. <u>Review the Fund's Investment Strategy Statement in light of:</u>

- The 2025 Valuation
- Government Policy
- Cashflow Requirement
- Responsible Investment Priorities

There were 4 measures of success set for this service priority within the Business Plan, and progress against these measures is set out below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Clear Strategic Direction agreed for 2025 Valuation, to the satisfaction of scheme employers. AMBER	Pre-valuation focus on data quality with employers continues. Housing keeping on historic employer matters, ahead of valuation. Initial modelling meeting held with scheme actuary, to discuss results and likely outcomes. Planning next steps in valuation process and engagement.	Consultation with scheme employers on their desired outcomes from the 2025 Valuation. Review of Funding Strategy Statement, investment strategy, Strategic Asset Allocation, in light of Government consultation.
Revised cashflow model in place and sufficient cash in place to meet pension benefits and investment commitments as they fall due. GREEN	Ongoing monitoring of the cashflow position is in place.	Cashflow model to be reviewed in light of decisions made throughout 2025 Valuation process. Cashflow monitoring policy to be developed. Further consideration of cashflow monitoring in light of Government consultation
Plans in place to deliver Government Policy requirements. AMBER	Government has communicated their intended direction in the Mansion House speech on 14 November 2024. Launching the LGPS fit for the future consultation, responses due by 16 January 2024.	Draft response to consultation. Continue working closely with Brunel and partner Funds on preparation for expected changes.
Publish Fund's first Responsible Investment Policy and Strategy Documents. GREEN	Press release issued on exclusions.	Develop responsible investment strategy to deliver and report on key elements of Policy
Revised Strategic Asset Allocation agreed. AMBER		Strategic Asset Allocation to be reviewed as part of the

		2025 valuation and noting Government consultation on role of Administering Authority in setting SAA.

14. Following the Chancellors Mansion House speech on the 14 November 2024, the Government has now released a number of pension related consultations, the key consultation of importance to the LGPS is the Local Government Pensions Scheme (England and Wales): Fit for the future consultation.

15. This consultation can broadly be split into 3 key areas:

    a. Reforming the LGPS asset pools
    b. Boosting LGPS investment in Local and UK investments
    c. Strengthening the governance of both Administering Authorities and LGPS pools

16. The consultation will run for a period of 9 weeks closing on 16 January 2025, asking 30 questions relating to the above 3 areas.

17. The consultation seeks views on the plan to harmonise the model of the pools, to one single operating model for all 8 existing pools. All pools should be Financial Conduct Authority (FCA) registered. All listed markets must be pooled by 31 March 2025 with all remaining legacy assets pooled by 31 March 2026.

18. The most significant proposal is the change in role between the Administering Authority and pool, which would see the implementation and advice on investment strategy be delegated to the pool, with the Strategic Asset Allocation an optional delegation to the pool. Pools are also required to report by March 2025 on how they intend to deliver this new fiduciary model.

19. Furthermore, there is a focus on the aim of boosting investment locally. Funds and pools will be required to work with local and regional authorities to develop investment opportunities. Pools will be required to develop capability to assess local investment opportunities presented and also provide additional reporting.

20. The proposed strengthening of governance are essentially the outcomes of the Good Governance Review, more details are provided in the Governance and Communications report.

21. Next steps – a draft response will be prepared for Committee to consider and feedback on prior to submission ahead of the 16 January 2025 deadline.

22. Two other consultations relevant have also been launched:

    a. The Home Office has commenced a consultation on Amendments to The Firefighters' Pension Scheme (England) Regulations 2014 (S.I. 2014/2848)

– Proposed updates to members contribution structure, the consultation closes 29 January 2025.

i. The government is consulting on amendments to the Firefighters' Pension Scheme (England) Regulations 2014 to:

1. achieve the target yield over 1 October 2025 to 31 March 2027, and future valuation periods
2. update the member contribution structure to encourage scheme participation and reduce opt-outs
3. ensure the member contribution structure is administratively sustainable
4. ensure due regard to the Public Sector Equality Duty.

b. HMRC has commenced a technical consultation - Inheritance Tax on pensions: liability, reporting and payment, the consultation closes 22 January 2025.

i. From 6 April 2027 most unused pension funds and death benefits will be included within the value of a person's estate for Inheritance Tax purposes and pension scheme administrators will become liable for reporting and paying any Inheritance Tax due on pensions to HMRC. The consultation seeks views on the processes required to implement these changes, rather than our views on whether these changes should go ahead.

Budget 2024/25

23. The budget for 2024/25 was agreed as Part C of the Business Plan at £20,741,000.

2024/25 Pension Fund Budget – Q2 Update

	Budget	**YTD**	**%**	**Forecast Outturn**	**Variance**
	2024/25	**2024/25**		**2024/25**	**2024/25**
	£'000	**£'000**		**£'000**	**£'000**
Administrative Expenses					
Administrative Employee Costs	1,861	568	31%	1,861	0
Support Services Including ICT	1,338	1,003	75%	1,338	0
Printing & Stationary	82	46	56%	82	0
Advisory & Consultancy Fees	165	0	0%	165	0
Other	60	0	0%	60	0
Total Administrative Expenses	**3,506**	**1,617**	**58%**	**3,506**	**0**

Investment Management Expenses					
Management Fees	14,800	3,000	20%	15,000	200
Custody Fees	30	16	30%	30	0
Brunel Contract Costs	1,453	1,127	51%	1,453	0
Total Investment Management Expenses	**16,283**	**4,144**	**25%**	**16,483**	**200**
Oversight & Governance					
Investment & Governance Employee Costs	444	177	40%	440	-4
Support Services Including ICT	13	0	0%	13	0
Actuarial Fees	292	262	90%	292	0
External Audit Fees	50	94	188%	120	70
Internal Audit Fees	9	0	0%	9	0
Advisory & Consultancy Fees	101	10	0%	101	0
Committee and Board Costs	24	0	0%	24	0
Subscriptions and Memberships	20	27	64%	20	0
Total Oversight & Governance Expenses	**953**	**570**	**60%**	**1,019**	**66**
Total Pension Fund Budget	**20,742**	**6,733**	**32%**	**21,008**	**266**

24. Key points to note Brunel invoices are paid in advance so the year to date includes 2 quarters of fees. Also, external audit fees include the prior years fees and the increase.

25. We can expect to see Brunel fees increase if the Government consultation proceeds in its current form, this will be to reflect the increased resource needs for the pool to deliver the additional requirements from Government. In the short to medium term there is unlikely to be any cost savings to the Administering Authority.

Training Plan

26. Part D of the Business Plan set out the broad Training Plan for Committee Members. This reflects the Knowledge Assessment and feedback from Committee and Board members in 2023. A session covering affordable housing was held prior to Committee in September 2024. A session on Governance in the Brunel Pensions Partnership will be held prior to this Committee meeting. We expect pre Committee training for March 2025 Committee will be from the Scheme Actuary. The latest results from the National Knowledge Assessment are included in the Governance and Communication report which will inform the revised training plan for 2025/26 which is due to be developed. The revised training plan will also take into account the Governments proposals on improving Knowledge and Understanding of Committee/Board.

27. Over the course of the year, we will develop the monitoring of Members compliance against the Training Policy, and this information will be included alongside the review of the National Knowledge Assessment scores as part of our assessment of the overall governance arrangements for the Fund.

28. Since our last Committee meeting positive progress has been made with overall training, as at time of writing this report all Board members have completed their induction training and have completed all modules required. All Committee Members except one have completed their induction and training modules.

Lorna Baxter
Executive Director of Resources & Section 151 Officer

Contact Officer: Mark Smith, Head of Pensions, 01865 328734, mark.smith@oxfordshire.gov.uk

December 2024

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Division(s): n/a

ITEM 8

PENSION FUND COMMITTEE – 13 DECEMBER 2024

RISK REGISTER

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

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

Introduction

2. The risk register sets out the current risk scores in terms of impact and likelihood, and a target level of risk and a mitigation action plan to address those risks that are currently not at their target score. The risk register can be found at **APPENDIX 1**. This report sets out any progress on the mitigation actions agreed for those risks not yet at target and identifies any changes to the risks which have arisen since the register was last reviewed.

Comments from the Pension Board

3. The Local Pension Board did review and consider the risk register at its last meeting on the 18 October. The Board raised concerns regarding completion of mandatory training by Pensions Fund Committee members.

Latest Position on Existing Risks/New Risks

New Emerging Risks

4. It was recognised at the last Pension Fund Committee meeting that there was a 'possibility of a whole new Committee following the May 2025 elections'. It was recommended that the new risk register formally recognised this new emerging risk. As such, **Risk 24 – 'Impact of a potential turnover of Pension Fund Committee members as a result of the elections in May 2025'** has been included to recognise and mitigate this risk. The risk has been assessed as an amber rating score 8.

Increasing Risk

5. None of the risks on the risk register were deemed as increasing in their respective risk rating.

Reducing Risk

6. Risk 13 – 'Insufficient Skills and Knowledge on Committee' – has reduced from an amber rating to a green rating. The reduction is a reflection of the overall results of the Committee for the National Knowledge Assessment 2024 undertaken by Hymans. The overall level of participation and ultimately the results were very good. The full assessment results are included in the Governance and Communications Report later on in this meeting's agenda.

Risks removed from the Risk Register

7. None of the risks were removed from the Risk Register.

Same Risk Rating

8. Risk 14 – 'Insufficient Skills and Knowledge amongst Board Members' – this has remained at an amber rating. The one employer representative vacancy for the Board has now been filled. However, the Board results from the National Knowledge Assessment 2024, warrants the risk remaining at an amber rating.

9. Risk 15 – 'Insufficient Skills and Knowledge amongst officers' – the team continues to experience challenges in recruiting to lower-level management posts. As such, this risk has been assessed as remaining at an amber rating.

10. Risk 21 – 'Insufficient Resource and/or Data to comply with consequences of McCloud Judgement & Sergeant.' – work on the project continues in earnest, and there has been some good progress. However, there is still work outstanding related to data uploads. There is a plan in place to ensure that all aspects of this project are completed effectively and in a timely manner. The risk rating for this risk has been assessed as remaining at an amber rating.

11. All other risks have been assessed as remaining the same as last quarter and are at the target risk rating.

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

Lorna Baxter
Executive Director of Resources & Section 151 Officer

Contact Officer: Mukhtar Master Tel: 07732 826419

December 2024

Risk Register

Identification of Risks:

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

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

Key to Scoring

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

Likelihood

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

RAG Status/Direction of Travel

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

Ref	Risk	Scheme	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
								Impact	Likelihood	Score				Impact	Likelihood	Score		
1	Investment Strategy not aligned with Pension Liability Profile	LGPS	Investment	Pension Liabilities and asset attributes not understood and matched.	Long Term - Pension deficit not closed.	Head of Fund	Triennial Asset Allocation Review after Valuation.	4	1	4	↔			4	1	4	Nov 2024	At Target
2	Investment Strategy not aligned with Pension Liability Profile	LGPS	Investment	Pension Liabilities and asset attributes not understood and matched.	Short Term – Insufficient Funds to Pay Pensions.	Head of Fund	Monthly cash flow monitoring and retention of cash reserves.	4	1	4	↔			4	1	4	Nov 2024	At Target
3	Investment Strategy not aligned with Pension Liability Profile	LGPS	Investment	Poor understanding of Scheme Member choices.	Long Term - Pension deficit not closed. Short Term – Insufficient Funds to Pay Pensions.	Head of Fund	Monthly cash flow monitoring and retention of cash reserves.	3	1	3	↔			3	1	3	Nov 2024	At Target
4	Under performance of asset managers or asset classes	LGPS	Investment	Loss of key staff and change of investment approach at Brunel or underlying Fund Managers.	Long Term - Pension deficit not closed.	Financial Manager	Quarterly assurance review with Brunel. Diversification of asset allocations. As an open defined benefit scheme – investments are long-term.	3	2	6	↔			3	2	6	Nov 2024	At Target – however Brunel have announced the departure of their CIO.
5	Actual results vary to key financial assumptions in Valuation	LGPS	Funding	Market Forces	Long Term - Pension deficit not closed.	Head of Fund	Actuarial model is based on 5,000 economic scenarios, rather than specific financial assumptions. As an open defined benefit scheme – investments are long-term.	3	2	6	↔			3	2	6	Nov 2024	At Target

Ref	Risk	Scheme	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
								Impact	Likelihood	Score				Impact	Likelihood	Score		
6	Under performance of pension investments due to ESG factors, including climate change.	LGPS	Investment	Failure to consider long term financial impact of ESG issues	Long Term - Pension deficit not closed.	Financial Manager	The Fund has an RI Policy requiring ESG factors to be considered in all investment decisions. The Fund have a Climate Change Policy and implementation plan.	4	1	4	↔			4	1	4	Nov 2024	At Target.
7	Loss of Funds through fraud or misappropriation.	LGPS	Investment	Poor Control Processes within Fund Managers and/or Custodian	Long Term - Pension deficit not closed	Financial Manager	Review of Annual Internal Controls Report from each Fund Manager. Clear separation of duties.	3	1	3	↔			3	1	3	Nov 2024	At Target
8	Employer Default – LGPS	LGPS	Funding	Market Forces, increased contribution rates, budget reductions.	Deficit Falls to be Met by Other Employers	Pension Services Manager	All new employers set up with ceding employer under-writing deficit, or bond put in place. Contribution escalation policy provides early indicator/warning.	3	2	6	↔			3	2	6	Nov2024	At Target
9	Inaccurate or out of date pension liability data	LGPS	Funding	Late or Incomplete Returns from Employers	Errors in Pension Liability Profile impacting on Risks 1 and 2 above.	Pension Services Manager	Monitoring of Monthly returns	3	1	3	↔			3	1	3	Nov 2024	At Target
10	Inaccurate or out of date pension liability data from Employer	LGPS	Operational	Late or Incomplete Returns from Employers	Late Payment of Pension Benefits.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	3	1	3	↔			3	1	3	Nov 2024	At Target
11	Inaccurate or out of date pension liability data from Employer	LGPS	Operational	Late or Incomplete Returns from Employers	Improvement Notice and/or Fines issued by Pension Regulator.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	4	1	4	↔			4	1	4	Nov 2024	At Target
12	Insufficient resources from Committee to deliver responsibilities-	LGPS	Operational	Budget Reductions	Breach of Regulation	Head of Fund	Annual Budget Review as part of Business Plan.	4	1	4	↔	Workforce Planning in progress.	On-going	4	1	4	Nov 2024	At Target

Ref	Risk	Scheme	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
								Impact	Likelihood	Score				Impact	Likelihood	Score		
13	Insufficient Skills and Knowledge on Committee	LGPS	Operational	Poor Training Programme. New Committee Members.	Breach of Regulation. Loss of Professional Investor Status under MIFID II	Head of Fund	Training Review	4	1	4	↓	Implement new training plan 24/25 based on the outcomes of the National Knowledge Assessment from Hymans	Mar 2025	4	1	4	Nov 2024	At target
14	Insufficient Skills and Knowledge amongst Board Members	LGPS	Operational	Turnover of Board membership	Insufficient Scrutiny of work of Pension Fund Committee leading to Breach of Regulations	Head of Fund	Training Policy	4	2	8	↔	Implement new training plan 24/25 based on the outcomes of the National Knowledge Assessment from Hymans	Mar 2025	4	1	4	Nov 2024	Above target
15	Insufficient Skills and Knowledge amongst officers.	LGPS	Operational	Poor Training Programme and/or high staff turnover. Pay grades not reflecting market rates and affecting recruitment and retention.	Breach of Regulation, errors in Payments and ineffective scheme member engagement. Inability to effectively meet RI and Climate related objectives.	Head of Fund	Training Plan. Control checklists. Use of staff from 3rd party agencies	3	2	6	↔	The Workforce Strategy and workforce planning is work to be completed and changes to workforce agreed and implemented. Recruitment of Seniors currently happening.	Dec 2024 Dec 2024	3	1	3	Nov 2024	Above target Central Government have released the consultation on the Good Governance Review. .
16	Key System Failure	LGPS	Operational	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme, and Cyber Security Policy	4	1	4	↔	Quarterly Meetings with ICT Cybersecurity Lead have been established.	On going	4	1	4	Nov 2024	At Target
17	Breach of Data Security	LGPS / FPS	Operational	Poor Controls	Breach of Regulation, including GDPR	Pension Services Manager	Security Controls, passwords etc. GDPR Privacy Policy and Cyber Security Policy.	4	1	4	↔			4	1	4	Nov 2024	At Target
18	Failure to Meet Government Requirements on Pooling	LGPS	Governance	Inability to agree proposals with other administering authorities.	Direct Intervention by Secretary of State	Head of Fund	Full engagement within Brunel Partnership	5	1	5	↔	The new Labour government have released the consultation which will run to 16th January 25.	TBC	5	1	5	Nov 2024	At Target

Ref	Risk	Scheme	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
								Impact	Likelihood	Score				Impact	Likelihood	Score		
19	Failure of Pooled Vehicle to meet local objectives	LGPS	Investment	Sub-Funds agreed not consistent with our liability profile.	Long Term - Pension deficit not closed	Head of Fund	Full engagement within Brunel Partnership	4	1	4	↔			4	1	4	Nov2024	At Target
20	Significant change in liability profile or cash flow as a consequence of Structural Changes	LGPS	Funding	Significant Transfers Out from the Oxfordshire Fund, leading to loss of current contributions income.	Insufficient cash to pay pensions requiring a change to investment strategy and an increase in employer contributions	Head of Fund	Engagement with key projects to ensure impacts fully understood	4	1	4	↔	Increased focus on cashflow monitoring going forward.	On going	4	1	4	Nov 2024	At Target
21	Insufficient Resource and/or Data to comply with consequences of McCloud Judgement & Sergeant.	LGPS / FPS	Operational	Significant requirement to retrospectively re-calculate member benefits	Breach of Regulation and Errors in Payments	Pension Services Manager	Re-organising this work between the whole team based on existing skill sets.	4	2	8	↔	There has been some good progress however still work required in relation to uploading data.	On-Going	4	1	4	Nov 2024	Above target
22	Loss of strategic direction	LGPS / FPS	Governance	Loss of key person	Short term lack of direction on key strategic issues	Head of Fund	Establishment of a Governance & Communications Team provides the resilience that the fund requires.	2	1	2	↔			2	1	2	Nov 2024	At Target.
23	Impact of Pension Scams	LGPS FPS	Operational	Failure to follow TPR guidance for transfers out.	Financial loss to members. Potential cost to Fund for making good any loss. Potential TPR sanctions and reputational damage.	Pension Services Manager	TPR guidance for transfers out and the forthcoming regulations in the General Code of Practice. All processes are in line with the above.	3	1	3	↔			3	1	3	Nov 2024	At target
24 NEW	Impact of a potential turnover of Pension Fund Committee members as a result of the elections in May 2025	LGPS FPS	Governance	Council Election in May 2025 and natural turnover leading to significantly new Pension Fund Committee members	Significant deterioration of knowledge and skills of the Pension Fund Committee. Impaired decision making due to lack of knowledge and skills.	Pension Services Manager	Additional resources devoted to ensure that Pension Fund Committee members are trained appropriately. Additional support for decision making possibly through	4	2	8		The training plan for 2025/26 to establish actions to implement the mitigations outlined.	Mar 2025	4	1	4	Nov 2024	Above target

Ref	Risk	Scheme	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
								Impact	Likelihood	Score				Impact	Likelihood	Score		
							a third-party or the Pension Board											

Division(s): n/a

ITEM 9

PENSION FUND COMMITTEE – 13 DECEMBER 2024

GOVERNANCE & COMMUNICATIONS REPORT

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

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

   a) **Note the Fund's update on the Pension Regulator's General Code of Practice.**
   b) **Note the results of the Hymans LGPS National Knowledge Assessment 2024.**
   c) **Agree changes to mandatory training requirements for Committee members.**
   d) **Note the proposed government proposals for fund governance as part of the 'Local Government Pension Scheme (England and Wales): Fit for the future' consultation.**
   e) **Note the latest quarter's breaches for the fund.**
   f) **Note the communications update.**

General Code of Practice

2. The Pensions Regulator have recently published the final General Code of Practice which replaces the Code of Practice 14 for the Local Government Pension Scheme (LGPS).

3. The new General Code of Practice consists of 51 modules which relate to 5 main areas:

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

4. All funds within the Local Government Pension Scheme (LGPS) need to be compliant to the new General Code of Practice by March 2025. To this end, the Oxfordshire Pension Fund have developed a plan to ensure compliance against the 51 modules. A visual plan has been developed which shows progress against the key stages of the plan with a red/amber/green (RAG) rating to show the current status of each key stage of the plan. This plan can

be seen at **APPENDIX 1**.

5. Summary of the progress this quarter regarding the General Code of Practice:

a) Modules and actions completed satisfactorily this last quarter include:

(1) Review of other LGPS fund for updates on their GCOP compliance;
(2) Managing advisers and service providers (Contract monitoring);
(3) Recruiting to governing body;
(4) Governance of knowledge and understanding.

b) A number of modules will require further work prior to being compliant:

(1) Planning and maintaining administration;
(2) General principles for member communications;
(3) Reporting payment failures.

These three modules will be complete and green after the completion of a couple of minor actions.

The fund is very much on track to meet the March 2025 deadline of having reviewed all the required modules for the General Code of Practice.

Hymans LGPS National Knowledge Assessment 2024

6. The fund took part in the Hymans LGPS National Knowledge Assessment 2024. The assessment, carried out in September 2024, provides a benchmark assessment of the knowledge and skills of our Committee and Board members. It also helps identify future training needs. The full results of the assessment can be found at **APPENDIX 2**.

7. A summary of the key outcomes of the assessment are as follows:

Committee • The Committee had a 100% participation rate and achieved an overall score of 70% • Investment Performance and Risk Management and Pensions Governance have the highest levels of knowledge; • Areas to focus any specific training on might be Actuarial Methods, Standards and Practices for the Committee; • In general, the Committee's performance was strong. There are areas which could be improved on with focused training as outlined above.
Board • The Board had a 100% participation rate and achieved an overall score of 60.8%

- Committee Role and Pensions Legislation and Pensions Governance have the highest levels of knowledge;
- Areas to focus any specific training on might be Actuarial Methods, Standards and Practices for the Board;
- In general, the Board's performance was not as strong as the previous assessment. There are areas which could be improved on with focused training as outlined above.

8. On the whole, the fund have done very well and are ranked 7th out of 19 funds. The assessment has clearly identified areas of training needs, which will be addressed in the Training Plan for 2025/26.

Mandatory training requirements for Committee members

9. Discussions took place at the last Committee meeting on the 6th September 2024 regarding changes to the mandatory training requirements for all committee members. The discussions were focussed on two proposals:

a) Committee members and substitutes complete the pension fund induction training prior to attendance of a pension fund committee meeting;

b) All committee members must complete their mandatory training by the 31st December in the year they have become a committee member.

10. The proposed training requirements for pension fund committee members will be as follows:

- All Committee Members are required to

  a) attend:
  In their 1st year by the 31st December:
    i. An induction on the Oxfordshire Pension Funds Policies prior to attendance of a Committee meeting, and either
    ii. The 3-day LGA Fundamentals Course, or
    iii. The 5 Core and 4 DB on-line modules of the Pension Regulators Trustee Toolkit

  In each subsequent year
    i. All pre-Committee training
    ii. A minimum of 2 days' additional training

  b) complete the annual Knowledge Assessment exercise run by Hymans Robertson; and

c) maintain a score on the Knowledge and Assessment exercise consistent with their responsibilities as a serving member of the Pension Fund Committee or Pension Board as appropriate.

- Only named substitutes of the Committee are allowed where they have completed an induction on the Oxfordshire Pension Funds Policies.

11. The relevant fund policies and county council constitution documents will be amended accordingly based on the changes agreed by the pension fund committee.

12. The Pension Fund Committee are asked to agree the proposed changes to mandatory training requirements for Committee members.

Proposed government changes to fund governance as part of the 'LGPS: Fit for the future' Consultation

13. On the 14th November 2024, the government launched a new nine week consultation titled, 'Local Government Pension Scheme (England and Wales): Fit for the Future'. The consultation is discussed within an earlier agenda item for this Pension Fund Committee meeting, however this report highlights the key proposals with regards to fund governance.

- In summary the government's proposals are:
    - New requirements on Administering Authorities (AAs) to:
        - appoint a senior LGPS officer who has overall delegated responsibility for the management and administration of the fund
        - participate in a biennial independent governance review and, if applicable, produce an improvement plan to address any issues identified.
        - prepare and publish a governance and training strategy (replacing the governance compliance statement), including a conflicts of interest policy, and
        - prepare and publish an administration strategy
        - improve accessibility of annual reports
    - New requirements on knowledge and training for those involved in the management of LGPS funds

- In addition to these proposals, the government is considering one further change, to require AAs to appoint an independent adviser.

14. The committee are asked to note governance proposals outlined in the consultation.

Breaches for the period July to September 2024

15. There are various legislative and regulatory requirements for Pension Funds regarding breaches which include the Pensions Act 2004, the UK General Data Protection Regulation (UK GDPR) and now the new General Code of Practice.

16. The following table shows the number of breaches in the last quarter – July to September 2024.

	2023/4		2024/5		
Breach Type	**Oct-Dec (Q3)**	**Jan-Mar (Q4)**	**Apr-Jun (Q1)**	**Jul-Sept (Q2)**	**Total**
Contribution - GCOP	16	8	18	21	63
Data - GCOP	42	30	32	35	139
Other - GCOP	1	0	0	1	2
Data - GDPR	1	2	1	1	5
Total	60	40	51	57	209

Escalations in Q2					
Type of Breach	**Contribution (GCOP)**	**Data (GCOP)**	**Other (GCOP)**	**Data (GDPR)**	**Total**
Number escalated	4	1	1	0	**6**
Number resolved	4	1	0	0	**5**
Number carried over to next quarter	0	0	1	0	**1**

Code of Practice Breaches

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

All contribution and data breaches, including the 5 which were escalated to the Team Leader, have been resolved.

The ‘Other’ GCOP breach relates to the delay in issuing Firefighters’ Pension Scheme annual benefit statements (ABS) to members who are eligible for the remedy in the McCloud/Sargeant cases. This affected 213 active members and 177 deferred members. All members who were affected were sent letters to confirm their ABS would be issued by 31 October 2024. All actives bar 35 members were issued statements by 31 October 2024. The remaining 35 ABS are not issued as we are awaiting guidance from the LGA/GAD or information from other authorities. The software for the deferred ABS is due to be delivered in late November 2024. Members will be notified of this further delay by letter by the end of November and statements issued by 31 January 2025. This breach has been escalated to the Head of Pensions. The TPR is already aware of the delays in the FPS annual benefit statements and a breach has been reported to TPR.

Data Breaches

One data breach occurred in Q1, which was assessed and closed by the Information Management Team. This breach was not materially significant and as such was not reported to either The Pensions Regulator or the Information Commissioner.

Communications Update

17. The annual Employer Forum meeting has been scheduled for 12 February 2025 as a webinar-style online event. The event will provide an update on ‘hot topics’ and Fund performance to our employers’ senior-level staff. Committee members are welcome to attend and invites will be circulated in due course.

18. The Communications Team is collaborating with Shropshire and Clwyd Pension Funds to produce a series of short talks for Pensions Awareness Week in September 2025 in a bid to boost member engagement. The aim is to provide LGPS-focussed information to complement the events organised by the Pension Geeks and Pension Attention campaigns.

19. The Communications Manager has now returned from an extended period of absence and the usual calendar of events for employers and members will recommence in early 2025.

Lorna Baxter
Executive Director of Resources & Section 151 Officer

Contact Officer: Mukhtar Master Tel: 07732 826419

December 2024

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

Project Stage	#	Action/task	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
Project Initialisation	1	Evaluate compliance checkers on the market.													
Project Initialisation	2	Research how other funds are tackling the their implementation of the GCOP													
Project Initialisation	3	Purchase compliance checker													
Project Initialisation	4	Determine which of the 51 modules apply to the fund													
Project Maintenance	5	Review other LGPS fund committee/board reports for updates on their GCOP compliance													
Project Maintenance	6	Prioritise modules based on levels of requirement													
Module Review 1	7	Managing advisers and service providers (Contract monitoring)		Amber rated	Amber rated			Review actions			Review actions				
Module Review 1	8	Assurance of governance and internal controls (audit)		Amber rated	Amber rated			Review actions			Review actions		Review actions		
Module Review 2	9	Recruiting to governing body				Amber rated	Amber rated			Review actions					
Module Review 2	10	Knowledge and understanding													
Module Review 2	11	Governance of knowledge and understanding				Amber rated	Amber rated			Review actions					
Module Review 3	12	Publishing information about public service pension schemes													
Module Review 3	13	Notification of right to cash transfer sum or contribution refund													
Module Review 3	14	Financial transactions													
Module Review 3	15	Receiving contributions }													
Module Review 3	16	Monitoring contributions }													
Module Review 3	17	Resolving overdue contributions }													
Module Review 4	18	Planning and maintaining administration								Amber rated	Amber rated		Review actions		
Module Review 4	19	General principles for member communications							Amber rated			Review actions			
Module Review 4	20	Reporting payment failures								Amber rated	Amber rated			Review actions	
Module Review 5	21	Cyber controls													
Module Review 5	22	Scheme records													
Module Review 5	23	Data monitoring													
Module Review 6	24	Maintenance of IT systems													
Module Review 6	25	Climate change													
Module Review 6	26	Continuity Planning													

- Scheduled tasks
- Completed
- Some requirements/actions still outstanding
- Requirements/actions overdue

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HYMANS ROBERTSON

2024 LGPS National Knowledge Assessment

Oxfordshire Pension Fund

Overview

This National Knowledge Assessment (NKA) allows a direct insight into the knowledge and skills of their key decision makers and oversight body.

Participants answer a series of questions covering a broad spectrum of topics, for which they should be familiar to effectively perform their role. Based on their responses, a score is recorded for each member, and also collectively for both the Committee and Board.

This information can be incredibly valuable in helping shape and plan training sessions at both group and individual level.

This report includes benchmarking against the results of all other participating Funds. The assessment will help your Fund assess and report on the Knowledge and Skills of Committee and Board members, demonstrating they're meeting the requirements laid out in The Pensions Regulator's General Code of Practice.

Background

The Oxfordshire Pension Fund agreed to participate in the NKA using our online assessment. This report provides an overview of the participants' results broken down into 8 key areas.

The online assessment opened in September, and there were weekly progress updates provided to the Fund confirming participation levels.

Each participant received their individual results report following completion of the assessment.

A national report will be produced aggregating all participating Fund's results.

The questions posed in the assessment are split into 3 categories:

• Technical questions
• Roles and responsibilities
• Decision making

Technical questions, made up around two thirds of the questions. The remaining questions were split between the categories of Roles and Responsibilities as well as Decision Making. This helps to provide more in-depth analysis of the results and provides further context to the proposed training plans.

The National Knowledge Assessment is a challenging multiple-choice assessment of participants' knowledge and understanding of key pension areas. There was no expectation that participants would score 100% on each subject area tested. Rather, the goal was to gain a true insight into members' knowledge in the areas covered by the CIPFA Knowledge and Skills Framework and the recently launched Pensions Regulator's (TPR) General Code of Practice.

Why Does this Matter?

While fund officers may deal with the day-to-day running of the funds, members of the Committee play a vital role in the scheme as decision makers.

To execute their roles effectively, Committee members must be able to address all relevant topics such as investment matters, issues concerning pension funding, pension administration and governance. All topics which require a level of knowledge and understanding from the Committee.

Similarly, the Pension Board members must have a sound knowledge of these topics in order to be able to offer critical challenge in the oversight of Fund decisions.

The Assessment

The members of the Oxfordshire Pension Fund Committee and Board were invited to complete an online knowledge assessment. In total there were 10 respondents from the Committee and 6 respondents from the Board.

Each respondent was given the same set of 48 questions on the 8 areas below:

Section	Names
Section 1	Committee Role and Pensions Legislation
Section 2	Pensions Governance
Section 3	Pensions Administration
Section 4	Pensions Accounting and Audit Standards
Section 5	Procurement and Relationship Management
Section 6	Investment Performance and Risk Management
Section 7	Financial Markets and Product Knowledge
Section 8	Actuarial Methods, Standards and Practices

Under each subject heading, there were 6 multiple choice questions to answer. Each question had 4 possible answers, of which one answer was correct.

Participants were also given the option of selecting “I have no knowledge of this area”, where they were unsure.

This allows us to build a picture of the knowledge levels of each individual member in each of the topics, but crucially to help inform you of the overall levels of knowledge in each area.

Results

The responses for all members who participated have been collated and analysed. For each section we have shown:

• The average score for each of the 8 subject areas, for both the Committee and Board.

• Results split by the categories of “**technical**”, “**roles and responsibilities**” and “**decision making**”.

• Each score compared with the results of the previous assessment taken by the fund, to show growth or regression in each area.

• Engagement levels for both the Committee and Board and how these levels rank against other LGPS funds.

• The most requested topics for training.

Based on the results and the responses received from participants, we have also completed a proposed training plan for the Fund over the next 18 months, as well as some other “next steps” to consider.

Overall Results

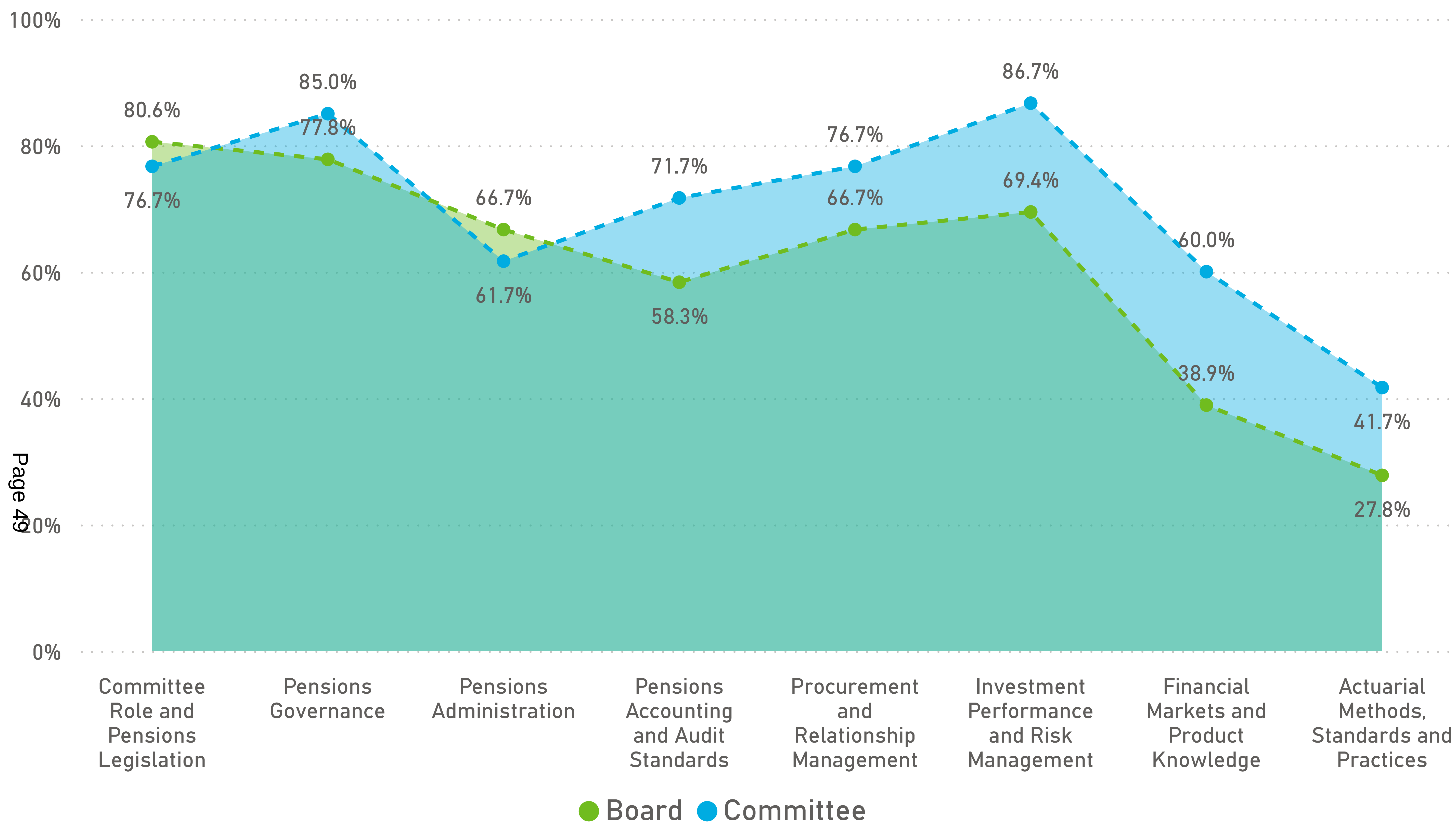
The chart on the right shows how the overall average score for your Fund compares with that of all other funds who took part in the Assessment. The “score” shown is the average score of all participating Committee and Board members from each Fund.

Oxfordshire Pension Fund ranked 7th out of 19 Funds

For each of the assessment’s 8 areas we have shown the results of both the Committee and Board.

There is also a summary showing the average scores across all sections for the Committee and Board.

Average Score for Board & Committee



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For each of the assessment's 8 areas we have shown the results of both the Committee and Board.

These have been shown in the order in which the sections appeared in the survey.

There is also a summary showing the average scores across all sections for the Committee and Board.

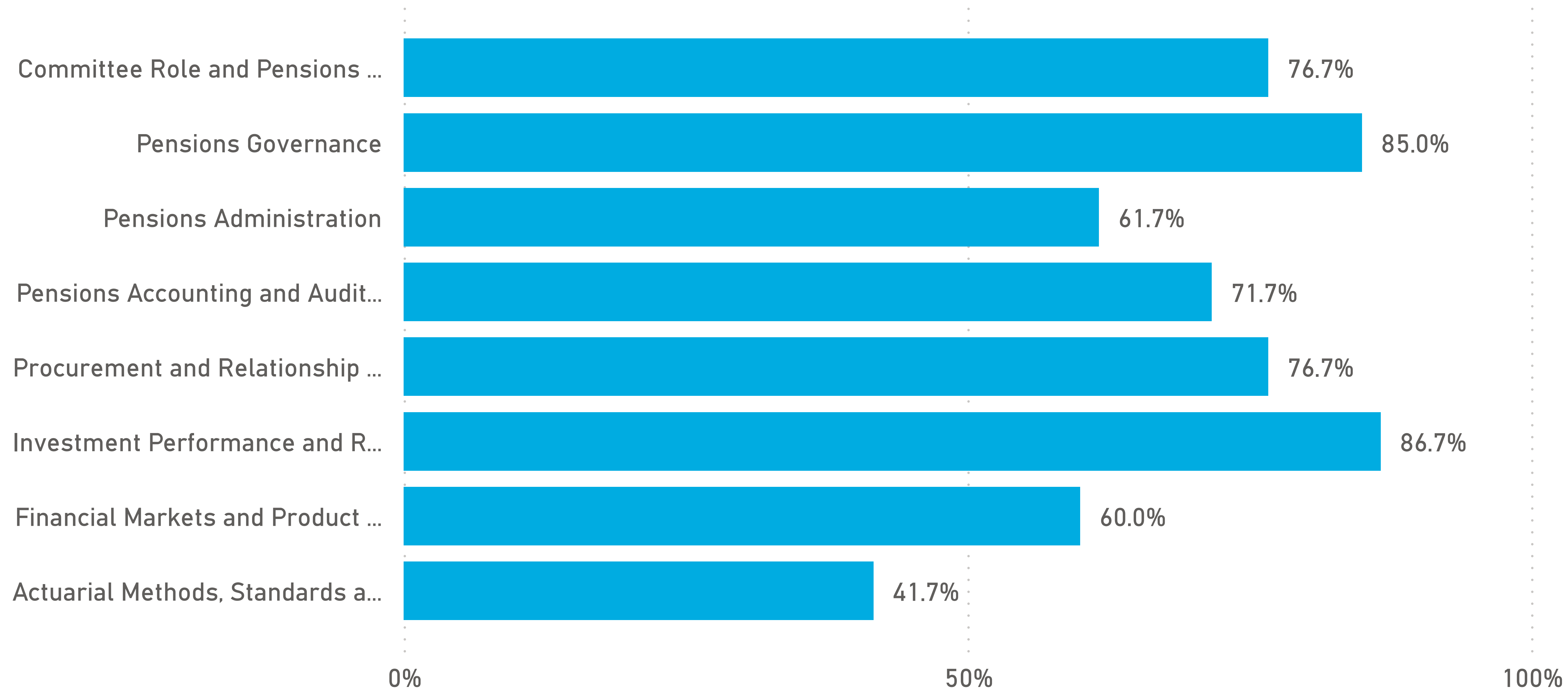
- The performance of the Committee (average overall score of 70.0 %) was stronger than that of the Board (average overall score of 60.8 %).
- The performance for the Committee and Board diverged the most in the Financial Markets and Product Knowledge section, when Committee were 21.1 % higher than the Board.
- The Committee performed most strongly in the areas of Investment Performance and Risk Management and Pensions Governance.

The Board areas of strongest knowledge were Committee Role and Pensions Legislation and Pensions Governance.

Commitee

The results show that Investment Performance and Risk Management and Pensions Governance have the highest levels of knowledge. But the areas to focus any specific training on might be Actuarial Methods, Standards and Practices for the Committee.

In general, the Committee's performance was strong. There are areas which could be improved on with focused training as outlined above.



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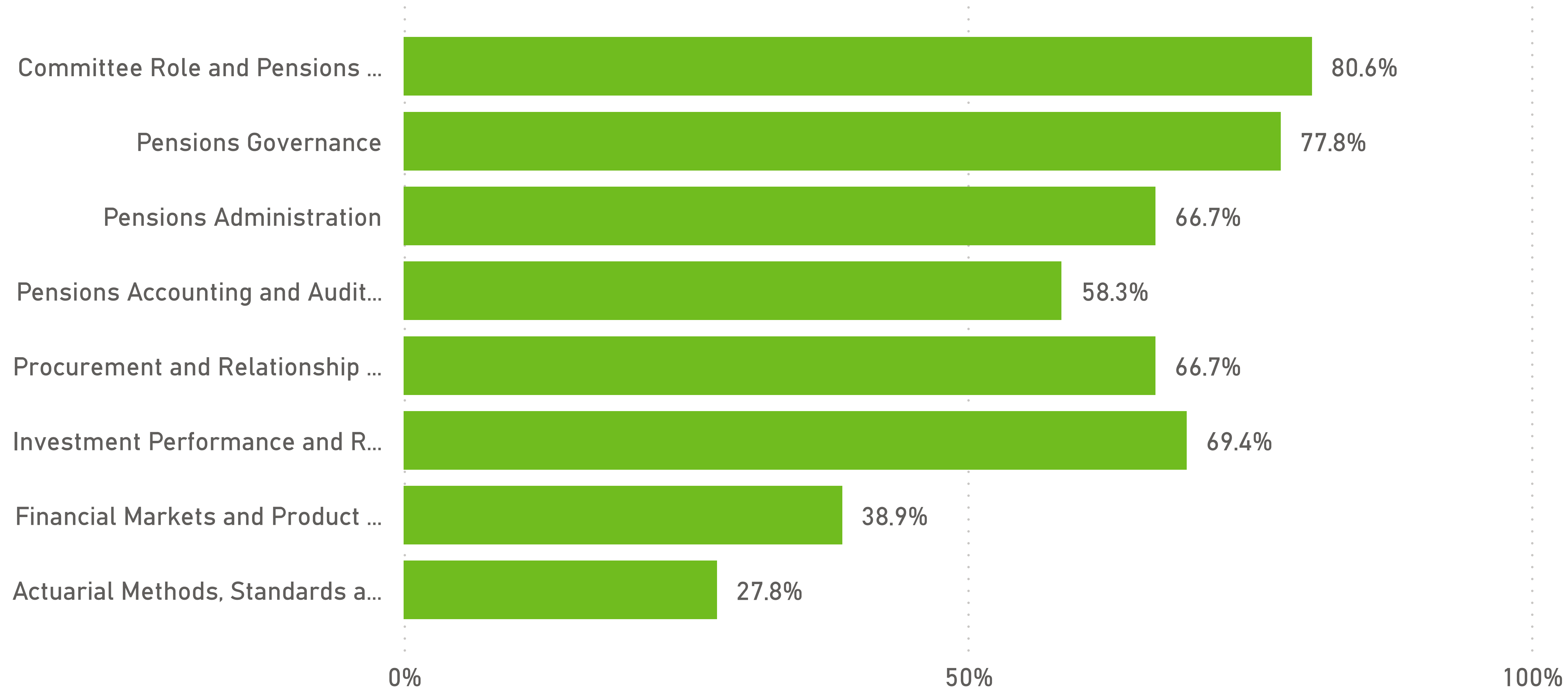
Local Pension Board

The results show that Committee Role and Pensions Legislation and Pensions Governance have the highest levels of knowledge, but the areas to focus any specific training on might be Actuarial Methods, Standards and Practices for the Board.

The next step would be to try and develop the knowledge of the lower scoring areas. You might already have a training plan in place, in which case we recommend using these results to tailor the specific training support ensuring it aligns with your priorities.



Benchmarking

As this assessment is being conducted at a national level across numerous LGPS funds, we are able to provide details of how your Fund's results compare to those across the average of all funds who have taken part to date.

We've provided a comparison of the results for both your Fund's Committee and Board, versus the average scores nationally for each group. This gives an idea of the knowledge levels across these groups, relative to the national average.

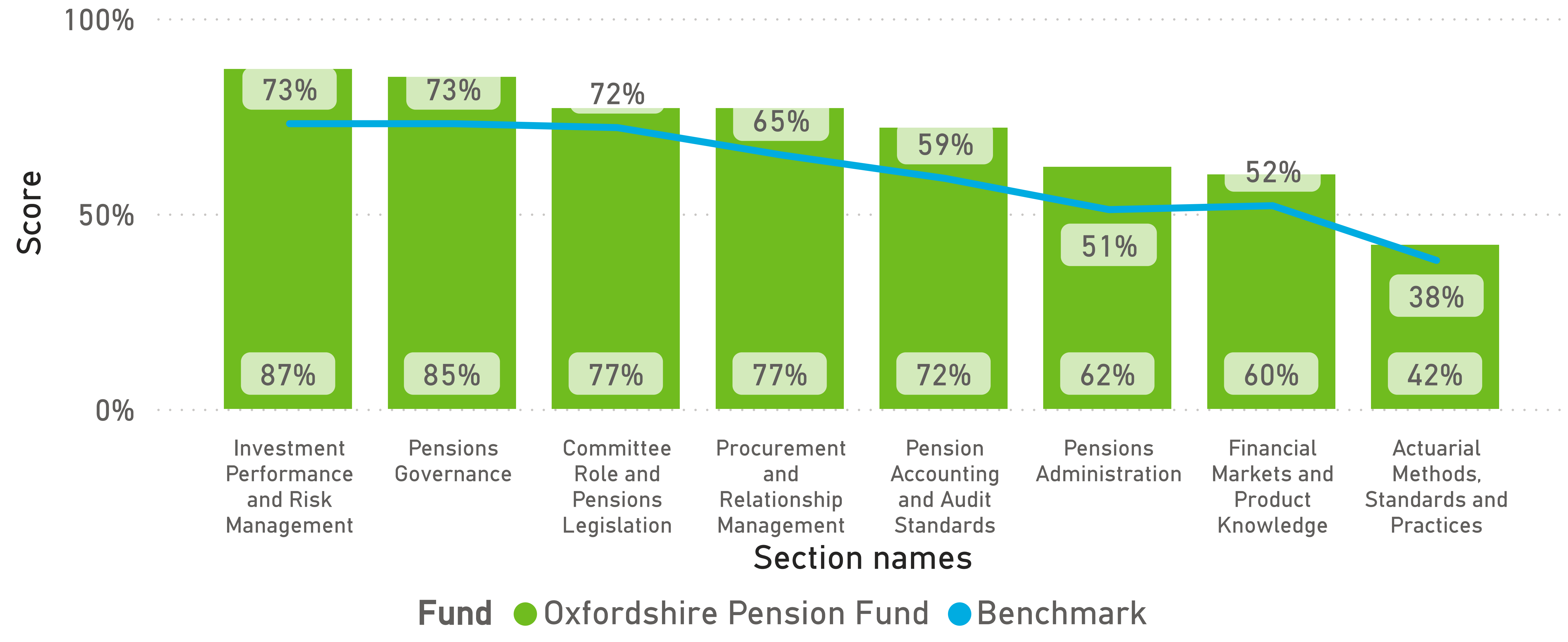
The intention is that training plans and/or timetables can be tailored to focus on the areas of least knowledge, whilst ensuring the Committee and Board maintain the high level of knowledge in the stronger areas.

It's pleasing to see that the areas of Investment Performance and Risk Management and Pensions Governance scored well for the Committee.

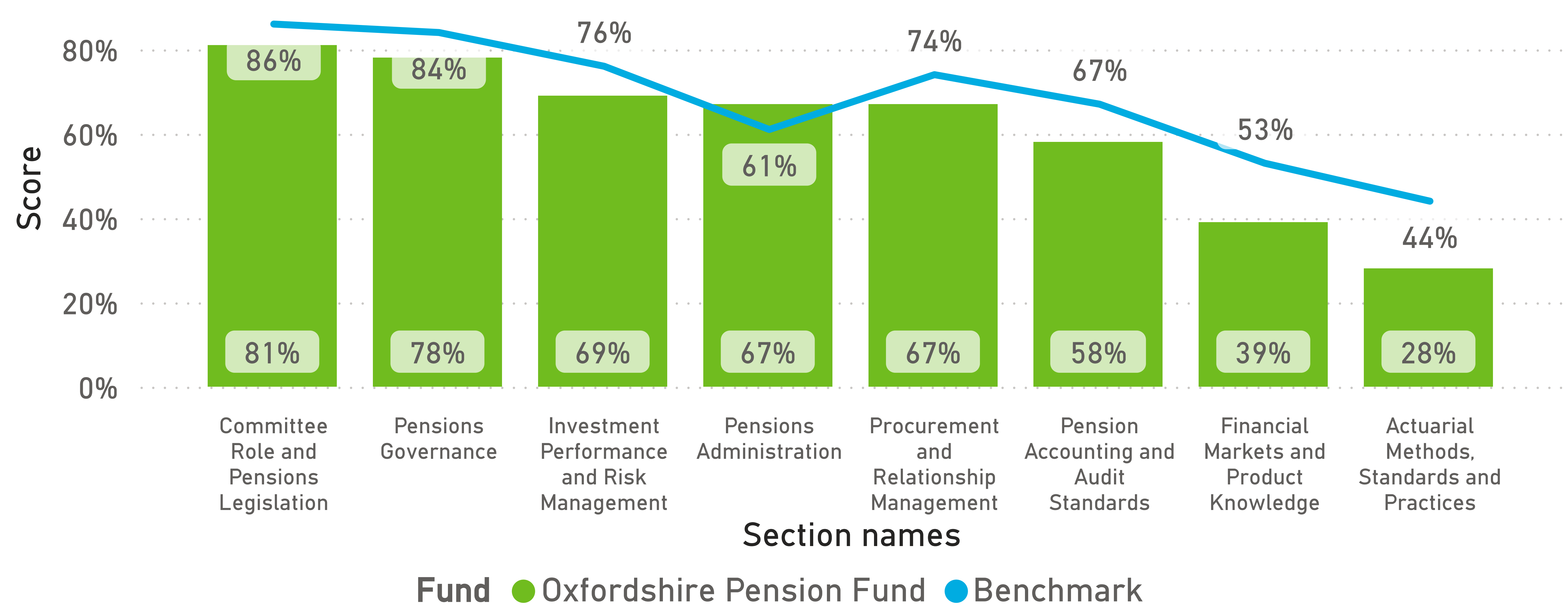
It's clear that there are some areas where knowledge levels are lower, and these areas would be a sensible focus of training for the Committee.

Similarly, from the Board chart it can be seen that the highest scoring areas were Committee Role and Pensions Legislation and Pensions Governance.

Committee Score vs Benchmark



Board Score vs Benchmark



Commentary on results

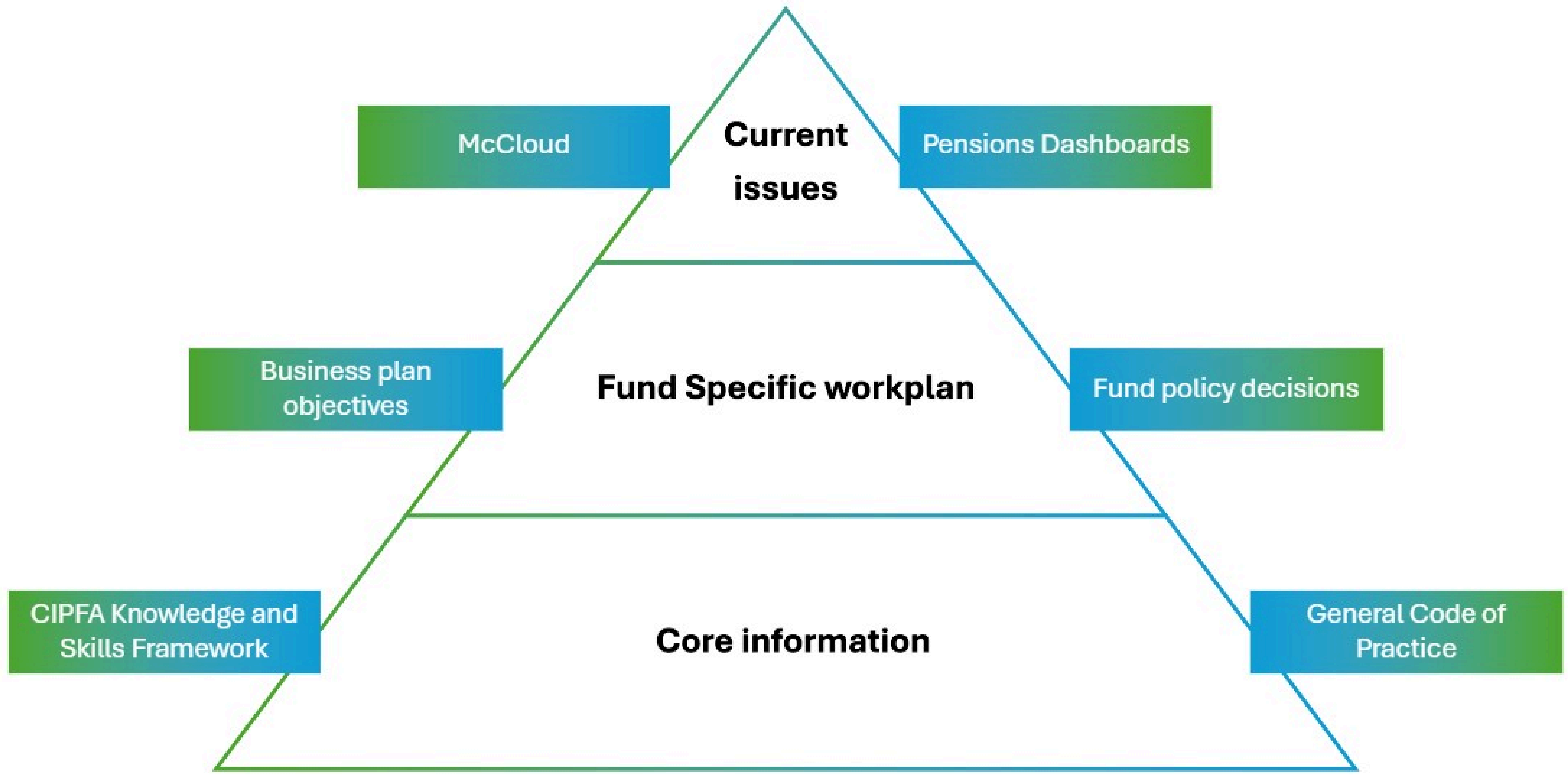
It's encouraging that 16 participants from your Fund took part in the assessment. Overall, the results were positive and it's clear that there are areas of greater knowledge levels as well as areas in which knowledge should be developed over time.

We would fully expect there to be gaps in the knowledge of all members, no matter their role on the Committee/Board, their tenure or indeed their background in terms of pensions experience.

The most important thing to emphasise is that not everybody needs to be an expert in all areas, rather there should be a spread of knowledge across your Committee and Board which is supported by advice from officers and professional advisors.

Just as important as gaining the relevant knowledge and understanding expected of a Pension Committee or Board, is the application of that knowledge and understanding, including the utilisation of an individual's own background and perspective.

Many funds have implemented training plans that follow the pyramid diagram of LGPS training areas. Fundamentally, a plan based on this example pyramid would provide a LGPS fund with a robust training program for its Committee and Board.



Further Analysis

In order to gain further insight into the knowledge and understanding, the questions posed covered 3 distinct areas. These were:

- **Technical** – 66% of questions
- **Decision Making** – 17% of questions
- **Roles and responsibilities** – 17% of questions

The purpose of this was to drill deeper into the collective understanding of these categories, and to provide further analysis on which areas to target when creating training plans. The following chart shows the average score for each of these sections, for the Committee and Board combined.

Page 53

From this chart, the lowest scoring area was Decision Making . Bearing this in mind, a particular focus could be put on this over the coming months.

Some next steps to consider are:

Decision making – A review of the Fund's decision-making procedures, and updating/creating a decision-making matrix, and sharing this with the Committee and Board to ensure visibility of the role of each group in across a broad spectrum of potential decisions.

Roles and responsibility – A specific training session covering the roles and responsibilities of different parties covering different points in the annual cycle of the Fund. This could include preparation of annual report, annual benefit statements, business planning and investment performance reviews for example. It would also be good to cover more niche topics such as the IDRP process, review of suppliers and cyber risk.

Technical – The majority of the questions in the assessment were technical and related to core areas of knowledge and skills for Committee and Boards. We would expect the Fund's training strategy and training plan to reflect requirements here.

Collective Knowledge

It is not just the overall average scores which are important, we realise that you need to be aware of the collective knowledge of your members. All Committee and Board members will bring different experience and perspectives, and will feel more comfortable providing challenge in areas they are more knowledgeable in. As such, the spread of detailed knowledge in each subject is important.

For this reason we feel it is important to understand how many members scored highly in each of the topics, to provide an insight into the breadth of knowledge across topics. Where a Committee or Board have individuals with high knowledge levels in each of the topics, you can feel more assured that members will be able to provide challenge or guidance to the rest of the group, as and when required.

A well rounded Committee or Board will have a number of members scoring highly in each topic. To measure this, we have analysed the number of members who correctly answered at least 5 of the 6 questions in each topic. The assumption is that these members are particularly knowledgeable in these areas, and can lead the group in these topics. This is shown in the chart below.

It is also important that it is not just the same individuals who score highly in each topic. A spread of individuals with detailed knowledge across different topics, is more likely to create an effective Committee or Board.

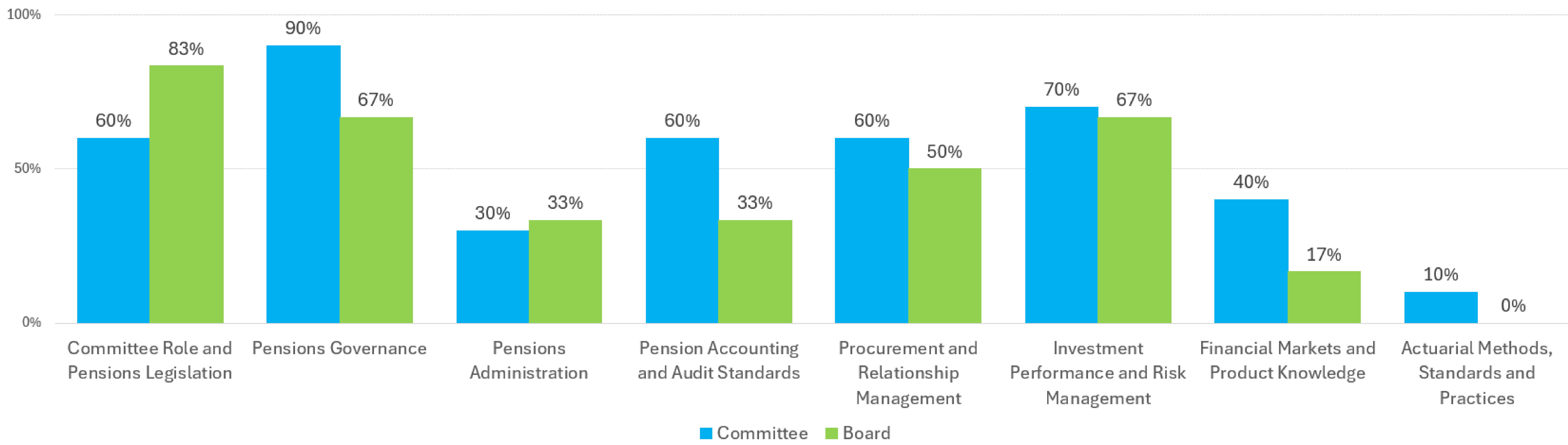
Methodology

We have analysed the number of members who correctly answered 5 or 6 questions in at least one topics. This gives an indication of the spread of knowledge.

For the Committee there were 10 members who scored highly in at least 1 topic. There were 5 Board members who scored highly in at least 1 topic.

This is a positive result, as you would hope that most members would have specialist, detailed knowledge in at least one subject area

Knowledge Spread



Comparison with previous results

The Oxfordshire Pension Fund also took part in a previous Assessment. The results for each of the 8 topics can be compared to measure progress in each area.

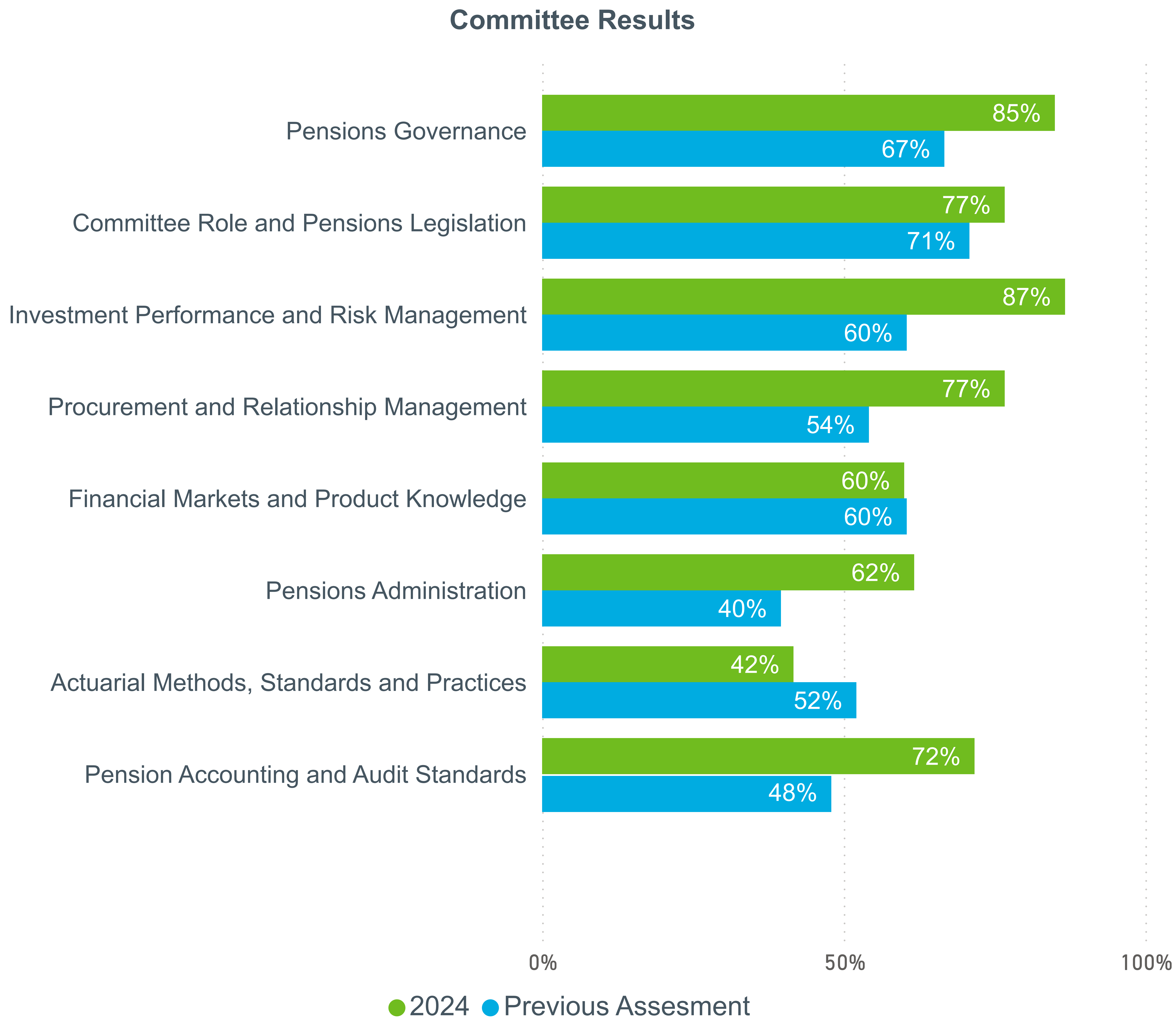
This is shown in the following chart.

The average score for each topic this year is compared with that from the previous assessment. This has been broken down to show the results for the Committee and Board separately.

It’s worth noting that while there will be differences in the members who actually participated in each assessment, it’s the collective knowledge of each group which is important.

The area in which knowledge appears to have developed most for the Committee is Investment Performance and Risk which is encouraging.

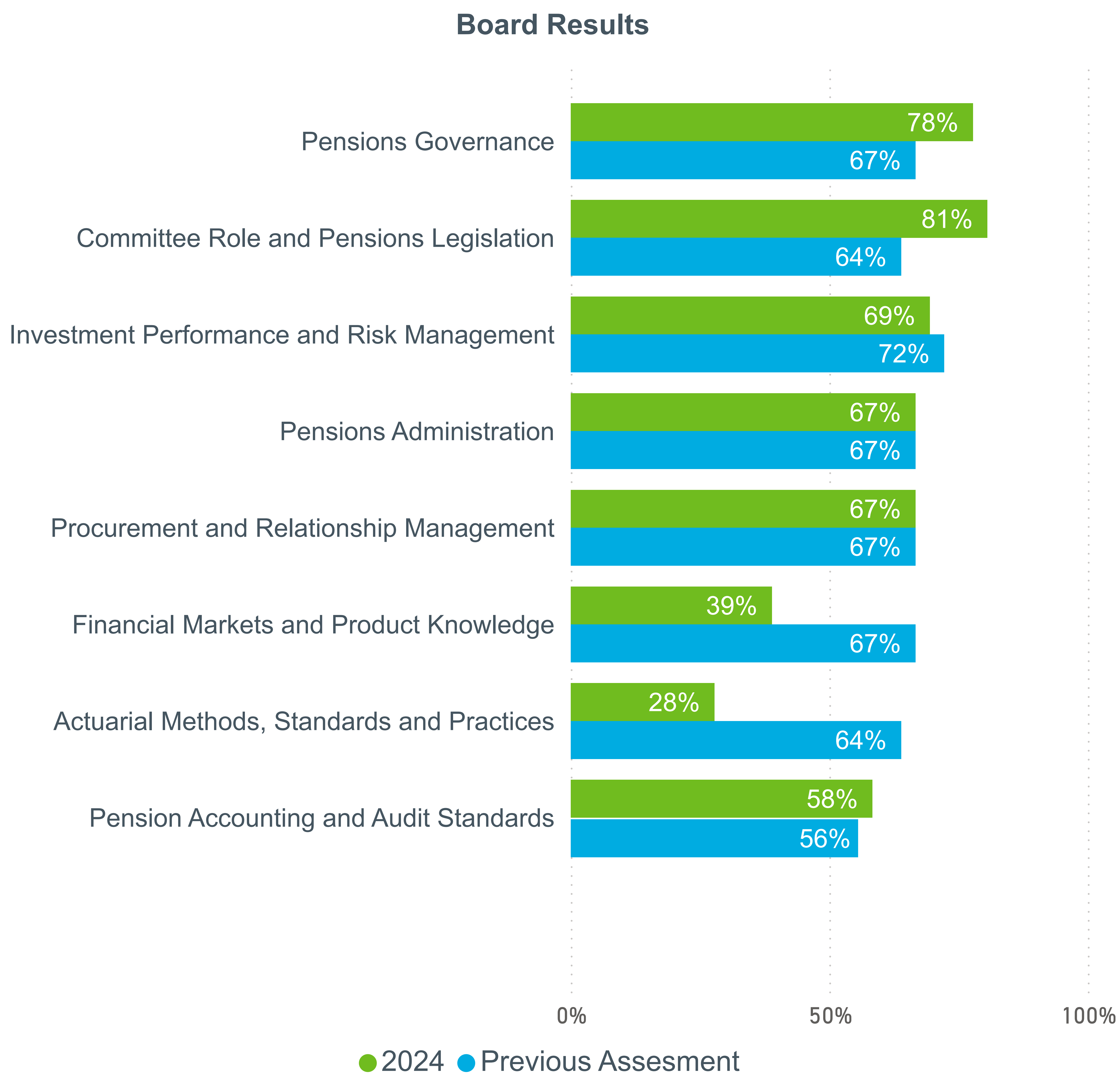
On the other hand, knowledge levels seem to have regressed in Actuarial Methods, Standards and Practices.



The same comparison can be made for the Board. The chart on the right shows these results.

The area in which knowledge appears to have developed most for the Board is Committee Role and Pensions Legislation which is encouraging, particularly in the current climate. On the other hand,knowledge levels seem to have regressed in Financial Markets and Product Knowledge and Actuarial Methods, Standards and Practices.

It's worth noting that the underlying questions have changed between both assessments. This might account for some small differences in the results.



Engagement

One of the key areas that we recommend funds focus on is Committee and Board training engagement.

With the ever-increasing pace of change in the pensions and investments world, engagement is critical to maintaining strong collective knowledge. There is an expectation that they need not only be willing, but keen to develop their knowledge and understanding across the raft of topics upon which they will need to make, or ratify, decisions.

One measure of the engagement of members is their willingness to participate in training. As such, we have used the participation level of this survey to measure the engagement of your Committee and Board members.

The chart below shows the breakdown of the total number of participants from the Oxfordshire Pension Fund, as a proportion of those who could have responded.

Role	Participants	Sum of Possible Participants	Participation Rate
Board	6	6	100.00%
Committee	10	10	100.00%
Total	**16**	**16**	**100.00%**

That all 16 participants from your Fund took part in the assessment is highly encouraging. With the number of changes to the LGPS in recent years, it is vital that Committee and Board members remain abreast of the latest developments and feel confident that they have the knowledge required to make the decisions required of them.

Their level of engagement is a key driver of this. Overall engagement seems to be at a high level; however, it is important to maintain this. The combination of in-person, online and hybrid meetings might be one way of achieving this.

One of the biggest challenges in this area is how to improve engagement. The move to online learning and tackling topics in bitesize chunks can help.

The way in which information is shared with the Committee and Board can also promote engagement.

There have been moves by some funds to issuing short timely bulletins and newsletters to increase training knowledge and engagement, which we very much encourage.

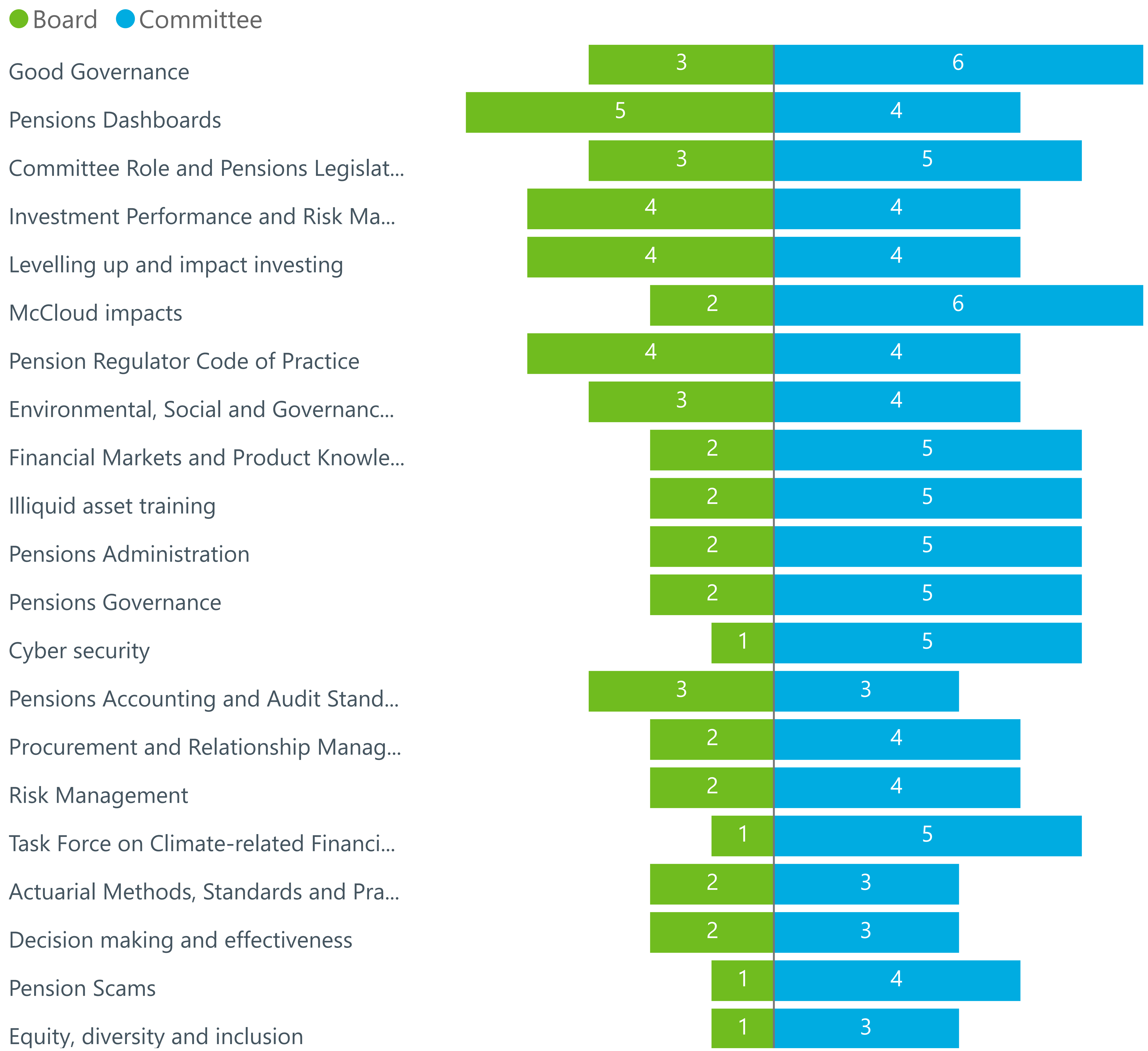
Training Feedback from Participants

One of the final sections of the survey asked participants to indicate which topics they would like to receive training on.

There was a list of options available, covering a broad spectrum of the topics we believe are most relevant to allowing Committee and Board members to effectively perform their roles. Members were also given the option to indicate any other areas in which they would benefit from further training.

The table on the right summarises the areas in which members indicated training would be beneficial.

Training requirements



Training plan

Based on the results from this assessment, we have prepared the adjacent training sources that you may wish to adopt or include as part of your training plans.

This has been prepared based on what we believe would be most valuable to your Fund at the current moment.

The intention is to make the planning and delivery of these sessions more efficient for the Fund.

You may want to create separate plans for the Board and Committee - further *tailoring* the training plan to their distinct priorities.

We would be happy to discuss the options for delivery of any of these training sessions. Hymans can support in the preparation of this suite of sessions.

As detailed on the page '**Commentary on results'**, we recommend that training plans include elements on:

- Core information
- Fund specific workplan
- Current issues / Hot topics

The key output for your Fund is to have a clear training plan and the delivery dates (or delivery vehicle i.e. training paper) set aside for these sessions.

Feedback from participants

We also asked the participants to provide comments on the areas they would most appreciate training in. Based on these comments, the most requested areas for training were Good Governance and Pensions Dashboard.

More detail is shown in the chart on the previous page.

Training Sources

Recommended LGPS Online Learning Academy Modules & Videos

We offer an on-demand package of training videos covering the majority of the topics contained within this assessment. These videos provide the key details we would expect members to be familiar with in each of the topics. The modules to focus on for the Committee would be 3, 7 and 8 and modules 4,7 and 8 for the Board.

Webinar Library

We have a bank of webinars available. Some webinars which might prove useful to help develop knowledge in the lower scoring areas would be:

- Managing risk in the LGPS - a spotlight on administration risk
- LGPS 2022 Valuation - the big picture
- The LGPS Investment Outlook series

Training Sessions

There are also some in-person training sessions we can deliver which may be of interest to Committee and Board member based on both the results of this assessment and their individual training requests. These include:

- Overview of Good Governance
- Pension scams
- Introduction to Pensions Administration
- The role of the Actuary

If you would like access to any of the above or to discuss training plans and/or training strategy, please get in touch.

Next Steps

Based on the results, we would suggest that there should be consideration to the following next steps:

- This report should be **reviewed** by the Fund's officers and results shared with the Committee and Board.
- Set up a **structured training plan** or adjust the existing training plan for the next 18 months covering the main areas highlighted in this report.
- Plan for the **delivery** of training over the immediate 6-month period following these results and communicate that intention with the Committee and Board.
- Consider the most **pressing** training requirements in the coming months. Importantly, look at the **frequency** of training engagement with your Committee and Board.
- **Assess** the tools available to the Fund to assist with training, and whether any new methods should be deployed.
- Consider ways of **maintaining** and **increasing** the engagement of both the Board and Committee. This could include providing them with more information, training materials, briefing notes etc.
- Ensure that the Fund's training strategy is up to date and **appropriate** for purpose.

We will be producing a national LGPS report on the results of these assessment, which will aid Scheme Advisory Board LGPS training discussions.

A copy of this will be made available to the Fund when that report is complete.

If you wish to discuss the contents of this report further, please get in touch.

Prepared by Hymans Robertson LLP.

Alan Johnson

LGPS Governance, Administration and Projects (GAP) Consultant

Calum Robertson

Trainee LGPS Governance, Administration and Projects (GAP) Consultant

Reliances and Limitations

This report has been prepared for the Oxfordshire Pension Fund.

This report must not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety.

Hymans Robertson LLP do not accept any liability to any party unless we have expressly accepted such liability in writing.

This report has been prepared by Hymans Robertson LLP, based upon its understanding of legislation and events as of November 2024.

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Division(s): n/a

ITEM 7

PENSION FUND COMMITTEE – 13 December 2024

ADMINISTRATION REPORT

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

The committee is RECOMMENDED to note

a) the progress of the McCloud project

b) The revised benefit administration statistics and to confirm the information required for this report

Executive Summary

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

Staffing

2. At the point of writing this report, the team are carrying 2 Senior Administrator vacancies and 5 Administrator vacancies. These are resulting from 3 leavers, 2 internal promotions and 2 existing vacancies.

3. A recruitment exercise is currently underway for 5 new Administrators, the outcome of which I will update at the meeting.

Performance Statistics

Employer monthly returns

4. On 30 September 2024, 4.9% of returns (11 employers) were not vetted. This was due to performance related issues which have now been resolved. The workload is being redistributed across the remaining team.

5. The vetting process is currently under review to improve the quality of checks, reporting and monitoring of workload and performance. This will ultimately reduce time spent on the end of year process.

6. In the last quarter, to 30 September 2024 there is:
   - 0 new admissions.

- 0 academy conversions.
- 4 closure valuations, which will become 4 new admissions pending the employer telling us the new provider.

7. There are 37 closures to action backdating to 2022. These have been on hold pending a new closure procedure, which I will bring to the next meeting. All outstanding cases are pass-through agreements and therefore have no financial implications.

Employer SLA Monitoring

8. In the last quarter to 30 September 2024, no fines were issued to employers.

Contribution Monitoring

9. In the quarter July to September 2024, 31 payments were made past the deadline of 19th month following payroll.

Benefit Administration

10. Annex 1 confirms a breakdown of the benefit administration work in the last quarter July to September 2024.

11. There were 6,362 new cases created, and the team completed 6,367 cases of which 79.8% were within service level agreement target. An increase of 8.5% from the previous quarter.

12. The team completed 78.5% of the total outstanding work, leaving 1,742 cases to carry forward, which includes cases pending further information and work not completed due to staffing levels.

13. Whilst recruitment continues to be a challenge, we have started reviewing how we process work by increasing the use of technology, automating tasks, self-checking of work, and moving work from Administrator to Pension Support Officers, all of which has been positive so far and will be monitored in these statistics.

14. Annexe 2 contains the volume of e-mails received per month from April to September 2024. These include a mixture of new case requests and member queries.

15. Annexe 3 contains the telephone statistics for the period July to September 2024. Overall, over 90% of calls were answered. It has been identified that two additional telephone numbers are not included in these figures. I will bring revised figures to the meeting when these are available.

16. In the last quarter July to September 2024, a report on the values of transfers paid in and out of the fund confirmed £6.9 million was transferred into the fund and £4.3 million was transferred out of the fund.

17. There is no pension scams reported in the last quarter July to September 2024. The team remain vigilant and receive regular training on how to spot pensions scams to enable us to better support our members.

Pension Payroll

18. As at 30 September 2024, a total of 340 pensions are suspended, a reduction of 25 since the previous quarter. These are where the fund is either waiting for confirmation of death notification, or tracing pensioners who have not informed the fund of a change of address.

Statutory Returns

19. Fire Schemes valuation data will be submitted to GAD by 1 December 2024

20. Pension Regulator statutory scheme returns for LGPS and FPS 1992, 2006 and 2015 were submitted by the deadline of 22 November 2024.

21. The breach regarding FPS Remedy RSS will be reported to Pension Regulator by the date of this meeting.

Fire Service Administration

22. On 28 November 2024 there were 98 open cases, 31 are future dated, 31 are awaiting a reply from the member or an external body, these are currently being reviewed. 5 are leavers notified by IBC who are under retirement age, 3 relate to retirement benefits, 1 is a Death, 12 are general enquiries, 2 are Transfer cases, 5 relate to Additional Contributions, and the remaining 8 relate to requests for estimates or reviews after retirement.

23. Remedy work has taken priority, and the additional workload has increased as a result. 495 individual system records require amendment as part of the work to roll back the pension membership to the legacy pension schemes and inform members of their revised options. The volume of work, and the need to prioritise retirements and deaths is causing some SLA deadlines to slip, but OFRS are fully aware of this and are in full support of the pension team over this unprecedented period.

24. Training is ongoing for team members to improve knowledge of the pension schemes. Gaps in knowledge particularly around the two projects for Remedy and the On-Call Second options exercise are being addressed.

Data Quality

25. The data quality score reported to The Pension Regulator in our scheme return was 95%. The area for improvement is missing addresses. We are in the process of procuring a new contract for an address tracing service, to coincide with the Pension Dashboard project requirements.

Outstanding Invoices

26. On 30 September 2024, there are 4 outstanding invoices amounting to £8,410.23. One invoice relates to an on-going case regarding an overpaid retirement grant, which amounts to £5,000. This is with the debt recovery team to progress.

Complaints

27. The table below shows number of complaints for each financial year.

Year	Informal	Resolved	IDRP Stage 1	Upheld	IDRP Stage 2	Upheld	TPO
2023/24	18	16	9	1	8	2	1
2024/25	15	14	2	2	0	0	1

28. In the current year 2024/25, there have been 15 informal complaints to date, 14 were resolved and 1 progressed to The Pension Ombudsman relating to the administration of an AVC Annuity with Prudential in 2022/23. This is on-going and an update will be provided at the next meeting.

29. IDRP stage 1 complaints were both received in the last quarter July to September 2024 and relate to ill health appeals against the employer, both of which were upheld.

Projects

Historic Death Cases

30. The September committee report highlighted a project of the review of the historic death cases where there is outstanding information needed to complete the files. We continue to review these cases, and I will provide an update at the next meeting.

McCloud

31. Annex 4 confirms our current position in the McCloud project. The data is split between Oxfordshire County Council (OCC) and all other employers (non-OCC).

32. Status 1 and status 4 records are current priority as these are required for the statutory deadline for issuing Annual Benefit Statements with the McCloud rectification by 31 August 2025.

33. The team have made good progress with the OCC records. Since the

September meeting, the team have increased the number of completed status 1 records by 14% and status 4 records by 62%.

34. The non-OCC records have seen a slower progress with an overall increase of 2% of completed records, however we are confident that we are on track with the project.

Pension Dashboards

35. Annex 5 shows the project plan for Pension Dashboards.

36. The contract for the ISP (Integrated System Provider) is being finalised and an installation date is planned for January 2025, which keeps the project on track to complete by our deadline of 31 October 2025.

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Age Discrimination Remedy – Fire Service

37. The Firefighters' Pensions (Remediable Service) Regulations 2023 (legislation.gov.uk) were issued on 20 July 2023 with an effective date of 1 October 2023. Immediate Detriment quotes have now ceased, and cases already processed will be reviewed once final guidance has been received from LGA.

38. Disclosure letters were sent in December 2023 to all scheme members and an update was sent to all operational staff at the end of January 2024

39. System software amendments were received in August 2024 for the Remediable Service Statements for Active employees. Further updates are still pending for Deferred scheme members.

40. ABS for members who are not eligible for remedy were issued using the existing format. ABS were not issued for members subject to remedy. All member affected have been contacted in writing to inform them of the delay.

41. Remediable Pension Saving Statements were issued by 6 October 2024 for all eligible remedy members where the annual allowance recalculation resulted in a change to the previous figures. Instructions have been issued to all those affected on the need to complete the online 'Calculate your public service pension adjustment' calculator.

42. Pensions in payment will be reviewed by the deadline of 31 March 2025 – we are currently awaiting guidance from LGA on reviewing those retirements processed under the Immediate Detriment Framework.

On-Call Second options exercise – Fire Service

43. A working group has been established to look the work required, and plan the work required over the 18-month implementation period.

44. 258 forms have been received back to request further information and have been acknowledged with further regular information issued on timescales for issuing

the quotations. 4 members have indicated they do not wish to receive further information. We are going to contact them to double check this was their intention.

45. The 50 members reported in the September report where addresses could not be traced have now had a further full address trace and letters will be sent to request completion of the expression of interest form.

46. A final letter has been prepared for all those who have received letters to request completion of the expression of interest form, and we are informing them that no further reminders will be sent. This letter was sent by the Track and Trace method.

47. Data is being collated for the members who have returned their expressions of interest and quotes are currently being processed in cohort order, prioritising those with an immediate entitlement to pension benefits.

48. There is regular communication with the Treasury Team regarding the payments that are due to affected Firefighters to manage the cash flow.

<u>Member Self Service</u>

49. Annex 6 shows the latest information on LGPS members signing up to use member self-service (MSS).

50. Activation codes will be issued to all members that have not registered in the new year to target the deferred and active members where currently 45-47% have not made a positive election to sign up. Figures following this exercise will be reported at the next meeting.

Lorna Baxter
Executive Director of Resources & Section 151 Officer

Annex:	1 – Benefit Administration Statistics 2 – Pension Services incoming e-mail statistics 3 – Telephone statistics 4 – McCloud statistics 5 – Pension Dashboard project plan 6 – MSS Registration statistics
Background papers:	Nil
Contact Officer:	Vicki Green, Pension Administration Manager, 01865 323660, vicki.green@oxfordshire.gov.uk

November 2024

Category	Subcategory	Complete at End of Period	# Completed Within Customer Target	% Complete Within Customer Target	% Complete Within Legal Target
Grand Total		**6,367**	**5,078**	**79.8%**	**86.4%**
A1: Deaths recorded of active, deferred, pensioner and dependent members	B1: Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	146	108	74.0%	
A2: Death processed of active, deferred, pensioner members	B2: Communication issued confirming benefits payable	151	118	78.1%	96.0%
A3: Deferred member retirements	B3: Communication issued to deferred member with confirmation of pension and lump sum options (actual)	8	8	100.0%	100.0%
	B3: Communication issued to deferred member with pension and lump sum options (quotation)	331	311	94.0%	100.0%
	B3: Payment of lump sum (both actives and deferreds)	292	291	99.7%	
A4: Active member retirements	B4: Communication issued to active member with confirmation of pension and lump sum options (actual)	335	308	91.9%	98.5%
	B4: Communication issued to active member with pension and lump sum options (quotation)	0	0		
A5: Leavers	B5: Communication issued with deferred benefit options	628	319	50.8%	75.5%
	B5: Communication issued with frozen refund options	460	245	53.3%	80.9%
	B5: Communication issued with recalculated deferred benefit options	48	34	70.8%	
A6: Interfund IN (Actual)	B6: Communication issued to scheme member with completion of interfund in	90	82	91.1%	
A6: Interfunds in (Quote)	B6: Communication issued to scheme member providing quotation of interfund in	112	110	98.2%	
A7: Interfund Out (Actual)	B7: Communication issued to scheme member with completion of interfund out	96	86	89.6%	
A7: Interfund Out (Quote)	B7: Communication issued to scheme memberproviding quotation of interfund out	44	44	100.0%	
A8: Refunds	B8: Payment of refund	213	206	96.7%	
A9: Divorce quotations issued	B9: Divorce quotation	42	42	100.0%	100.0%
A10: Actual divorce cases	B10: Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order	1	1	100.0%	0.0%
A11: Member estimates requested either by scheme member and employer	B11: Member estimates requested by scheme member and employer	152	140	92.1%	
A12: New joiner notifications	B12: Communication issued to new starters	1,076	1,076	100.0%	100.0%
A13: Aggregation cases	B13: Communication issued to member who has rejoined the scheme (Actual)	280	64	22.9%	
	B13: Communication issued to member who has rejoined the scheme (Quote)	106	16	15.1%	
A14: Transfers in Actual	B14: Transfers in (including club transfers) Actual	29	28	96.6%	
A14: Transfers in Quote	B14: Transfers in (including club transfers) Quotation	24	21	87.5%	100.0%
A15: Transfers out Actual	B15: Transfers out (including club transfers) Actual	14	10	71.4%	
A15: Transfers out Quotation	B15: Transfers out (including club transfers) Quotation	129	119	92.2%	100.0%
A16: Additional Pension Contributions (APC)	B16: Communication issued to members to confirm set up of additional contributions	37	36	97.3%	
A17: Trivial Commutation	B17: Trivial commutation paperwork issued to member (payment)	2	2	100.0%	
	B17: Trivial commutation paperwork issued to member (quotation)	10	10	100.0%	
A18: Concurrent merges	B18: Communication issued with concurrent merge options	152	18	11.8%	
A19: AVC administration	B19: Communication with member and provider for additional voluntary contributions	27	24	88.9%	
A20: Member Enquiries	B20: Pension enquiry received from customer (member, 3rd party)	756	697	92.2%	
A21: Member Updates	B21: Updating member's personal details	150	78	52.0%	
A22: Information Requests	B22: Communication sent to members chasing decision on frozen refund	326	326	100.0%	
	B22: Initial request issued to previous LG fund for interfund information	100	100	100.0%	

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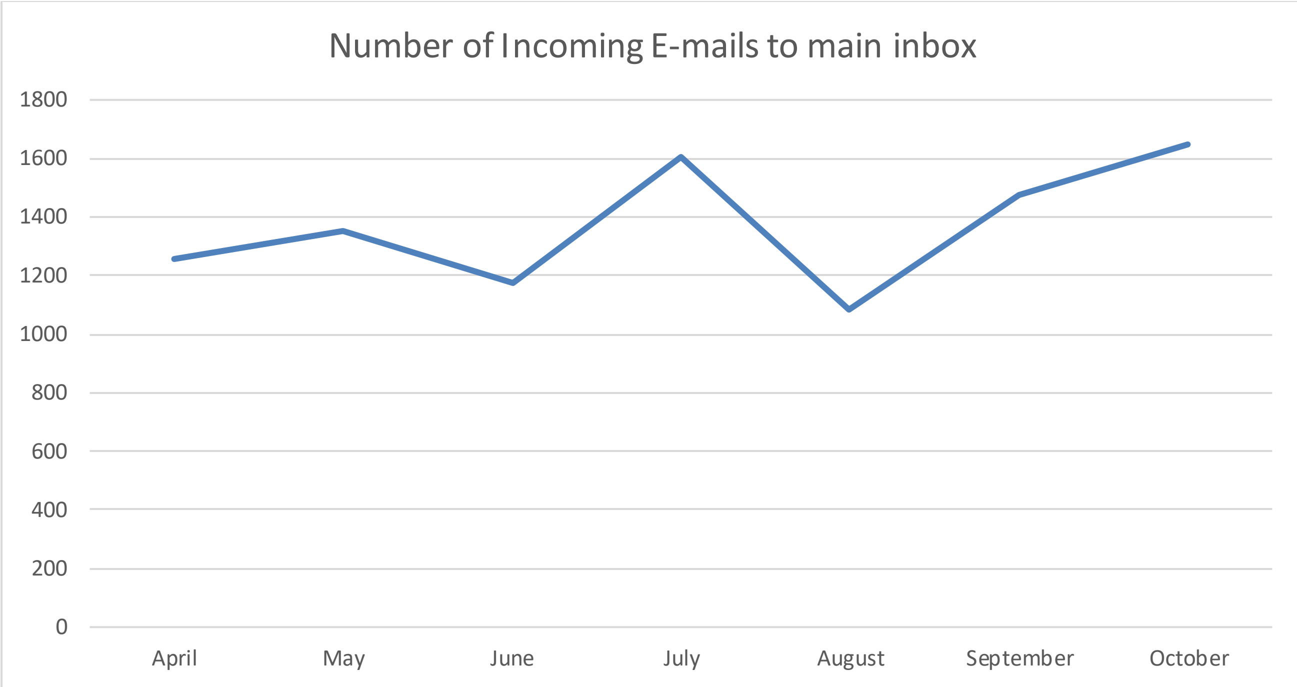
Annexe 2



Month	**Number**
April	1260
May	1350
June	1173
July	1605
August	1084
September	1474

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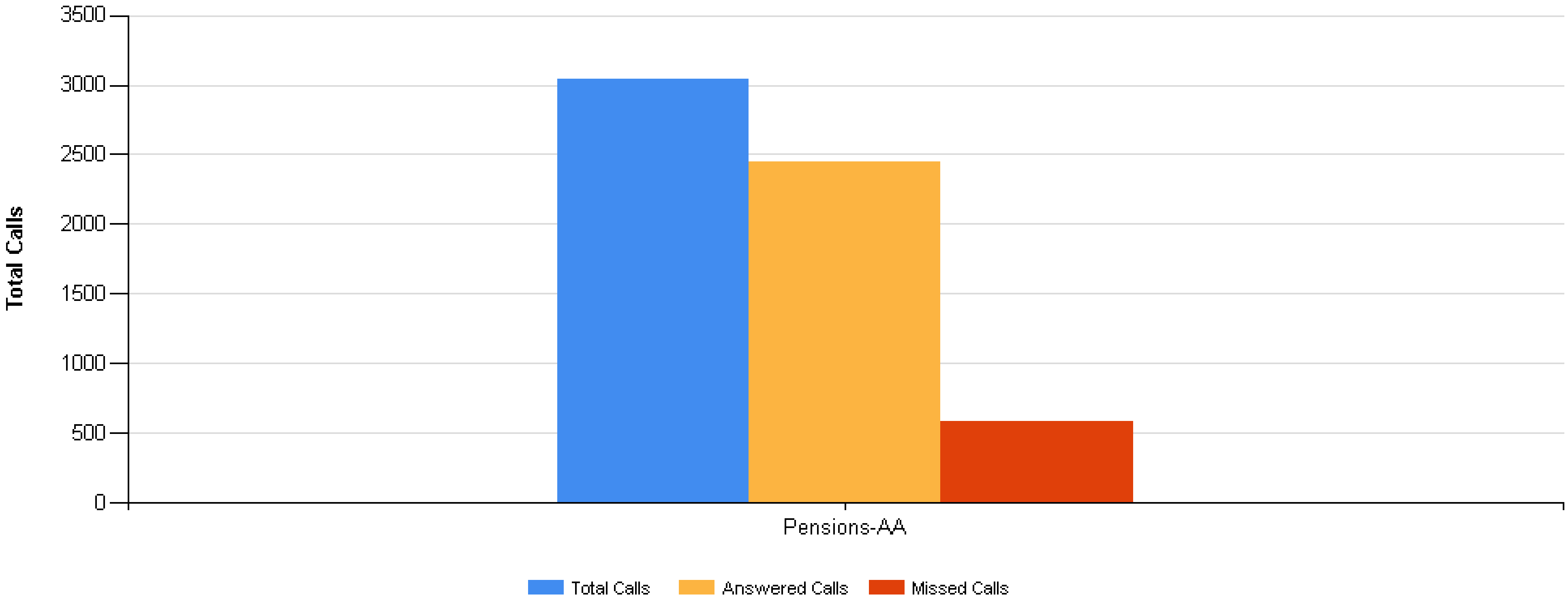
Pensions incoming calls stats

07/01/2024 - 10/01/2024 (UTC+00:00) Dublin, Edinburgh, Lisbon, London

Call Direction Out In Internal



Auto attendant	Queue name	Total Calls	Answered Calls	Answered Calls %	Missed Calls	Missed Calls %	Incoming Calls	Internal Calls	VM Calls	Answered Calls RT 0-60sec	Answered with RT over 61sec	Avg Ring time	Total Duration	Avg Duration
Pensions-AA		436	38	8.72	398	91.28	435	1	42	33	5	0:00:24	0:09:53	0:00:15
Pensions-AA	pension-benefit-administration-CQ	2179	2011	92.29	168	7.71	2179	0	783	873	1138	0:01:05	127:38:50	0:03:48

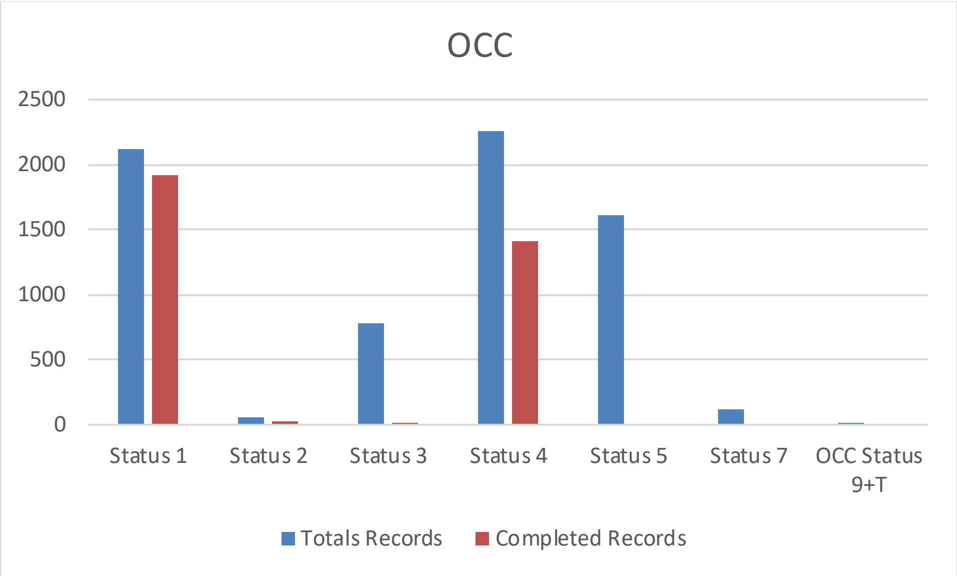
Pensions incoming calls stats

07/01/2024 - 10/01/2024 (UTC+00:00) Dublin, Edinburgh, Lisbon, London

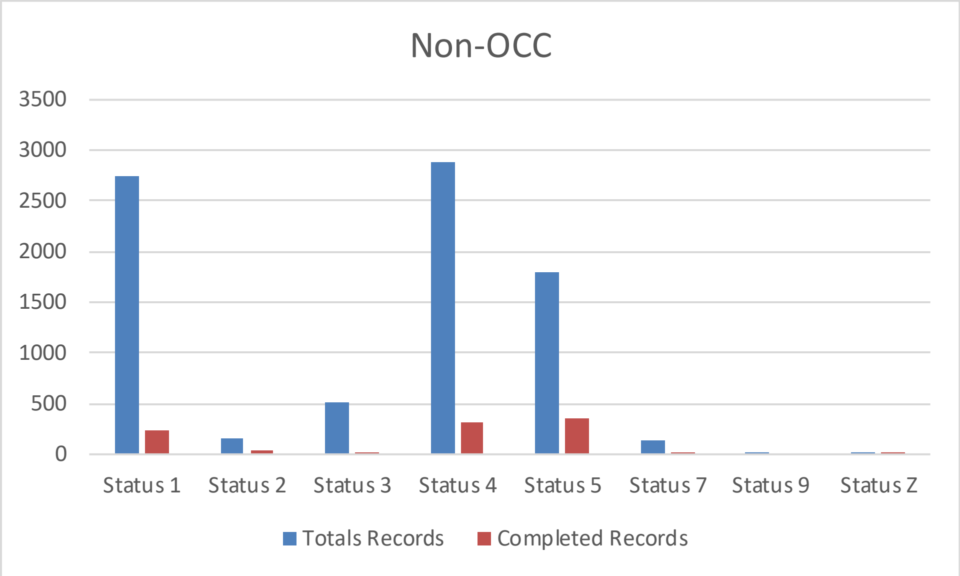
Call Direction Out In Internal

Pensions-AA	Pension-employer-team-CQ	125	115	92.00	10	8.00	125	0	105	77	38	0:00:58	0:34:22	0:00:17
Pensions-AA	pension-Fire-Service-Pension-Scheme-CQ	21	20	95.24	1	4.76	21	0	8	11	9	0:00:54	0:44:04	0:02:12
Pensions-AA	Pension-fund-communications-CQ	28	26	92.86	2	7.14	28	0	23	4	22	0:01:06	0:22:33	0:00:52
Pensions-AA	pension-payroll-CQ	192	186	96.88	6	3.13	192	0	71	146	40	0:00:50	8:17:08	0:02:40
Pensions-AA	pension-self-service-CQ	56	55	98.21	1	1.79	56	0	24	28	27	0:01:02	1:59:23	0:02:10
Total for 3037 calls														
		3037	**2451**	**80.70**	**586**	**19.30**	**3036**	**1**	**1056**	**1172**	**1279**	**0:00:58**	**139:46:13**	**0:03:25**

Annex 5 **McCloud Statistics**



OCC	Totals Records	Completed Records	% Complete
Status 1	2115	1922	91%
Status 2	58	22	38%
Status 3	781	1	0%
Status 4	2251	1408	63%
Status 5	1612	0	0%
Status 7	112	0	0%
OCC Status 9+T	7	0	0%
Totals	**6936**	**3353**	**48%**



Non-OCC	Totals Records	Completed Records	% Complete
Status 1	2754	232	8%
Status 2	153	29	19%
Status 3	504	28	6%
Status 4	2876	325	11%
Status 5	1792	351	20%
Status 7	147	27	18%
Status 9	7	0	0%
Status Z	16	8	50%
Totals	**8249**	**1000**	**12%**

Pension Dashboard

Oxfordshire Pension Fund

Project Start: Sat, 01/06/2024

Display Week: 1

TASK	ASSIGNED TO	PROGRESS	START	END
Planning				
Project Scoping	R Salsbury	25%	1/6/24	30/6/24
ISP Scoping / Decision	M Smith / V Green / R Salsbury	0%	17/6/24	30/11/24
Committee / Pension Board updates	V Green	0%	1/9/24	31/3/26
Monthly updates at Manager meetings	R Salsbury	0%	1/6/24	31/3/26
Testing - our connection deadline is 31/10/25				
ICT Healthcheck - tbc	Heywood?	0%		
ISP Connection set up - timings tbc		0%	1/1/25	31/10/25
Test connection - timings tbc		0%	1/1/25	31/3/25
Determine Matching criteria - timings tbc	Managers	0%	1/1/25	31/3/25
View Data Dashboard checks	Systems Team	0%	1/1/25	31/3/25
Find Data Dashboard checks	Systems Team	0%	1/1/25	31/3/25
Test access and enquiries	? Systems Team	0%	1/1/25	31/3/25
AVC (L&G and Prudential) - data connection tbc	R Salsbury	0%	1/1/25	31/10/25
Go Live Planning				
Enquiries - who will deal with these		0%	1/1/25	31/3/25
Workflow - what changes required		0%	1/1/25	31/3/25
Comms - what required for scheme members		0%	1/1/25	31/10/25
Employer communication - what involved		0%	1/1/25	31/10/25
Go Live execution				
Dashboards Available point - 6 months notice will be given by Central Government		0%	date	date
Team Training		0%	date	date
Processes documented		0%	date	date
Workflows set up		0%	date	date
		0%	date	date

Display Week: 1

					27 May 2024							3 Jun 2024							10 Jun 2024							17 Jun 2024							24 Jun 2024							1 Jul 2024							8 Jul 2024							15 Jul 2024						
					27	28	29	30	31	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
TASK	ASSIGNED TO	PROGRESS	START	END	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S
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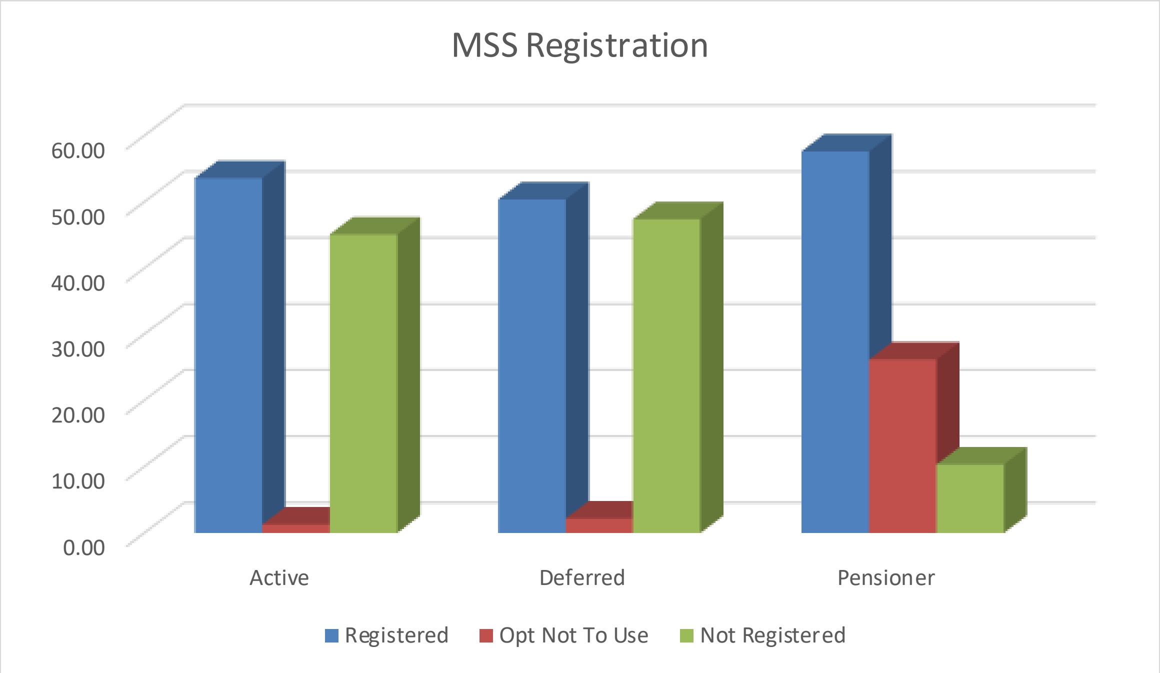
Annex 6 MSS Registration



Membership Status	Registered	Opted not to use	Not Registered
Active	53.59%	1.30%	45.10%
Deferred	50.39%	2.21%	47.40%
Pensioner	57.63%	26.18%	10.34%

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Division(s): n/a

ITEM 11

PENSION FUND COMMITTEE – 13 DECEMBER 2024

POLICY REVIEW REPORT

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

1. **The Committee is RECOMMENDED to receive this report and note there are no changes to be made to the policies.**

Executive Summary

2. This report is to update members of any changes to the following policies.

Administering Authority Discretionary Policies

3. There are no regulatory changes to update this discretionary policy which was last brought to this Committee in 2022. The table of discretionary decisions is attached at Annex 1.

Admission and Termination Policy

4. This policy is set out as part of the Funding Strategy Statement, which prepared by the Fund actuaries in September 2022. There have been no regulatory changes since that date. The relevant extract of the Funding Strategy Statement is attached at Annex 2.

Voluntary Scheme Pays Policy

5. There have been no changes to this policy since being reviewed in December 2023. The policy is attached at Annex 3.

Lorna Baxter

Annex:	1 – Table of discretionary decisions 2– Funding strategy statement 3 – Voluntary Scheme Pays Policy
Background papers:	Nil

Contact Officer:	Vicki Green, Pension Administration Manager, 01865 323660, vicki.green@oxfordshire.gov.uk

November 2024

Discretion	Regulation	Exercised By	Decision
The Local Government Pension Scheme Regulations 2013 [SI 2013/2356] [prefix R] **The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [SI 2014/525] [prefix TP]** **The Local Government Pension Scheme (Administration) Regulations 2008 [SI 2008/239] [prefix A]** **The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) [SI 2007/1166] [prefix B]** **The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [SI 2008/238] [prefix T]** **The Local Government Pension Scheme Regulations 1997 (as amended) [SI 1997/1612] [prefix L]**			
Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority or Care Quality Commission.	R4(2)(b)		In cases where a pass through arrangement has been agreed this decision has been delegated to Head of Pensions with details being report to the Pension Fund Committee. In all other cases a report will be submitted to the Pension Fund Committee for decision.
Whether to agree to an admission agreement with a body applying to be an admission body.	R3(1A), R3(5) & RSch2, Part 3. Para 1		In cases where a pass through arrangement has been agreed this decision has been delegated to Head of Pensions with details being report to the Pension Fund Committee. In all other cases a report will be submitted to the Pension Fund Committee for decision.
Whether to agree that an admission agreement may take effect on a date before the date on which it is executed.	RSch2. Part 3, Para 14		In cases where a pass through arrangement has been agreed this decision has been delegated to Head of Pensions with details being report to the Pension Fund Committee. In all other cases a report will be submitted to the Pension Fund Committee for decision.
Whether to terminate an admission agreement in the event of: - insolvency, winding up or liquidation of the body. - breach by that body of its obligations under the admission agreement. - failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so.	RSch2, Part 3, Para 9(d)		Decision making delegated to Head of Pensions and reported to PFC
Define what is meant by "in connection with"	RSch2, Part 3, Para 12(a)		Previously determined that this would mean that work would be same as prior to any TUPE and relate to Oxfordshire.
Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment).	R16(1)		Pension Fund Committee has delegated this decision making to officers
Whether to require a satisfactory medical before agreeing to an application to pay an APC / SCAPC.	R16(10)		Pension Fund Committee has determined that in casess where payment is made over a period of 12 months, or less no medical assessment is required. However a medical assessment is required in all other cases

Discretion	Regulation	Exercised By	Decision
Whether to turn down an application to pay an APC / SCAPC if not satisfied that the member is in reasonably good health.	R16(10)		In cases where a medical assessment causes concern this will be referred to the Pension Fund Committee for decision
Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member.	R17(12)		This links to TP17 (5) to (8) & R40 (2), R43(2) & R46(2). Pension Fund Committee has delegated decision making to Officers unless a contentious case, in which instance the decision would be referred to the Pension Fund Committee
Pension account may be kept in such form as is considered appropriate.	R22(3)©		Pension accounts will kept in line with regulatory and system requirements
Where there are multiple ongoing employments, in the absence of an election from the member within 12 months of ceasing a concurrent employment, decide to which record the benefits from the ceased concurrent employment should be aggregated.	TP10(9)		That all records are merged with next record, as determined by start date of employment
Whether to require any strain on Fund costs to be paid “up front” by employing authority following payment of benefits under R30(6) (flexible retirement), R30(7) (redundancy / business efficiency), or the waiver (in whole or in part) under R30(8) of any actuarial reduction that would otherwise have been applied to benefits which a member voluntarily draws before normal pension age or to benefits drawn on flexible retirement.	R68(2); 80(5)		All strain costs associated with these decisions are paid in a lump sum once payment of benefits is processed
Whether to require any strain on Fund costs to be paid “up front” by employing authority if the employing authority “switches on” the 85 year rule for a member voluntarily retiring (other than flexible retirement) prior to age 60, or waives an actuarial reduction on compassionate grounds under TPSch 2, para 2(1).	TPSch 2, para 2(3)		All strain costs associated with these decisions are paid in a lump sum once payment of benefits is processed
Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement	R32(7)		The Pension Fund Committee has determined that a period of 3 months' notice should be given in line with the Regulations
Decide whether to trivially commute a member’s pension under section 166 of the Finance Act 2004 (includes pension credit members where the effective date of the Pension Sharing Order is after 31 March 2014 and the debited member had some post 31 March 2014 membership of the 2014 Scheme).	R34(1)(a), R39(1)(b), T14(3) & 49(1)		The Pension Fund Committee has determined that small pension values can be commuted,after retirement at member request, in line with HMRC rules and limits.
Decide whether to trivially commute a lump sum death benefit under section 168 of the Finance Act 2004.	R34(1)(b), R39(1)(b & 49(1).		The Pension Fund Committee has determined that small pension values can be commuted, at member request, in line with HMRC rules and limits.

Discretion	Regulation	Exercised By	Decision
Decide whether to pay a commutation payment under regulations 6 (payment after relevant accretion, 11 (de minimis rule for pension schemes) or 12 (payments by larger pension scheme of the Registered Pension Schemes (Authorised Payments) Regulations 2009 (excludes survivor pensions and includes pension credit members where the effective date of the Pension Sharing Order is after 31 March 2014 and the debited member had some post 31 March 2014 membership of the 2014 Scheme)	R34(1)©, R39(1)©		The Pension Fund Committee has determined that small pension values can be commuted, at member request, in line with HMRC rules and limits.
Approve medical advisors used by employers (for ill health benefits)	R36(3) & 97(10) A56(2)		The Pension Fund Committee has delegated this approval process to Officers
Whether to use a certificate produced by an IRMP under the 2008 Scheme for the purposes of making an ill health determination under the 2014 Scheme.	TP12(6)	Employer (or Admin. Authority where Employer has become defunct)	The Pension Fund Committee has approved this use of 2008 certificate .
Decide whether deferred beneficiary meets criteria of being permanently incapable of former job because of ill health and is unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is the sooner.	R38(3)	Employer (or Admin. Authority where Employer has become defunct)	A report will be submitted to the Pension Fund Committee to advise of issues to be considered and to seek a decision.
Decide whether a suspended ill health tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health.	R38(6) & B31(7)	Employer (or Admin. Authority where Employer has become defunct)	A report will be submitted to the Pension Fund Committee to advise of issues to be considered and to seek a decision.
Decide to whom death grant is paid.	TP17(5) to (8), R40(2), R43(2) & R46(2)B23(2), B32(2), B35(2), TSch1 , L155(4), 38(1) E8		Pension Fund Committee has delegated decision making to Officers unless a contentious case, in which instance the decision would be referred to the Pension Fund Committee
Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership.	R49(1)© & B42(1)©		Pension Fund Committee has delegated decision making to Officers unless a contentious case, in which instance the decision would be referred to the Pension Fund Committee
Whether to set up a separate admission agreement fund.	R54(1)		The Pension Fund Committee determined no such fund should be set up
Whether to have a written pensions administration strategy and, if so, the matters it should include	R59(1) & (2)		An administration strategy is in place

Discretion	Regulation	Exercised By	Decision
Whether to extend the period beyond 3 months from the date an Employer ceases to be a Scheme Employer, by which to pay an exit credit.	R64(2ZA)	Administering Authority with agreement of Employer)	Decision making delegated to Head of Pensions and reported to PFC
Whether to suspend (by way of issuing a suspension notice), for up to 3 years, an employer's obligation to pay an exit payment where the employer is again likely to have active members within the specified period of suspension.	R64 (2A)		Decision making delegated to Head of Pensions and reported to PFC
Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer.	R64(4)		Pension Fund Committee has delegated decision making to Officers unless a contentious case, in which instance the decision would be referred to the Pension Fund Committee
Decide frequency of payments to be made over to Fund by employers and whether to make an admin charge.	R69(1)		Payments required to be paid monthly by 19th of month following deduction. Administration charges will be made in line with Administration Strategy
Decide form and frequency of information to accompany payments to the Fund.	R69(4)		Paperwork to be provided detailing monthly payments by 19th of the month following deduction.
Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance	R70 & TP22(2)		Administration charges will be made in line with Administration Strategy.
Whether to charge interest on payments by employers which are overdue	R71(1); 82(1)		Charges will be made in line with Administration Strategy
Decide procedure to be followed by admin authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be exercised.	R76(4) & TP23		Pension Fund Committee has delegated these roles to Officers unless a contentious case, in which instance the decision would be referred to the Pension Fund Committee
Whether administering authority should appeal against employer decision (or lack of a decision).	R79(2) &tp23		Pension Fund Committee has delegated this matter to Officers unless a contentious case, in which instance the decision would be referred to the Pension Fund Committee
Specify information to be supplied by employers to enable administering authority to discharge its functions.	R80(1)(b) & TP22(1) & TP23		Pension Fund Committee has delegated this matter to Officers.

Discretion	Regulation	Exercised By	Decision
Whether to pay the whole or part of the amount that is due to the personnel representatives (including anything due to the deceased member at the date of death) to: personal representatives, or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965.	R82(2) A52(2) & 95		Pension Fund Committee has delegated the decision making to Officers unless a contentious case, in which instance the decision would be referred to the Pension Fund Committee
Whether, where a person is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	R83		A report will be submitted to Pension Fund Committee for decision in each case
Agree to bulk transfer payment	R98(1)(b)	Employer / Administering Authority / Trustees of new scheme	Delegated to officers in conjunction with Fund Actuary
Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS.	R100(6)	Employer and Administering Authority	Pension Fund Committee determined to endorse employing authority decision
Allow transfer of pension rights into the Fund.	R100(7)	Administering Authority	The Pension Fund Committee determined to continue to all transfers in of previous pension rights.
Where member to whom B10 applies (use of average of 3 years pay for initial pay purposes) dies before election, whether to make that election on behalf of the deceased member	TP3(6), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) & B10(2)		The Pension Fund Committee has determined that officers should use the best option for the member
Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1 April 2008).	TP3(6), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) & TSch 1 & L23(9)		The Pension Fund Committee determined to continue to all transfers in of previous pension rights.
Decide to treat child (who has not reached the age of 23) as being in continuous full-time education or vocational training despite a break.	RSch 1 & TP17(9)(a)		The Pension Fund Committee has determined that a gap year does not constitute a break in continuous education
Decide evidence required to determine financial dependence of cohabiting partner on scheme member or financial interdependence of cohabiting partner and scheme member.	RSch 1 & TP17(9)(b)		Pension Fund Committee has delegated the decision making to Officers unless a contentious case, in which instance the decision would be referred to the Pension Fund Committee. Note: this is now only required in event of member's death
Extend time period for capitalisation of added years contract.	TP15(1)(c) & TSch1 & L83(5)		The Pension Fund Committee confirmed that time periods should not be extended.

Discretion	Regulation	Exercised By	Decision
Decide whether to delegate any administering authority functions under the Regulations	R105(2)		No decision made
Decide whether to establish a joint local pension board (if approval has been granted by the Secretary of State)	R106(3)		Decision made - Pension Board already in operation
Decide procedures applicable to the local pension board.	R106(6)		Decision made - Pension Board already in operation
Decide appointment procedures, terms of appointment and membership of local pension board.	R107(1)		Decision made - Pension Board already in operation
Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits.	A45(3) & 89(3)		Delegated to officers
Specify information to be supplied by employers to enable administering authority to discharge its functions	TP23, TP22(1) & R90(1)(b)		Delegated to officers
Whether to pay the whole or part of a child's pension to another person for the benefit of that child	B27 (5); G11 (2)		Delegated to officers
Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit	A52 A; 47(2)		Delegated to officers
Decide whether deferred beneficiary meets permanent ill health and reduced likelihood of gainful employment criteria	B31(4)	Employer (or Admin. Authority where Employer has become defunct)	A report will be submitted to the Pension Fund Committee to advise of issue to be considered and to seek a decision
Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1 April 2008).	TSch 1 & L23(9)		Delegated to officers
Apportionment of children’s pension amongst eligible children.	47(1)		Delegated to officers
Decide whether to commute benefits due to exceptional ill-health (including Pension Credit members where the effective date of the Pension Sharing Order was pre 1 April 2014 or where the effective date of the Pension Sharing Order is after 31 March 2014 but the debited member had no post 31 March 2014 membership of the 2014 Scheme).	50 and 157		Delegated to officers
Timing of pension increase payments by employers to fund	91(6)		Delegated to officers

Discretion	Regulation	Exercised By	Decision
Specify information to be supplied by employers to enable administering authority to discharge its functions.	TP23 & TP22(1) & R80(1)(b)		Included in the Administration Strategy / Documentation out to Scheme Employers
Date to which benefits shown on annual deferred benefit statement are calculated	106A(5)		End of Financial Year
Retention of Contributions Equivalent Premium (CEP) where member transfers out.	118		Not held liabilities are transferred
Discharge Pension Credit liability.	147		Delegated to officers
Apportionment of children’s pension amongst eligible children.	G11(1)		Delegated to officers
Agree to pay annual compensation on behalf of employer and recharge payments to employer.	31(2)		Delegated to officers
To decide whether it is legally able to offer voluntary scheme pays (to determine legality see paragraph 223 onwards of the Annual Allowance Guide) and, if so, to decide the circumstances (if any) upon which it would do so.	2		Voluntary Scheme Pays Scheme put in place following PFC decision December 2017
Discretion below needs review to determine previous decision			
Whether to pay spouse’s pensions for life (rather than ceasing during any period of remarriage or co-habitation).	F7		

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Oxfordshire Pension Fund
Funding Strategy Statement
December 2022

Contents

1 Welcome to Oxfordshire Pension Fund's funding strategy statement

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

The Oxfordshire pension fund is administered by Oxfordshire County Council, known as the administering authority. Oxfordshire County Council worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 2 December 2022.

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

1.1 What is the Oxfordshire pension fund?

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

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

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

1.3 Who is the FSS for?

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

Different types of employers participate in the fund:

Scheduled bodies

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

Designating employers

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

Admission bodies

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

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

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

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

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

1.5 Does the funding strategy reflect the investment strategy?

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

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

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

2 How does the fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

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

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

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

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

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

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

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

2.2 The contribution rate calculation

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

Table 2: contribution rate calculation for individual or pooled employers

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

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

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

**See Appendix D for further information on funding targets.

2.3 Making contribution rates stable

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

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

Table 1: current stabilisation approach

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

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

2.4 Reviewing contributions between valuations

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

2.5 What is pooling?

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

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

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

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

2.6 What are the current contribution pools?

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

2.7 Administering authority discretion

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

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

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

Further details are set out in the fund's prepayment policy available here.

3 What additional contributions may be payable?

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

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

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

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

3.2 Pension costs – early retirement on ill-health grounds

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

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

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

4 How does the fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

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

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

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

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

4.2 How are employer liabilities calculated?

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

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

4.3 What is a funding level?

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

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

5 What happens when an employer joins the fund?

5.1 When can an employer join the fund

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

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

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

5.2 New academies

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

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

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

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

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

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

The Fund's Academies Policy is available here.

5.3 New admission bodies as a results of outsourcing services

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

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

(i) Pass-through admissions

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

(ii) Other admissions

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

5.4 Other new employers

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

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

5.5 Risk assessment for new admission bodies

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

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

This must cover some or all of the:

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

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

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

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

The bulk transfer policy is available here.

7 What happens when an employer leaves the fund?

7.1 What is a cessation event?

Triggers for considering cessation from the fund are:

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

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

7.2 What happens on cessation?

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

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix D.

(b) Where there is a guarantor, the guarantee will be considered as part of the cessation valuation. For example:

- the cessation may be calculated using the ongoing participation basis; or
- it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

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

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

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

The cessation policy is available here.

7.3 How do employers repay cessation debts?

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

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

Further details are set out in the cessation policy available here.

7.4 What if an employer has no active members?

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

a) their asset share runs out before all ex-employees' benefits have been paid, in which case the other fund employers will be required to contribute to the remaining benefits. The fund actuary will apportion the liabilities on a pro-rata basis at the formal valuation.

b) the last ex-employee or dependant dies before the employer's asset share is fully run down, in which case the fund actuary will apportion the remaining assets to the other fund employers on a pro-rata basis at the formal valuation.

7.5 What happens if there is a surplus?

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

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

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

8 What are the statutory reporting requirements?

8.1 Reporting regulations

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

8.2 Solvency

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

(a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

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

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

Relative factors include:

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

Absolute factors include:

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

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

Appendices

Appendix A – The regulatory framework

A1 Why do funds need a funding strategy statement?

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

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

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

A2 Consultation

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

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

A3 How is the FSS published?

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

A4 How often is the FSS reviewed?

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

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

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

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

Appendix B – Roles and responsibilities

B1 The administering authority:

1 operates the fund and follows all Local Government Pension Scheme (LGPS) regulations

2 manages any conflicts of interest from its dual role as administering authority and a fund employer

3 collects employer and employee contributions, investment income and other amounts due

4 ensures cash is available to meet benefit payments when due

5 pays all benefits and entitlements

6 invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy

7 communicates with employers so they understand their obligations

8 safeguards the fund against employer default

9 works with the fund actuary to manage the valuation process

10 provides information to the Government Actuary's Department so they can carry out their statutory obligations

11 consults on, prepares and maintains the funding and investment strategy statements

12 tells the actuary about changes which could affect funding

13 monitors the fund's performance and funding, amending the strategy statements as necessary

14 enables the local pension board to review the valuation process.

B2 Individual employers:

1 deduct the correct contributions from employees' pay

2 pay all contributions by the due date

3 have appropriate policies in place to work within the regulatory framework

4 make additional contributions as agreed, for example to augment scheme benefits or early retirement strain

5 tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.

6 make any required exit payments when leaving the fund.

B3 The fund actuary:

1 prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency

2 provides information to the Government Actuary Department so they can carry out their statutory obligations

3 advises on fund employers, including giving advice about and monitoring bonds or other security

4 prepares advice and calculations around bulk transfers and individual benefits

5 assists the administering authority to consider changes to employer contributions between formal valuations

6 advises on terminating employers' participation in the fund

7 fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

1 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement

2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS

3 auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements

4 governance advisers may be asked to advise the administering authority on processes and working methods

5 internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures

6 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Appendix C – Risks and controls

C1 Managing risks

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

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

C2 Financial risks

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

C3 Demographic risks

Risk	Control
Pensioners live longer, increasing fund costs.	Set mortality assumptions with allowances for future increases in life expectancy. Use the fund actuary's experience and access to over 50 LGPS funds to identify changes in life expectancy that might affect the longevity assumptions early.
As the fund matures, the proportion of actively contributing employees declines relative to retired employees.	Monitor at each valuation, consider seeking monetary amounts rather than % of pay. Consider alternative investment strategies.
Deteriorating patterns of early retirements	Charge employers the extra cost of non ill-health retirements following each individual decision. Pool small employers to facilitate the sharing of ill health risk. Monitor employer ill-health retirement experience.
Reductions in payroll cause insufficient deficit recovery payments.	Buy-out employers in the stabilisation mechanism to permit contribution increases. Review contributions between valuations. This may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Control
Changes to national pension requirements or HMRC rules.	Consider all Government consultation papers and comment where appropriate. Monitor progress on the McCloud court case and consider an interim valuation or other action once more information is known. Build preferred solutions into valuations as required.
Time, cost or reputational risks associated with any DLUHC intervention triggered by the Section 13 analysis	Take advice from the actuary and consider the proposed valuation approach, relative to anticipated Section 13 analysis.

Changes to employer participation in LGPS funds leads to impacts on funding or investment strategies.	Consider all Government consultation papers and comment where appropriate. Take advice from the fund actuary and amend strategy.

C5 Governance risks

Risk	Control
The administering authority is not aware of employer membership changes, for example a large fall in employee members, large number of retirements, or is not advised that an employer is closed to new entrants.	The administering authority develops a close relationship with employing bodies and communicates required standards. The actuary may revise the rates and adjustments certificate to increase an employer's contributions between valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, heeded, or proves to be insufficient in some way	The administering authority maintains close contact with its advisers. Advice is delivered through formal meetings and recorded appropriately. Actuarial advice is subject to professional requirements like peer review.
The administering authority fails to commission the actuary to carry out a termination valuation for an admission body leaving the fund.	The administering authority requires employers with Best Value contractors to inform it of changes. CABs' memberships are monitored and steps are taken if active membership decreases.
An employer ceases to exist with insufficient funding or bonds.	It's normally too late to manage this risk if left to the time of departure. This risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body. Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Requiring a bond to protect the fund, where permitted. Requiring a guarantor for new CABs. Regularly reviewing bond or guarantor arrangements. Reviewing contributions well ahead of cessation.

Risk	Control
An employer ceases to exist, so an exit credit is payable.	The administering authority regularly monitors admission bodies coming up to cessation. The administering authority invests in liquid assets so that exit credits can be paid.

C6 Employer covenant assessment and monitoring

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

C7 Climate risk and TCFD reporting

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

Further details on how the fund manages climate risks is set out in the fund's climate policy here.

Appendix D – Actuarial assumptions

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

D1 What are assumptions?

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

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

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

D2 What assumptions are used to set the contribution rate?

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

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

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

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

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

D3 What financial assumptions were used?

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

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

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

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate (at end of funding time horizon)
Ongoing basis	All employers except employer approaching exit	2.4%
Low-risk exit basis*	Employer approaching cessation	0.2%

*low-risk exit basis is based on the Fund's investment strategy having a 90% likelihood of achieving these returns

Discount rate (ongoing basis for funding level calculations)

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

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

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

Pension increases and CARE revaluation

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

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

Salary growth

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

D4 What demographic assumptions were used?

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

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

Life expectancy

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

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

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

Other demographic assumptions

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

Males

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

Females

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

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

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

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

- The discount rate used for calculating the exit position will be lower than the ongoing funding basis, specifically additional prudence will be applied to the assumption. This will be applied via a higher likelihood that the fund's assets will achieve the required future investment returns over the 20 years following the date of the calculation.
- The-low risk exit basis discount rate is based on there being a 90% likelihood that the Fund's assets will achieve these future investment returns. The Fund has discretion to adjust this likelihood in exceptional circumstances for employers exiting the Fund on a case-by-case basis.
- On 31 March 2022, the low-risk exit basis discount rate is 2.3% p.a. However, this figure will change over time and the low-risk exit basis discount rate used for calculating the exit position will be reviewed at the date of the employer's exit from the Fund.
- The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022

Scheme Pays Policy

Scheme Pays

1. An option for voluntary scheme pays is being introduced alongside the mandatory scheme pays for scheme members who breach the HMRC Annual Allowance limit on increase in their pension savings during a financial year.

2. The introduction of a voluntary scheme pays option will be at the discretion of the Oxfordshire Pension Fund.

Annual Allowances

3. The annual allowance is the limit of the tax relief given on pension savings during any financial year. If pension savings exceed this allowance, then a tax charge is payable. The current limit is £60,000.

4. Where employees have an annual threshold income over the specified amount the annual allowance is tapered. For these scheme members every £2 of income above the specified amount will reduce their annual allowance by £1, although this cannot be reduced below £10,000.

Mandatory Scheme Pays

5. Where a member has exceeded the £60,000 annual allowance and incurred a tax charge of £2,000, or more they can elect for the Fund to pay part or full amount of tax due to HMRC on basis that their future pension benefits will be reduced.

Voluntary Scheme Pays

6. If agreed, this option could allow scheme members with tapered annual allowances to elect for the Fund to pay their tax charge over £60,000 to HMRC on basis that their future pension benefits would be reduced.

7. In both of the above options pension reductions are made in line with the factors issued by the Government Actuaries Department which are cost neutral to the Fund.

8. The mandatory scheme pays applies to benefits accrued in the Oxfordshire Pension Fund and it is envisaged that should a voluntary scheme pays option be introduced this would also only apply to benefits accrued within the Oxfordshire Pension Fund.

December 2023

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Administration

9. HMRC has different deadline for the payment of tax due under the above options and penalties for late payment is applied. In order to reduce administrative complications and avoid incurring any potential late payment charges it is suggested that for scheme members wishing to elect for voluntary scheme pays this election would be in line with the mandatory scheme pays option: -

- Tax charge must be in excess of £2,000
- Election must be made by 30 November following tax year end
- Payment of monies to HMRC by 31 January following tax year end

Fire Service Pensions

10. The option for voluntary scheme pays would is also applicable for Fire-fighters within the Oxfordshire Pension Fund and apply to the benefits accrued within that Fund.

11. Where Fire-fighters have a new, or additional annual allowance charge as a result of remedy between and including the tax years 2019 to 2020 and 2022 to 2023, members can elect the scheme to pay on a mandatory basis. This will make you jointly and severally liable to pay the annual allowance charge. This will apply even if:

    - the pension input amount for the tax year does not exceed £40,000
    - the tax is not £2,000 or more
    - the member has crystallised all of their scheme benefits before they make the scheme pays election

12. For the scheme pays election to be made on a mandatory basis, the member must notify the fund by:

    - 8 July 2025 — for active or deferred members
    - 8 July 2027 — for pensioners

December 2023

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Division(s): n/a

ITEM 12

PENSION FUND COMMITTEE

13 December 2024

PENSIONS INVESTMENT REVIEW: A CALL FOR EVIDENCE

Report by the Executive Director of Resources & Section 151 Officer

RECOMMENDATION

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

   a) **Note the final version submitted to HM Treasury after feedback from Pension Fund Committee and the Executive Director for Resources & Section 151 Officer.**

Introduction

2. On 4 September 2024 HM Treasury, Department for Work and Pensions and the Ministry of Housing, Communities and Local Government issued a Call for Evidence from interested parties to inform the first phase of the Pensions Investment Review.

3. The key aims of the first phase of the Pensions Investment Review *'aims to boost investment, increase pension pots and tackle waste in the pension system'.* The Call for Evidence ran for 3 weeks from 4 September 2024 to 25 September 2024. This left Funds, Pools and other interested parties very little time to collate responses.

4. The Call for Evidence included Defined Contribution pension schemes and the Local Government Pension Scheme. For clarity unfunded Public Service Pension Schemes along with funded Private Sector Defined Benefit pension schemes were excluded for the purposes of this Call for Evidence.

Key Areas of Focus

5. There were 3 key areas of focus for the Call for Evidence, they were as follows:

   - **Scale and Consolidation**
   - **Costs vs Value**
   - **Investing in the UK**

6. Annex 1 includes a copy of the Administering Authorities response for reference.

7. Since the Call for Evidence has been responded to, we have seen the outcome of the Mansion House speech on 14 November 2024 and the subsequent issuance of the Local Government Pension Scheme (England and Wales): Fit for the Future consultation. More information is included in the Review of the Annual Business Plan report to complement the summary communication issued to Committee on 19 November 2024.

Lorna Baxter
Executive Director of Resources & Section 151 Officer

Annex 1 – Response to HMT on a Call for Evidence - 25.09.2024

Contact Officer: Mark Smith, Head of Pensions, 01865 328734, mark.smith@oxfordshire.gov.uk

December 2024

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

OXFORDSHIRE COUNTY COUNCIL

Sent via email to pensions.review@hmtreasury.gov.uk

Pensions Investment Review: Call for Evidence

Summary
A Call for Evidence has been published inviting input, data and information from interested parties to inform the first phase of the Pensions Investment Review. This first phase aims to boost investment, increase pension pots and tackle waste in the pensions system

Scale and consolidation

1. What are the potential advantages, and any risks, for UK pension savers and UK economic growth from a more consolidated future DC market consisting of a higher concentration of savers and assets in schemes or providers with scale?
2. What should the role of Single Employer Trusts be in a more consolidated future DC market?
3. What should the relative role of master trusts and GPPs be in the future pensions landscape? How do the roles and responsibilities of trustees and IGCs compare? Which players in a market with more scale are more likely to adopt new investment strategies that include exposure to UK productive assets? Are master trusts (with a fiduciary duty to their members) or GPPs more likely to pursue diversified portfolios and deliver both higher investment in UK productive finance assets and better saver outcomes?
4. What are the barriers to commercial or regulation-driven consolidation in the DC market, including competitive and legal factors?
5. To what extent has LGPS asset pooling been successful, including specific models of pooling, with respect to delivering improved long-term risk-adjusted returns and capacity to invest in a wider range of asset classes?

Oxfordshire currently has 89% of its assets invested through the Brunel pool, which reflects our commitment to pooling and also the relative success of Brunel and the model of pooling adopted. Across all partner funds within Brunel, 86% of assets have been pooled, totalling £40.8 billion as at June 2024.

Brunel is an FCA-regulated, limited company, that is owned by the administering authorities of its 10 LGPS partner funds as equal shareholders. Brunel's operational governance and strategic direction is provided by an 8-strong board (5 non-execs and 3 execs), this is set in consultation with three key fund partner bodies:

- ***Client Group** – meets twice monthly and is comprised of senior employees at the partner funds. Investment products and policies are developed in concert with the Client Group.*
- ***Brunel Oversight Board** - meets 5 times a year and is comprised of pension fund committee members (typically elected councillors) and 2 membership representatives. A non-voting body which provides an opportunity for pension funds' views to be heard.*

- ***Shareholder Forum*** *- consists of administering authority employees (typical section 151 officers). These are referred to as Shareholder Representatives. These meets are on an ad-hoc basis. Shareholder Representatives have the power to vote on matters requiring approval via a reserved matter.*

The primary objective of Brunel is to enable each partner fund to deliver on its fiduciary duty to its members. Brunel adopts a strong approach to Responsible Investment that has been developed in conjunction with the partner funds.

Brunel is the only pension pool in the UK to have focused on Responsible Investment for the past seven years. That extended focus makes Brunel unique amongst its peers for investing across much of the breadth of the ESG agenda and thus very well-placed for delivering further sustainable investment into the UK.

When measured regarding value for money and long-term risk adjusted returns, it is more difficult to provide evidence to support whether asset pooling has been a success. Pools were established less than a decade ago and the returns don't have a long enough track records to produce any fair or meaningful statistics from which to draw any conclusions. Furthermore, the initial set up costs of the pools will not reach breakeven point for a number of years. Our view is that there has been insufficient time for the existing pool models to embed and as such focus should be provided to continue the transition of assets to pools and in developing new investment opportunities within the pools, which also aligns with the Government aim of more rapid investment in the UK. For example, assets such as affordable housing, which we are currently in discussions with our pool around, how this can be best supported, reflecting we are unweight in our property allocation and are actively seeking opportunities that align with our fiduciary duties.

Access to wider asset classes has been provided by pools, however, this is most beneficial to smaller funds where they would have insufficient scale to access more niche areas, however in all Funds it has seen some monitoring and management move from Fund to pool, freeing up Fund resources.

Costs vs Value

1. What are the respective roles and relative influence of employers, advisers, trustees/IGCs and pension providers in setting costs in the workplace DC market, and the impact of intense price competition on asset allocation?
2. Is there a case for Government interventions, aimed at employers or other participants in the market, designed to encourage pension schemes to increase their investment budgets in order to seek higher investment returns from a wider range of asset classes?

Investing in the UK

1. What is the potential for a more consolidated LGPS and workplace DC market, combined with an increased focus on net investment returns (rather than costs), to increase net investment in UK asset classes such as unlisted and listed equity and infrastructure, and the potential impacts of such an increase on UK growth?

We welcome the recent clarification at the LGC Investment & Pensions Summit, where it was confirmed, this was pool consolidation as opposed to individual Fund consolidation referred to in this question. As such we have prepared our response referring to LGPS pooling consolidation only. Further pool consolidation is unlikely to increase Oxfordshire's investment in the UK asset classes. Our view is that further structural changes with the aim of consolidation *would likely take in the region of 5+ years to complete. This is based on the length of time it took to establish the existing pools and that the complete transition of assets has yet to be completed. Further pool consolidation would most likely move the focus away from additional UK investing and lead to the focus on structural changes in the pools for the medium term, thereby delaying investment into the UK. We believe this would be counterproductive to Government aims to encourage more UK investment.*

We do not believe that lack of scale is preventing more investment into the UK. Pools are already investing into the UK, one of the largest challenges is finding suitable UK investment opportunities offering a risk-adjusted return competitive when compared to the global markets. It is also worth noting that the FTSE100 is not representative of UK companies as it has a more global slant, whereas the FTSE250 is more aligned and holds a higher proportion of companies based in the UK, as such we have already made further commitments towards the FTSE250.

However, further clarification from Government would be useful on the types of investments that would be made available. For example, large UK infrastructure could require larger scale, whilst at the same time this could then result in other investments in the UK, becoming too small scale to warrant attention and then investment, such as affordable housing. It seems that Government objectives could be achieved across all scale of assets through the UK National Wealth Fund. If an array of UK investments could be made available via the UK National Wealth Fund, this would then support rapid investment in the UK. Thus, allowing Funds and pools to work together as required, whilst achieving the aim of increasing UK investment at the same time, selecting the best risk-adjusted returns in line with fiduciary duties.

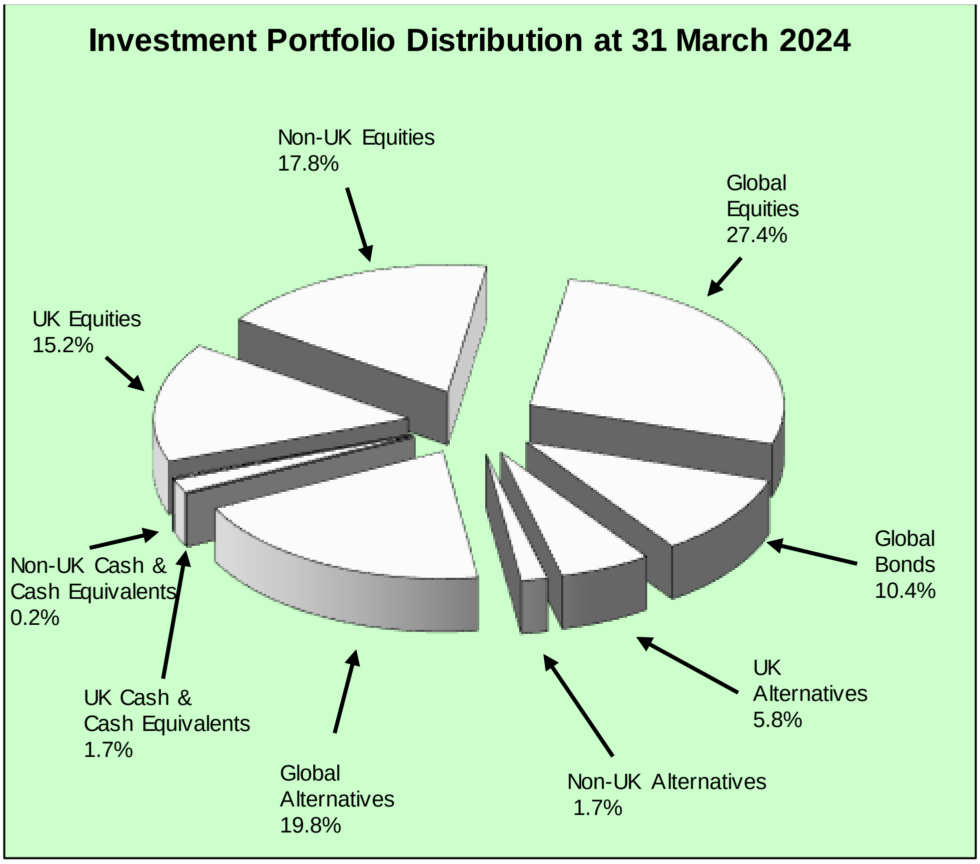
2. What are the main factors behind changing patterns of UK pension fund investment in UK asset classes (including UK-listed equities), such as past and predicted asset price performance and cost factors?

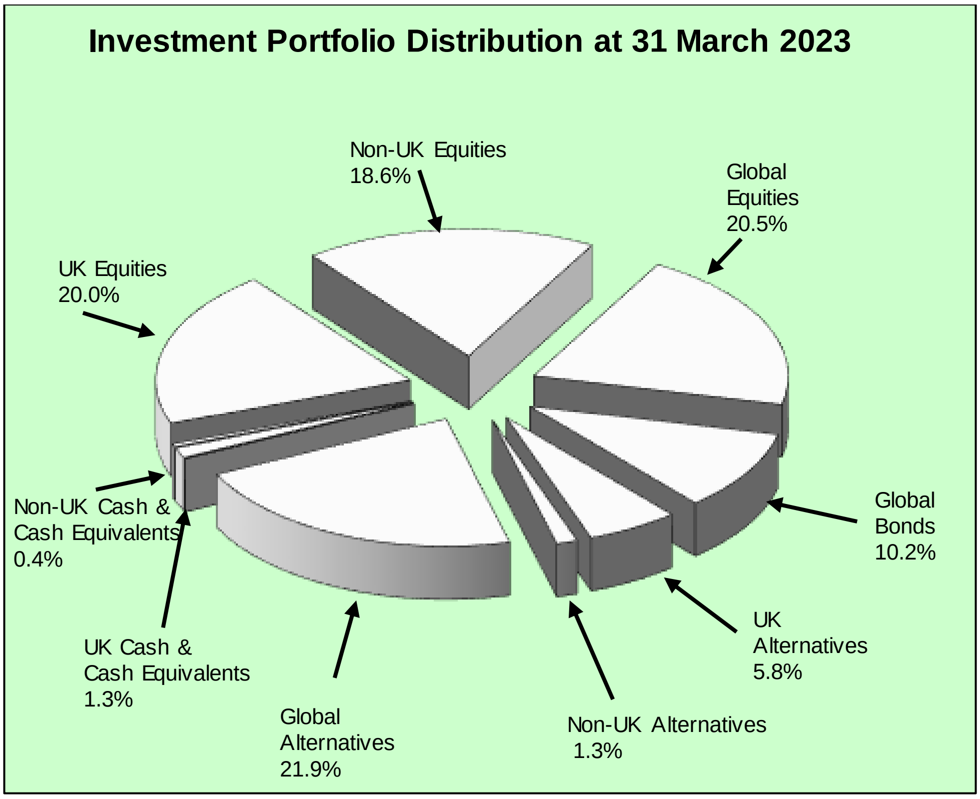
The fiduciary duty to seek the best risk-adjusted returns has impacted the proportion of UK investments held. The need to diversify and seek the best risk-adjusted returns has made overseas investments increasingly attractive. This is not to say UK investments are unattractive, however as part of a diversified portfolio, seeking the best investment returns has driven the move towards overseas investment.

Factors such as the 0.5% stamp duty on UK equities acts as a barrier to investment, making the UK less attractive relative to overseas investments who offer a more favourable tax regime and better opportunities for growth. An example is that UK markets are underweight in technology stocks, which is one of the largest areas of growth in recent years.

Our current investments in the UK are included below, we are able and willing to invest more in the UK where the risk-adjusted returns are sufficiently attractive.

As detailed below our exposure to UK asset has decreased over the previous 12 months to 31 March 2024:





With a total fund value as at 31 March 2024 of £3.527 billion, we have £931 million invested in the UK, or just over 26% of our assets invested in the UK:

£m Asset Values as at 31 March 2024	Pooled	Under Pool Management	Not Pooled	Total
UK Listed Equities	414	-	-	414
UK Government Bonds	230	-	-	230
UK Infrastructure	16	-	23	39
UK Private Equity	20	-	228	248
Total	**680**	**-**	**251**	**931**

3. Is there a case for establishing additional incentives or requirements aimed at raising the portfolio allocations of DC and LGPS funds to UK assets or particular UK asset classes, taking into account the priorities of the review to improve saver outcomes and boost UK growth? In addition, for the LGPS, there are options to support and incentivise investment in local communities contributing to local and regional growth. What are the options for those incentives and requirements and what are their relative merits and predicted effectiveness?

The current LGPS governance structure naturally aligns with local and regional growth aims, with local councillors on Committees and member and employer representatives on Boards. Many LGPS Funds including Oxfordshire as part of our strategic asset allocation and in line with our fiduciary duty, seek the best risk-adjusted returns and already invest in the UK. Where opportunities exist in the UK, Funds have invested for example in renewable energy such as wind and solar, along with affordable housing. We believe the desire to invest in the UK is there when sufficient opportunities are made available, these could be made available through the UK National Wealth Fund.

The purpose of the LGPS is to pay pensions to members as they fall due and manage risk for employers, without a particular preference to the UK. In order for Funds to tackle these issues it would require redefining of the term fiduciary duty, to make reference to the responsible and impact investing with a UK focus.

The LGPS holds a unique position as a Public Service Pension Scheme that is funded and also holds taxpayer risk. Therefore, Government could consider incentives directed at incentivising LGPS investment in the UK, such as reducing planning regulations for LGPS backed affordable housing initiatives. Provision of Government land for LGPS investment. Tax incentives, removal of stamp duty when investing in UK markets are to name a few.

The LGPS are investors over the long term and as such the stability of the regulatory landscape is of vital importance, Government guarantees around this framework could help to build confidence in long term investment in the UK which would benefit all parties involved.

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Quarterly Engagement Report

July-September 2024

BP, Tobacco Industry, Water Stewardship

Local Authority Pension Fund Forum

ENGAGEMENTS

CLIMATE

SUPPLY SIDE

BP & Shell

Objective: During continued engagement with Shell and BP, LAPFF's approach has remained to test oil and gas companies beyond claims of decarbonisation based on existing business models to challenge the viability of the current business. This expectation, based on LAPFF policy, is that the demand for hydrocarbons will 1) reduce in aggregate terms; and 2) that demand will be met by lowest cost producers.

BP has been regarded as at the better end of the sector in recognising climate change as an issue but faces the same competitive and structural pressures above from what is a disruptive transition due to disruptive alternative technologies. The war in Ukraine has increased governments' focus on less reliance on fossil fuels on energy security and price volatility grounds.

What seems to be an inevitable shrinkage in the sector, not matched by growth from elsewhere supports the argument for more cash returns - not buybacks - to shareholders instead.

Achieved Shell: From meeting the then new Chair of Shell in 2023, LAPFF believes that the position holds that the company is better run from the top, as the Chair has a more realistic grasp of the issues at stake regarding decarbonisation and is a plainer communicator and more realistic.

As an example, there is less emphasis on "nature based solutions" (i.e. planting trees) as the IPCC regards that as necessary for hard to abate sectors, not fossil fuel companies.

LAPFF has previously questioned the extent to which its climate change strategy has been sufficiently integrated into business planning and financing. LAPFF was therefore pleased that there has been restructuring and the energy transition work and corporate strategy now reports to the CFO.

Shell has said that it cannot make the investment case for renewables. That is not in itself unreasonable but does support the argument for more cash returns to shareholders instead.

Achieved BP: With regards to BP, LAPFF has noted some rowing back from their 2023 carbon reduction targets. Although BP has made some commitment to investment in renewables, and is stating the supply of power for electric vehicles is a growth area, it does appear that the company has substantial threats to its business model regarding the scope of no-carbon products that would fully replace the scale of the fossil fuel business, and that expectation of more cash returns to shareholders should be more clearly set out.

To understand the company's approach, this quarter LAPFF met with the company's new CEO, Murray Auchincloss. In what was a useful and informative discussion, the company outlined how it was seeking to transition the business, and the scope for scaling up revenues from hydrogen, wind power, biofuels and electric vehicles. The company set out major projects it was seeking to undertake, including a hydrogen and CCS hub in Teeside. The company also discussed how it planned to fund investment in transition initiatives and manage associated financial risks. On the issue of targets, discussion included the pace of the transition, including moving in line with national expectations.

In Progress Shell: A meeting with the Shell Chair is pending. LAPFF continues to challenge whether Carbon Capture and Storage can be made to work as a line of business, given that the costs involved make it a last resort if cheaper substitute energy sources are

ENGAGEMENTS

Cooling towers at Drax Power Station near Selby, North Yorkshire.

not possible. Developments in aviation fuels and biofuels need to be examined in more detail, particularly as the mode of synthetic aviation fuel Shell refers to is to take CO_2 resulting from combustion by carbon capture from elsewhere and converting it – by an energy intensive process – into a hydrocarbon. That is not a contribution to net zero.

That is merely using the same emission twice, whilst still resulting in an emission.

CCS has been given prominence for, inter alia, gas (methane) for power, hydrogen for home heating, hydrogen for ammonia production and hydrogen for steel making. All of these have non-fossil hydrogen alternatives. It should be noted that CCS for coal was heavily promoted as a way of maintaining coal demand, but never materialised with the phase out of coal on economic as well as emissions grounds. There is the same risk with gas.

In Progress BP: BP has had less emphasis than Shell on Carbon Capture and Storage as a line of business. Developments in aviation fuels and biofuels need to be examined in more detail, BP's annual report suggests a different approach to Shell, being based not on fossil fuel derived carbon, but bio-ethanol, fats and oils. BP is also placing more emphasis on electric vehicle charging.

In our meeting, the company set out its views on the demand for low carbon energy, EV charging and biofuels. While information was provided about how it expects to pivot towards lower-carbon and renewable energy in the medium term, LAPFF will continue to seek to better understand both the scale of such revenues over the longer term and the longer-term impacts for investors of any attempts to transition from an "oil and gas" company to an "energy" company.

Drax

Objective: Drax's Yorkshire power station is the UK's largest single emitter of carbon dioxide. LAPFF has focused for several years, from its own research as well as public coverage of the company, on Drax's business model which faces considerable challenges. These challenges include the continuation of government subsidy which is in excess of £500m a year and is more than all of the profit. That subsidy runs out in 2027.

But added to that is, so far not approved by HM Government, the proposition to add carbon capture and storage to Drax for what is called BioEnergy Carbon Capture and Storage (BECCS) which would require further subsidy, locked in for the duration of at least 25 years.

On the environmental side there are significant issues with claims of net zero as well as continuity of supply of imported wood pellets.

Achieved: LAPFF had identified that Drax has been cutting down rare forest wood in Canada, and also reported that during the energy crisis that Drax had closed a plant, as it was more profitable to sell the pellets than to use the pellets for power generation – thus casting doubt on Drax's role in energy security.

The BBC reported in 2022 that Drax was sourcing pellets from whole trees, not waste wood and sawdust from primary forests in Canada. Then the

ENGAGEMENTS

BBC identified that Drax took more than 40,000 tonnes of wood from so-called "old-growth" forests in 2023. Old-growth is some of the oldest forest which the provincial government says provides "unique habitats, structures and ecological functions".

The BBC claims matched LAPFF research, but the company defended the claims from the BBC publicly. However, in August 2024 Drax agreed to settle to the sum of £25m with Ofgem its regulator after its investigation which concluded,

> *"there was an absence of adequate data governance and controls in place that had contributed to: (i) Drax misreporting data in relation to their annual profiling submission to Ofgem for compliance period 1 April 2021 to 31 March 2022 ("CP20"); and (ii) Drax being unable to provide Ofgem with sufficient evidence demonstrating how its CP20 annual profiling submission had been arrived at and unable to support the reliability of its profiling data reporting of forestry type and sawlogs for Canadian consignments for that same period...*
>
> *"Ofgem takes the importance of accurate data reporting very seriously, in this case by a company of significant size and a major scheme participant. Accurate information is important for a number of reasons, including helping to improve statistics on biomass use and to monitor the effects of biomass use on the areas of origin. This information is intended to enable the Secretary of State to understand and monitor the extent to which both primary forests and sawlogs are used in woody biomass, which has consequences for carbon emissions and biodiversity."*

LAPFF has also since noted that that the video on the Drax website from Drax's CEO rebutting the BBC position is now a dead-link.

LAPFF's original research also identified that the "catchment area" surveys that Drax cites as showing that trees grow to match emissions by offset absorption don't actually do that. The surveys merely ask the question whether there has been a reduction in absorption capacity. That question doesn't address the needed increase in absorption capacity.

The one catchment area report that says that there may have been an increase in absorption capacity put that down to replacing indigenous hardwood with (mono-culture) pine. That is an ecological problem for biodiversity.

Also of note is this statement from the new Secretary of State for Energy and Net Zero, Ed Miliband made on Monday 8th July 2024.

"In an unstable world, the only way to guarantee our energy security and cut bills permanently is to speed up the transition away from fossil fuels and towards homegrown clean energy."

Given that Drax supplies wood pellets from overseas, and UK forests do not have the capacity to make any appreciable alternative supply, there must be a problem with the term "homegrown".

In Progress: The meetings offered with the CFO and the senior SID following questions at the last AGM are pending.

The issues LAPFF has raised are central to the business model.

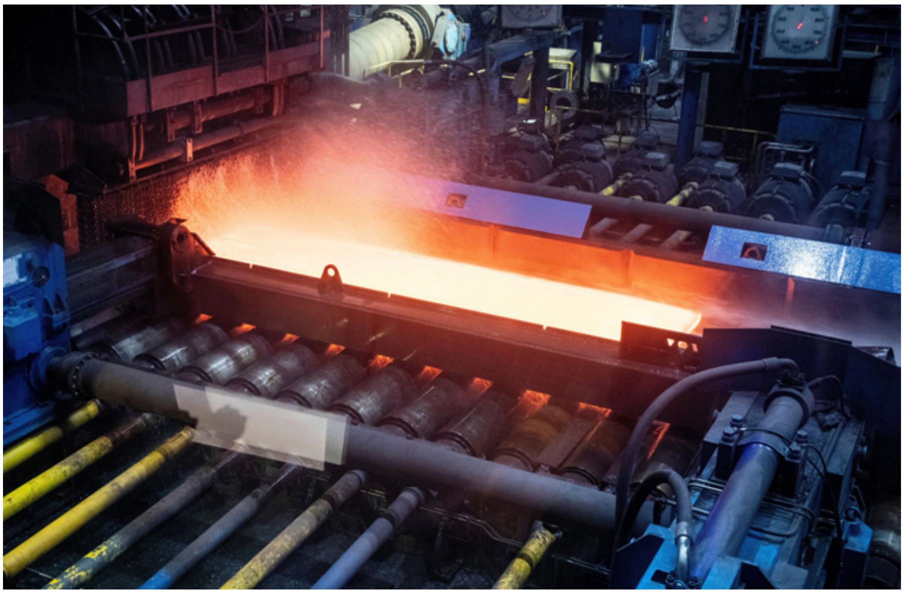
The argument for the government to continue to support Drax is the mantra that "the UK can't be carbon net-zero by 2050 without it" thus Drax with carbon capture and storage would result in "negative emissions". The problem with that is several fold:

1) security of supply of pellets
2) ecological issues
3) water supply as CCS is very water intensive
4) ammonia is a toxic chemical used in large quantities in the process
5) the cost of government support for CCS on top of the existing subsidy, which has an effect on electricity prices – which as well as affecting domestic consumers also raises the cost of power for electricity intensive new industries e.g. steel from electric arc furnaces
6) the fact that all that CCS would do – if it were to work – would be to remove the carbon dioxide from burning the woody biomass that wouldn't have been emitted if the wood were not burned. Drax with CCS would only be "negative" if counteracting tree grow due to the cutting of trees also matched emissions, which due to the long growth cycle is not the case something that is not currently proven.
7) the combination of the high subsidy for a putative national target, raises the question, "if Drax is so important why not nationalise it?" That is relevant as Drax has been prone to brinkmanship to lobby for continuing subsidy.

Steel -SSAB & ThyssenKrupp

Objective: Steel is a major contributor to global emissions and an industry with emerging green technologies. LAPFF has engaged the sector on transition plans and building on this sought to engage companies on the developing alternatives to coal/coke-based steel production.

SSAB is an international steel producer headquartered in Sweden. Sweden itself has large iron ore deposits in the Kiruna region north of the Arctic Circle. ThyssenKrupp is a large engineering company based in Essen,



Fossil-free steel is manufactured at the ironworks at SSAB in Oxelosund, Sweden

ENGAGEMENTS

Germany. It manufactures steel based products, it is also a steel producer currently producing virgin steel from iron ore, with none from recycling.

LAPFF's focus was therefore on their transition plans to achieving net zero. Ahead of the meetings LAPFF noted that SSAB has a low Carbon Disclosure Project (CDP) rating of D, and ThyssenKrupp, a rating of A.

Achieved: LAPFF has previously identified in a report on steel to a LAPFF Business Meeting that SSAB had innovative "green steel" production in the form of new steel produced not by blast furnaces but direct reduction of iron using hydrogen from electrolysis. The power for that coming from hydroelectric power in northern Sweden. LAPFF had identified that green steel has the potential to be disruptive technology on the basis of cost and the fact that hydrocarbons do not play a role in the process

LAPFF met with SSAB in September 2024 where it heard of not only the commitment to green steel being called "HyBrit" but also recycled steel for which the melting is done using an electric arc furnace with fossil fuel free electricity. That is in fact more flexible than blast furnaces as blast furnaces have a fixed production capacity, whereas the output from electric arc can be matched to demand and quality required.

It is apparent that SSAB is disappointed with its CPD rating and research prior to and discussions in the meeting leads to an agreement on that. It seems that other steel companies are disclosing less practically, and less strategically, credible routes to decarbonisation, which rely on unproven technology for maintaining blast furnaces with CCS or hydrogen from CCS.

LAPFF also met with ThyssenKrupp in September 2024. The company currently produces 11.5MT of steel per year, but a strategic change will reduce that to 9MT. The company plans to produce steel by Direct Reduction of Iron (DRI) as "green steel" from green hydrogen, which will be sourced externally, principally from Rotterdam by pipes as Germany has relatively little capacity for home production. The plant will replace more than one blast furnace. Current production is 0.15MT and the plan is for that to rise to 0.5MT.

In the initial stages the DRI will run from unabated methane and will then switch to green hydrogen. Potential future supplies of green hydrogen will be from the Middle East and Australia. One potential method of carrying hydrogen is by converting to ammonia and then back again. Ore is sourced mainly from Brazil and Australia.

There are not plans to produce recycled steel, and there are no plans to use CCS dependent technology.

In Progress: More steel company engagements are planned. LAPFF intends to explore further why less strategically credible (i.e. fossil fuel dependent) routes to net zero seem to achieve a higher CDP rating than SSAB, reverting to SSAB and ThyssenKrupp if necessary and appropriate. There are long-term geographic issues about the price of green steel if production nearer the ore and energy sources will ultimately give rise to lowest cost production.

Asia Research and Engagement

Objective: LAPFF has worked with Asia Research and Engagement (ARE) for several years. ARE is facilitating collaboration between investors seeking to accelerate the shift towards sustainable energy in Asia. The initial focus of the engagements has been reducing the carbon risks facing financial institutions and coal-exposed power companies.

Achieved: LAPFF met with Kasikorn Bank, one of the major financial institutions in Thailand, to discuss progress on its approach to sustainable finance. The company has made progress in a number of areas, notably in its goals regarding its levels of 'sustainable financing'. The company has not disclosed a breakdown of allocations within this, such as how much it invests in climate solutions and transition technologies. However, it has made positive headway in its aspirations and overall progress. Investors also looked at the company's exposure to physical climate risks, particularly flooding and rising sea levels, with large parts of Thailand at potential risk in different climate change scenarios.

In Progress: There is a pipeline of engagement calls, many of which are companies that LAPFF has met through the initiative before. We hope to see progress being made and will continue encourage companies to further reduce the risks they face. These engagement calls continue to be a valuable avenue to engaging companies with material-climate risks and who are essential to the energy transition in Asia.

DEMAND SIDE

Airlines

Objective: Airlines account for approximately 2% of global CO_2 emissions. A paper on the decarbonisation of aviation is being produced for the LAPFF membership. Ahead of that LAPFF met in September 2024 with Ryanair.

Achieved: The meeting was encouraging and reinforced our research. There were no areas for disagreement or potential disagreement. 99% of Ryanair's emissions are from the fuel. The Ryanair team were knowledgeable on the methods and options for decarbonisation with a lot of detailed information on savings and targets and UK and EU requirements and targets. Ryanair has a target of 12% use of Sustainable Aviation Fuel (SAF) by 2030, which compares to a UK Government target of 10% and EU target of 5%. That is in addition to emissions reduction from newer aircraft and engines, which are more fuel efficient.

Biomass derived SAF has some limits around land-use and other crop displacement.

It is envisaged that hydrogen-based fuels won't be around until after 2050 as that requires a redesigning of aircraft, given that although having much less mass per unit of energy, there is the problem that hydrogen requires much larger volume than kerosine which are larger than the wing space which is where fuel currently resides.

The International Air Transport Association (IATA) has chosen Trinity College Dublin as the certification body for all new SAF pathways.

ENGAGEMENTS

In Progress: LAPFF is planning to engage with other airlines and with Shell and BP, which are significant aircraft fuel suppliers.

CLIMATE TRANSITION PLANS

Objective: Due to the scale of climate risks, LAPFF expects companies to outline credible transition plans, which include Paris-aligned targets and detailed strategies for reaching those goals. To enable investors to make informed investment and stewardship decisions these plans should be disclosed with material climate-related impacts included within financial statements.

LAPFF also considers it good practice for companies to provide shareholders with the opportunity to express their views on the credibility of the plans through a specific AGM vote. A specific vote on a company's transition plan enables shareholders to signal support for the decarbonisation strategy and any associated capital expenditure requirements. Such a vote also enables shareholders to indicate their confidence in the plan through a dedicated vote rather than directing it at different resolutions on the ballot.

To encourage companies to provide such a vote to shareholders, LAPFF has organised collaborative letters to companies. Research for LAPFF suggests that around a fifth of FTSE 100 companies have provided such a vote in the past three years. As such, LAPFF continues to seek to encourage additional companies to provide 'say on climate' votes to its shareholders.

Achieved: To achieve that ambition of wider support for transition plan votes, LAPFF alongside CCLA organised a letter to FTSE 100 companies that have not provided such a vote over the past three years. The letter outlined the case for companies providing shareholders the opportunity to have a say on the company transition plan. It noted that emerging good practice was for plans to be updated every three years, and in line with that expected a vote on the plan at least every three years.

Over the quarter, LAPFF sought to gain wider investor support for the letter which was then sent to companies in September. LAPFF saw increased support for the letter from last year with 41 investors signing up to the letter. In total, the investors represented £1.6 trillion in AUM demonstrating the scale of support. Alongside sending the letter to the companies, the letter was also press released to raise awareness of the issue and gain wider support.

In progress: LAPFF asked companies to respond to the letter and will be tracking those responses. LAPFF will also scrutinising AGM agendas to see whether more say on climate votes are provided over the coming year. In addition, LAPFF will be continuing to place pressure on issuers to provide their shareholders the opportunity to voice their opinions through a dedicated vote on what is a major risk and concern for responsible investors.

HARD TO ABATE SECTORS

Cement - CRH

Objective: Cement was agreed as an area of focus by LAPFF members at the business meeting in July 2024. CRH is a building supplies and cement producer and the majority of CRH's sales are cement. Cement accounts for approximately 8% of global greenhouse gas emissions. Emissions come from 1) a non-fossil fuel source, the chemical decomposition of calcium carbonate in cement manufacturing 2) the heat needed for cement production in kilns. Cement is a difficult to abate sector and the carbon emissions from the calcium carbonate will require some form of carbon capture and storage ('CCS').

Achieved: LAPFF met with CRH to discuss its actions towards achieving net zero. The meeting was encouraging. CRH has already been benefiting from cost savings and opportunity from the transition, such as cheaper electricity for kilns and other energy dependent processes, and also 'recycling' roads in renewing roads. The company's plans are thoughtful and backed by actions and implementation.

As of 2024 there is no working model of CCS on cement, though Heidelberg cement may have a working site by the end of 2024. CRH's actions to decide on investment in Carbon Capture and Storage won't affect 2030 targets as the working assumption is that CCS won't be used before that date. Actions will require forms of regulation to both mandate the use of 'carbon-neutral cement' as well as restricting cement that had been produced traditionally from competing unfairly, or by passing it off as carbon-neutral when it isn't.

In Progress: LAPFF is planning to engage with other cement producers on a comparative basis.

ENVIRONMENT

TOBACCO COMPANIES & PLASTICS

Objective: There is also increasing global pressure for companies to address single-use plastics in their product ranges. This affects tobacco companies as cigarette butts, which are largely made of a plastic, are the most littered item in the world with an estimated 4.5 trillion cigarette butts being thrown away each year. LAPFF's aim in these engagements was to understand how companies were assessing risk in these areas, and modelling for potential needs to adopt their business model to a changing regulatory environment, as well as how they were taking action to look for plastic alternatives.

Achieved: LAPFF met Philip Morris, Imperial Brands, and Japan Tobacco Inc. this quarter to discuss these issues. It is clear that the tobacco industry has not yet found a suitable alternative to the plastic filters used in cigarettes. Several companies describe this in their reports as challenging, largely due to consumer acceptance, but also because of the implications for emissions and the costs associated with R&D.

ENGAGEMENTS

Polluted Water sign at River Mole, Surrey, UK

While tobacco products remain a key part of these companies' business models, there is a drive to create what are often referred to as 'reduced risk products' or 'next generation products', which broadly encompasses heated tobacco products and various types of vapes. As companies seek to expand their business into other areas, the increased prevalence of vapes in their product mixes raises additional concerns around plastics and the disposal of batteries in single-use vapes. This will require a more circular economy, which all three companies are adopting in slightly different ways. Whilst there is work being done by the tobacco industry, there is a long way to go.

Conversations also followed how tobacco companies faced increasing global regulatory pressures on smoking and vaping, including proposed legislation like the UK Tobacco and Vapes Bill, which if pursued, would mean anyone born after 1 January 2009 can never legally be sold tobacco products.

In Progress: LAPFF is set to meet British American Tobacco in October to discuss these same issues and will be monitoring progress by the companies in these areas as regulation develops.

WATER STEWARDSHIP

Constellation Brands

Objective: LAPFF is a founding member of the Valuing Water Finance Initiative which engages companies on their water impacts and seeks to reduce their exposure to material water-related risks. As part of the initiative, LAPFF is the lead investor for Constellation Brands. LAPFF has been asking the company to set time-bound, science or contextual goals, targets or policies to address impacts on water availability in water scarce areas across the sections of the value chain for which water is most material.

Achieved: In January 2024 LAPFF member Greater Manchester Pension Fund (GMPF) filed a resolution ahead of Constellation Brands AGM. It requested that Constellation Brands issue a report assessing the feasibility and practicality of establishing time-bound, quantitative goals to reduce supply chain water usage to mitigate value chain risks related to global water scarcity in high-risk areas. During Q2 LAPFF issued a voting alert recommending members support the resolution. The alert highlighted the need for investors to be able to assess the extent to which companies, for which water is material, demonstrate sustainable practices. Constellation Brands AGM was held in July during which over 35% of votes represented supported the resolution, despite the Board's opposition to the proposal. Given 2024 is the first year a resolution of this kind has been filed at Constellation Brands, the result is significant and demonstrates the appetite among investors for the company to improve its approach to managing water-related risks.

ENGAGEMENTS

In Progress: It is LAPFF's view that Constellation Brands remains acutely exposed to water-related risk within its supply chain, potentially limiting its ability to protect shareholder value. While Constellation Brands has committed to and worked to manage their water-related risks in direct operations, they have been unable to demonstrate they are managing the same risks across the supply chain which could lead to increased input prices and disruptions. LAPFF will re-engage with the company during Q4 with a view to leveraging momentum off the back of the shareholder proposal.

UK Water Utility Companies

Objective: Since 2022, LAPFF has engaged with water utility companies to address ongoing concerns about the pollution of rivers and coastal areas caused by storm overflows through Combined Sewer Overflows (CSOs). CSOs act as relief valves during periods of heavy rainfall, preventing sewage from backing up into homes by releasing excess stormwater and wastewater into the environment.

Under the UK government's 2050 plans, the number of CSO overflow incidents is expected to decrease gradually through increased investment. As a highly regulated sector, water companies must submit their investment plans for review every five years to the Water Services Regulation Authority (Ofwat) for review and approval. Achieving environmental objectives within these five year plans has both reputational and financial implications, as companies face rewards or penalties based on their performance.

Through its engagements, LAPFF aims to ensure that water utilities companies are making progress in reducing overflow incidents while ensuring that upcoming five year business plans are cost efficient and include both environmental and social commitments. This year's engagements reflect on data from 2023, a year that saw an increase in overflow incidents due to significantly wetter weather in the UK. LAPFF seeks to understand how companies are interpreting the impact of this wet year and whether they remain on track to meet the target of reducing overflows to an average of no more than 20 incidents per year by 2025.

Achieved: In the quarter LAPFF met the chair of Severn Trent Water (STW). STW is one of the largest water utility companies in the UK, serving over 4.5 million households and businesses across the Midlands and parts of Wales.

This was the third meeting that LAPFF has had with Severn Trent's chair and the Forum welcomed the ongoing dialogue with the company on the issue. The meeting took place just after Ofwat released draft determinations for the next regulatory period (2025-2030), outlining proposed price controls and investment allowances for water companies. To meet the expected increase in capital expenditure to address, amongst other things, pollution from storm overflows water companies are seeking to increase water prices. STW plans were well received by Ofwat even if the regulator reduced the company's proposed price increase. Despite significant sector challenges, they remain committed to meeting their sewer overflow targets. Progress is being made towards addressing Combined Sewer Overflow (CSO) spills, including network-wide CSO monitoring, nature-based solutions, and innovations such as the company's "Zero Spills Hub".

In Progress: Despite progress being made, water companies continue to have some way to go to reduce overflows and reduce the regulatory and reputational risks they face on the issue. LAPFF will therefore continue to engage with water utility companies with the focus on ensuring progress towards their targets and that the additional investment is being used cost-efficiently. LAPFF will also be following the regulator's final determinations.

NOVO NORDISK & NA100

Objective: Nature Action 100 (NA100) seeks to mobilise investors to drive corporate action in addressing biodiversity loss and nature-related risks. Its primary goal is to ensure companies integrate nature into their strategies, reduce negative impacts on ecosystems, and contribute to global biodiversity targets through enhanced accountability and transparency.

Achieved: One of the companies that LAPFF is engaging through the NA100 initiative is the Danish Pharmaceutical company Novo Nordisk. Pharmaceutical companies have been identified by the initiative as a key sector to engage. Pharmaceutical companies face a range of physical and transition risks, including species loss affecting the ability of companies to develop new drugs.

The investor group met a representative from investor relations. The representative answered the investor questions but did not engage in detailed discussion. Key points covered included the company's use of the Science-Based Targets Network, and timelines for assessments being made public. Whilst detail in the conversation was limited, the company appeared to be making sizable considerations about how to address its impact and dependencies on nature.

In Progress: An aim of the engagement is to meet with companies involved at least twice a year. Whilst LAPFF and other investors have been discussing indicators of NA100's benchmark in company engagements, the benchmark itself, which will score companies across its six key pillars, is set to be published at COP16 in late October 2024. Companies have had a chance to respond with further information to this benchmark. Once published, it will provide industry comparisons, information on potential areas of best practice and a further basis for engagement.

SOCIAL FACTORS

ZERO HOUR CONTRACTS

Objective: LAPFF has initiated a series of engagements focused on the use and potential elimination of zero-hours contracts (ZHCs) in the UK. The Forum is seeking to engage with companies that utilize ZHCs as part of their core operations to understand the extent of their use, the potential impacts of a ban on business operations, and any steps being taken to mitigate a ban and/or associated risks. Where applicable, the Forum may also seek further disclosure on ZHC exposure to help investors better assess the potential effects on specific

ENGAGEMENT

A member of staff at Hollywood Bowl in Thurrock, Essex

companies or sectors.

There are estimated to be around 1 million workers on ZHC's in the UK. Women and people from ethnic minority backgrounds are more likely to be employed under this type of contract, and the very large majority of workers on them are in non-supervisory roles. The use of ZHCs is clustered in several sectors such as hospitality, arts, entertainment and leisure, health and social care, transport and storage, wholesale and retail.

Prior to the July UK general election, the Labour Party had committed to ban zero-hours contracts in its Employment Rights Green Paper. Following the election, the government has promised to introduce The Employment Rights Bill which will prohibit ZHCs. Therefore, it is conceivable that some form of ban or restrictions placed on the use of ZHCs might be enacted in the coming years, which might have a significant impact on certain companies or sectors.

Achieved: During Q3 LAPFF received written responses from both Compass Group and Hollywood Bowl. Mitie Group agreed to a meeting with LAPFF vice-Chair John Gray. Frasers Group refused LAPFF's invitation to engage and did not provide its position as it relates to Zero Hour Contracts.

In response to the question of exposure, Compass Group stated its use of ZHCs is limited to only specific areas, such as hospitality and sporting events, where flexibility is beneficial to operations. The company further elaborated that its flexible working policy ensures that employees on ZHCs can request fixed-hour contracts, and all ZHC employees have full employment contracts with the same terms and benefits as the broader workforce. The company believes its approach aligns with best practices and would not be impacted by the Labour party's proposed changes.

Hollywood Bowl outlined that a small proportion of its hourly workforce, primarily university students, are on zero-hour contracts which will be phased out by September 2024 in favour of fixed-term contracts for those returning during holiday periods. The company is awaiting further government guidance on the proposed Employment Rights Bill 2024 before determining its broader approach. They remain open to further engagement with the Forum as the proposed UK Employment Rights Bill 2024 develops.

In Progress: LAPFF's policy is that, on balance, there is no clear evidence that business models based on zero-hour contracts and precarious work outperform business models with different and more inclusive human capital strategies. In that context, LAPFF will continue to monitor developments relating to Employment Rights Bill and continue to engage investee companies regarding their exposure to the practice.

CAHRA

Objective: LAPFF met with Maersk earlier in 2024 amidst increasing scale and intensity of armed global conflicts, noting that Maersk had operations in the Red Sea and had faced attacks stemming from the escalation of conflict in Gaza. LAPFF aimed to explore how the company was approaching heightened human rights due diligence (hHRDD).

Achieved: LAPFF met with Maersk for a second time to discuss hHRDD and the company's approach to global conflict zones. Whilst the company was able to provide some specific examples of hHRDD in its operations, it was still unclear how it implemented an approach that incorporated this approach more widely across its entire operations where appropriate.

Alongside this engagement, LAPFF continued its participation in the Investor Alliance for Human Rights (IAHR) pilot project on conflict-affected and high-risk areas (CAHRAs). The initiative is: "engaging a delimited set of portfolio companies in the technology and renewable energy sectors with exposure to risks in CAHRAs."

In Progress: LAPFF will consider following up with Maersk to discuss hHRDD more widely. LAPFF continues to engage as a supporting investor through IAHR's pilot project to inform engagement with other companies on CAHRA.

NIKE VOTING ALERT

Nike faced five shareholder resolutions at its September 2024 AGM, with one on a 'Supply Chain Management Report', and another regarding 'Work-driven Social Responsibility'. These come amidst ongoing concerns around Nike's approach to addressing significant risks such as forced labour, wage theft, and other human rights violations within its supply chain. These concerns come as the push for stronger transparency and accountability is driven by new regulatory frameworks such as the EU's Corporate Sustainability Due Diligence Directive, which will require companies to take a more proactive role in managing human rights in their supply chains.

ENGAGEMENT

LAPFF recommended a vote in favour of both resolutions given alignment with the Forum's principles of engagement, aiming to enhance accountability, transparency, and the ethical management of human rights risks. The resolutions called for more detailed assessments and disclosures on supply chain practices and the adoption of Worker-Driven Social Responsibility (WSR) principles, which emphasise stronger, worker-centered mechanisms for addressing labour violations. LAPFF believes that resolutions such as these demonstrate an investor voice asking that Nike ensure its policies are not only compliant with international standards but also effectively safeguard workers' rights and reduce reputational, legal, and operational risks.

GOVERNANCE

EXECUTIVE REMUNERATION

Objective: During Q3, LAPFF requested engagement with UK-listed companies at which significant dissent to remuneration was observed during the 2024 proxy season. The objective of the engagements was to understand what was driving the dissent and steps being taken by the company to address shareholder concerns.

Achieved: LAPFF held meetings with AstraZeneca, Pearson and Synthomer to discuss the high levels of shareholder dissatisfaction. This included a meeting with the Chair of AstraZeneca, Michel Demaré, to discuss the company's approach to Executive compensation following opposition of 35.6% to the remuneration report at the 2024 AGM. The CEO of AstraZeneca was the highest paid in the FTSE100 in 2024, receiving over £18 million in total compensation. Mr Demaré outlined that the company benchmarked pay against a US peer group, a market in which the quantum of pay is comparatively high versus the UK. Mr Demaré further highlighted the value created for shareholders by AstraZeneca over recent years. In response, LAPFF outlined expectations of its members as it relates to excessive quantum and observed that a focus on the development of talent internally for the purpose of succession planning could alleviate pressures on the granting of excessive awards for the purpose of retention.

LAPFF also met with Sherry Coutu, Chair of the Remuneration Committee of the educational publishing company Pearson. The company had received an opposition vote of 30.2% to the remuneration report during its AGM earlier this year. Similarly to AstraZeneca, the company outlined that a relatively high percentage of its revenue derives from the US and higher quantum was necessary to retain and motivate talent. LAPFF raised concerns over the apparent excessive nature of a buyout award made for new CEO Omar Abbosh which totalled over £13 million. The award was granted to replace shares Mr Abbosh lost as a result of leaving the employment of Microsoft. LAPFF also raised concerns over the recent increase in maximum variable pay levels from 550% to 750% of the base salary.

Lastly, LAPFF met with the Chair of Synthomer, Caroline Johnstone, alongside Remuneration Committee Chair, Holly Van Deursen. The company had received 44.6% opposition to its remuneration report during its 2024 AGM. The primary driver behind the dissent was the apparent lack of alignment between the rate of vesting of CEO awards with recent shareholder experience, this in part a result of non-financial performance criteria vesting at 100%. LAPFF further raised concerns over the use of EBITDA as a performance metric in both the annual and long-term incentive scheme, which provided the opportunity for the CEO to be paid twice for the same performance.

In Progress: LAPFF has further calls scheduled with companies at which high levels of investor dissent was recorded during the 2024 proxy season, which will be undertaken during Q4.

HOUSEBUILDERS

Objective: LAPFF continues to engage the largest UK housebuilders on their climate transition strategies. In general, half of the industry's current GHG emissions are from homes in use and the other half are from suppliers (including diesel vehicles and cement). The engagements seek to ensure plans are in place for companies to move to net zero homes, have Paris-aligned transition plans and targets, and ensure they are working with suppliers to reduce emissions, and are prepared for new regulatory standards, such as the Future Homes Standard.

Achieved: In the quarter, LAPFF met the chair of Bellway to discuss its approach to decarbonisation. Bellway presented its "Better with Bellway" strategy, focusing on carbon reduction, including progress on Scope 1 and 2 emissions and plans to tackle Scope 3 emissions, which represent the majority of its carbon emissions. Discussions also covered Bellway's preparation for the Future Home Standard, efforts in heat pump installations, and zero-bill homes. Bellway emphasised its focus on sustainability, supply chain decarbonisation, and long-term emission reduction goals.

LAPFF met with the Chief Operating Officer and the Group Company Secretary at Vistry Group to discuss the company's sustainability initiatives, its approach to reducing Scope 3 emissions, planning and pilots to be ready for the Future Homes Standard. The COO highlighted Vistry's commitment to engaging with supply chain partners, increasing the use of timber frame construction, and ensuring compliance with evolving regulations. The meeting also discussed the challenges of meeting both housing targets and sustainability goals.

At both meetings LAPFF also raised the Competition and Markets Authority (CMA) investigation regarding the alleged sharing of commercially sensitive information.

In Progress: Across both engagements with Bellway and Vistry, LAPFF heard of progress in preparing for regulatory changes such as the Future Homes Standard and efforts to work with suppliers to reduce emissions across their value chains. LAPFF has plans to engage other housebuilders in the following quarter and longer term to ensure continued progress in meeting their decarbonisation objectives, especially in regard to their supply chain.

In the meeting with Vistry, LAPFF raised the fact that the company had a combined CEO and Chair role and will be following up on this.

ENGAGEMENT

CAPITAL MARKETS - LSEG

Objective: LAPFF has been concerned about the weakening of standards relating to new entrants to the London listed companies' market, which has included, Aston Martin Lagonda, NMC Health, Finablr and Quindell, the former of which has lost >90% of its value since listing, the other three being 100% losses.

The LAPFF Executive convened a 'Capital Markets Working Group' in the light of a recent concerted campaign by some interests to further weaken the standards of the listing regime. That campaign has included the Capital Markets Industry Taskforce, which is just that, it is a coalition of "fee earning" interests rather than shareholder interests, including issues of investor protection. It is chaired by the CEO of the London Stock Exchange.

Achieved: An open letter was sent in May 2024 to the Chair of London Stock Exchange Group, which asked for an evidence-based approach, and to supply the evidence for assertions made to date. Unfortunately, the response did not sufficiently address the issues.

Because of that LAPFF in August 2024 wrote back to the LSEG, making it clear that LAPFF expected the May letter to be answered properly, with evidence and accuracy. It was stressed that like any other listed company, LSEG should be making accurate representations to shareholders and the market about its own business.

LAPFF is aware of one large quality company that has delisted which doesn't accord with the narrative that over-regulation is a problem. What appears to be the problem is the unattractiveness of the FTSE Index, given that a few large companies dominate by market capitalisation ('top-heavy composition') which works against diversification – and of which oil and gas companies as well as financials are factors in that. For example, the largest oil and gas company in the S&P 500 index is Exxon which is 15th by market capitalisation, compared to the UK where Shell is 2nd and BP 5th.

In Progress: The Capital Markets Working Group plans to undertake a survey of LAPFF members on these issues. The position of asset owners versus fund managers is particularly relevant to this area.

LAPFF PARTY CONFERENCE EVENTS

Each year LAPFF hosts fringe events at political party conferences. These meetings provide the opportunity to raise awareness of the work that LAPFF undertakes and engage with national politicians and other stakeholders.

At the Lib Dem conference, the focus of the meeting was: Investing in the green transition – what needs to change? The discussion was chaired by Gideon Amos MP, with Cllr Toby Simon speaking on behalf of LAPFF and outlining the work of the Forum. The other speakers included Wera Hobhouse MP, Energy and Climate Change Spokesperson, Baroness Shaista Sheehan, Director, Peers for the Planet Group and Cllr Martin Horwood, President Green Liberal Democrats. The discussion covered divestment, fiscal incentives and fossil fuel subsidies and offsetting.

At the Labour Party conference, the meeting was titled: A new deal for working people – how will investors react? LAPFF vice-chair Cllr John Gray outlined company engagement on employment standards and the importance of social factors to responsible investors. The other speakers were Liam Byrne MP, Chair of the Business and Trade Select Committee and Nicola Smith, Head of the Rights, International, Social and Economics department at the TUC. The discussion covered the importance of good workplace practices for creating growth, the role investors can play in driving better standards, the upcoming employment rights bill, directors' duties, fiduciary duties, company reporting and the government's pension investment review.

At the Conservative Party conference, the event was focused on: "Investing in the UK – can British pension funds do more?" The meeting was chaired by Charlotte Pickles, the director of the think tank Reform with LAPFF's chair, Cllr Doug McMurdo, outlining fiduciary duties and the importance of corporate governance standards when it comes to investing in public equities. The other speakers were Lord Dominic Johnson, former Minister for Investment and Karim Palant, Director of External Affairs, BVCA. The discussion covered the number of DC schemes, pension fund consolidation, and the government's pension investment review.

Top: Liberal Democrat leader, Ed Davey MP delivers his keynote speech on the last day of the conference
Middle: Conservative Party leadership candidate Kemi Badenoch seen at the conference
Bottom: Prime Minister Keir Starmer delivers his Party Conference speech at the Labour Party Conference 2024

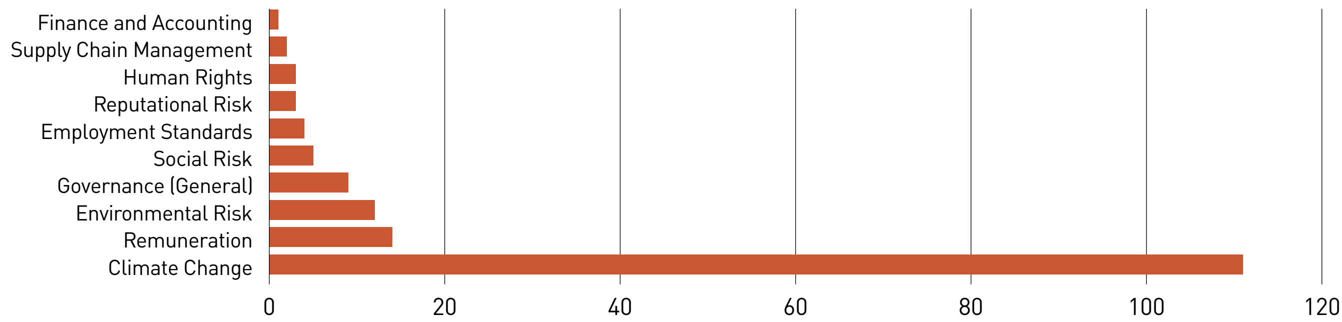
COMPANY PROGRESS REPORT

Excluding the 76 letters through the Climate Transition Plan (CTP) initiative, 42 Companies were engaged over the quarter. The table below shows those companies engaged outside the CTP initiative, but the graphs include those engagements.

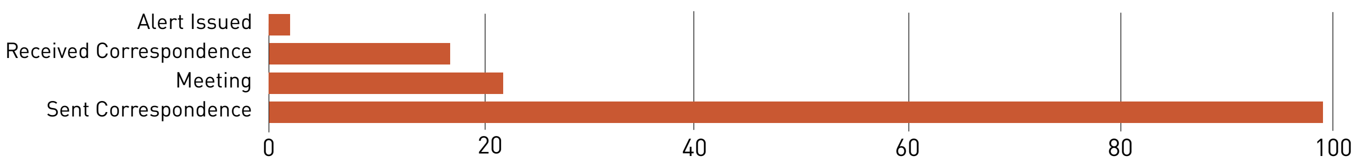
Company/Index	Activity	Topic	Outcome
ALIMENTATION COUCHE-TARD INC.	Alert Issued	Climate Change	
AP MOLLER - MAERSK AS	Meeting	Human Rights	Dialogue
ASTRAZENECA PLC	Meeting	Remuneration	No Improvement
BARRATT DEVELOPMENTS PLC	Sent Correspondence	Climate Change	Awaiting Response
BELLWAY PLC	Meeting	Climate Change	Small Improvement
BERKELEY GROUP HOLDINGS PLC	Sent Correspondence	Climate Change	Awaiting Response
BP PLC	Meeting	Climate Change	Dialogue
BURBERRY GROUP PLC	Meeting	Environmental Risk	Small Improvement
CEMEX SAB DE CV	Sent Correspondence	Environmental Risk	Awaiting Response
CIMB GROUP HOLDINGS BERHAD	Meeting	Climate Change	Moderate Improvement
CLARKSON PLC	Sent Correspondence	Remuneration	Awaiting Response
COMPASS GROUP PLC	Received Correspondence	Employment Standards	Dialogue
CRH PLC	Meeting	Climate Change	Change in Process
FRASERS GROUP PLC	Sent Correspondence	Employment Standards	Satisfactory Response
HEIDELBERG MATERIALS AG	Sent Correspondence	Environmental Risk	Awaiting Response
HOLLYWOOD BOWL GROUP PLC	Sent Correspondence	Employment Standards	Change in Process
HUANENG POWER INTERNATIONAL	Meeting	Climate Change	Moderate Improvement
HUNTING PLC	Sent Correspondence	Remuneration	Awaiting Response
IMPERIAL BRANDS PLC	Meeting	Environmental Risk	Dialogue
JAPAN TOBACCO INC	Meeting	Environmental Risk	Dialogue
KASIKORNBANK PCL	Meeting	Climate Change	Small Improvement
LOREAL SA	Meeting	Human Rights	Substantial Improvement
MITIE GROUP PLC	Meeting	Employment Standards	Dialogue
NIKE INC.	Alert Issued	Human Rights	
NOVO NORDISK A/S	Meeting	Environmental Risk	Dialogue
PEARSON PLC	Meeting	Remuneration	No Improvement
PERSIMMON PLC	Sent Correspondence	Climate Change	Awaiting Response
PHILIP MORRIS INTERNATIONAL INC.	Meeting	Environmental Risk	Small Improvement
PLUS500 LTD	Sent Correspondence	Remuneration	Awaiting Response
PURETECH HEALTH PLC	Sent Correspondence	Remuneration	Awaiting Response
RYANAIR HOLDINGS PLC	Meeting	Environmental Risk	Dialogue
SEVERN TRENT PLC	Meeting	Environmental Risk	Dialogue
SMITH & NEPHEW PLC	Sent Correspondence	Remuneration	Awaiting Response
SPIRENT COMMUNICATIONS PLC	Sent Correspondence	Remuneration	Awaiting Response
SSAB (SVENSKT STAL AB)	Meeting	Environmental Risk	Dialogue
STANDARD BANK	Sent Correspondence	Social Risk	Awaiting Response
SYNTHOMER PLC	Meeting	Remuneration	No Improvement
TAYLOR WIMPEY PLC	Sent Correspondence	Climate Change	Awaiting Response
TBC BANK GROUP PLC	Sent Correspondence	Remuneration	Awaiting Response
THYSSENKRUPP AG	Meeting	Environmental Risk	Dialogue
TRAVIS PERKINS PLC	Sent Correspondence	Remuneration	Awaiting Response
VISTRY GROUP PLC	Meeting	Climate Change	Small Improvement

ENGAGEMENT DATA

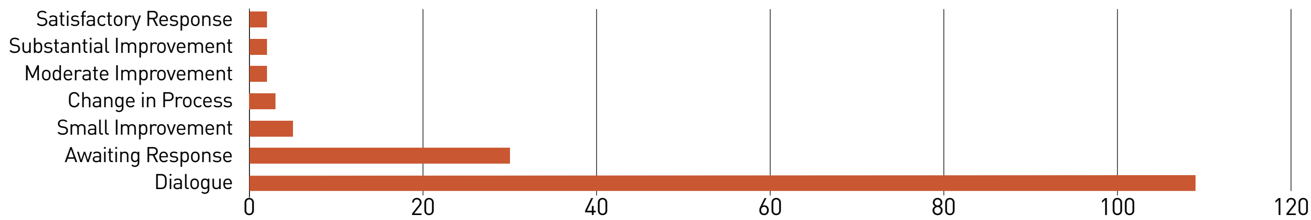
ENGAGEMENT TOPICS



ACTIVITY

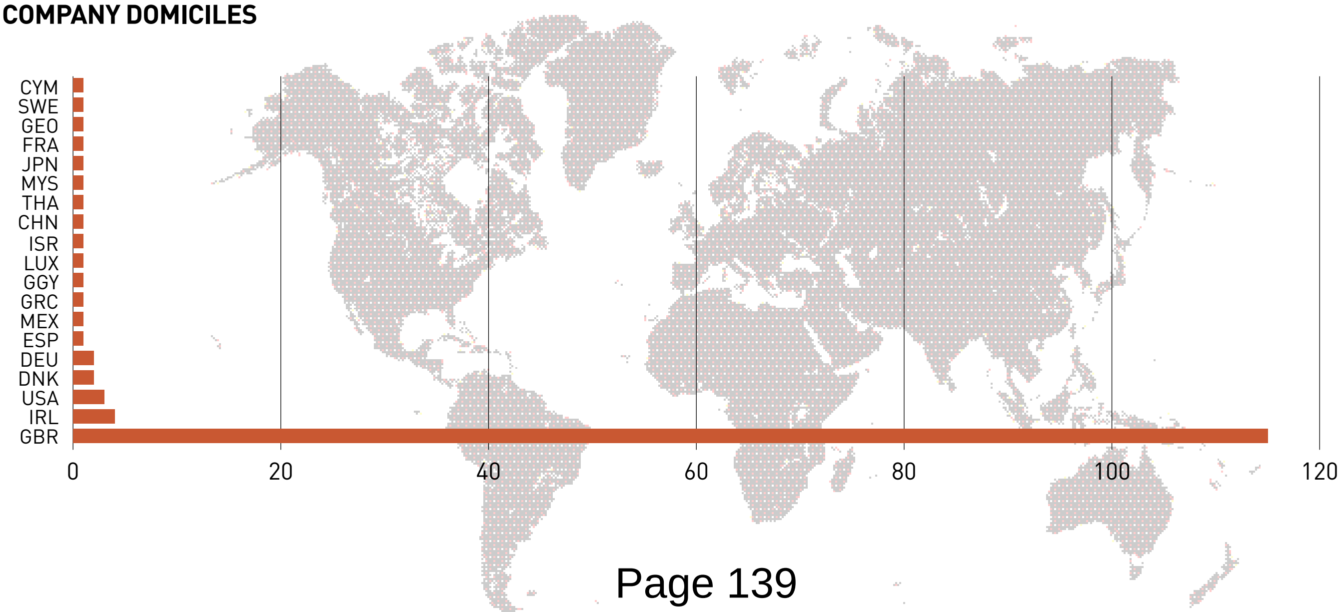


MEETING ENGAGEMENT OUTCOMES

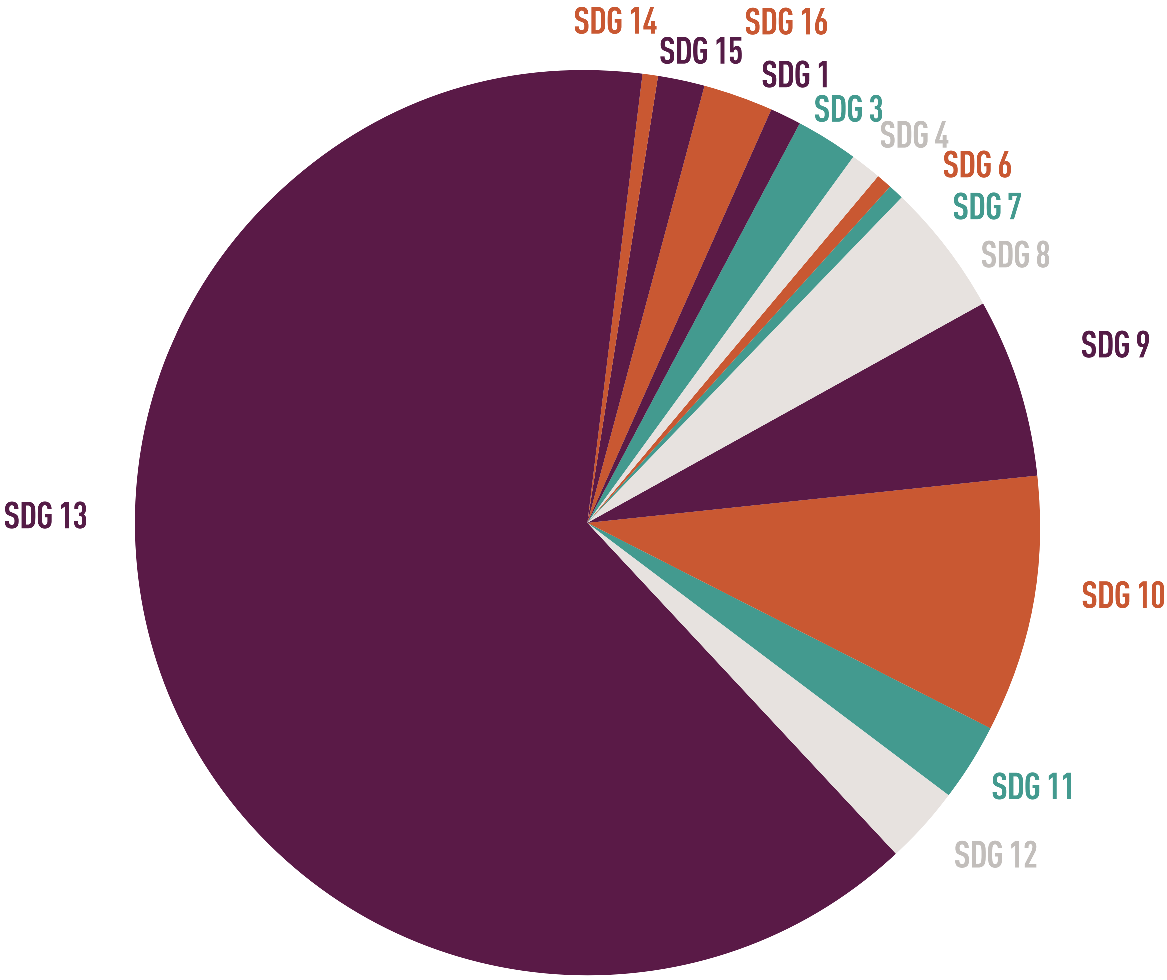


POSITION ENGAGED

COMPANY DOMICILES



ENGAGEMENT DATA



LAPFF SDG ENGAGEMENTS	
SDG 1: No Poverty	2
SDG 2: Zero Hunger	0
SDG 3: Good Health and Well-Being	4
SDG 4: Quality Education	2
SDG 5: Gender Equality	0
SDG 6: Clean Water and Sanitation	1
SDG 7: Affordable and Clean Energy	1
SDG 8: Decent Work and Economic Growth	8
SDG 9: Industry, Innovation, and Infrastructure	11
SDG 10: Reduced Inequalities	16
SDG 11: Sustainable Cities and Communities	5
SDG12: Responsible Production and Consumption	5
SDG 13: Climate Action	111
SDG 14: Life Below Water	1
SDG 15: Life on Land	3
SDG 16: Peace, Justice, and Strong Institutions	4
SDG 17: Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development	0

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Berkshire Pension Fund
Bexley (London Borough of)
Brent (London Borough of)
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hillingdon Pension Fund
Hounslow Pension Fund
Isle of Wight Pension Fund
Islington Pension Fund
Kensington and Chelsea (Royal Borough of)
Kent Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Scottish Borders Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members

ACCESS Pool
Border to Coast Pensions Partnership
LGPS Central
Local Pensions Partnership
London CIV
Northern LGPS
Wales Pension Partnership

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APEX

Oxfordshire County Council Pension Fund

Social/Affordable Housing

Q4 2024

Contacts

John Arthur

Senior Advisor
+44 20 3327 9720
john.arthur@apexgroup-fs.com

Anita Bhatia

Senior Advisor

Anita.Bhatia@apexgroup-fs.com

Introduction to Impact investing

As a rule, impact investors look for a double dividend of financial returns alongside social and environmental benefits. The desired impact that an investor wishes to achieve can vary but is usually set out in terms of the United Nations 17 Sustainable Development Goals (SDGs) either as broad aims or targeting specific SDGs.

These are guidelines designed to provide a solid foundation for impact investors. Further sources of information can be found via the Global Impact Investing Network (GIIN) https://thegiin.org/impact-investing/ ; the Operating Principles for Impact Management https://www.impactprinciples.org/ and International Finance Corporation (IFC) – the World Bank's investment arm https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/development+impact/principles – each have established the following, largely overlapping principles.

1. Intentionality of the impact investment: The investment process starts off by defining the impact objective(s) at the core of the intended positive social and environmental affect aligned with some of the 17 UN SDGs or other widely accepted goals.

2. Aiming at financial returns: Apart from achieving the desired effect, impact investors aim for a financial return on capital that ranges from at least a market rate to a risk-adjusted market rate. This is to distinguish impact investment from philanthropy, which solely focuses on social or environmental change and not on financial returns.

3. Investments across asset classes: There are numerous opportunities across multiple types of asset classes, from private equity and private debt, to listed equities and "green bonds".

4. Managing and measuring impact: Defining indicators according to the intentions, then measure each investment's achievement and report results.

There is also much useful content on the investment issues in social and affordable housing provided by the Good Economy - https://thegoodeconomy.co.uk/resources/reports/Affordable-Housing-Equity-Investment-Models-Insight-Brief.pdf

Impact investing for LGPS Funds

Impact investing must be subordinate to the Committee's primary responsibility to ensure the Fund can pay current and future pensions. At its most positive, the impact made can produce a circular effect, improving outcomes and potentially investment returns. At its most damaging, it can be used as an excuse to target a pet project irrespective of expected returns. Because of this the four principles set out on the previous page are important. Whilst an existing committee may understand the issues around impact investing, I would strongly recommend that they produce an audit trail against the four principles to ensure that they can show their own duty of care and set a high bar for future committees.

A broader view on the preferences of Fund members and wider stakeholders can also be considered as well as potential Government direction towards UK based investment and , if relevant, wider disclosure within the Fund's Taskforce for Climate Related Financial disclosure (TCFD) report.

I would recommend that the financial return targeted should be equitable with other investment opportunities available in the market on a risk adjusted basis. At present the targeted return for the Strategic Benchmark, as recalculated in March 2022 using Hymans updated actuarial forecasts, is 4.0% per annum. Hymans give the probability of the Fund's assets (as at March 2022) achieving this return into the future as 77%. This comprises with assets targeting higher return forecasts for higher risk investments e.g. Private Equity (forecast return of 9.1% p.a. with an annualised volatility of 17.2%) and lower return/lower risk investments e.g. UK Government Gilts (forecast return of 4% p.a. with an annualised volatility of 7.7%). Hymans will review the target return for the Fund at the time of the actuarial revaluation in March 2025. The outcome of this is likely to see a higher targeted return set for the Fund.

The level of return targeted for an impact investment should be commensurate with that investment's particular risk and return profile as well as recognising any diversification benefits it may bring to the Fund. The Committee could justify an impact investment by targeting a return of at least 5-6% per annum and preferably higher whilst targeting the investment in such a way as to maximise the diversification benefits away from the predominant equity risk within the existing portfolio. Ideally, the actuary's targeted return for the Fund can be used as a base level for desired return for an impact portfolio as it can then be argued that such a portfolio is not a drag on the Fund's required return.

Social/Affordable Housing

One area which has attracted interest from the LGPS sector is the provision of social housing, partly because this is a local government responsibility. This fits with a number of the UN SDGs, particularly No.11 - Sustainable Cities and Communities. But, in addition, having a decent, affordable home is an important determinant of people's health and well-being (Goal 3); has a positive effect on children's education (Goal 4); can help people get and sustain employment (Goal 8) and can provide a route out of poverty (Goal 1). Housing's carbon footprint can also be reduced through the right energy efficiency and construction measures (Goals 7 and 13).

APEX

Social Housing covers a number of sub-sectors, each of which have their own specific structure around payment of rent to the landlord and payment of care costs where necessary. The greater the percentage of the rent covered by the Government through the MHCLG or DWP budget, the lower the perceived investment risk.

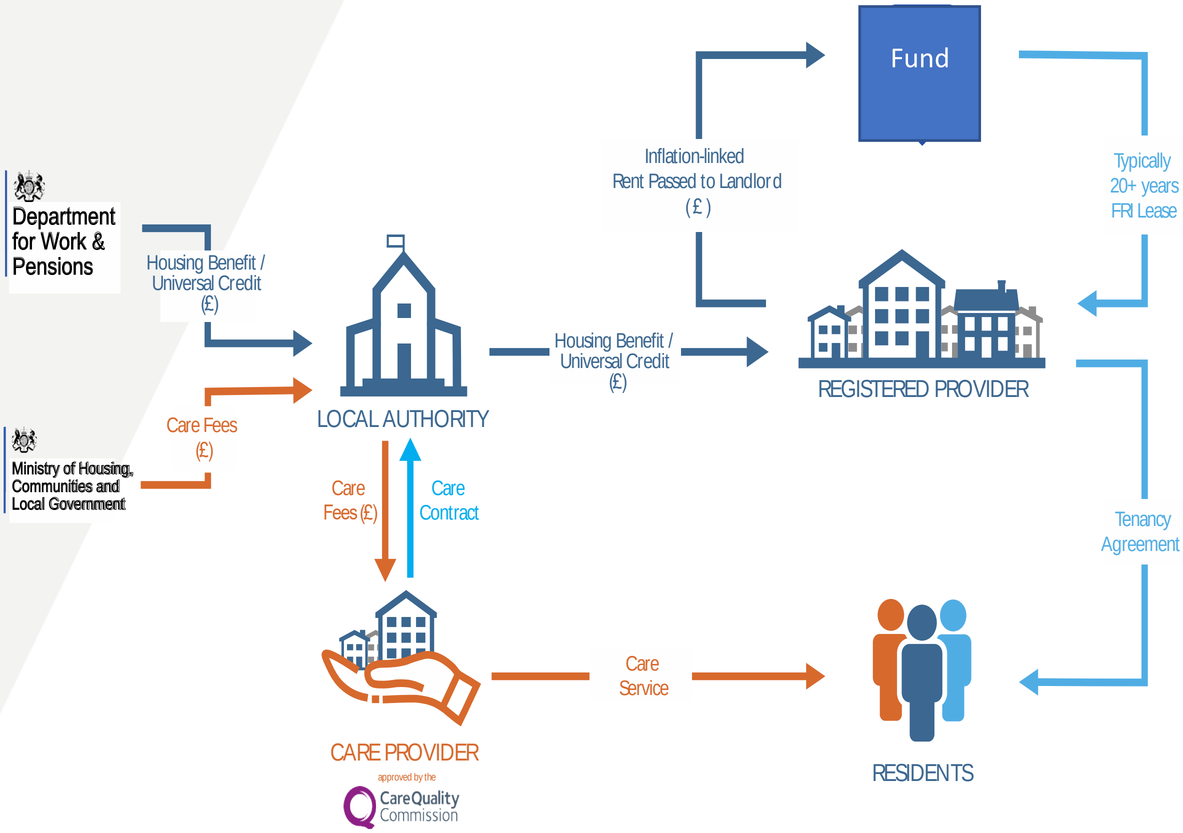
The table below is taken from a presentation by the Triple Point Impact House Fund.

Sector	Children's Services Housing	Specialised Supported Housing	Older Person Supported Housing	Social and Affordable Housing	Homelessness Housing	Private Affordable Housing	Asylum Housing
Residents	People under 18 years with care and support needs	Individuals of working age with care and support needs	Individuals and couples over 55 with care and support needs	Families and individuals	Families and individuals registered as homeless	Families and individuals	Families and individuals seeking asylum
Lessee	Care Provider	Registered Provider	Registered Provider	Local Authority / Registered Provider	Local Authority / Registered Provider / Charity	Individuals and Families	Private Provider
Income Source	Ministry of Housing Communities and Local Government	Department for Work & Pensions	Department for Work & Pensions	Department for Work & Pensions with private top up	Department for Work & Pensions	Private payments with contributions from the Department for Work and Pensions	Home Office
Lease Length	10 years +	10 years +	10 years +	10 years +	10 years +	Assured Shorthold Tenancy	10 years
Target Net Initial Yield	5.5 – 6.5%	5.5 – 6.0%	4.5 – 5.5%	4.0 – 6.0%	4.5 – 7.0%	5.0 – 7.0%	6.0 – 9.0%

The UK currently builds around 175,000 affordable houses a year but the need is estimated at 300,000 per annum which could cost an additional £30bn per annum. Typically, social housing refers to housing provided by the state (publicly owned) whereas affordable housing refers to housing provided privately often within government regulation and support towards lower rents.

The most advantageous position to be in as an asset owner in Social Housing is to have all rent paid directly by the local authority rather than via the tenant from housing benefit (see income source in the table above) and for the asset owner/landlord to have a contract with the lessee where the service or care provider covers all voids and maintenance. This reduces the investment risk but still leaves the asset owner at risk to a change in Government policy, although the need for social care provision is highly unlikely to go away. However, the more the risks are absorbed by the service provider the lower the likely return.

The flow chart below illustrates the older person supported housing sector



Investment would usually be via a fund which owns the properties being used to provide Social/Affordable Housing. As can be seen from the table on the previous page, properties are usually owned and leased to service providers on long leases although many funds are now looking to build new social housing in order to guarantee a better build quality and achieve environmental commitments such as low carbon emissions. Investors are often locked in for the early stages of the fund and liquidity may be quarterly or annually thereafter. Some funds allow gearing to boost investors' returns but this obviously increases the risk. Although the investor only owns the underlying properties, reputational risk is likely to include the actions of the care provider.

Owning property directly does expose the investor to movement in house prices and a potential fall in value. I would advise looking to minimise this exposure where possible and concentrate on stable income rather than higher return.

There are a number of fund managers operating in the social housing sector in the UK, including ones large enough for the Fund to invest up to 5% of its assets. The investment would be drawn down over a number of years as the underlying fund invests its capital with rental income paid quarterly. If the fund is close-ended, capital would be returned at the end of the fund's life, often 10 years or so but, increasingly, the sector is moving to evergreen funds which are long-term funds with periodic liquidity windows where any investment should be seen as a 20-year plus commitment. Rents should be either implicitly or explicitly linked to inflation and, as such, Social Housing can provide a useful source of protection against a long-term uptick in inflation.

Investing in Social/Affordable Housing does carry risks, particularly reputational and operators can be fined by the Housing Ombudsman (as happened to Peabody Trust in 2023 although the reputational damage and costs associated with repairing this almost certainly outweigh the financial impact of the fine). It is therefore important to look through the asset manager to the housing partners they are working with. A good defence against poor behavioural practises of the operator is to set out clearly the intended social impact of the investment and then monitor this impact. Are the tenants of the housing provided improving their quality of life? How can this be measured? Any unfair practices should show up in this style of metric before they get exposed in the press. In this sector more than others, asset managers should be held to a high standard of transparency and integrity. This sector cannot be looked at purely as a financial investment without encouraging poor behaviour which targets financial return over the provision of social good.

One of the supposed advantages of investing in Social Housing for LGPS funds is the ability to support the aims of its administrating authority, this can be done by requiring any fund the Pension Fund invests in to target Social Housing within the county of Oxfordshire. Many fund managers will acquiesce to this and there are various ways of structuring this which will need to be considered in detail. The more explicit the local investment the higher the cost of the structure used, the more implicit the lower the cost but the lower the certainty that the local investment will be achieved.

This raises a very obvious conflict of interest for the Councillors: If the intention is to achieve a social good alongside a financial return, why target your own borough over all others irrespective of its relative investment merits? From an investment prospective, I do believe a pension fund can target impact investing for a proportion of its assets. I am less sure of the justification for insisting that the impact investment must be in the locality of the administrating borough. This sounds more like politics! If the intention is to invest locally, a strong audit trail needs to be created for the decision and a strong governance over the role of elected Councillors, including those on the Pensions Committee, set out before investment.

A less impactful way of investing into the provision of housing is via shared ownership housing which reduces the need for a large deposit allowing tenants to purchase the house in lumps over time whilst renting the unowned proportion of the property via a subsidised rent with affordability criteria or by just targeting the affordable rental sector. Both these approaches provide lower rents to tenants through receiving a grant from Homes England and passing this on to the tenant in some form. As there is much less provision of social care in these approaches, they can be seen as less impactful but carry less reputational risk and, as larger markets, would enable the Fund to invest at a faster pace. Returns here are forecast to be around the 7-8% per annum but do depend on an element of long-term house price appreciation.

Diversification

For much of the last 30 years asset owners have found diversification through holding both equities and bonds as they have tended to be negatively correlated (one rises when the other falls and vice versa). In a higher inflationary environment and particularly when inflation itself is more volatile, equities and bonds can be positively correlated and rise and fall at the same time. This means that the Fund becomes much less diversified and more prone to large swings in value. Social/Affordable Housing could provide a useful element of diversification. Most forms of Social/Affordable Housing are in short supply compared to demand, this will only increase in an economic recession as unemployment increases which is when equities and bonds may be falling in unison. In addition, rent received may be linked implicitly to inflation as it is often set at a discount to private sector rents and repriced periodically. Private rents tend to rise in line with inflation over the long term. Again, this is a useful attribute for a pension fund which has future liabilities which are inflation linked (future pension payments).

Risk and Return assumptions used in Apex Group modelling

Social/Affordable Housing is a relatively new asset class for institutional investors and, as such, we do not have enough historic data to create risk and return forecasts. Apex has, therefore, created risk and return assumptions based on their understanding of the investment properties of this asset class. The long-term return assumption (5.5% p.a.) has been taken from the average targeted return of managers operating in this asset class less a discount, and the volatility assumption has been calculated by assuming the same Sharpe Ratio as forecast for UK Real Estate. The actual return forecast will depend on the type of investment the Fund makes.

SHARPE RATIO: Risk-adjusted returns, where the portfolio returns over the risk-free rate are risk-adjusted.

$$Sharpe\ Ratio = \frac{Portfolio\ Return\ - Risk\ Free\ Rate}{Volatility\ of\ Portfolio}$$

This volatility assumption is highly likely to be an over-estimation as it does not take into account the specific dynamics of this sub asset class, especially its defensiveness in periods of economic turmoil.

Proposed structure of investment

Social/Affordable Housing has seen a rapid growth in interest from institutional investors over the last 5 years. This growth is almost self-fulfilling as greater interest leads to larger funds being raised leading to the requirement to deploy this cash which builds out the understanding of the sub asset class by house builders, Housing Associations and social care providers, thereby providing greater supply of available assets leading to the ability to commit larger funds. Whilst the early investment managers in this area have a 20 year track record, their initial funds were sub £100m. Funds are now being raised targeting £1bn plus, enabling investors to commit £50-£100m to one manager.

As noted previously, earlier funds in this area tended to be close-ended meaning that they committed to return capital to investors by a set date rather than being open in perpetuity. More recent fund launches are often evergreen with an unlimited life, recognising that the demand for Social/Affordable Housing is not going to go away. Given Oxfordshire's size of approximately £3bn and the desire to potentially invest up to £50m into this area, selecting 1 or 2 managers would seem sensible. Given the variety of sub-sectors within this asset class, if using more than one manager, it would seem sensible to target managers investing into different areas of the Social/Affordable Housing sector to diversify risk and avoid competition for the same assets.

Also noted earlier was the need to keep any investment in line with the Fund's fiduciary responsibility when investing locally. One of the most obvious ways to demonstrate this is to invest via a national fund which covers England and Wales or the whole of the UK and agree with the manager either to target the home region within that fund or to invest alongside that national fund with a local investment managed to the same risk and return parameters as the national fund, thereby showing no loss of return from the local investment. However, the local investment will be concentrated into a smaller number of developments so will likely come with a higher degree of specific risk.

The role of Brunel

Up until now Brunel have indicated that they do not feel they have the resources or knowledge to assist in the selection of investment managers in the Social/Affordable Housing space. Because of this, individual funds have acted independently and selected and appointed their own managers, often with the help of a consultant. I believe this has been a missed opportunity as acting more centrally could have lowered manager fees and lead to a better option for investing in the Brunel region rather than each member Fund looking to invest in its own County with the ensuing concentration risk. As a result there are now 5 Brunel member Funds investing through 5 separate investment managers but with some overlap as a number of member Funds are invested with more than one manager.

Brunel are now indicating that they would like to be involved in this area and are happy to help with manager selection and ongoing monitoring. However, I am not sure what extra resource Brunel have now employed or what level of understanding they have in this specific sector given the high reputational risk element.

In addition, much work has already been done by other member Funds. It should be possible to piggyback on much of this, particularly in terms of consultancy fees and manager fees. If the Committee is prepared to accept some of the work previously done elsewhere, the manager selection element of this proposal could be short circuited with the Fund accepting a short list recently produced for another member Fund. Due diligence and legal diligence on any manager could also be bought from those providers who have already done this work if the final manager selection is a manager who is already acting for another member Fund. I am aware that, with the appointments recently made by Gloucestershire in this space, they did negotiate a fee discount if further allocations were made to a manager by other Brunel member Funds. In addition, Brunel would wish to charge a fee on assets if the mandate is held within Brunel.

This does not reduce the costs or resources needed by your own officers in the ongoing monitoring of investment managers given that they would be appointed outside of Brunel.

Example of managers

The section below gives an outline of a number of the manager's activities in this space as a way of showcasing the type of investments which are available. These are not recommendations.

PGIM Real Estate UK Affordable Housing Fund - Cornwall Investment of £65m, 90% targeting local investment via co-investment.

Size	£275m (82% invested); £140 as co-investment
Target sector	Affordable rent
Affordability	Rent <33% of tenant income
Return target yield	3.75%-5% per annum
Total targeted return	6%-9% per annum

The fund aims to acquire new build, single family housing of 40-250+ units per site. Homes to be let at affordable rents specifically with rent accounting for no more than 33% of tenant income and at a minimum of a 5% discount to open market rents. This is classed as affordable housing as there is no government or local government intervention or regulation. It will therefore have limited social impact outside of encouraging housebuilding in a given area and providing rents marginally below market levels. Returns are likely to be heavily impacted by returns in the private residential market. The properties are managed by the asset manager's own property manager.

This fund forms the core of the approach taken by Cornwall LGPS Fund. They have invested into the main, national fund and agreed a side commitment to be invested purely into the county of Cornwall. This latter investment may take the form of modular housing which reduces the cost of the build. This PGIM fund has the advantage of being a manager which Brunel has already selected within their UK property portfolio and for which they have therefore conducted due diligence. This allows the LGPS Fund to invest without repeating this work or conducting a manager selection exercise as Brunel have already selected this fund as 'best in breed'.

The fund currently is invested in the North West, West Midlands and East/East Midlands so an allocation from Oxfordshire could encourage the fund to extend its geographical exposure to the Oxfordshire area.

Because the housing is new build the Fund can set high environmental build standards.

M&G Shared Ownership Fund

The fund uses a shared ownership approach working with housing associations to lower the cost of entry into the housing market. The occupier purchases an initial 25% of the property with the fund retaining the remaining 75%. The occupier can get a mortgage on their 25% and the initial deposit at 10% of their financial commitment is also much lower. The occupier pays rental on the 75% not owned to the fund but this is at a below market rate and rises automatically with inflation. Rents are typically 20% below market rates. The fund is regulated and can therefore apply for grants from Homes England and the Greater London Authority which are interest free allowing them to offer below market rents.

Because the occupier has made a financial commitment in purchasing 25% of the house, the rate of delinquencies and repossessions is very low. Leases agreed with the service provider (Housing Association etc) are set at 999 years. If the occupier wishes to sell this can be done to a third party or repurchased by the fund with the price set by independent valuers. The fund covers the first 10 years of external maintenance on new builds.

The housing associations are happy to sell houses to the fund at a discount of around 20% to market values because their remit is to build new housing and increase the provision of affordable homes therefore they are interested in recycling their capital. This helps compensate the investor for the lower rental yield.

The occupier has the option to increase their stake in the house at annual intervals with the price set by independent valuers against the open market. Because the fund has bought the house from the housing association at a 20% discount, any sale of a part of the house to the occupier at full market price brings a capital gain, further increasing the returns to the fund.

The fund has purchased a large number of housing units in the south west (current focus in London and south east) from a Housing Association. This has allowed the fund to drawdown around £280m of committed capital

The fund is currently very active in seeking new investors as it currently has more potential sites than it can finance.

Size	£300m (80% invested)
Target sector	Shared ownership + affordable
Affordability	Rent < 80% market rates
Return target yield	3% per annum
Total targeted return	5%-7% per annum

Gresham House Affordable Housing Fund –Wiltshire investment of £50m; Gloucestershire investment of £85m (60% local investment); Devon £40m (50% local investment).

The shared ownership fund is similar in construct to the M&G Fund above but the manager has a longer track record in the sector of over 20 years. They target the delivery of affordable homes to key workers and focus on community regeneration projects.

Size	£311m raised to date, target is to raise ~£100m p.a.
Target sector	Shared ownership
Affordability	Rent < 80% market rates
Return target yield	3% per annum
Total targeted return	6% per annum

The fund is evergreen rather than closed end allowing for a longer term investment but any sale would require a buyer to be found, because of this there is a 5-year lock in and thereafter a 12-month notice period for sales.

Wiltshire used Mercers to conduct a manager search for Social/Affordable Housing funds. They rejected the PGIM fund despite the link to Brunel because it was too exposed to market rents and therefore added little in terms of impact or social benefit and chose the Gresham House fund over M&G due to their greater experience in this sector and longer track record. Gloucestershire used Reddington as consultant when selecting investment managers for a Social/Affordable Housing mandate and again selected Gresham House over the M&G fund.

Resonance Housing Fund – Targeting homelessness.

The fund manager has been active in this sector for over 20 years and is currently raising their second institutional fund focusing on homelessness which closes for new investment on the 31st December 2024. They will launch Fund 3 in the late spring and this will be an evergreen fund structure. They have raised £129m for fund 2 with the expectation that the fund grows toward £150-200m by the close.

Size	£120m initially , target £220m
Target sector	Homelessness
Affordability	Rent < 80% market rates
Return target yield	3% per annum
Total targeted return	6% per annum

It is estimated that there are 80,000 households currently living in inappropriate housing across the UK giving a market demand of over £20bn with the Government currently spending over £1bn per annum in excess housing costs alone. Because of the requirement for local councils to house homeless individuals, rents are supported.

Properties are acquired as single units or existing portfolios (including the windup of the previous fund which was London based). They have a strong relationship with service providers in the homelessness sector and provide detailed metrics on how the fund improves the outcomes for those residents in houses thereby showing the delivery of measurable social impact. Returns are underpinned by long-term contracts with charity partners who cover all material tenant risks including maintenance, voids etc with rents inflation linked. They are dependent on working with local councils which can affect their ability to invest in particular locations.

Octopus Affordable Housing Fund

Working across multiple sub-sectors of the Social/Affordable Housing market including shared /ownership; Rent to Buy; key worker and older person sectors. Investing via a mixture of forward funding new developments and acquiring existing assets from Housing Associations.

Size	£170m initially, long-term target £1,000m
Target sector	<35% older person. Includes shared ownership, key worker.
Affordability	>50% social and affordable rent
Return target yield	3.5% per annum
Total targeted return	7% per annum

This manager has the advantage of operating over various sub-sectors of the Social/Affordable Housing space which spreads the regulatory risk but does require the manager to be cognisant of all regulatory, social care and housing market issues affecting each aspect of their provision.

Conclusion

This paper is for discussion. To take this issue further the Committee could agree the following principles:

- To invest in Social/Affordable Housing given the diversification benefits to the Fund and ability to showcase social good.
- To agree a target rate of return marginally above that set by the actuary (4.0% based on 2022 figures but currently being reviewed as part of the triennial actuarial revaluation).
- Agree the balance between impact and return. This will help define the sub-sectors of the Social/Affordable Housing market that are targeted.
- Agree the balance between investing nationally and locally.
- Agree to look to invest up to £50m of the Fund via up to 2 managers across different sub-sectors of the Social/Affordable Housing landscape.

- To request a paper at the next Committee meeting setting out how this could be achieved and how this would work within the relationship with Brunel.

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Oxfordshire County Council

Pension Fund

Quarterly Investment Report

Q3 2024

Contacts

John Arthur

Senior Advisor
+44 20 3327 9720
john.arthur@apexgroup-fs.com

Anita Bhatia

Senior Advisor

Anita.bhatia@apexgroup-fs.com

Key Indicators at a Glance

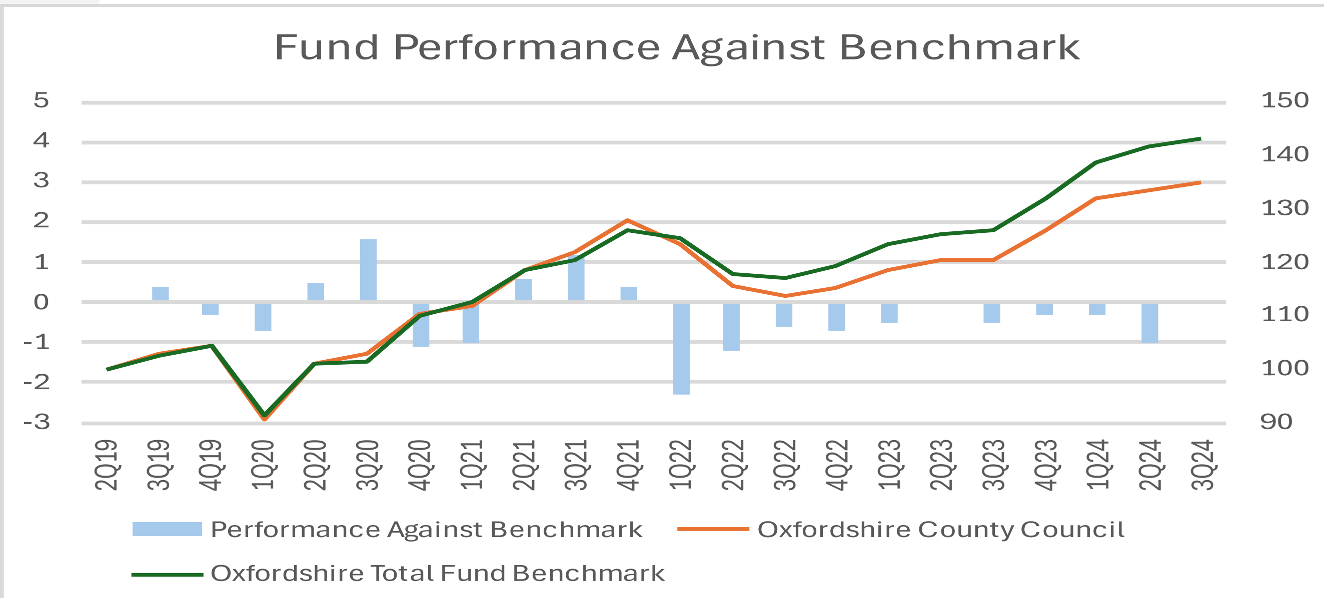
	Index (Local Currency)	Q3	YTD
Equities		**Total Return**	
UK Large-Cap Equities	FTSE 100	1.82%	9.83%
UK All-Cap Equities	FTSE All-Share	2.26%	9.85%
US Equities	S&P 500	5.89%	22.08%
European Equities	EURO STOXX 50 Price EUR	2.39%	13.08%
Japanese Equities	Nikkei 225	-3.50%	15.16%
EM Equities	MSCI Emerging Markets	8.72%	16.86%
Global Equities	MSCI World	6.36%	18.86%
Government Bonds			
UK Gilts	FTSE Actuaries UK Gilts TR All Stocks	2.32%	-0.23%
UK Gilts Over 15 Years	FTSE Actuaries Uk Gilts Over 15 Yr	2.64%	-3.75%
UK Index-Linked Gilts	FTSE Actuaries UK Index-Linked Gilts TR All Stocks	1.42%	-2.49%
UK Index-Linked Gilts Over 15 Years	FTSE Actuaries UK Index-Linked Gilts TR Over 15 Yr	1.53%	-5.89%
Euro Gov Bonds	Bloomberg EU Govt All Bonds TR	4.03%	1.95%
US Gov Bonds	Bloomberg US Treasuries TR Unhedged	4.74%	3.84%
EM Gov Bonds (Local)	J.P. Morgan Government Bond Index Emerging Markets Core Index	8.56%	4.61%
EM Gov Bonds (Hard/USD)	J.P. Morgan Emerging Markets Global Diversified Index	6.15%	8.64%
Bond Indices			
UK Corporate Investment Grade	S&P UK Investment Grade Corporate Bond Index TR	2.35%	2.22%
European Corporate Investment Grade	Bloomberg Pan-European Aggregate Corporate TR Unhedged	3.44%	4.16%
European Corporate High Yield	Bloomberg Pan-European HY TR Unhedged	3.65%	7.00%
US Corporate Investment Grade	Bloomberg US Corporate Investment Grade TR Unhedged	5.84%	5.32%
US Corporate High Yield	Bloomberg US Corporate HY TR Unhedged	5.28%	8.00%
Commodities			
Brent Crude Oil	Generic 1st Crude Oil, Brent, USD/bbl	-16.94%	-6.84%
Natural Gas (US)	Generic 1st Natural Gas, USD/MMBtu	12.38%	16.27%
Gold	Generic 1st Gold, USD/toz	12.67%	27.24%
Copper	Generic 1st Copper, USD/lb	3.70%	17.03%
Currencies			
GBP/EUR	GBPEUR Exchange Rate	1.79%	4.14%
GBP/USD	GBPUSD Exchange Rate	5.77%	5.06%
EUR/USD	EURUSD Exchange Rate	3.94%	0.87%
USD/JPY	USDJPY Exchange Rate	-10.72%	1.84%
Dollar Index	Dollar Index Spot	-4.81%	-0.55%
USD/CNY	USDCNY Exchange Rate	-3.42%	-1.15%
Alternatives			
Infrastructure	S&P Global Infrastructure Index	13.37%	17.92%
Private Equity	S&P Listed Private Equity Index	12.32%	21.41%
Hedge Funds	Hedge Fund Research HFRI Fund-Weighted Composite Index	1.67%	8.06%
Global Real Estate	FTSE EPRA Nareit Global Index TR GBP	9.59%	6.84%
Volatility		**Change in Volatility**	
VIX	Chicago Board Options Exchange SPX Volatility Index	34.49%	34.38%

Source: Bloomberg. All return figures quoted are total return, calculated with gross dividends/income reinvested and in local currency.

Performance

The Fund rose by 1.1% in the third quarter of 2024 to a value of £3.566bn. This is an all-time high. As can be seen from the previous page, almost all asset classes continued to generate positive returns over the quarter. For the Fund this was partially offset by the strength of Sterling which rose over 5% against the US Dollar and was strong against the Euro. Because a large percentage of the Fund is held in overseas assets, they are affected by exchange rate changes and, in particular, by changes in the GBP/USD exchange rate as the US accounts for over 70% of the main global equity indices. This concentration of global equity markets in one region is at an all-time high and has been driven by the strong performance of US equity markets over the last decade. I note that the US Dollar has strengthened considerably post quarter end and the election of Donald Trump as US President with his more protectionist economic agenda, I suspect this US Dollar strength will continue for a while yet but will eventually reverse.

Chart 1: Oxfordshire Pension Fund Performance



The chart above shows the performance of the Total Fund against its Strategic benchmark rebalanced to 100 (the lines) on the right hand scale and the Fund's relative performance against its strategic benchmark (in blocks) on the left hand scale. All of the Fund's underperformance has occurred since the transfer of assets to Brunel and, in particular, since the Russian invasion of Ukraine in 2021 and the subsequent rise in inflation and then interest rates and has it is this that has driven the poor performance of their selected managers particularly within the main active equity portfolios. Because of this the Fund continues to lag its benchmark over the longer term, underperforming over 1 year (by-1.6%) over 3 years (by -2.4%); 5 years (by -1.1%) and 10 years (by -0.1%).

Over the last 3 years the performance of the underlying managers selected by Brunel has been disappointing with approximately half the total underperformance of -2.4% relative performance against the Strategic Benchmark coming from the performance of the two main Global Equity portfolios, Sustainable and Global High Alpha. However, I believe this to be heavily influenced by the strong environmental slant which is a core part of Brunel's ethos. I continue to support this environmentally focused slant for the longer term, however, the poor performance is showing no signs of recovery at present and Brunel need to be challenged on this.

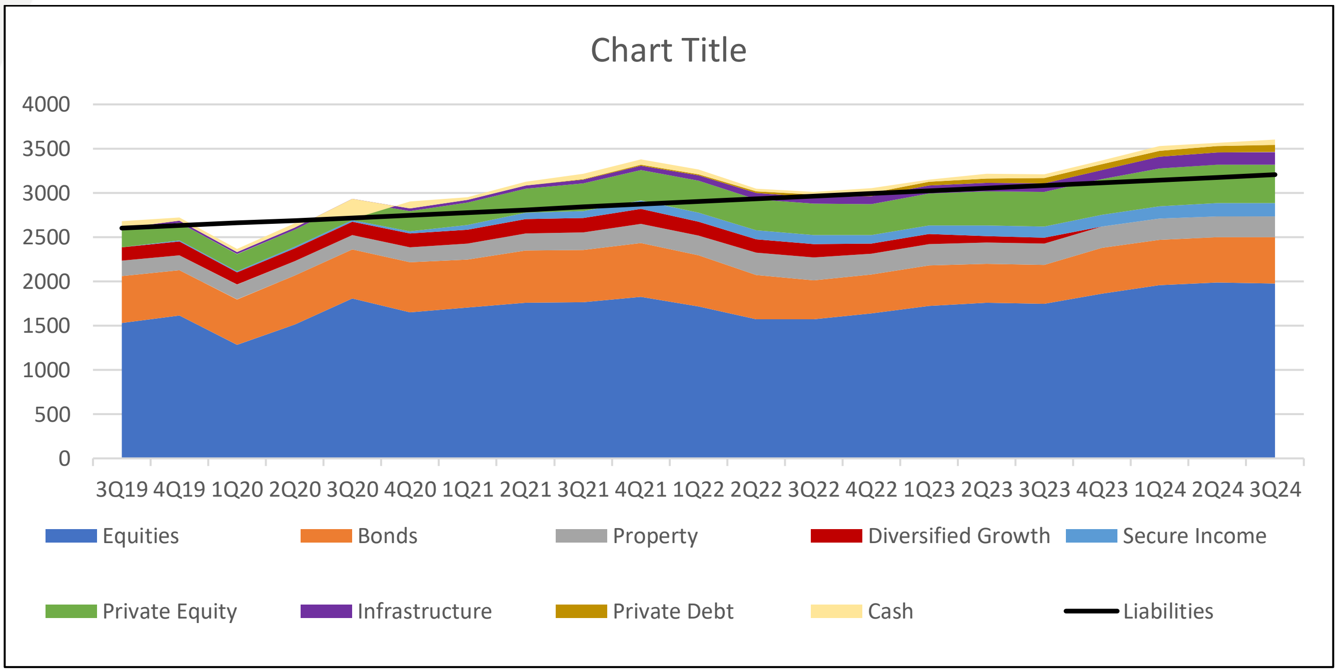
Returns of 7.6% per annum over the last 10 years, being above the Fund's actuarial discount rate assumption for future investment returns, will have helped improve the funding ratio between the triennial actuarial revaluations.

I note the recent resignation of Brunel CIO David Vickers, this is a disappointment and underlines the rapid turnover in senior posts experienced across the LGPS pools. Given the Government's intention to push further responsibilities into the pools this raises a concern.

Comment

The chart below shows the assets of the Fund by asset class with the Fund currently at an all-time high valuation of £3.606bn as at 30/9/24. I have also shown a black line which is the assumed valuation of the liabilities. Please treat this with some caution, the liabilities are valued by the actuary every three years. At this time they calculate the value of all earnt pension benefits plus the expected value of all future pension entitlements by the existing membership. This future liability is discounted back to today's value using a discount rate which reflects market conditions on the day of the valuation so, in essence, a snapshot every three years. At the time of the actuarial revaluation, the actuary also calculates the future investment return which gives them the required probability of maintaining full funding into the future. To create the line in the chart, I have compounded up the valuation of the liabilities by the required investment return for each quarter, changing the rate from 4.4% per annum set in the 2019 actuarial revaluation to 4.0% per annum when it was updated at the time of the 2022 actuarial revaluation.

Chart 2: Oxfordshire Pension Fund Assets



As bond yields have risen since the last actuarial revaluation it is likely that the actuary will use a higher discount rate to value future pension liabilities when they revalue the liabilities on 30/3/25. this will reduce the current valuation of future pensions in today's money and, thereby, will increase the funding level of the Fund all else being equal, but will also require a higher investment return going forward. There are also a number of other assumptions that the actuary makes when calculating the value of the pension liabilities including longevity and I have not made any estimation for these.

Long Term Capital Market Assumptions

Each year, J P Morgan Asset Management produce a report (now in its 29th year) on their Long-Term Capital Market (LTCM) assumptions complete with expected risk and return forecasts for each asset class and correlations across asset classes. They target a time horizon of 10 to15 years for these assumptions. Their report is the most comprehensive and detailed of any LTCM forecasts produced and the team of Investment Advisors at Apex discus this report in detail and use it as the starting point for our own assumptions.

This year's report is particularly interesting as, with interest rates now higher, J P Morgan do acknowledge that we are in a different regime to the low investment, low economic growth and low interest rates of the 2008 to 2022 period. Their report is predicting slightly higher investment returns across many asset classes driven by a view that we are now entering a period of higher investment and higher growth as governments continue to shift from austerity to fiscal activism and the massive investment into Artificial Intelligence (AI) begins to pay off. J P Morgan have increased their assumption for economic growth in the developed world by 0.2% per annum due to the benefits that they believe AI will deliver to the wider economy.

Given the rise in equity markets during 2024 (up 20%+ at the time of writing) you would have expected long-term return forecasts for global equities to be lower this year as we are starting from a higher valuation level but, due to the higher rate of economic growth assumed, this is not the case.

The J P Morgan view highlights the core discussion points about future returns in my mind and focuses on three interlinked issues:

1. Can governments continue to increase spending given their already high debt levels.
2. Will that spending be aimed at investment and raising the long-term economic growth potential or at the political expediency of boosting short-term demand, which is inflationary, rather than growth orientated.
3. In a more polarised world with shifting political relationships will corporates believe there is enough economic and political stability to increase investment.

As we saw with the Liz Truss budget and again with recent discussions following the Racheal Reeves budget for the new Government in the UK, lenders will only lend if they believe that the extra borrowing is targeted at investment which delivers higher long-term economic growth thereby generating the increase revenue to service that higher debt. We are re-entering a world of the bond vigilante where bond managers are the arbitrators of a governments ability to borrow. The higher borrowing will keep interest rates high at longer maturities and the tightrope that governments have to walk to borrow as much as they wish, whilst retaining the confidence of bond markets and staying onside with the bond vigilantes, will keep bond yields volatile.

The UK is an interesting case study in this dynamic. Liz Truss got it wrong by not providing enough detail of how greater borrowing would boost economic growth and not putting guard rails around her desire to increase borrowing into the future, this undermined lenders confidence in the UK Government's ability to service the higher debt levels without printing more money which would weaken the value of Sterling reducing the return for international investors on which the UK relies.

With the recent budget from Racheal Reeves, it feels like the jury is still out but that she has got away with increasing the UK's borrowing (for now). Whilst some of the increased borrowing is targeted at solving inherited issues, it is noticeable that, of the extra £70bn of annual government spending forecast in the budget, 2/3rds is going on current spending, boosting short-term demand and only 1/3rd on capital investment, growing the UK's economic capacity in the future. Partly because of this the Office for Budgetary Responsibility (OBR) forecasts a short-term boost to the UK economy with GDP growth of 2% in 2026 but no improvement in the longer term growth outlook suggesting limited extra revenue to service the increased debt levels. It is this calculation which has pushed UK Gilt yields higher since the quarter end.

Chart 3: UK 5-year Gilt yields

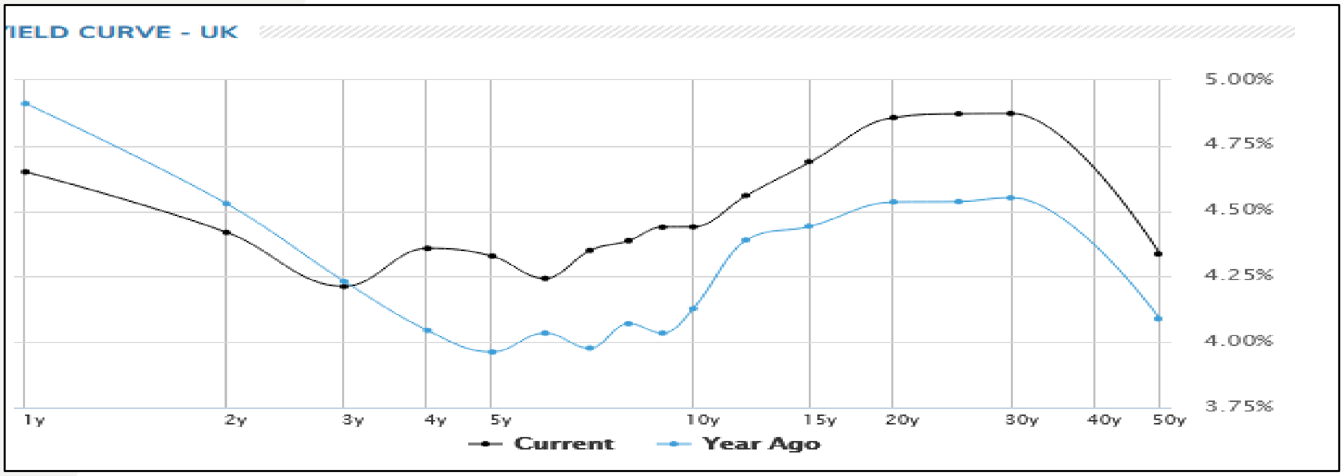
As can be seen on the right hand side of the above chart, 5-year UK Gilt yields have risen almost a full percentage point since the end of the third quarter. This has been in an environment of rising bond yields globally but is more extreme than elsewhere suggesting lenders are concerned by the extra borrowing and accompanying higher UK Gilt issuance which the market will need to digest following the recent budget. Remember this higher issuance is coming at a time when Quantitative Easing has ended and central banks are not now the default buyer of Government debt.

A similar, if slightly less extreme rise in US Treasury yields has occurred since quarter end for much the same reason. Lenders see a Trump presidency as potentially inflationary with corporate and personal tax cuts boosting growth but reducing government revenues; a less independent US Federal Reserve (US Fed) setting interest rates too low for the underlying economic conditions to boost short-term growth; trade tariffs raising costs and prices and the deportation of 1 million undocumented immigrants reducing the labour pool and leading to higher wages. In addition, I suspect an uncertainty premium is also being built in to reflect President Trump's unpredictable and unconventional approach. The rise in yields here since quarter end has been nearer 0.75%.

Chart 4: US 5-Year Treasury Yields

It is now up to lenders and their bond managers to set how much they will finance Government spending and at what cost. So far the expectation remains that interest rates will continue to fall but longer duration bond yields are signalling that inflation is still a worry.

Chart 5: UK Yield curve current v one year ago.



The chart above shows the change in UK Gilt yields across maturities over the last year with the front end falling as interest rates are cut but yields rising at longer maturities as investors question the inflation outlook.

For the UK, it would seem possible that a Trump presidency will be negative for UK growth with potential trade tariffs and greater spending required on UK defence, suggesting that interest rates may now fall faster than expected as the UK economy slows. This is positive for shorter-dated UK bonds whilst longer-dated yields will remain higher due to the raised inflation threat and higher Government borrowing requirement. The last resort of governments or presidencies who are unhappy with the cost of their debt is to force domestic asset owners to buy more of it – you have been warned!

Table 1: J P Morgan LTCM assumptions for 2025

Returns forecast in Sterling	2024 LTCM forecast	2025 LTCM forecast	Annualised Volatility
UK Cash	2.8%	2.9%	0.7%
UK Gilts	4.5%	4.2%	7.7%
UK Investment Grade Bonds	5.4%	5.2%	8.2%
UK Index Linked Bonds	5.3%	4.4%	11.2%
Multi-Asset Credit	6.3%	5.8%	8.8%
Global Equities	6.2%	6.3%	13.7%
Emerging Market Equities	7.2%	6.4%	17.9%
UK Core Real Estate	6.5%	7.6%	13.1%
Global Value-Added Real Estate	8.1%	9.0%	17.8%
Global Infrastructure	5.2%	5.5%	10.6%
Private Equity	8.1%	9.1%	17.2%
Private lending	6.9%	7.4%	15.4%
Gold	2.5%	3.3%	16.9%

As can be seen from the table above, investment return expectations for Bonds have fallen slightly as interest rates have fallen from recent highs but return assumptions for Equities and Alternative Assets have increased. J P Morgan have raised there expected Global Equity return on the back of greater investment and the benefits of AI but this only accrues to Developed Equity markets, expected returns on Emerging Market Equities fall. Alternatives see slightly raised return expectations across the board following a couple of more muted years with UK and International Property and Private Equity in particular looking attractive.

My personal view is that I am not yet convinced about the higher economic growth argument and see current valuation levels for equities as high, particularly in the US. A Trump presidency may be good for the corporate sector with lower taxes and greater protectionism but ultimately I do not believe this will be sustainable with markets eventually forcing economic orthodoxy to deliver more sustainable economic growth rather than a series of sugar rushes. Given the lower volatility experienced in Bonds against Equities and the relatively small difference in return expectations, I have a marginal preference for Bonds over Equities for a while yet but recognise that I have been over cautious in the past! What the J P Morgan report does suggest is a preference for real assets to combat the higher and more volatile inflation threat and I agree with this view. They also suggest an improved outlook for Private Equity as deal flow improves and funds are able to realise existing investments. Again I agree.

Politics very rarely affect investment markets in the longer term but there is an increasing probability that President Trump may be different due to his non-conformist approach and short-term focus. His selections for various Secretary of State roles suggest loyalty is valued over experience or, potentially, ability. The problem with appointing a team around you on the basis of loyalty rather than competence is that, firstly, you do not necessarily end up with competent people and there is no obligation for them to become competent as this is not a trait which is valued and, secondly, if the team around you will always agree with you then there is limited progression of thought and understanding as there is no challenge. Much of the agenda President Trump has set out so far is inflationary. It may provide a short-term boost to markets but will not be sustainable and ultimately is likely to lead to a painful dénouement with higher interest rates or a much weaker US Dollar. Such a scenario would be damaging to most asset classes including both Equities and Bonds. Again, this concern should lead the Fund to focus on real assets which have an element of inflation protection and to be wary of being over exposed to the US. This is particularly the case given that US equities account for approaching 70% of the MSCI World Index.

Asset Allocation

Table 2: The Fund's current asset allocation against the Strategic Benchmark

Asset class	Asset Allocation as at 31/3/24	Strategic Asset Allocation	Position against the SAA	Deviation in cash terms
Equities	54.7%	**51%**	+3.7%	-£133m
Fixed Interest	14.7%	**16%**	-1.3%	+£47m
Property	6.5%	**8%**	-1.5%	+£54m
Private Equity	12.0%	**10%**	2.0%	-£72m
Secure Income	4.4%	**5%**	-0.6%	+£21m
Private Debt	2.3%	**5%**	-2.7%	+£97m
Infrastructure	3.5%	**5%**	-1.5%	+£54m
Cash	1.7%	**0%**	+1.7%	-£61m

These figures are taken from the State Street report. Figures may not add up due to rounding.

The current deviation from the Fund's SAA is within acceptable bounds although I would recommend taking the equity weighting back to the benchmark and reinvesting into shorter-dated UK Corporate Investment Grade Bonds particularly as this money has already been committed to invest into Alternative Asset Classes and is awaiting drawdown. Unfortunately Brunel does not currently offer such a product meaning the Fund would either have to procure a manager outside of Brunel or invest into the existing Brunel Sterling Corporate Bond fund which would mean taking duration risk. Brunel have appointed PGIM as their bond manager and I suspect it would be possible to approach them for a short dated bond fund, either directly or through Brunel, thus avoiding the need to conduct a procurement exercise. This holding would be temporary as the money would be drawn down into the Alternative portfolios over time.

Table 3: Allocations to Alternative Investments Invested/Committed

Market Value/Committed	Private Equity	Infrastructure	Secure Income	Private Debt
Direct by OCCPF	£290m	£37m		
Cycle 1 March 2018	£95.0m/£100m	£51.3m/£50m	£54.3m/£60m	n/a
Cycle 2 Apr 2020	£48.0m/£70m	General £17.4m/£20m Renewables £14.6m/£20m	£35.4m/£40m	£54.1m/£70m
Cycle 3 Apr 2022	£0m/£16m	£21.3m/£60m	£61.5m/£60m	£29.9mm/£90m
Brunel Total	**£143.0m/£186m**	**£104.6m/£150m**	**£151.2m/£160m**	**£71.6m/£160m**
Awaiting Drawdown	**£41m**	**£73m**	**£0m**	**£50m**

These figures are based on a number of assumptions and should be used as a guide only.

Based on my calculations the Fund has approximately £165m of outstanding commitments to the Alternative Asset Classes through Brunel which has yet to be drawn down. This money is currently being held in global equities which have risen in value over the last few years. Given high valuations and an element of political uncertainty, I would recommend switching this money into a less volatile asset as noted above.

Points for Consideration

1) Performance of the underlying portfolios continues to be poor across much of Brunel especially within Global Equities which is where a substantial part of the Fund is invested. There are detailed reasons why this has happened, much of which is due to the strong Responsible Investment and ESG philosophy which Brunel has adopted. However, the continued underperformance across a number of portfolios brings into question Brunel's ability to select investment managers who can outperform over the longer term. The Pensions Committee should remain cognisant of why this underperformance has happened and continue to challenge Brunel over performance issues.

   Question for Brunel:

   a: How do you select investment managers, what role does past performance play on that selection?

   b: Please talk through an occasion where you have sacked a manager, what had changed from your initial appointment, what had you got wrong?

2) Recent discussions I have had with Brunel have underlined just how central their environmental focus is to their selection of investments managers. I do not now see Environmental, Social and Governance (ESG) factors as part of the criteria they use for selecting managers but as an initial screen setting a high bar for those managers to be considered for selection. Brunel would not employ a manager that could not complete the level of ESG reporting they require irrespective of how strong they appeared outside of this criteria. This strong ESG ethos will likely remain the defining factor on future performance against more ESG neutral benchmarks and peer groups.

   Questions for Brunel:

   a) How do you include ESG and Responsible Investment factors in your manager selection process?

   b) A strong ESG bias in investment has seemed to be a negative in performance terms over the last three years. What do you expect will change this pattern?

   The committee need to feel confident, not just in the inclusion of ESG factors in the selection of investment managers, but in the way Brunel approach this.

3) UK Equity Mandate (Brunel): The Fund is currently invested in UK Equities via an actively managed mandate through Brunel. This mandate is benchmarked against the FT All-Share ex Investment Trusts Index which includes all companies quoted on the UK's main market. The largest companies quoted in the UK are focused around the Oil,

Banking and Mining industries with very little exposure to technology companies. This bias means a UK portfolio selected from stocks within the FT All-Share is likely to have some focus on cyclical industries and have relatively high carbon emissions.

Given the Fund's UK base there is some benefit in holding UK assets but better performance over the long-term with a lower carbon impact is likely to be found in the smaller companies' space and, as such, it would make sense to switch this mandate to the FT 250 or FT Smaller Companies Index. This is highly likely to require a change in managers but, in my opinion, is likely to increase the probability of the portfolio outperforming the benchmark over time.

Brunel are currently undertaking manager selection for this mandate with a view to completing this by year end and transitioning to the new managers early in the new year.

Questions for Brunel:

a) Please update the Committee on progress to appointing managers for this portfolio

b) What are the areas where you expect managers to add value within a UK smaller companies portfolio?

4) Alternative Investments: Brunel accept that the current figures produced for drawdowns to and distributions from the Alternative Asset portfolios are inadequate for a Fund to be able to create a useful cash flow forecast from these asset classes. They are working to improve their processes and the quality of information they provide to member funds. I will continue to push for better data in this area. It would make sense, now the initial investments into Alternative Asset Classes have been made, for Brunel to move to an evergreen funding process where, rather than member funds committing to individual funds over a succession of vintages in Infrastructure, Private Equity and Private Debt, Brunel provide one unitised wrapper in each of these asset classes and manage the member funds' cash flow requirements into and out of each Alternative Asset Class directly. This would reduce the administrative burden on your Fund's officers and could simplify reporting.

Underlying Mandates

Rather than comment on each portfolio separately, duplicating the reporting from Brunel, the table below sets out each portfolio within the Fund with a note on my opinion of the management and performance using a traffic light system. Because of the transfer of assets to Brunel all the portfolios will have changed manager over the last four years. For this reason I have rated some of the portfolios amber purely because the performance history is too short to support an opinion.

We now have 3-year performance figures for both Private equity and Infrastructure and, whilst the initial drawdowns to these portfolios were slow and Brunel's speed of commitment was initially poor this has now speeded up and performance figures do suggest that Brunel are achieving a reasonable level of return from these asset classes.

Portfolio	Benchmark	Inception	Performance	3 y relative	Comment
UK Equity	FT All-Share EX IT	09/18		-1.0%	Performance has been below benchmark across all time period but appears to be recovering.
Global High Alpha	MSCI World Equity	09/19		-3.8%	Underperformance over three years of -3.8% but outperformance since inception in 6/19
Global Sustainable	MSCI All World Equity	09/20		-6.5%	Performance a major concern with the portfolio underperforming by 5% since inception in 10/20
Global Paris Aligned	MSCI Paris Aligned	07/18		n/a	Passive portfolio, yet to reach 3 year figures. I have some concerns over portfolio construction.
UK Fixed Interest	£ Non-Gilt Credit	11/21		1.0%	Acceptable performance in a strong credit environment
Passive Index-Linked	FTSE >5 Year Index-Linked			0.1%	
Multi Asset Credit	Cash + 2%	11/21		-3.7%	Performance has lagged the benchmark since inception but appears to be recovering.
Property	Property benchmark	04/20		n/a	UK Performance has been good but poor in International Property lagging by 5%.
Secure Income	Cash + 4%	07/20		n/a	Noticeable performance issues
Infrastructure	CPI	01/19		n/a	Drawdown has been slow; performance looks OK
Private Equity	MSCI All World Equity	01/19		n/a	Drawdown has been slow; performance looks good for cycle 1 but poor for cycle 2.
Private Debt	Cash + 5%	08/17		n/a	Drawdown has been slow; performance looks good

Market Summary

- Q3 2024 saw cooling inflation and the subsequent easing of monetary policy across developed markets, most notably the US Fed's 50bps rate cut in September. The Bank of Japan (BoJ) was the only major central bank to buck this trend, and the surprise rate increase in August saw a sharp rise in the JPY which combined with weaker US employment data and concerns over AI valuations, leading to a sharp selloff. Markets recovered quickly however, as reassuring growth data (quarterly real GDP growth of 0.5%, 0.2% and 0.7% across the UK, Eurozone and US) combined with easing inflation to reduce fears of a recession and raise the prospect of further rate cuts. Leading economic indicators remain generally positive, while manufacturing purchasing mangers' indices (PMIs) weakened through the quarter, showing slight contractions except in the UK, services PMIs remain in positive territory in most regions, notably in the US (55.4).

- Global markets delivered strong positive returns for most major asset classes in Q3, as interest rates decreased and expectations for further cuts grew. Global equities gained 6.4%, with all developed regions positive except Japan, though the strengthening Yen meant positive returns in GBP terms. EM equities rallied into the end of the quarter, led by China following a raft of stimulus measures announced in September, ultimately delivering 8.7% returns. The US continued to outperform Europe with the S&P500 up 5.9%. UK and Eurozone returns were more muted, posting 2.3% and 2.4% gains respectively. Value outperformed growth by 7%, with small-cap stocks also advancing. Fixed income also benefitted from rate cuts and was led by emerging markets. Corporate debt saw healthy returns with regional performance between the US, Eurozone and UK broadly on par with the performance of respective equities markets. Commodities were mixed, with Brent Crude falling -17% on increased output expectations and lower demand despite geopolitical tension in the Middle East. Natural Gas continued to outperform (+12.4%) and Gold rallied 12.7% to all-time highs. The Pound strengthened 5.8% on the US Dollar and 1.8% on the Euro. The Yen appreciated 10.7% versus the US Dollar.

We highlight the following themes impacting investment markets:

- **Cooling inflation and interest rate cuts – but no return to "free money":** with energy prices falling and services wages coming under control, inflation is no longer constraining central banks, so markets are expecting interest rate cuts to continue over the next 1-2 years. But the structural factors underpinning inflation remain (demographics, de-globalisation, de-carbonisation of energy) and so our expectation would be to remain in a world of c.2-3% inflation and c.1% positive real interest rates.
- **Elevated volatility characteristic of inflection points:** The VIX increased to 17 from 12 (+34.5%), with equities experiencing significant volatility in early August, as traders who had (on average) used borrowed Yen to buy US assets including highly valued US tech stocks, closed these positions. Chinese equity markets, having underperformed significantly over the last year, similarly bounced some 20% on the back of the recent stimulus measures. This kind of volatility is symptomatic of markets with pockets of excess or at times of change. Investors should consider their allocation to diversifiers and think hard about any unintended concentrations of risk in their portfolios.
- **Geopolitical risk rises but impacts so far muted:** The Middle East saw a significant increase in geopolitical tension as Israel initiated bombing campaigns in Lebanon (subsequently killing the leader of Hezbollah) and continued its activity in Gaza. Iran reacted with a barrage of missiles launched against Israel, for which Prime Minister Benjamin Netanyahu has vowed there will be "consequences". While the economic impact has so far been muted, the potential for oil price increases were Israel to target Iranian production facilities is present and upside risks to inflation also exist through potential supply chain disruption in the Gulf of Aden and wider region.
- Global equities rose 6.4% in Q3 (YTD: +18.9%) largely on the back of easing monetary policy and revised forward rate expectations. There was heightened volatility midway through the quarter due to a surprise rate hike from the BoJ and mixed US economic data. Ultimately the US Fed's decision to cut interest rates by 50bps in September led US stocks to rally, delivering a positive return for the quarter (S&P 500: +5.9%). We note value stocks outperformed growth, although the 'Magnificent 7' continued to deliver positive returns (+4.0%) despite the strong performance YTD (+60.4%), and still represent more than 30% of the US stock market. The VIX increased to 17 from the 12-13 range we have seen over the past 12 months as a result of the August selloff and uncertainty heading into a more close-run US election following Joe Biden's withdrawal.
    - In the US, the total return of the S&P500 was 5.9% (YTD: +22.1%). IT stocks posted minor growth, with utilities and real estate posting the strongest sectoral gains. Energy was the only sector to post a negative return. Early August saw a sharp selloff led by tech due to a confluence of factors including a rate hike by the BoJ, an unwind of the Yen carry trade, a weak jobs report, recession fears, and concerns over AI valuations. Equities recovered quickly thereafter. Joe Biden announced he would withdraw from the 2024 presidential election, which is now finely poised between Harris and Trump. Composite Purchasing Managers Index (PMI) which reflects economic activity was stable through the quarter, finishing at 54.4, again held up by services (55.4) versus weakening manufacturing (47.3 in September vs 51.6 in June).
    - The EuroStoxx 50 total return was 2.4% (YTD: +13.1%), with Eurozone stock returns led by real estate, utilities and healthcare. Both energy and IT delivered negative returns for the quarter. Composite PMI weakened through the quarter

to 48.9 (vs 50.9 in June) again held back by a Manufacturing PMI that remains well below 50 (45.0) however services also fell, moving from 52.8 in June to 50.5 by quarter-end. The French parliamentary elections in July resulted in no group achieving a majority, with the centre-right Michel Barnier appointed as prime minister in September.

  - In the UK, the FTSE all-share total return was 2.3% (YTD: +9.9%) and alongside the FTSE100 reached all-time highs. Equities were caught up in the global August volatility but generally traded sideways. Consumer staples, financials and consumer discretionary were the top performing sectors, with energy underperforming. PMIs remain above 50, notably with manufacturing rising from 50.9 in June to 51.5 in September. Services finished up on Q2 as well at 52.8. Labour won a landslide in the general election.
  - The Nikkei 225 total return was -3.5% (YTD: +15.2%), with Japan the only major developed region to see negative returns amid historically high volatility, driven by heightened volatility of the Yen. As such, exporters were hit, and small cap stocks outperformed large cap. Markets stabilised towards the end of the quarter as concerns of a US slowdown reduced; however, a surprise result in the leadership race for the Liberal Democratic Party led to late declines. Corporate earnings however remain strong, and composite PMI ended at 52.5 for the quarter, with services (53.9) again outperforming manufacturing (49.7).
  - Emerging markets equities total return was 8.7% (YTD: +16.9%), led by Asia (ex-Japan), notably Thailand and China (where the Shanghai Composite index rose 23% in the final 2 weeks of the quarter, following a raft of government stimulus measures). By contrast Korea and Taiwan underperformed due to sector rotation away from tech. South Africa was also strong on the back of the smooth formation of the new government and rate cuts. India, Brazil, Colombia, Mexico and Turkey all underperformed.
- Yields fell as the rate cutting cycle began across many major economies, the most notable of which being the US Fed's 50bps cut, in-part motivated by rising unemployment. The Eurozone and UK both cut rates by 25bps amid lower inflation. Short-term data drove heightened volatility in developed market bonds through the quarter. US investment grade led corporate bonds, closely followed by US High Yield, with Europe and the UK behind but still positive and supported by strong / stable economic performance. The spread between 2-year yields and 10-year yields turned positive for the first time in over 2 years, supportive of a growing consensus of a soft landing.
  - The US 10-year yield fell from 4.4% to 3.8% following a 50bps cut led by rising unemployment and falling inflation.
  - The Euro 10-year composite yield fell from 2.5% to 2.1%, with a 25bps cut in September and amid concerns over sluggish growth. Notably, France's borrowing costs now exceed those of Spain due to concerns over its fiscal position.
  - The UK 10-year Gilt yield fell from 4.2% to 4.0%, reflective of hawkish commentary on the prospect of future easing. However, commentary late in the quarter contrasted with this by hinting at the potential for faster rate cuts.
  - US bonds (both government and corporate) outperformed their European counterparts, while emerging market debt was the strongest performer (+6.2% in US Dollar terms).
- Energy varied, with US natural gas up +12.4% and Brent Crude -16.9%. The Goldman Sachs Commodity Index declined 7.9%, with Energy the weakest component and agriculture, industrial metals and precious metals the strongest components.
  - US gas prices rallied +12.4%, continuing strong momentum from Q2, driven by high demand from AI-related consumption and the energy transition, geopolitical tension in the Middle East, lower US production and supply disruptions in Norway.
  - Brent Crude Oil prices declined sharply during the quarter (-16.9%). Despite supply fears due to heightened tension in the Middle East, sentiment was overshadowed by global demand concerns relating to manufacturing, particularly from China.
  - Industrials and precious metals performed well. Gold posted a gain of 12.7%, reaching all-time highs in large part due to market uncertainty / volatility. Aluminium, zinc, and copper achieved modest gains, while the price of lead declined.
  - In agriculture, the prices of coffee and sugar experienced noticeable increases, while soybeans and wheat saw slight declines.
- Global listed property rose, with the FTSE EPRA Nareit Global Index increasing by +9.6%.
  - The Nationwide House Price Index in the UK posted modest gains in July / August and rose 3.2% yoy in September.
- In currencies, the Japanese Yen had its strongest rally since 2008 as policymakers hiked rates alongside weaker US data with the US Dollar index weakening -4.8%. Sterling posted gains on the Euro (+1.8%) and US Dollar (+5.8%). Bitcoin

(+5.6%) performed well, however, the broader crypto ecosystem was more mixed with Ethereum falling -24% (YTD: +14%).

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TABLE 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND
OVERALL VALUATION OF FUND AS AT 30th SEPTEMBER 2024

	COMBINED PORTFOLIO 01.07.2024	Brunel Pension Partnership Active Equities		Brunel Pension Partnership Passive Equities		Legal & General Fixed Interest		Brunel Pension Partnership Fixed Interest		Brunel Pension Partnership Property		Brunel Pension Partnership Other Investments		In House Other Investments		COMBINED PORTFOLIO 30.09.2024		
Investment	**Value £' 000**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Target %**
EQUITIES																		
UK Equities*	**391,706**	**387,655**	**28.6%**	**19,236**	**3.1%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**406,891**	**11.3%**	**10.0%**
Global High Alpha Equities	356,304	354,390														354,390	9.8%	9.0%
Sustainable Equities	612,322	612,369														612,369	17.0%	16.0%
Paris Aligned Benchmark Global Equities	627,105			599,272												599,272	16.6%	16.0%
TotalOverseas Equities	**1,595,731**	**966,759**	**71.4%**	**599,272**	**96.9%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**1,566,031**	**43.4%**	**41.0%**
BONDS																		
Corporate Bonds	135,701	0	0.0%	0	**0.0%**	0	0.0%	139,326	26.5%	0	0.0%	0	0.0%	0	0.0%	139,326	3.9%	4.0%
Index-Linked	223,123	0	0.0%	0	**0.0%**	0	0.0%	226,749	43.2%	0	0.0%	0	0.0%	0	0.0%	226,749	6.3%	7.0%
Multi Asset - Credit	153,254	0	0.0%	0	**0.0%**	0	0.0%	159,173	30.3%	0	0.0%	0	0.0%	0	0.0%	159,173	4.4%	5.0%
Total Bonds	**512,078**	**0**	**0%**	**0**	**0.0%**	**0**	**0.0%**	**525,248**	**100.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**525,248**	**14.6%**	**16.0%**
ALTERNATIVE INVESTMENTS																		
Property	222,620	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	204,475	95.4%	0	0.0%	19,558	4.8%	224,033	6.2%	8.0%
Private Equity	434,235	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	142,874	29.4%	290,697	71.3%	433,571	12.0%	10.0%
Infrastructure	138,133	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	104,487	21.5%	38,237	9.4%	142,724	4.0%	5.0%
Secured Income	149,655	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%		0.0%	151,201	31.1%		0.0%	151,201	4.2%	5.0%
Private Debt	71,585	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	84,025	0.0%		0.0%	84,025	2.3%	5.0%
Total Alternative Investments	**1,016,228**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**204,475**	**95.4%**	**482,587**	**99.4%**	**348,492**	**85.5%**	**1,035,554**	**28.7%**	**33.0%**
CASH	**46,535**	**109**	**0.0%**	**0**	**0.0%**	**12**	**100.0%**	**0**	**0.0%**	**9,830**	**4.6%**	**3,001**	**0.6%**	**59,344**	**14.6%**	**72,296**	**2.0%**	**0.0%**
TOTAL ASSETS	**3,562,278**	**1,354,523**	**100.0%**	**618,508**	**100.0%**	**12**	**100.0%**	**525,248**	**100.0%**	**214,305**	**100.0%**	**485,588**	**100.0%**	**407,836**	**100.0%**	**3,606,020**	**100.0%**	**100.0%**
% of total Fund		37.56%		17.15%		0.00%		14.57%		5.94%		13.47%		11.31%		100.00%		

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Agenda Item 16

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