



To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 2 December 2016 at 9.45 am

County Hall, New Road, Oxford

A handwritten signature in black ink that reads "PG Clark".

Peter G. Clark
County Director

November 2016

Contact Officer: **Julie Dean**
Tel: 07393 001089; E-Mail: julie.dean@oxfordshire.gov.uk

Membership

Chairman – Councillor Stewart Lilly
Deputy Chairman - Councillor Patrick Greene

Councillors

Surinder Dhesi
Jean Fooks
Nick Hards

Richard Langridge
Sandy Lovatt
Neil Owen

Les Sibley

Co-optees

City Councillor James Fry
District Councillor Bill Service

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 10 March 2017***
- ***Please note the earlier start time.***

Declarations of Interest

The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

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

Whose Interests must be included?

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

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

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

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

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

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

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

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

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

List of Disclosable Pecuniary Interests:

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

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

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

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

AGENDA

1. **Apologies for Absence and Temporary Appointments**
2. **Declarations of Interest - see guidance note**
3. **Minutes** (Pages 1 - 8)

To approve the minutes of the meeting held on 2 September 2016 (**PF3**) and to receive information arising from them.

4. **Minutes of the meeting of the Local Pension Board** (Pages 9 - 12)

The Local Pension Board met on 21 October 2016. The public part of the Minutes of this meeting is attached for information (**PF4**).

5. **Petitions and Public Address**
6. **Brunel Pension Partnership - Approval of full business case**
(Pages 13 - 216)

09:50

The report (**PF6**) recommended the Committee to recommend full Council to approve the full business case for the establishment of the Brunel Pension Partnership.

The report itself and Annexes 1 – 3 do not contain exempt information and are available to the public. Annexes 4 – 9 do contain commercially sensitive data relating to each of the Funds and the proposed company. The public should therefore be excluded during consideration of Annexes 4 - 9 because their discussion in public would be likely to lead to the disclosure to members of the public present of information in the following category prescribed by Part I of Schedule 12A to the Local Government Act 1972 (as amended):

3 Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that disclosure at this time is likely to prejudice the future negotiations to set up the pooling arrangements.

Members of the Committee are advised of the following order of documents:

- Brunel Pension Partnership - Approval of Full Business Case (FBC)(public)
- Brunel Pension Partnership – Oxfordshire – FBC - Annex 1 (public)
- Brunel Pension Partnership - FBC - Document List – Annex 2 (public)
- Brunel Pension Partnership – FBC – Glossary of Terms – Annex 3 (or Annex A1 in papers) (public)
- Brunel Pension Partnership – FBC – Main Sections – Annex 4 (exempt)
- Brunel Pension Partnership – FBC – Financial Case Section - Annex 5 (exempt)
- Brunel Pension Partnership – FBC – Economic Case Section – Annex 6 (exempt)
- Brunel Pension Partnership – FBC – Commercial Case Section – Annex 7 (exempt)
- Brunel Pension Partnership – FBC – Management Case Section – Annex 8 (exempt)
- Brunel Pension Partnership – FBC – Risk Register Details (Part 11 paper) – Annex 9 (exempt)

The Committee is RECOMMENDED to RECOMMEND the following resolution to the Council:

In its capacity as the Administering Authority for the Oxfordshire County Council Pension Fund, and having received and reviewed this report and the Business Case attached to it, the Council HEREBY RESOLVES to enter into investment pooling with respect to the Oxfordshire County Council Pension Fund.

Such Resolution is made on and subject to the following terms and conditions:

- ***THAT the Brunel Pension Partnership investment pool be developed, funded and implemented substantially in accordance with the terms and provisions described in the said Business Case, and more particularly that:***
 - ***a FCA regulated company to be named Brunel Pension Partnership Limited be established, and that the company be operated with all necessary and appropriate arrangements as to its ownership, structure, governance and services capability.***
 - ***a new supervisory body comprising representatives of the Council and all other participants in the Brunel Pension Partnership be established to ensure oversight of the Council's investment and participation in the Brunel Pension Partnership.***
- ***THAT the Pensions Committee be authorised and granted delegated powers to undertake such tasks as it thinks appropriate to progress implementation of investment pooling, and to take such decisions and do all other things deemed necessary in order to promote the interests of the Council with respect to pooling, which***

without limitation shall include agreeing and authorising any documentation, contracts, terms of reference, financial expenditure or investment that may be required consequential upon the Council's participation in the Brunel Pension Partnership.

- *THAT the Chief Finance Officer and Chief Legal Officer be similarly authorised and granted delegated powers to undertake such tasks as they think appropriate to progress implementation of investment pooling, and to take such decisions and do all things deemed necessary in order to support the Pensions Committee and to promote the interests of the Council with respect to pooling, which without limitation shall include informing and advising the Pensions Committee on the continued viability and suitability of investment pooling in light of any developments, financial or otherwise, in the period up to the establishment of the Brunel Pension Partnership.*

- *THAT subject to the above, all such matters be carried out with the aim of achieving a target date for investment pooling of 1 April 2018, and otherwise subject to such intermediate steps and timescales as may be considered appropriate and necessary by the Pensions Committee.*

7. Risk Register (Pages 217 - 224)

10:40

The report updates the Committee on the Fund's Risk Register, updating the position on risks reported to the last meeting and adding in new risks identified in the intervening period (PF7).

The Committee is RECOMMENDED to note the current Risk Register.

8. Administration Report (Pages 225 - 240)

10:55

The report (PF8) updates members on current issues within the Pension Services team from both a management and an operational perspective. It also sets out the latest position in respect of the employers within the Oxfordshire Fund. It includes new requests for admission to the Fund, an update on previously approved applications and the write off of any amounts due to the Fund.

The Committee is RECOMMENDED to:

- (a) *note current team performance;*
- (b) *approve the increase in staffing levels;*
- (c) *approve the write off of £34.04; and*
- (d) *note the current positions with applications for admission to the fund and other employer changes.*

9. Fund Valuation 2016 - Update (Pages 241 - 244)

11:05

The report (**PF9**) updates the Committee on key issues arising from the provisional results of the 2016 Fund Valuation.

The Committee is RECOMMENDED to note the report and to comment on any assumptions used in this exercise.

10. Overview of Past and Current Investment Position (Pages 245 - 254)

11:20

Tables 1 to 4 are compiled from the custodian's records. The custodian is the Pension Fund's prime record keeper. He accrues for dividends and recoverable overseas tax within his valuation figures and may also use different exchange rates and pricing sources compared with the fund managers. The custodian also treats dividend scrip issues as purchases which the fund managers may not do. This may mean that there are minor differences between the tabled figures and those supplied by the managers.

The Independent Financial Adviser will review the investment activity during the past quarter and present an overview of the Fund's position as at 30 September 2016 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 30 September 2016
Table 2	shows net investments/disinvestments during the quarter
Table 3	provides investment performance for the consolidated Pension Fund for the quarter ended 30 September 2016
Table 4	provides details on the Pension Fund's top holdings

In addition to the above tables, the performance of the Fund Managers has been produced graphically as follows:

- Graph 1 Market value of the Fund over the last three years
- Graphs 2-5 Performance of the Fund Managers attending Committee for the quarter ending 30 September 2016

The Committee is RECOMMENDED to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they relate to items 14, 15, 16, 17 and 18 on the agenda.

11. Fund Manager Monitoring Report (Pages 255 - 256)

11:30

Each year the Pension Fund Committee considers the arrangements for monitoring the performance of its Fund Managers. The report (**PF11**) sets out the proposed schedule for 2017/18 for approval.

The Committee is RECOMMENDED to approve the Fund Manager Monitoring Arrangements as set out in the report.

12. EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 13, 14, 15, 16, 17, 18 and 19 in the Agenda since it is likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it is considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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

NOTE: In the case of items 15 and 16, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

13. Exempt Minutes - Local Pension Board (Pages 257 - 258)

11:35

The exempt part of the Local Pension Board Minutes of the meeting held on 21 October 2016 is attached for information (**PF13**)

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

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that disclosure could distort the proper process of each of the 10 Committees negotiating the final proposal. It is intended that once all Committees have agreed the final proposal for submission to Government, the final proposal will become a public document. Disclosure would also prejudice the commercial position of the individual pension funds, and future negotiations with Fund Managers.*

14. Overview and Outlook for Investment Markets (Pages 259 - 266)

11:40

Report of the Independent Financial Adviser (**PF14**).

The report sets out an overview of the current and future investment scene and market developments across various regions and sectors. The report itself does not contain exempt information and is available to the public. It also sets the context for consideration of the reports from the Fund Managers. The Independent Financial Adviser will also report orally and any information reported orally will be exempt information.

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

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

The Committee is RECOMMENDED to receive the report, tables and graphs, to receive the oral report, to consider any further action arising on them and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

15. UBS

11:50

- (1) The Independent Financial Adviser will report orally on the performance and strategy of UBS drawing on the tables at Agenda Items 10 and 14.
- (2) The representatives (Malcolm Gordon, Scott Wilkin and Charles Burbeck) of the Fund Manager will:
 - (a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 30 September 2016;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 30 September 2016.

At the end of the presentation, members are invited to question and comment and the Fund Managers to respond.

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

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

The Committee is RECOMMENDED to note the main issues arising from the presentation and to take any necessary action, if required.

16. Partners Group

12:20

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Partners Group drawing on the tables at Agenda Items 10 and 14.
- (2) The representatives (Sian Roberts and Sergio Jovele) of the Fund Manager will:
 - (a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 30 September 2016;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 30 September 2016.

At the end of the presentation, members are invited to question and comment and the Fund Managers to respond.

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

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

The Committee is RECOMMENDED to note the main issues arising from the

presentation and to take any necessary action, if required.

17. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting (Pages 267 - 282)

12:50

The Independent Financial Adviser will report **(PF17)** on the officer meetings with Insight and Wellington as well as update the Committee on any other issues relating to the Fund Managers not present, including issues in respect of the Private Equity portfolio.

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

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

The Committee is RECOMMENDED to note the main issues arising from the reports and to take any necessary action, if required.

18. Summary by the Independent Financial Adviser

12:55

The Independent Financial Adviser will, if necessary, summarise the foregoing reports of the Fund Managers and answer any questions from members.

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

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

19. Corporate Governance and Socially Responsible Investment

13:05

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

20. Annual Pension Forum

13:10

The Annual Pension Forum is scheduled to take place at **County Hall on Wednesday 18 January 2017 at 10am.** Sally Fox will report further on arrangements, if necessary.

LUNCH

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on **Wednesday 30 November at 11.30 am** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

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PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 2 September 2016 commencing at 10.00 am and finishing at 1.30 pm

Present:

Voting Members: Councillor Stewart Lilly – in the Chair

Councillor Patrick Greene (Deputy Chairman)

Councillor Surinder Dhesi

Councillor Jean Fooks

Councillor Nick Hards

Councillor Richard Langridge

Councillor Sandy Lovatt

Councillor Neil Owen

Councillor Les Sibley

By Invitation: Philip Wilde

Peter Davies (Independent Financial Adviser)

Officers:

Whole of meeting J. Dean (Corporate Services); S. Collins (Corporate Finance)

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

53/16 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies were received from Cllrs James Fry and Bill Service.

54/16 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

Councillors Fooks, Lilly, Owen and Sibley each declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government Act 1989.

55/16 MINUTES

(Agenda No. 3)

The Minutes of the public part of the meeting held on 10 June 2016 were approved and signed, together with the Minutes of the special meeting of Committee held on 1 July 2016 (PF3).

In response to a query relating to Minute 52/16, 1 July 2016 meeting,- 'Brunel Submission to Government' – Sean Collins reported that the full submission to Government had now been agreed by all 10 administering authorities and had now been posted to the Brunel website, complete with some redactions as necessary.

56/16 MINUTES OF THE MEETING OF THE LOCAL PENSION BOARD

(Agenda No. 4)

The public part of the Minutes of the meeting of the Local Pension Board which met on 15 July 2016 was noted.

On behalf of the Local Pension Board, Board member Cllr Bob Johnston brought the following two matters to the Committee's attention, both in relation to Minute 27/16 'Review of Pension Fund Risk Register':

- The Pensions Team should be relocated, even if there is a possible financial loss to the Pension Fund if a suitable venue was found;
- The Board were concerned about risk 8 – 'Inaccurate or out of date pension liability data, LGPS and FSPS' and urged the Committee to pursue this to a successful conclusion.

The Chairman, Cllr Lilly, commented that both issues would be covered as the meeting went on, reporting that it was possible that satisfactory new premises had been found for the Pension Team and negotiations were ongoing.

57/16 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 5)

There were no requests to submit a petition or to make an address.

58/16 COLLABORATION UPDATE

(Agenda No. 6)

Mr Collins updated the Committee on the significant amount of work which was underway on the proposed full business case (PF6). In doing so, he emphasised the importance of the seminar arranged to take place at County Hall on 17 October which was an opportunity for members to look at the key issues around what was a very detailed and complex document, prior to consideration and decision at the next scheduled meeting of this Committee on 2 December 2016. He also undertook to circulate the slides from the seminar to those members who were unable to attend. The Chairman endorsed the importance of attending the seminar, emphasising the immense responsibility all Committees had in ensuring the correct outcomes for this venture.

The Chairman also reported that the Shadow Oversight Board, of which he was a member, had written to the Minister asking for publication of the regulations as soon

as possible. He himself, together with all the Committee Chairmen in Project Brunel, had also written to local MPs urging them to ensure that regulatory guidance was in place very soon.

The following points arose from the discussion that followed:

- There had been no indication from the Department of Communities & Local Government that there would be a change in direction following the recent change of Prime Minister and changes in the Cabinet;
- Costings for the venture were to be submitted to the Shadow Oversight Board the following week. All set-up costs would be equally shared by all Councils and the Environment Agency who constituted Project Brunel and funding would come from the Pension Funds themselves;
- OCC officers were looking into whether the business case would require approval by full County Council;
- To ensure that the Pension Fund budget would not be overspent, this year and next year's costs had been put aside. It was anticipated that benefits would begin to flow back in years 3 – 4;
- It was critical that deadlines for the decision did not slip in light of forthcoming election and purdah period.

RESOLVED: to note the update.

59/16 RISK REGISTER

(Agenda No. 7)

The Committee considered a report (PF7) which set out the latest position on risks reported to the last meeting, and which added in new risks that had been identified in the intervening period.

The Committee discussed options in relation to FE Colleges and agreed to make no changes to current arrangements, but to keep monitoring the situation.

RESOLVED: to note the report.

60/16 DRAFT ANNUAL REPORT AND ACCOUNTS 2015/16

(Agenda No. 8)

The draft Annual Report and Accounts for 2015/16 was presented to Committee for comment and any final amendment (PF8).

RESOLVED: to receive the draft Report and Accounts for 2015/16 , subject to amendments noted at the meeting.

61/16 BUDGET OUTTURN REPORT FOR THE YEAR ENDED 31 MARCH 2016

(Agenda No. 9)

The Committee had before them a report (PF9) which analysed the actual spend by Oxfordshire Council Council's Pension Fund Committee during the budgetary year and which also highlighted the reasons for any material variances.

The officers were congratulated on the outcomes of the report.

RESOLVED: to receive the report and note the outturn position.

62/16 ANNUAL REVIEW OF THE PERFORMANCE OF THE PENSIONS ADMINISTRATION SERVICE

(Agenda No. 10)

The Committee considered the annual review on the performance of the Pensions Administration Service which included information on key performance indicators for the service (PF10).

The Chairman requested further information from the Pensions Team about the absence of quality data from employers, which had led to targets being missed with regard to the performance of the Committee. He asked also that the Local Pension Board look at trends and persistent problems and to advise the Committee accordingly.

RESOLVED: that, subject to the above referral to the Local Pension Board, to note the report.

63/16 ADMINISTRATION REPORT (PART 1)

(Agenda No. 11)

The Committee had before them a report (PF11) which gave an update on any current administrative issues and which set out the latest position in respect of the employers within the Oxfordshire Fund. It included an update on the end of year employer returns and any implications for the 2016 valuation; a proposal for new admission agreements in respect of the successful contractors under the recent 5 Council procurement exercise undertaken by South Oxfordshire and the Vale of White Horse District Councils (amongst others); any other new requests for admission to the Fund; an update on previously approved applications and the write off of any amounts due to the Fund.

Sean Collins undertook to circulate a note containing the numbers of people who had not yet received their pensions benefit statement.

Sean Collins also undertook to arrange a meeting with the Beneficiaries Observer, Philip Wilde, to think about the best way to notify people to contact the Pensions Service if they have not received a statement.

RESOLVED: to note the report, including the write off of £1,648.66 during this period.

64/16 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 12)

65/16 EXEMPT ITEMS

(Agenda No. 13)

The Committee RESOLVED that the public be excluded for the duration of items 14, 15, 16, 18, 19, 20 and 21 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 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 was considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

66/16 EXEMPT MINUTES - PENSION FUND COMMITTEE

(Agenda No. 14)

RESOLVED: to approve and sign the exempt part of the Minutes of the meeting held on 10 June 2016 (PF14).

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

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information, in that disclosure could distort the proper process of each of the 10 Committees negotiating the final proposal. It was intended that once all Committees have agreed the final proposal for submission to Government, the final proposal will become a public document. Disclosure would also prejudice the commercial position of the individual pension funds, and future negotiations with Fund Managers.*

67/16 EXEMPT MINUTE - LOCAL PENSION BOARD

(Agenda No. 15)

The exempt part of the Local Pension Board Minutes of the meeting held on 15 July was noted.

In response to a query, Sean Collins reported that the question of membership of the Oversight Board remained under consideration by the Brunel Group.

68/16 ADMINISTRATION REPORT (PART 2)

(Agenda No. 16)

The Committee considered a report (**PF16**) which provided confidential information to the Committee on the latest position on a number of admission agreements where commercial negotiations were currently on-going.

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

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.*

RESOLVED: to

- (a) approve the admission of two additional contractors, Arcadis and Indigo to the Oxfordshire Pension Fund;
- (b) note that all five District Councils involved in the joint procurement exercise will be party to the associated admission agreements;
- (c) note the position in respect of the Funding Agreement with Sovereign Housing Association; and
- (d) agree to the establishment of a similar Funding Agreement with Cottsway Housing Association, and delegate responsibility for finalising the agreement to the Chief Finance Officer.

69/16 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 17)

The Independent Financial Adviser reviewed the investment activity during the past quarter and presented an overview of the Fund's position as at 30 June 2016.

Mr Davies reported that the overall value of the Fund at 31 March 2016 had increased by £90m, of which bonds had risen by £22m and the remainder was predominantly made up of equities.

Mr Collins reported that an aggregate benchmark had been produced for this quarter since State Street had withdrawn from the provision of performance management services for all clients where it did not act in a custodial role. He added that officers were seeking a new provider from over the whole of the Local Pension Scheme universe.

RESOLVED: to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they related to Agenda Items 17, 18, 19, 20 and 21 on the agenda.

70/16 BAILLIE GIFFORD

(Agenda No. 18)

The Independent Financial Adviser reported orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda Items 12 and 17.

The representatives, Anthony Dickson and Ian McCombie, presented their approach to investments in relation to their part of the Fund and their strategy against the

background of the current investment scene. They also gave their views on the future investment scene.

At the end of the presentation they responded to questions from members.

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

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

RESOLVED: to note the main issues arising from the presentation.

71/16 LEGAL AND GENERAL (Agenda No. 19)

The Independent Financial Adviser reported orally on the performance and strategy of Legal and General drawing on the tables at Agenda Items 12 and 17.

The representatives, Chris Lyons and Tom Carr presented their approach to investments in relation to their part of the Fund and their strategy against the background of the current investment scene. They also gave their views on the future investment scene.

At the end of the presentation they responded to questions from members.

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

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

RESOLVED: to note the main issues arising from the presentation.

72/16 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING (Agenda No. 20)

The Independent Financial Adviser reported on the officer meetings with UBS and Wellington. He also updated the Committee on other issues relating to the Fund Managers not present, including issues in respect of the Private Equity portfolio.

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

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.*

RESOLVED: to:

- (a) note the main issues arising from the report; and
- (b) invite the new Equity Fund Manager at UBS to the next scheduled meeting of the Committee on 2 December 2016.

73/16 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 21)

No further summary was required.

READMISSION OF PRESS AND PUBLIC

74/16 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 22)

The Chairman reported that he had received no letters with regard to fracking recently.

75/16 ANNUAL PENSION FORUM

(Agenda No. 23)

The Chairman reminded all that the Annual Pension Forum was scheduled to take place at County Hall on 18 January 2017. He encouraged all to attend.

..... in the Chair

Date of signing

LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 21 October 2016 commencing at 10.30 am and finishing at 12.26 pm

Present:

Voting Members: Graham Burrow – in the Chair

Alistair Bastin
District Councillor Roger Cox
Stephen Davis
Councillor Bob Johnston
David Locke FCA

Officers:

Whole of meeting Sean Collins (Service Manager (Pensions, Insurance & Money Management)); Sue Whitehead (Corporate Services)

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

30/16 WELCOME BY CHAIRMAN

(Agenda No. 1)

The Chairman welcomed everyone to the meeting.

31/16 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE OPPOSITE

(Agenda No. 3)

There were no declarations of interest

32/16 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

There were no requests to submit a petition or to make an address.

33/16 MINUTES

(Agenda No. 5)

The minutes of the meeting held on 15 July 2016 were approved and signed as a correct record, subject to the correction to the Chairman's name in minute 21/16.

34/16 EXEMPT ITEMS

(Agenda No. 6)

RESOLVED: that the public be excluded for the duration of items 7 and 8 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.

PUBLIC SUMMARY OF PROCEEDINGS FOLLOWING THE WITHDRAWAL OF THE PRESS AND PUBLIC**35/16 EXEMPT MINUTES - 15 JULY 2016**

(Agenda No. 7)

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

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that disclosure could distort the proper process of each of the 10 Committees negotiating the final proposal. It is intended that once all Committees have agreed the final proposal for submission to Government, the final proposal will become a public document. Disclosure would also prejudice the commercial position of the individual pension funds, and future negotiations with Fund Managers.*

The exempt part of the Local Pension Board Minutes of the meeting held on 15 July 2016 were approved and signed as a correct record subject to a grammatical correction to minute 26/16.

36/16 ADDITIONAL VOLUNTARY CONTRIBUTION (AVC) SCHEME

(Agenda No. 8)

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

3. *Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.*

At the request of a member of the Board, the Board had before them a report (**LPB8**) on the current arrangements for the Funds AVC scheme.

The Board considered the arrangements and made recommendations to the Committee in relation to future reviews.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

37/16 EMPLOYER MANAGEMENT

(Agenda No. 9)

The Board considered a report that followed a request made by the Board at its last meeting for further information on the approach to employer management, including the approach to employer engagement, the identification of employer related risks, and the support and training provided to employers.

Sean Collins presented the report highlighting that it was an issue fully recognised by the Committee and the report explained the actions being taken to address concerns. He referred to employer reports and statistics on delayed returns. He recognised that due to various issues the target for sending out annual benefit statements had been missed. Currently they were not able to say how many of those who had not received benefit statements this year had not received them in previous years. Processes were being reviewed and improved.

During discussion the Local Pension Board:

1. Expressed concern that members were not receiving their annual benefits statement and that the extent of the problem was not known.
2. Discussed the reasons and context for the problem and highlighted the importance of alerting affected members at the earliest opportunity. It was suggested that if possible members who had not received statements due to a query with their information should receive a statement with an alert that the information needs to be checked.
3. It was also suggested that as an alternative a letter be sent to all those affected.
4. In discussion of the problems faced by employers it was suggested that a common data set across Pension Funds would be helpful.
5. Going forward it was suggested that the key quarterly performance report should come to the Local Pension Board.

Sean Collins undertook to take forward the suggestions made to see which were most practicable.

The Local Pension Board **AGREED** to receive an update to the January Meeting.

38/16 ANNUAL REVIEW OF PENSION ADMINISTRATION PERFORMANCE

(Agenda No. 10)

The Local Pension Board had before them a report initially presented to the Pension Fund Committee at its meeting on 2 September 2016. It covered the key performance issues associated with the Pensions Administration Service.

The Board reviewed the details provided of the formal complaints received during the year and noted the report.

39/16 RISK REGISTER

(Agenda No. 11)

.....

The Local Pension Board considered the latest risk register as presented to the Pension Fund Committee on 2 September 2016. Sean Collins updated Board Members on the latest position in relation to the planned move from Unipart House (Risk 10). He also provided an update on the risk relating to processing pension payments. The software providers had been able to provide a patch.

A Member raised the risk posed by the reported expected increase in the national deficit which was expected to double in one year. It would focus attention on the sustainability of the LGPS.

The report and risk register was noted.

40/16 ANNUAL REPORT

(Agenda No. 12)

The Local Pension Board noted a short report on the work of the Board during its first year. The Board approved the report for publication.

Responding to a query relating to the appointment process for the scheme member representative vacancy on the Local Pension Board Sean Collins invited Stephen Davis and Alistair Bastin as current scheme member representatives to be the trade unions representatives on any interview process.

41/16 ISSUES/ITEMS TO BE REPORTED BACK TO SCHEME MEMBERS

(Agenda No. 13)

It was **AGREED** that the following items be reported back to Scheme Members and included in the Members report back to the Pension Fund Committee:

- The issues around the annual benefits statements
- The recommendations arising from the Additional Voluntary Contributions (AVC) Scheme report

..... in the Chair

Date of signing 2016

Division(s): N/A

PENSION FUND COMMITTEE – 2 DECEMBER 2016

BRUNEL PENSION PARTERSHIP – APPROVAL OF FULL BUSINESS CASE

Joint Report by Chief Finance Officer and Chief Legal Officer

Introduction

1. Following the Government's announcement in the July 2015 budget statement that they intended to work with Local Government Pension Scheme (LGPS) administering authorities to ensure that they pool investments to significantly reduce costs, considerable work has been undertaken to set up the Brunel Pension Partnership comprising ten LGPS Funds.
2. Regular reports have been brought to this Committee at all stages of the process, with additional engagement events also being held to provide the opportunity for Committee members to provide input to the proposals. As required by Government an initial joint submission from the ten Brunel funds was approved by this Committee in February 2016 and a more detailed response in June 2016 which was submitted to the Government in July 2016.
3. Following the July 2016 submission of what was in effect an outline business case, work has been continuing on developing a full business case for the Brunel Pension Partnership. The full business case (Annex 1 to this report) has now been completed and needs to be approved by each of the ten administering authorities in order that the establishment of the company can be progressed. Each Authority will consider the full business case amended to show their individual financial case, as well as the overall position for the pool.
4. A significant amount of work supports the full business case, and a full list of the supporting documents is included as Annex 2 to this report. Annex 3 sets out a glossary of the key terms used throughout the documents. The business case itself is set out in five sections and each of these is supported by a more detailed case which is included in the confidential annexes 4 – 8. The current risk register is included at Annex 9. If Members wish to access any of the unpublished additional supporting information listed in Annex 2, they are invited to contact the Service Manager (Pensions) who will make it available to them. Annexes 4 – 9 contained commercially sensitive data relating to each of the Funds and the proposed company.
5. **The public should therefore be excluded during consideration of Annexes 4 -9 because their discussion in public would be likely to lead to the disclosure to members of the public present of information in the following category prescribed by Part I of Schedule 12A to the Local Government Act 1972 (as amended):**

3 Information relating to the financial or business affairs of any particular person (including the authority holding that information)

and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that disclosure at this time is likely to prejudice the future negotiations to set up the pooling arrangements.

Full Business Case and Cost Model

6. The full business case seeks approval to establish a company called Brunel Pension Partnership Ltd (Brunel Company or BPP Ltd), regulated by the Financial Conduct Authority (FCA). It comprises five sections:
 - The Strategic Case;
 - The Financial Case;
 - The Economic Case;
 - The Commercial Case;
 - The Management Case.
7. The full business case was reviewed by the Finance/Legal Assurance Group (FLAG), comprising the Chief Finance Officers and Monitoring Officers of each of the ten administering authorities during November 2016 and signed off by the shadow Oversight Board, comprising the chairmen of the ten funds on 23rd November 2016. The business case has been put together with significant work by officers of the ten administering authorities, supported by professional expertise provided by PwC (operational and financial support), Osborne Clarke (legal support), Alpha (FCA expertise), JLT (project support) and Bfinance (investment advice).
8. The strategic case focuses on the legal and regulatory requirements as well as the costs and benefits of pooling. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (SI 2016 No 946) came into force on the 1st November 2016. These regulations provide the legal basis which requires LGPS funds to pool their investments. They also include provision for the Secretary of State to intervene if he does not believe an Authority has complied with the Regulations and the accompanying guidance.
9. The financial case is drawn from a complex financial model that has been developed by the Brunel partnership in conjunction with PwC, which analyses the costs and savings for the partnership as a whole and for each of the individual funds. The model allows scenario testing, changes to individual assumptions and the removal of individual funds from the partnership for sensitivity analysis and stress testing the proposal. The core model analysis shows the breakdown between funds of a total of £550m forecast cumulative net savings over the next 20 years.
10. The economic case examines two potential models for how to set up the Brunel Company, either to rent it from a commercial provider or build it. An

analysis was carried out as part of developing the Outline Business Case to consider the relative merits and limitations of each model, examining them against accountability, procurement and staffing factors, and costs. The analysis showed that the build model had advantages over the rental model, especially on accountability.

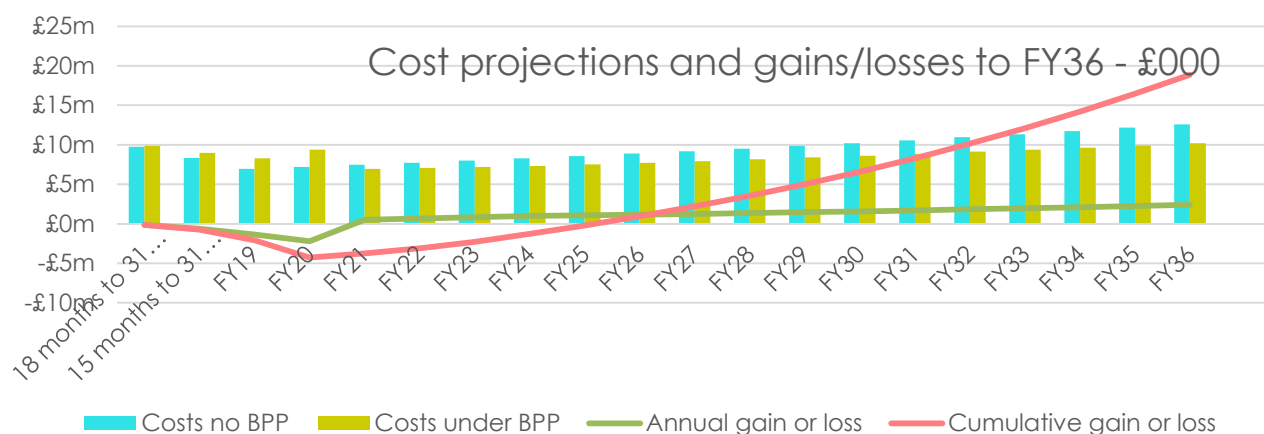
11. The commercial case sets out the structure of the Brunel Pension Partnership as well as the governance and contractual arrangements that will exist. The Brunel Company will be set up as a “Hamburg Waste” type joint working arrangement between public authorities and therefore fall within the exemption in the Public Contracts Regulations 2015 in relation to its appointment by the founding funds to manage the investments of the funds. The 10 founding Administering Authorities will be equal shareholders in the company. The company will be managed by the company board with a chairman, three other non-executive directors, a chief executive officer and three operational directors. The governance arrangements will include an Oversight Board representing each participating fund’s pensions committee.
12. The management case looks at the project management that will be required to set up Brunel Pension Partnership Ltd including recruitment of staff, legal and physical set up, procurement of third party providers including the Administrator/Custodian, definition and set up of the services, and obtaining FCA authorisation. It also covers the work to establish the arrangements for governance of the company by the Administering Authorities (AAs) and to implement the client side governance, organisation and process changes.

Oxfordshire Pension Fund Costs and Benefits

13. The financial case for Brunel has been derived from the financial model put together by PwC. The core model forecasts cumulative savings for the Oxfordshire Fund of £18.9m over the next 20 years, which has a discounted present value of £7.8m. This results in a breakeven point in the 2025/26 financial year, which is within 10 years of this current decision to approve the full business case, and as such is in line with the County Council’s financial strategy for invest to save projects. The savings are summarised in the following table and graph:

Costs and Benefits to the Oxfordshire Pension Fund to 2035/36

Core Model	Breakeven Year	Total Net Gain to FY36		Annual Rate of Net Savings in FY25	
		£m	Discounted Value £m	£m	bps of AUM
Oxfordshire	FY26	18.9	7.8	1.1	4.2
Combined Pool	FY23	550.1	279.5	27.8	8.9



14. The Brunel Pension Partnership costs include estimated costs of transitioning assets. These are being shared by all the Pension Funds pro rata to their allocation to each asset class, to ensure that no individual fund is disadvantaged by, or benefits from fund manager selection that will be made by the company. Other costs include the taxes involved in transitioning assets into the company and the operating costs of the company itself.
15. The actual asset transition costs for the company will not be known until the Fund Managers have been appointed and will depend on the number of funds that need to be transitioned and the market conditions over the period of transition. The transition of assets is expected to begin in April 2018 through to 2020 for the majority of assets, although illiquid alternative assets will need a longer transition timetable. Oxfordshire's allocation to listed private equity is currently unique across the Brunel funds, and any transition will have to be reviewed as the Brunel model is developed.
16. The savings by establishing BPP Ltd will be achieved through reduced direct investment costs, predominantly investment manager fees, expected to be payable by the company once it is operational. In addition there are the savings that the Administering Authorities expect to make as a result of no longer needing to carry out tasks internally because of services provided by the company. In the case of the Oxfordshire Pension Fund, this will be through reduced custodian and performance reporting costs.
17. The financial model allows the sensitivity of the financial case to the above key assumptions to be tested. The greatest sensitivity is in respect of fee savings. However, the partnership would have to fail to achieve 50% of the assumed fee savings before the model suggests that the Oxfordshire Pension Fund would not breakeven.
18. In respect of the transition costs, an increase of 50% would only move the breakeven point from 2025/26 to 2026/27, and reduced net savings over 20 years to £17.1m. Similarly, variations in the costs of operating the Brunel

Company have very little impact on the overall savings figures and the breakeven point.

19. In addition to the financial model's core estimate of savings that BPP Ltd can achieve, the financial case also outlines the opportunity for additional benefits from improved performance. This would result from improved diversification between managers and better risk management that could be achieved from investing in greater scale. In addition, there is a further opportunity to make savings should the company undertake internal management of some active equity investments. This would reduce external manager fees and could therefore further increase the savings. There will also be increased opportunities for co-investments in property, infrastructure and private equity.
20. There are also a number of non-financial benefits resulting from the proposal. These include significantly improved resilience, improvements in reporting and benchmarking, improved resources for risk analysis including all economic, social and governance risks, and improved knowledge sharing.

Conclusion

21. Government policy, now brought into effect by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, requires the Oxfordshire Pension Fund to pool its assets. In the light of this, the Fund has already committed to participating in the Brunel Pension Partnership through the decisions made at previous meetings of this Committee. This Committee and the Council now need to approve the full business case to set up the Brunel Company in order that the pooling proposals can progress to the implementation phase.
22. Although investment pooling is being driven by the central government agenda, the financial modelling that has been undertaken demonstrates that there are net savings opportunities for the Oxfordshire Pension Fund in entering into the Brunel Pension Partnership. The detailed business case sets out the structures and governance arrangements that will be put in place, which will ensure that the company provides value for money to the Oxfordshire Fund.
23. The Committee is therefore asked to recommend the resolution to set up the Brunel Pension Partnership Ltd to Council. Further reports will be brought to this Committee as the project progresses. For avoidance of doubt, approval of the resolution includes approval of the budget provision for the development costs, including those already incurred of £267,000 for professional advice etc and £200,000 for working and regulatory capital.

RECOMMENDATION

24. The Committee is **RECOMMENDED** to **RECOMMEND** the following resolution to the Council:

In its capacity as the Administering Authority for the Oxfordshire County Council Pension Fund, and having received and reviewed this report and the Business Case attached to it, the Council **HEREBY RESOLVES** to enter into investment pooling with respect to the Oxfordshire County Council Pension Fund.

Such Resolution is made on and subject to the following terms and conditions:

- **THAT** the Brunel Pension Partnership investment pool be developed, funded and implemented substantially in accordance with the terms and provisions described in the said Business Case, and more particularly that:
 - a FCA regulated company to be named Brunel Pension Partnership Limited be established, and that the company be operated with all necessary and appropriate arrangements as to its ownership, structure, governance and services capability.
 - a new supervisory body comprising representatives of the Council and all other participants in the Brunel Pension Partnership be established to ensure oversight of the Council's investment and participation in the Brunel Pension Partnership.
- **THAT** the Pensions Committee be authorised and granted delegated powers to undertake such tasks as it thinks appropriate to progress implementation of investment pooling, and to take such decisions and do all other things deemed necessary in order to promote the interests of the Council with respect to pooling, which without limitation shall include agreeing and authorising any documentation, contracts, terms of reference, financial expenditure or investment that may be required consequential upon the Council's participation in the Brunel Pension Partnership.
- **THAT** the Chief Finance Officer and Chief Legal Officer be similarly authorised and granted delegated powers to undertake such tasks as they think appropriate to progress implementation of investment pooling, and to take such decisions and do all things deemed necessary in order to support the Pensions Committee and to promote the interests of the Council with respect to pooling, which without limitation shall include informing and advising the Pensions Committee on the continued viability and suitability of investment pooling in light of any developments, financial or otherwise, in the period up to the establishment of the Brunel Pension Partnership.
- **THAT** subject to the above, all such matters be carried out with the aim of achieving a target date for investment pooling of 1 April 2018, and otherwise subject to such intermediate steps and timescales as may be considered appropriate and necessary by the Pensions Committee.

Lorna Baxter
Chief Finance Officer

Nick Graham
Chief Legal Officer

Contact Officer: Sean Collins Tel: 07554 103465
November 2016

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Project Title: Project Brunel

Brunel Pension Partnership

Full Business Case – Oxfordshire

VERSION HISTORY

Version	Date Issued	Brief Summary of Change	Owner's Name
Final Draft	08/11/16	Final Draft presented to BPP Finance and Legal Assurance Group (FLAG)	Dawn Turner
Final V1.0	15/11/16	Updates from FLAG feedback	OC/PwC/Project Office
Final v1.1	17/11/16	Incorporating feedback following FLAG review	Project Office
Final v1.2 Oxfordshire	22/11/16	Updated in line with Financial model v5 Individual fund details included annex references for PCs.	Project Office

Contents

- 1. INTRODUCTION 1
 - 1.1 **Background and Context**..... 1
 - 1.2 **Key conclusions from the Full Business Case** 1
 - 1.3 **Professional advice and assurance**2
- 2. STRATEGIC CASE3
 - 2.1 **Introduction**3
 - 2.2 **Background to LGPS investment pooling**3
 - 2.3 **Regulatory reform**4
 - 2.4 **The case for change**4
 - 2.5 **Imperative of investment pooling**5
- 3. FINANCIAL CASE6
 - 3.1 **Introduction**6
 - 3.2 **The BPP financial model – three key metrics**6
 - 3.3 **The core model**7
 - 3.4 **Sensitivity on core model**8
 - 3.5 **Future opportunities – risk mitigation** 14
 - 3.6 **Future opportunities – internal management**..... 14
 - 3.7 **Core model – foundation of the Full Business Case** 14
- 4. ECONOMIC CASE..... 15
 - 4.1 **Introduction** 15
 - 4.2 **Options considered for the pooling entity**..... 15
 - 4.3 **Operational costs of the Brunel Company**..... 16
- 5. COMMERCIAL CASE..... 16
 - 5.1 **Introduction** 16
 - 5.2 **Brunel Pension Partnership structure** 16
 - 5.3 **Governance arrangements** 18
 - 5.4 **Contractual arrangements**.....21
 - 5.5 **Brunel Company and procurement issues**.....21
 - 5.6 **Brunel Company and FCA authorisation**.....21

5.7	Personnel implications	22
5.8	Risk allocation	22
5.9	Charging mechanism	23
5.10	Development costs and implementation timescale	23
6.	MANAGEMENT CASE	24
6.1	Introduction	24
6.2	Project management arrangements	24
6.3	Benefits realisation and risk management	27
6.4	Project milestones and gateways	27

1. INTRODUCTION

1.1 Background and Context

The Full Business Case (**FBC**) has been prepared to inform a decision by Oxfordshire County Council on a proposal for Pension Fund investment pooling by means of a newly established pooling arrangement, to be called the Brunel Pension Partnership (**the BPP**). At its core will be a new Financial Conduct Authority (**FCA**) regulated company, Brunel Pension Partnership Limited (**the Brunel Company**).

Having first explained the background to investment pooling for Pension Funds in the Local Government Pension Scheme (**LGPS**), and also the essential features of the BPP proposal, the main focus of the FBC is on the financial viability and economic merits of that proposal. The outcomes of a detailed Financial Model are set out and have been subjected to **independent professional assurance**. The impacts of legal and other matters relating to the formation, governance and operation of the BPP and the Brunel Company are also set out and subjected to **independent professional assurance**. All aspects have also been subjected to review by Chief Finance Officer/ Chief Legal Officer representatives from the 10 bodies engaged in the Brunel pool.

A summary of the key conclusions emerging from the FBC is provided immediately below. A major point to be emphasised at the outset is that **the FBC indicates that there are significant financial savings and other efficiencies to be gained which support accepting the proposal to continue to establish an investment pool for the 10 bodies** (i.e. quite apart from any regulatory imperative to pool). These derive principally from the **enhancement in scale, skills, and resources that investment pooling will bring**. The pooled investment of approximately £25bn of assets under the BPP model **will open up new opportunities across a range of performance metrics**.

Having listed the key conclusions, the remainder of this FBC is divided into five sections dealing with the Strategic, Financial, Economic, Commercial and Management Cases. Detailed consideration of these has been undertaken by Chief Finance and Chief Legal Officers on behalf of Oxfordshire County Council.

1.2 Key conclusions from the Full Business Case

These are, as follows:

- On an aggregated basis, the Financial Model indicates that net savings exceeding £0.5 billion are achievable by 2036, with annual savings exceeding annual costs by March 2021 and breakeven two years later.

The timing is largely down to the timetable to transition active fund management after 2019 as this yields the largest saving potential.

- On an individual Fund basis, the Financial Model indicates that net savings are achievable, with the level of such savings varying between Funds mainly to reflect the historic differing approaches to investment and risk resulting in different portfolios. This means there will inevitably be differing savings that will be obtained on fee renegotiations.
- New Regulations have set out a clear legal framework making investment pooling mandatory for all LGPS funds in England and Wales, from April 2018.
- Regulations are very clear that the responsibility for individual fund investment strategy remains with the individual Administering Authorities.
- The BPP will represent a collaboration of Oxfordshire County Council and nine other LGPS Administering Authorities based broadly in the South West of England.
- The Brunel Company will be set up as a new FCA regulated entity, to be owned equally by each of the ten Administering Authorities.
- The Brunel Company will implement the investment strategy of each BPP Pension Fund by selecting and monitoring external Manager Operated Funds.
- An initial review of the set-up, governance and operation of the BPP investment pool has confirmed its legal robustness and viability.
- Further development work, including on financial, legal and FCA regulatory matters, will be undertaken in the next development phase of the BPP investment proposal (i.e. up to anticipated implementation in April 2018).
- The current proposals and the documents associated with the current proposals are first drafts which are yet to be properly discussed and scrutinised by the Administering Authorities.
- The next phase of the BPP project will be work-intensive, and continued project resource will be required to ensure its successful delivery.

1.3 Professional advice and assurance

Professional advice and assurance on the financial elements of the BPP investment pooling proposal has been provided by PricewaterhouseCoopers

LLP (**PwC**) and other advisers. From PwC, this has primarily related to preparation of the Financial Model and its outcomes, the financial case and taxation advice. Bfinance UK Limited (**bfinance**) has advised on potential investment fee savings and investment transition costs. Additional financial markets advice has been provided by Alpha Financial Markets Consulting (**Alpha**).

Professional advice and assurance on the legal elements of the BPP investment pooling proposal has been provided by Osborne Clarke LLP (**Osborne Clarke**). This has primarily related to the law and investment pooling, the set-up of the Brunel Company, FCA authorisation, procurement and employment matters. Further legal assurance has been provided by obtaining the legally privileged opinions of Leading Counsel (QCs) on the FCA authorisation and procurement law aspects.

Both PwC and Osborne Clarke have provided a statement of assurance to each of the BPP Administering Authorities.

2. STRATEGIC CASE

2.1 Introduction

The purpose of the Strategic Case is to identify the drivers for investment pooling. It sets out the case for change, taking into account in particular the Government's policy imperatives and the regulatory requirements relating to pooling.

2.2 Background to LGPS investment pooling

In May 2014, the Government published a consultation which set out how savings might be achieved by LGPS funds through greater use of passive management and pooled investment. Following that consultation, the Government invited all LGPS Administering Authorities to develop ambitious proposals for pooling of their assets.

In July 2015 the Budget Red Book contained a statement as to what was required, and in November 2015 more detailed guidance was issued. A key point to emerge was that each pool should have assets of around £25 billion.

The proposal to establish the BPP developed accordingly. Through project based joint-working initiatives led by the local pension officers and overseen by two sponsoring bodies¹ the 10 Administering Authorities comprising the BPP have collaborated to test the proposition of establishing a new LGPS

¹ Shadow Oversight Board with representatives from each Administering Authority; and Finance and Legal Assurance Group comprised of Chief Finance Officers and Chief Legal Officers.

investment pool. This will include the Funds of the Environment Agency (Active and Closed) and those of nine Local Authorities (Avon, Buckinghamshire, Cornwall, Devon, Dorset, Gloucestershire, Oxfordshire, Somerset and Wiltshire).

In February 2016 eight pools, including the BPP, submitted their proposals to the Government. These submissions were strategic statements of intent. They were followed in July 2016 by much more detailed submissions from each pool, setting out how they were intending to pool their assets and the rationale for the approach being adopted. Each of the Administering Authority's Pensions Committees approved the BPP submission to Government.

The BPP submission included details about the key structural elements for the BPP pool. Since July, work has been ongoing to develop the BPP proposal in readiness for launching the new pool in April 2018.

2.3 **Regulatory reform**

The regulatory framework for investment pooling has been confirmed in the recently made Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (**LGPS Investment Regulations 2016**). These provide that each Administering Authority must formulate an Investment Strategy Statement which must (a) be in accordance with Secretary of State (**SoS**) guidance, and (b) include "the authority's approach to pooling of investments, including the use of collective investment vehicles and shared services". The guidance states that "all authorities must commit to a suitable pool to achieve benefits of scale", and they "must confirm that their chosen investment pool meets the investment reform and criteria published in November 2015".

The SoS is given back-stop powers to intervene if an authority fails to act in accordance with the guidance and following consultation with the authority. These permit the SoS to make a direction requiring: that the authority changes investment strategy; that the authority invests specified assets as directed; that the investment functions of the authority are exercised by the SoS; that the authority complies with an instruction from the SoS relating to the exercise of its investment functions.

Legal advice from Osborne Clarke has confirmed that these regulatory provisions mean that the Government has set out a clear framework making investment pooling mandatory for all LGPS funds in England and Wales.

2.4 **The case for change**

The consultation for the new draft LGPS Investment Regulations 2016 was accompanied by criteria for pooling. This outlined four areas that underpin the case for change. These are now described, along with a brief statement (in bold) of how the BPP measures up against those criteria:

- Benefits from economies of scale to be derived from large pools of assets of a minimum of £25 billion. The total LGPS assets under management (**AUM**) in England and Wales at that time were in the region of £180 billion.

Funds in the BPP pool had assets of about £23 billion at 31 March 2015, and these were valued at over £25 billion at 31 October 2016.

- Improved decision making and better risk management, achieved from stronger governance, for the long-term interest of Funds' members.

The BPP has agreed 12 investment principles that will underpin all the governance and operating arrangements across the whole partnership. These were reported to all fund Committees/ Boards in earlier phases of this project and include long termism, responsible stewardship and openness and transparency. The BPP's governance arrangements will be constructed to meet the highest standards, including those required by the FCA for a regulated entity.

- Reduction in costs and improved value for money from both the fee savings achieved by funds investing together and reducing manager churn by focusing on long term performance.

The BPP Funds currently have almost 100 different managers and around 170 mandates between them. These will be replaced by about 22 outcome focused investment portfolios, which will deliver the BPP Funds' investment strategy requirements and significantly reduce the number of managers and mandates. Annual fee savings of £20 million are projected to be made by March 2021, rising to £30 million by March 2027.

- Increasing capacity and capability to invest in infrastructure by making long term strategic collaborative plans across the LGPS to invest in infrastructure making this asset allocation more attractive (lower risk) and beneficial (increased returns for less cost).

The eight LGPS pools have formed a Cross Pool Collaboration Group, with an Infrastructure sub-group looking at a national approach to infrastructure. While in its infancy, this is likely to yield improved access to better infrastructure investment, both from the collective opportunity BPP brings as well as a national investment vehicle.

2.5 Imperative of investment pooling

The main strategic driver for investment pooling is the Government's decision to progress this as a policy, as now required under the LGPS Investment Regulations 2016. The case for change is underpinned by legal advice from Osborne Clarke, and has been recognised by all other Administering Authorities in England and Wales and the other pools they have formed or are now forming.

3. FINANCIAL CASE

3.1 Introduction

The purpose of the Financial Case is to set out the financial implications of investment pooling. It is informed by a detailed Financial Model, which focuses on the estimated savings from pooling both on a whole pool basis and an individual Fund basis. It represents the key evidence supporting this Business Case and the BPP proposal generally.

3.2 The BPP financial model – three key metrics

PwC have created a sophisticated Financial Model that has been provided to each Administering Authority's pension and financial officers. The Financial Model compares the current situation for each Administering Authority to the situation following the transition of assets into the Brunel Company, projecting annual net costs or net savings until 2036.

There are three key metrics from the Financial Model:

- **The annual running rate of net saving once the initial structural development and asset transition costs have been met.** Net savings are fee savings plus other savings less operational costs, each evaluated on an annual basis. The metric can be expressed as a cash amount or as a percentage of assets under management in the relevant year: we have used the year to March 2025 (FY25).
- **The year of breakeven.** This metric estimates when each of the BPP Pension Funds will reach the point when the anticipated fee and other savings will start to exceed the set-up (structural development and asset transition) costs and operational costs.
- **The total net savings measured against a broadly 20 year period** to financial year ending 31 March 2036 (FY36). This metric measures the net savings each of the Brunel Funds will accrue, both on a discounted and an undiscounted basis, over that period.

The information and assumptions underlying the Financial Model are described in more detail in the Financial Case.

3.3 The core model

The core model presents a base case of the financial outputs, and is intended as a prudent and reasonable projection of the total anticipated savings from the transitioning of assets into the BPP pool. The core model relies on the key assumption that fee savings will be driven by fewer investment mandates and an extensive programme of fee negotiations, with other savings accruing from reduced expenditure by Administering Authorities.

On that basis, the core model projects:

- that annual net savings by FY25 will be **£27.8 million pa** across the Administering Authorities, representing 0.089% (**8.9** basis points **bps pa**) of assets then under management;
- the breakeven year, by which cumulative savings will have exceeded cumulative costs will be the year to March 2023, **FY23**, in fact relatively early in that year; and
- an aggregate net saving to FY36 across all ten Administering Authorities of **£550 million**, which has a discounted present value of **£280 million**.

The position on the three metrics (i.e. the annual running rate of net savings, the breakeven year, and the net savings by FY36) differs between the ten Administering Authorities, depending mainly on differing projected fee savings. These differing fee savings depend on the differences between the projected fee levels, after renegotiation, and existing fee levels, with fee savings harder to achieve if existing fee levels are already low. This is largely due to individual Administering Authorities having historically taken differing approaches to investment strategy and risk. This independence will remain and the base core model simply looks at savings from today's position. The other information on which projections are based varies much less between Administering Authorities.

For ease of comparison, the following table states assets under management (AUM) in March 2016 and the annual running rates of savings projected by the core model for FY25, both on a combined pool basis and on an individual Administering Authority basis.

Core model	Assets under management (AUM, £m, at 31 March 2016)	Running annual rate of net saving in FY25	
		£m	bps of projected AUM in FY25
Avon	3,739	3.5	6.8
Buckinghamshire	2,164	6.1	20.4
Cornwall	1,464	1.1	5.6
Devon	3,299	5.2	11.3
Dorset	2,273	3.7	11.8
Environment Agency*	2,954	2.8	7.4
Gloucestershire	1,687	0.7	3.0
Oxfordshire	1,824	1.1	4.2
Somerset	1,592	1.5	6.6
Wiltshire	1,826	2.1	8.3
Combined Pool	22,822	27.8	8.9

*includes £219m for the EAPF Closed Fund which is not expected to benefit from fee savings. Therefore the Closed Fund assets are not used in the calculation of the net saving as expressed in basis points of AUM.

This would mean a breakeven point for the combined fund of 2022/23 and for Oxfordshire of 2025/26 as follows:

Core model	Breakeven year	Total 20 years net gain to FY36		Running annual rate of net saving in FY25	
		£m	Discounted value £m	£m	bps of AUM
Oxfordshire Pension Fund	FY26	18.9	7.8	1.1	4.2
Combined Pool	FY23	550.1	279.5	27.8	8.9

PwC has provided financial assurance to the Administering Authorities that the core model has been constructed using prudent and reasonable assumptions. More detail of such assumptions and the modelling methodology is set out in the Financial Case. This has been checked and assessed by each Administering Authority's Chief Finance Officer/ Section 151 Officer.

3.4 Sensitivity on core model

A sensitivity analysis of the core model metrics has been undertaken. This analysis has considered several important variables, as follows:

- Variable 1: fee savings achieved by the Brunel Company being plus/minus 2 basis points (0.02%) when compared with the midpoint

the fee savings identified in the core model for each Administering Authority (the overall midpoint being 8.9 bps for the Combined Pool).

- Variable 2: asset transition costs, which include tax costs, being in total plus/minus £15 million when compared with the asset transition costs used for the core model.
- Variable 3: annual operational costs for the Brunel Company being £1 million pa higher than the annual operational costs used for the core model.
- Variable 4: a transition delay such that liquid assets take three years to restructure rather than the two years used in the core model.
- Variable 5: underlying market asset performance differing significantly from the steady 4% pa growth used for the core model. Three variations are considered: a 20% equity market crash in 2020, and steady growth at rates of either 3% pa or 5% pa.

The table on the following page expresses the impact of these five variables on a combined pool basis. The top row, shaded, shows the core model. Other rows show individual variations, with downside sensitivities lightly shaded and upside sensitivities unshaded:

Table 1.3.4a Impact on Core Model of 5 Variables – Combined Pool Basis

Combined (all ten Administering Authorities)		Breakeven year	Total 20 years net gain to FY36		Running annual rate of net saving in FY25	
			£m	Discounted value £m	£m	bps of AUM
Core model		FY23	550	280	27.8	8.9
Variable 1: fee savings	- 2 bps pa saving	FY24	387	188	20.5	6.5
	+ 2 bps pa saving	FY22	714	371	35.2	11.2
Variable 2: asset transition costs, incl tax	+£15m on total transitional costs	FY24	535	266	27.8	8.9
	- £15m on total transitional costs	FY22	565	293	27.8	8.9
Variable 3: + £1m pa Brunel Company running costs		FY23	526	263	26.6	8.5
Variable 4: transition delay		FY24	507	256	26.3	8.4
Variable 5: market asset performance	Equity market crash in FY20	FY23	458	228	23.5	8.7
	-1% pa (3% pa total)	FY23	441	219	24.6	8.6
	+1% pa (5% pa total)	FY23	680	352	31.3	9.2

The key conclusions emerging from the sensitivity analysis are as follows, including comments on mitigation:

- **The fee renegotiations will be critical to the overall results.** The core model targets an overall improvement in fee savings that leads to net savings, after operational costs, of 8.9 basis points (0.09%) by FY25. A reduction of 2 basis points (0.02%) in savings in variable 1 is the largest effect illustrated, impacting all three key metrics of running annual rate of net saving, breakeven and 20 year net gain.
- **Fee renegotiations are a largely symmetrical sensitivity.** Hence the upside potential on the three key metrics in variable 1 further emphasises the importance of successful fee negotiations.
- **Asset performance by the markets is crucial.** The more assets under the aegis of the Brunel Company, the more pooling will deliver; conversely, a lower asset base will render pooling less beneficial. There is an element of a fixed cost being spread here, as evidenced by the annual running rate of saving in FY25, if expressed as basis points of AUM (assets under management), changing little between the three scenarios considered within variable 5. At a high level, investment performance by markets cannot be altered by the Brunel Company: some mitigation may be possible through strategic asset allocation at the Administering Authority level. Ultimately, investment performance has balancing contribution implications that have not been modelled.
- **Transition delay should be avoided.** Delay by a year, variable 4, would outweigh the impact of £15 million higher asset transition costs, variable 2. This can be seen in both breakeven year and total gain over 20 years. Neither variable has much impact on the running annual rate of saving projected by FY25.
- **Asset transition costs including tax could push back the breakeven year.** The £15 million extra indicated just moves breakeven from FY23 to FY24, so that there would be a substantial gain by the end of FY24. There will be choice as to how much cost to incur: more radical asset reorganisation may be justified in terms of higher fee savings or higher performance expectations. However, action to pursue recognition of this impact and alternative arrangements for UK tax impacts should and will be pursued with Central Government to see if some of this variable can be mitigated.

- **Asset transition costs including tax are a broadly symmetrical sensitivity.** So the upside potential demonstrates that a saving is possible. There would be a concern that pursuing some saving could reduce the longer term effectiveness of portfolio construction.
- **Brunel Company operating costs should be controlled.** If they changed by £1 million a year as illustrated by variable 3, they would have a somewhat greater impact on the 20 year net gain than transitional costs increasing by £15 million

The table on the following page expresses the impact of these the five variables for the Oxfordshire Pension Fund only. Commentary is being provided in individual covering papers and the text of this document, other than for the table itself, is not being altered between Administering Authorities:

Table 1.3.4b Impact on Core Model of 5 Variables – Oxfordshire Pension Fund Only

Oxfordshire Pension fund		Breakeven year	Total 20 years net gain to FY36		Running annual rate of net saving in FY25	
			£m	Discounted value £m	£m	bps of AUM
Core model		FY26	18.9	7.8	1.1	4.2
Variable 1: fee savings	- 2 bps pa saving	FY31	5.6	0.3	0.5	1.9
	+ 2 bps pa saving	FY23	32.2	15.2	1.7	6.5
Variable 2: asset transition costs	+£15m on total transitional costs	FY27	17.6	6.6	1.1	4.2
	- £15m on total transitional costs	FY25	20.2	8.9	1.1	4.2
Variable 3: + £1m pa Brunel Company running costs		FY26	16.7	6.2	1.0	3.8
Variable 4: transition delay		FY27	16.9	6.7	1.0	4.0
Variable 5: asset performance	Equity market crash in FY20	FY27	13.4	4.7	0.8	3.8
	-1% pa (3% pa total)	FY26	13.9	5.0	0.9	4.0
	+1% pa (5% pa total)	FY25	24.8	11.0	1.2	4.4

3.5 Future opportunities – risk mitigation

There is international evidence that investment at greater scale can provide opportunities to improve overall investment performance through a range of mechanisms, including risk mitigation. This has not been examined in the core model. Nonetheless, the potential can be seen by considering the core model sensitivity analysis: if the opportunity can be captured to the extent of just 5 basis points (0.05%), then the total net gain projected by FY36 would increase by approximately 60%.

3.6 Future opportunities – internal management

Additional analysis has been undertaken to assess the opportunities that may be available if the Brunel Company undertakes internal management (i.e. undertaking dealings in individual stocks and other assets, in addition to making investments into Manager Operated Funds). A move to internal management could only happen with the consent of all the Administering Authorities based on circumstances at the time. It is therefore only a prospective and contingent opportunity at this point.

Subject to that, the Financial Case analyses the potential opportunities that may be offered by internal management, which in summary are greater savings owing to the potential substantial reduction in fees.

Any decision to move to internal management would require the case to be made that the fee savings would be accompanied by investment performance expectations remaining at least in line with those that external managers were providing. Such a case would be easier to make for some asset classes than others.

3.7 Core model – foundation of the Full Business Case

The core model, including the sensitivity analysis outlined above, is foundational to the FBC. It is this core model which should substantially inform a decision to proceed with the BPP investment pooling proposal.

This section of the FBC has dealt with the headline points relating to the core model, and sets out the main conclusions. Further and more detailed analysis is set out in the Financial Case.

4. ECONOMIC CASE

4.1 Introduction

The purpose of the Economic Case is to describe the options considered for investment pooling, and to provide evidence that the most economically advantageous approach to meet the Administering Authorities service needs on a value for money basis.

4.2 Options considered for the pooling entity

The Project Brunel initial proposal, submitted in February 2016, suggested a structure whereby a Collective Asset Pool would be overseen by a Joint Committee. This proposed structure was an alternative to an overarching Authorised Collective Scheme (**ACS**), which would have had additional complexities and costs of establishment and operation and would not have provided a structure consistent with all types of pooling

This proposed structure was later developed following the Secretary of State's March 2016 response. This required that a single and separate entity be at the heart of final pooling proposals, and that it should have responsibility for selecting and contracting with investment managers independently of Administering Authorities (which would retain responsibility for setting their detailed Strategic Asset Allocation). A further clear requirement set out in the Secretary of State's response was that the pooling entity must be FCA regulated.

The Secretary of State's response led to a discussion of how best to operate this entity, now conceptualised as the Brunel Company. Two models were under consideration, being either to rent it from a commercial provider or for the Administering Authorities to build it and shape its structure and governance through a shared ownership arrangement.

A detailed analysis was carried out by PwC to consider the relative merits and limitations of each model, examining them against three groups of issues: accountability; procurement and staffing; and costs. The PwC analysis showed that the build model would have advantages over the rental model, especially on accountability. It would also generate less uncertainty around the future roles of investment officers.

It was recognised that the build model brought its own challenges, particularly around procurement and staffing. These are considered further in the Commercial Case section that follows. Overall, however, the build model was the preferred option under the PwC analysis.

4.3 Operational costs of the Brunel Company

Whilst the Commercial Case examines a wide range of issues, the Economic Case evaluates how the Brunel Company development and operational costs affect the Financial Case. The key point has been consolidated into the sensitivity analysis in the Financial Case: additional operational costs will need to be evaluated against the additional asset performance or fee saving they can generate.

PwC has identified that the most economic case would suggest that the Brunel Company is situated in the Bristol area (a formulation which includes Bath). This followed analysis that compared several geographies, including London, Swindon, Taunton and Exeter, evaluating them under the headings of infrastructure, human resources and operational matters.

The Bristol area includes the largest city in the Brunel geography, with good transport links to the Administering Authorities and acceptable links to suppliers, notably those in London. Office space is relatively affordable and staffing implications, including remuneration levels, are favourable. In building up costs used in the core model therefore, indicative costs have been used for prices of accommodation in the Bristol/ Bath area.

5. COMMERCIAL CASE

5.1 Introduction

The purpose of the Commercial Case is to set out the proposed structural arrangements for the BPP. The focus is on relevant ownership, governance and contractual matters, and how these will serve the requirements of the BPP Administering Authorities.

5.2 Brunel Pension Partnership structure

The main structural components of the BPP are, in summary:

- **BPP Administering Authorities:** They will each retain sole responsibility for setting the detailed Strategic Asset Allocation for their Fund and allocating their assets to the investment portfolios provided by the Brunel Company.
- **Brunel Pension Partnership Limited:** This will be a new FCA regulated company which will be wholly owned by the Administering Authorities. It will be responsible for implementing the detailed Strategic Asset Allocations of the BPP Funds by investing Funds assets within defined outcome focused investment portfolios. In particular it will research and select the Manager Operated Funds needed to meet the requirements

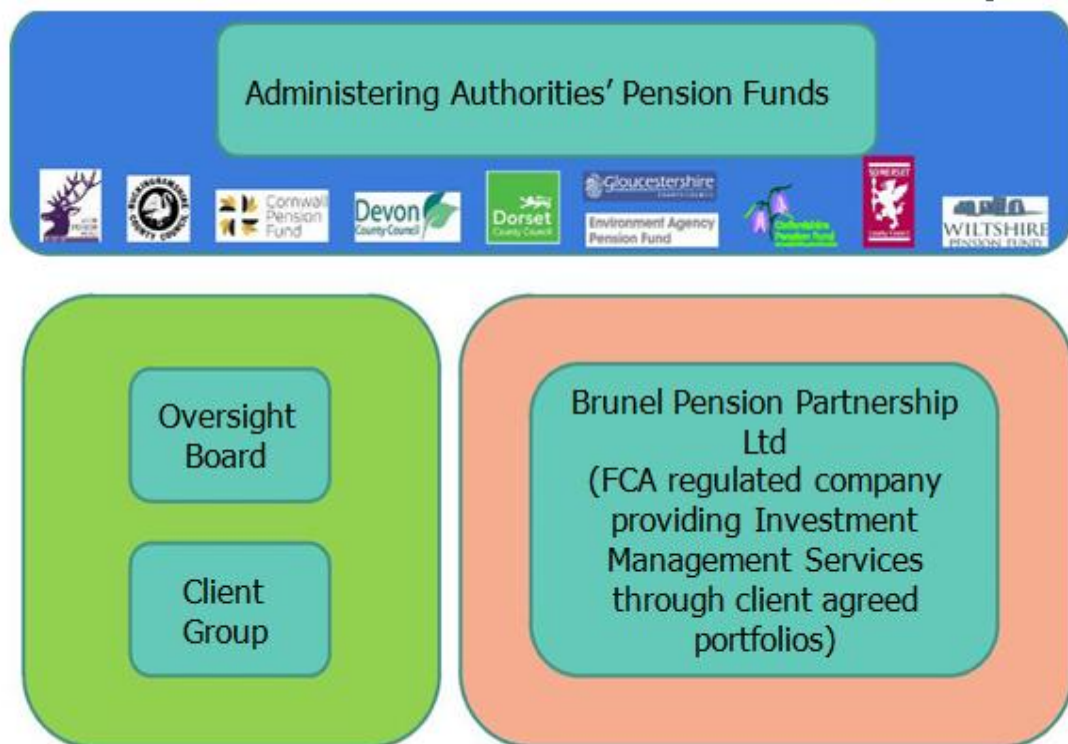
of the detailed Strategic Asset Allocations. These Manager Operated Funds will be operated by professional external investment managers.

- **Oversight Board:** This will be comprised of representatives from each of the Administering Authorities. It will be set up by them according to an agreed constitution and terms of reference (however, it will not be a Joint Committee under S102 LGA). Acting for the Administering Authorities, it will have ultimate responsibility for ensuring that the Brunel Company delivers the services required to achieve investment pooling. It will therefore have a monitoring and oversight function.

Subject to its terms of reference it will be able to consider relevant matters on behalf of the Administering Authorities, but will not have delegated powers to take decisions requiring shareholder approval. These will be remitted back to each Administering Authority individually. Further work on issues such as how this will operate, the Shareholder Agreement, and appointments will be clarified and brought back to each Administering Authority to approve at a later date.

- **Client Group:** This will be comprised primarily of pension investment officers drawn from each of the Administering Authorities. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function. In effect, it will provide a client-side link between the Oversight Board and the Brunel Company, and will draw on Administering Authorities finance and legal officers from time to time.

The following illustration shows the key structural components of the Brunel Pension Partnership in diagrammatic form:



5.3 Governance arrangements

Much of the detail relating to the BPP's governance arrangements will be set out in three key documents: **Articles of Association** of the Brunel Company; **Shareholders' Agreement** between the Administering Authorities; **Terms of Reference** for the Oversight Board. These documents will address issues such as powers of the company, shareholder control through reserved matters, exit arrangements and procedures of the company. The current proposals that are reflected in the commercial case are based on a first draft of documents produced by Osborne Clarke which are yet to be properly discussed and scrutinised. Osborne Clarke will advise on the drafting of these documents, working with Chief Legal Officers accordingly. The project timetable has an indicative time for these to be put in place of Spring 2017.

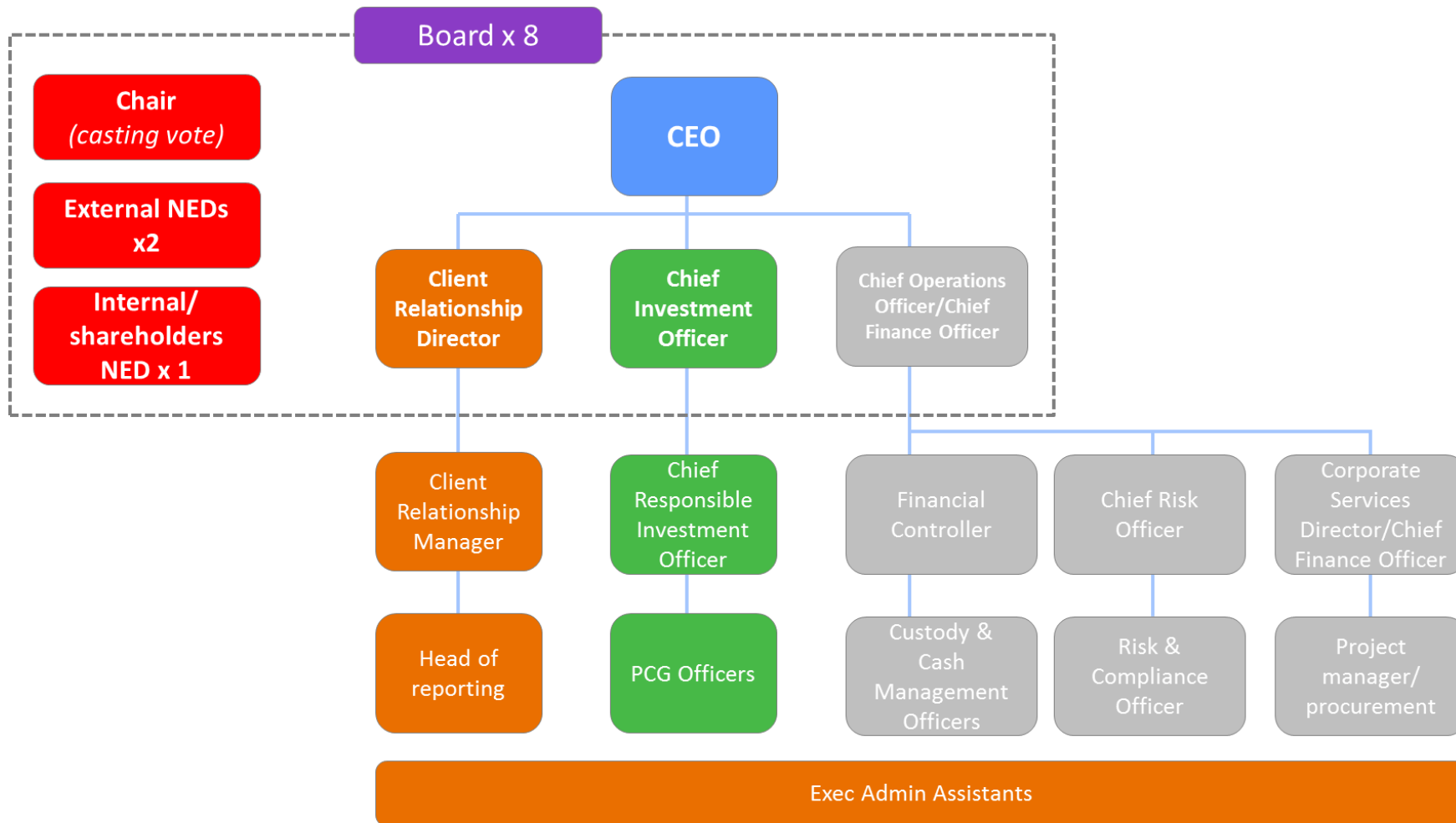
Standing behind these key documents will be the other requisite documents such as conflict of interest policy and terms of reference for the Brunel Company's committees. Its FCA regulated status will require it to have high standards of internal governance and compliance, with a particular focus on risk management.

The proposed operating model for the Brunel Company includes a board which will be made up of four non-executive directors (independent chair, plus two externally recruited non-executives and one shareholder representative non-executive), with three or four executive directors (chief executive officer, chief finance/operations officer, chief investment officer and (yet to be confirmed) client relationship director). Various committees

(audit, remuneration, risk and compliance) will be required, as will other statutory roles, such a company / board secretary.

This board will be responsible for three business units, which will relate to the following: investments (including responsible investments), operations and finance (including risk and compliance), and client relationships (including reporting). A programme of external and internal recruitments will be implemented to ensure that the senior and other supporting roles are staffed by suitably qualified and experienced personnel.

The operational structure diagram below set outs the proposed high level operating structure of the Brunel Company.



5.4 Contractual arrangements

The contractual relationship between the Administering Authorities and the BPP will be set out in a comprehensive **Services Agreement**. It will define the investment pooling and related services which the Brunel Company will perform, and the contractual terms which will apply to the delivery of those services.

The core contractual obligation of the Brunel Company will be to define and set up portfolios reflecting the detailed Strategic Asset Allocations of the BPP Administering Authorities, and to select investment managers who are capable of operating suitable Manager Operated Funds for each portfolio. The Brunel Company will be required contractually to maintain its FCA regulated status.

In support of that core contractual obligation, the Brunel Company will offer a number of subsidiary services to the Administering Authorities. These services will cover such matters as custody and investment administration, financial performance reporting, responsible investment, investment research, investment accounting, risk management, transition management, cash management, etc. Where appropriate and necessary, the Brunel Company will contract with third party service providers to procure services that will not be provided internally (e.g. custody, transition management, HR services).

5.5 Brunel Company and procurement issues

A legal review has concluded that a decision by the Administering Authorities to enter into the Services Agreement, and thereby procure the services of the Brunel Company, will be exempt from the application of the public contract procurement procedures (as set out in the Public Contracts Regulations 2015). This legal review was undertaken by Osborne Clarke, and included obtaining a legally privileged opinion from Leading Counsel (a QC) who specialises in procurement law. The Osborne Clarke advice and the QC opinion have been provided to Chief Legal Officers.

5.6 Brunel Company and FCA authorisation

In order to meet this core contractual obligation the Brunel Company will need to be FCA regulated. A key consideration in that respect is being clear on the FCA permissions that will be required, taking into account the Brunel Company's activities. A legal review has concluded that there is a very strong likelihood that the BPP will involve the creation of a Collective Investment Scheme, with the Brunel Company acting as the operator. This legal review was undertaken by Osborne Clarke, and included obtaining an opinion from Leading Counsel (a QC) who specialises in FCA regulatory

law. The Osborne Clarke advice and the QC opinion have been provided to Chief Legal Officers.

The project timetable allows for the appropriate permissions to be obtained from the FCA. The Brunel Company will be required contractually to maintain its FCA regulated status, and as such its board of directors will have to maintain compliance with the FCA's applicable rules and procedures for a regulated entity carrying out activities of the type envisaged.

5.7 Personnel implications

A legal review by Osborne Clarke of the relevant employment law has reached an initial conclusion that the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("**TUPE**") will not apply if employees currently employed in the pension functions of any of the Administering Authorities move to the Brunel Company as a result of any selection and employment process. The position on TUPE will be confirmed when any employee migration from an Administering Authority to the Brunel Company takes place.

The Cabinet Office Guidance on Staff Transfers in the Public Sector ("**COSOP**") sets out a framework for TUPE-style protections to be afforded to employees involved in public sector reorganisations, in circumstances where there is not a relevant transfer within the meaning of the TUPE legislation. While local authorities are not legally bound to observe COSOP, it is intended that, so far as possible, the principles of COSOP will be adhered to.

In summary, subject to the detailed legal advice, it is envisaged at this stage any employees who move from employment with an Administering Authority to the Brunel Company will receive TUPE-equivalent protection.

5.8 Risk allocation

Under the BPP structure, the Administering Authorities will retain the key investment risk of designing the detailed Strategic Asset Allocation for their Fund. Taking that into account, the Brunel Company will provide to the Administering Authorities the key investment management service of selecting, appointing and monitoring the investment managers operating the various Manager Operated Funds. Related services, also provided by the Brunel Company, will include such matters as custody, performance reporting and transition management services.

While as noted the key investment risk will be retained by the Funds, it is apparent that the Brunel Company will take on a contractual risk for

providing investment management and related services to the Administering Authorities. Previously, the tasks of selecting, appointing and monitoring fund managers has been undertaken by local pension funds, with input from external professional advisers where necessary.

Where relevant services cannot be provided by the in-house resources of the Brunel Company third party service providers will be appointed (for example, providers of custody, performance analytics, data management and investment accounting services). To that extent, the risk transfer to the Brunel Company will be mitigated by the appointment of third party service providers.

The directors of the Brunel Company will owe the normal fiduciary and other duties that any director owes to an FCA regulated company. Additionally, all staff will owe contractual duties to the Brunel Company as their employer, and as set out in their individual employment contracts. During the next development phase the use of possible risk mitigation arrangements, including Directors' & Officers' liability insurance and Professional Indemnity insurance, will be investigated and agreed.

5.9 Charging mechanism

In the Financial Model, Brunel Company costs are assumed to be split between the ten Administering Authorities using an equitable approach to cost sharing. This allows for approximately half of the costs to be split equally between the ten Administering Authorities and the remainder to be split in proportion to assets under management. This modelling is intended to capture the ultimate reality of Brunel Company operation, when the pricing policy for its services is likely to contain both fixed and marginal elements.

The charging mechanism that will actually apply when the BPP becomes operational will be decided after taking into account a range of alternative charging methodologies, and will be determined by agreement between the Administering Authorities.

5.10 Development costs and implementation timescale

Under the project timetable the indicative time for the Brunel Company to be set up with appropriate ownership and governance arrangements is Spring 2017. Work on the development of its operational capability will continue in the interim period.

The Memorandum of Understanding (MoU) agreed between the Administering Authorities in September 2015 stated that the Brunel project development costs would be split equally between the participating funds

(i.e. a tenth each). It has cost £1.2m (£0.12m per fund) to take matters to the FBC stage, including the preceding Strategic and Outline Business Cases (submissions to Government in February and July).

A new MoU has been drawn up and reviewed by the Finance and Legal Assurance Group (to be ratified by the Shadow Oversight Board), to cover the period from December 2016 until the permanent Brunel Company arrangements are in place. This update will refresh arrangements on collaborative working, decision-making and cost allocation during that period. The MoU includes provision for charging the time of officers assigned to BPP project roles. Up to this point the cost of such officer time has been absorbed by each Administering Authority.

Development costs will continue to be allocated to Administering Authorities on an equal share basis. The initial projected future development costs up to April 2018 are £3.3m (£0.33m per fund). This includes working and regulatory capital for the Brunel Company of £2.0m (£0.2m per fund). Any change in the development budget will be subject to approval by Administering Authorities. The Brunel Company will also have operating costs as it builds capability from its inception in 2017, which will be invoiced separately.

6. MANAGEMENT CASE

6.1 Introduction

The purpose of the Management Case is to describe how the BPP proposal will be delivered successfully. The focus is on effective project management during the next phase, including proposals for addressing relevant risks for the Administering Authorities and the successful delivery of the challenges of change management for a project of this nature.

6.2 Project management arrangements

The level of project management resource required to ensure the successful delivery of the BPP proposal will be kept under regular review. The next development phase is likely to be demanding with a significant amount of work to be done on a range of matters. These will include setting up the Brunel Company's governance and contractual arrangements, addressing all relevant operational matters including staff recruitment, and preparing for submission of the FCA application.

A particular challenge will be ensuring that these tasks can be delivered in parallel with the appointment of the Brunel Company's leadership team, including the Chair. The permanent staff appointments will take place throughout the remainder of the project, so the project structure will evolve

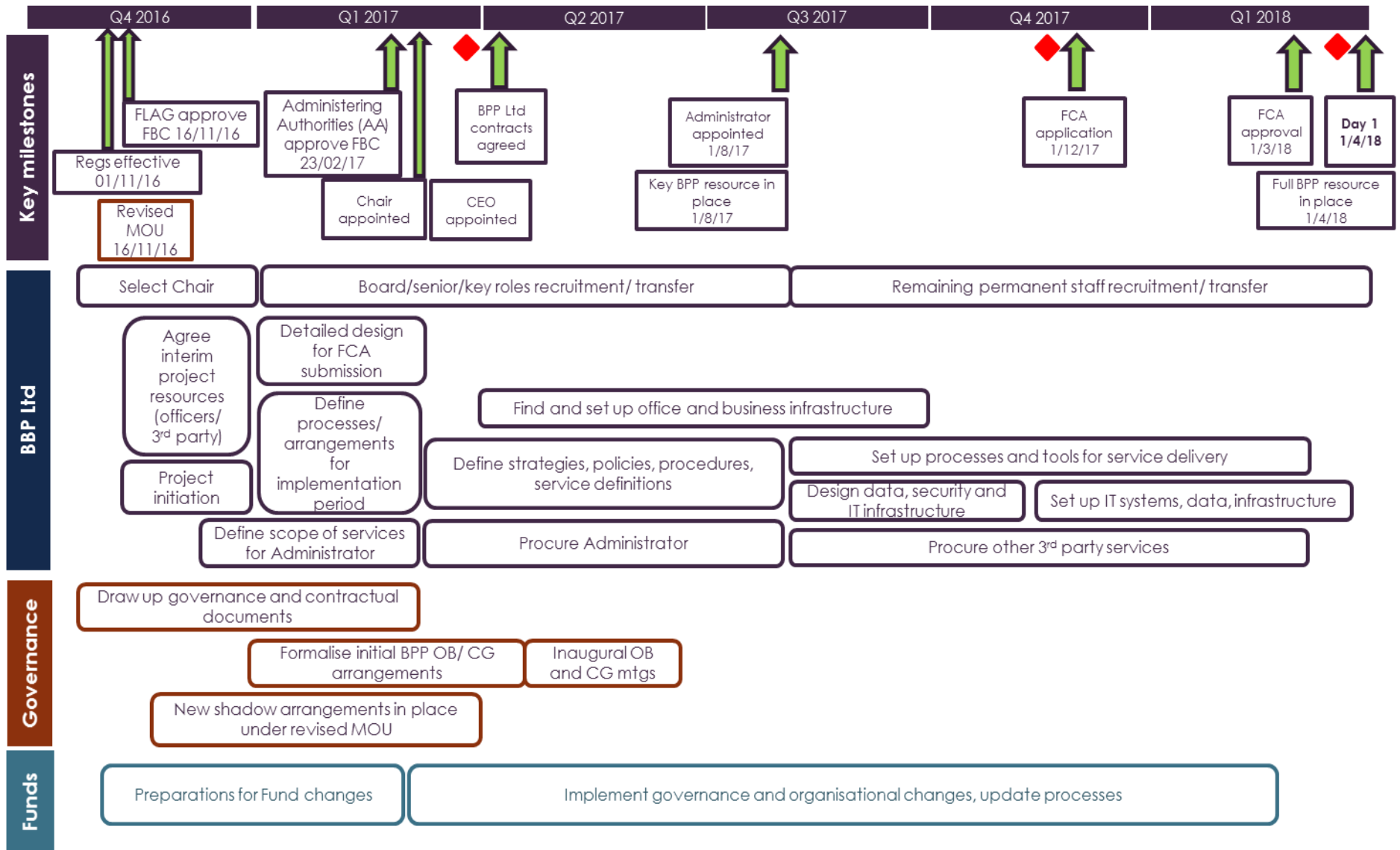
during the lifecycle of the project. They will be key in providing continuity of leadership and direction while other resource changes are underway.

Any non-permanent assignments of officers to support the Brunel Company set-up and resourcing will be progressed on an interim basis.

Conflicts of interest may emerge, and if so they will be carefully managed by establishing clear accountabilities and resource allocation.

The following diagram provides an indicative overview of the programme activities and the key milestones:

Brunel Pension Partnership – Stage 3b: implementation PLAN 1 - Key decision points and high level activities ◆ = formal review points



6.3 Benefits realisation and risk management

The delivery of the expected benefits of pooling will be through the operation of the Brunel Company and the services it delivers to the Brunel Funds. It will be monitored by the Oversight Board and Client Group, using the reporting activities provided by the Brunel Company.

A comprehensive risks register is already in place and will continue to be maintained by the Project Office. The risks will be further categorised to identify those risks directly to the Funds and those directly applicable to the Brunel Company. The risks will be reported to the programme and project management teams through regular status reports. Very high risks or those requiring urgent action to manage will be escalated as needed. A copy of the risk register is attached at Annex 9.

6.4 Project milestones and gateways

Meetings of the Brunel Administering Authorities are scheduled to take place between 2 December 2016 and 23 February 2017. At these meetings Resolutions for in principle decisions to approve investment pooling will be considered, with appropriate delegations being granted to progress the next development phase. The approval by Administering Authorities of these Resolutions will mark a key milestone in the establishment of the BPP investment pool.

Further formal reviews that the project has progressed in line with the provisions agreed in the FBC will be held prior to the key milestones. These include the appointment of the Brunel Company Chair (early 2017), set-up of the Brunel Company and agreement of the key shareholder and other corporate documents (by Spring 2017), submission of the Brunel Company's FCA application (by November 2017), and operational readiness for commencement of pooling (by April 2018).

Project Title: Brunel (Brunel Pension Partnership)

Full Business Case (FBC) Document List

LIST OF FULL BUSINESS CASE DOCUMENTS

The Full Business case is made up of a number of documents, which are listed below.

The main Full Business case document has been written as a standalone document that can be provided to Councils with a subset of annexes.

Other forums may require the full set of the main FBC, the detailed cases and referenced documents.

The papers referenced in the cases are categorised into

- Annexes, which are primary references to read with the Full Business Case sections
- Supporting Information, which are secondary references providing further detail or background information.

Those papers that are commercially sensitive or legally privileged are noted as Part II/ Official Sensitive.

The full business case proposal documents are marked *. The details are subject to review during stage 3b

Main FBC and Detailed Cases

Part II or open	Type	Ref	Title	Description	FBC Sections
Open	Index	A1	BPP FBC Document List	This document. A full list of all documents forming the Full Business Case	n/a
Open	Template	FBC 1	BPP FBC [fund] template	Main FBC with the pool details and spaces for the individual tables and text markers, which need to be replaced with individual fund names.	n/a
Open	Main FBC	FBC (Avon)	BPP FBC Final (Avon)	Main FBC with pool and Avon Fund details	n/a
Open	Main FBC	FBC (Bucks)	BPP FBC Final (Buckinghamshire)	Main FBC with pool and Buckinghamshire Fund details	n/a
Open	Main FBC	FBC (Cornwall)	BPP FBC Final (Buckinghamshire)	Main FBC with pool and Cornwall Fund details	n/a
Open	Main FBC	FBC (EAPF)	BPP FBC Final (EAPF)	Main FBC with pool and EAPF Fund details	n/a
Open	Main FBC	FBC (Devon)	BPP FBC Final (Devon)	Main FBC with pool and Devon Fund details	n/a
Open	Main FBC	FBC (Dorset)	BPP FBC Final (Dorset)	Main FBC with pool and Dorset Fund details	n/a

Open	Main FBC	FBC (Gloucestershire)	BPP FBC Final (Gloucestershire)	Main FBC with pool and Gloucestershire Fund details	n/a
Open	Main FBC	FBC (Oxfordshire)	BPP FBC Final (Oxfordshire)	Main FBC with pool and Oxfordshire Fund details	n/a
Open	Main FBC	FBC (Somerset)	BPP FBC Final (Somerset)	Main FBC with pool and Somerset Fund details	n/a
Open	Main FBC	FBC (Wiltshire)	BPP FBC Final (Wiltshire)	Main FBC with pool and Wiltshire Fund details	n/a
Part II	Detailed Case	FBC 2	BPP FBC 2 Strategic Case	Detailed FBC – Strategic case section	
Part II	Detailed Case	FBC 3	BPP FBC 3 Financial Case	Detailed FBC – Financial case section	
Part II	Detailed Case	FBC 4	BPP FBC 4 Economic Case	Detailed FBC – Economic case section	
Part II	Detailed Case	FBC 5	BPP FBC 5 Commercial Case	Detailed FBC – Commercial case section	
Part II	Detailed Case	FBC 6	BPP FBC 6 Management Case	Detailed FBC – Management case section	

Annexes for Councils

Part II or open	Type	Ref	Title	Description	FBC Sections
Part II	Annex	1	BPP FBC 3 Financial Case	Detailed FBC – Financial case section	3.2 The BPP financial model 3.3 The core model 3.6 Future opportunities - internal mangement 3.7 Core model - foundation of the full business case
Open	Annex	2a	BPP Stage 3b Current Risk Register Summary	BPP Stage 3b Risks Summary as at October 2016	6.3 Benefits realisation and risk management
Part II	Annex	2b	BPP Stage 3b Current Risk Register details	BPP Stage 3b Risks Register as at October 2016	6.3 Benefits realisation and risk management

Full Set of Annexes and Supporting Information

Part II or open	Type	Ref	Title	Description	FBC Sections
Open	Annex	A1	FBC Glossary	Glossary of terms and acronyms	for all sections
Open	Annex	A2	FBC Bibliography v1	List of documents used in development of the FBC in addition to the Annexes and Supporting Information	for all sections
Open	Annex	2.9.3	BPP Stage 3b Current Risk Register Summary	BPP Stage 3b Risks Summary as at October 2016	Main FBC: 6.3 Benefits realisation and risk management Strategic Case: 2.9.3 High risks Management Case: 6.8 Arrangements for risk management
Part II	Annex	2.9.3b	BPP Stage 3b Current Risk Register Details	BPP Stage 3b Risk Register details as at October 2016	Main FBC: 6.3 Benefits realisation and risk management Strategic Case: 2.9.3 High risks Management Case: 6.8 Arrangements for risk management

Part II	Annex	3.1	[file name to be confirmed] (spreadsheet)	Financial model 5 from PwC*	Financial Case: 3.1 Introduction
Part II	Annex	4.6	BPP model - list of assumptions v3	Financial model assumptions from PwC*	Economic Case: 4.6. Economic appraisal
Open	Annex	6.4a	Project Brunel Stage 3b project plan - starting point draft v0.5 A3	Initial starting point draft for more detailed stage 3b plan *	Management Case: 6.4 Programme and project plans
Open	Supporting Information	2.2.2	New Investment Regulations Extracts	A: Investment Strategy Statement (2016 requirement) comparison of Investment Principles (2009) B: Extract of Investment Regulations (2016) regulation 8	Strategic Case: 2.2.2 Regulations reform 2.4.1.1 Operating within investment regs
Open	Supporting Information	2.2.3	MoLG letter to BPP Chairs on Feb Submission	Letter to BPP Chairs from Marcus Jones, minister for Local Government, regarding February 2016 Submission	Strategic Case: 2.2.3 Consultation response
Open	Supporting Information	2.4.1.2	Governance arrangements	Analysis of the existing funds' governance arrangements and the changes required for pooling *	Strategic Case: 2.4.1.2 Governance arrangements
Open	Supporting Information	2.4.1.4	Investment Principles	BPP Investment principles *	Strategic Case: 2.4.1.4 Business strategies and pooling

Part II	Supporting Information	2.5.2	Funds' Existing and Future Arrangements v2.1 draft	Summary of current arrangements, breakdown of resources and details of fund managers	Strategic Case: 2.5.2 Existing arrangements 2.4.1.3 Operational structures and primary activities
Open	Supporting Information	2.6.3	Project Pool Internal Management Benefits	Extract from Project Pool evaluation of the benefits of internal management	Strategic Case: 2.6.3 Developing active internal management capability
Open	Supporting Information	4.2	Rent Versus Build	PwC report: Analysis of rent vs build options for BPP	Economic Case: 4.2 Evaluation of the options
Part II	Supporting Information	5.1.2a	Legal summary of governance and structure	Osborne Clarke summaries of the key governance and contractual documentation*	Commercial Case: 5.1.2 Governance arrangements
Part II	Supporting Information	5.1.2b	Brunel appointment process 20161005	PwC report on proposed appointment process, roles and company structure*	Commercial Case: 5.1.2 Governance arrangements
Part II	Supporting Information	5.5.1	bfinance - Brunel business case review 20160929	bfinance evaluation of the business case, with portfolio assurance	Commercial Case: 5.5.1 Portfolio construction assurance
Part II	Supporting Information	5.5.2	Portfolio specifications (25 documents)	Portfolio specifications (with 25 documents for individual specifications and covering page) *	Commercial Case: 5.5.2 Portfolio specifications

Part II	Supporting Information	5.5.3	Asset allocation to portfolios	Asset allocations to portfolios for each fund *	Commercial Case: 5.5.3 Portfolio allocations
Part II	Supporting Information	5.6	Pension Fund Investment Activities and Brunel company Services	Pension Fund investment activities mapped to required services from Brunel company *	Commercial Case: 5.6 Required services
Open	Supporting Information	5.6.1.3a	Reporting and Monitoring Framework	Reporting and Monitoring Framework *	Commercial Case: 5.6.1.3 Reporting
Open	Supporting Information	5.6.1.3b	Sample Reports	Sample reports *	Commercial Case: 5.6.1.3 Reporting
Open	Supporting Information	5.6.2	Approach to responsible investment	Approach to responsible investment: regulatory and service requirements and delivery *	Commercial Case: 5.6.2 Responsible investment
Open	Supporting Information	5.8.1	Cost sharing Principles	BPP cost sharing principles *	Commercial Case: 5.8.1 cost sharing principles
Open	Supporting Information	6.4b	Stage 4 Timetable	Stage 4 (asset transition) high level timetable *	Management Case: 6.4 Programme and project plans
Open	Supporting Information	6.7	Benefits realisation plan v1	Financial and qualitative benefits realisation plan and measurement *	Management Case: 6.7 Arrangements for benefits realisation and post project evaluation

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Project Title: Brunel (Brunel Pension Partnership)

Full Business Case (FBC)

Annex A1: FBC Glossary of Terms

Term	Previously referred as	Meaning
Administering Authority (AA) Administering Authorities (AAs)	also known as Participating Authority, Fund	Administering Authorities are the Councils or Boards who are accountable for the LGPS Funds within the pools.
Alpha FMC	not applicable	Specialist adviser - FCA authorisation
Alternative Investment Fund Managers (AIFM)	not applicable	An EU law on the financial regulation of hedge funds, private equity, real estate funds, and other "Alternative Investment Fund Managers" (AIFMs) in the European Union.
Articles of Association	not applicable	This document is required by company law, and will set out the constitution of the company and regulate the relationship between the Administering Authorities as shareholders and the Brunel Company. It sets out the powers and procedures of the Brunel Company.
Assets Under Management (AUM)	sometimes called funds under management (FUM)	This measures the total market value of all the financial assets which a financial institution such as a mutual fund, venture capital firm, or brokerage house manages on behalf of its clients and themselves.
Authorised Contractual Scheme (ACS)	not applicable	An investment vehicle and fund manager, based in the UK, that allows LGPS pension funds or other organisations with money to invest alongside each other - while keeping a clear record of who owns what.
Bfinance	not applicable	Specialist in Investment Markets - Financial
BPP Administering Authorities	Participating Authorities	Authorities participating in the Brunel Pension Partnership. They will each retain sole responsibility for setting the detailed Strategic Asset Allocation for their Fund and allocating their asset to the outcome focused 'portfolios' provided by the Brunel company
BPP model	Segregated CAP	The model of the proposal legal structure of the pool
Brunel Board	Brunel Manager Board	Board of executive and non-executive directors, leading the Brunel company
Brunel Company	CAP (Collective Asset Pool), Brunel Manager	The entity that will manage the pooled investments. It will be an FCA authorised company, with permission to act as operator of the Brunel CIS
Brunel Executive Directors (ED)	not applicable	Executive directors of the Brunel company
Brunel Pension Partnership Limited (BPP Ltd or Brunel company)	Brunel company or Brunel Manager	A new FCA regulated company which will be wholly owned by the Administering Authorities. It will be responsible for implementing the asset allocation strategies of the BPP Funds by investing Fund assets within defined 'portfolios'. In particular, it will research and select the investment funds needed to meet the requirements of the detailed Strategic Asset Allocations. These investment funds will be operated by professional external investment managers.
Chief Finance Officer (CFO)	not applicable	A corporate officer primarily responsible for managing the financial risks of the corporation. This officer is also responsible for financial planning and record-keeping, as well as financial reporting to higher management. In the Local Authorities this is the S151 officer.
Chief Legal Officer (CLO)	not applicable	The chief lawyer of the legal department, usually in a company or a governmental department who minimizes its legal risks by advising the company's other officers and board members on any major legal and regulatory issues the company confronts, such as litigation risks. In the Local Authorities this is the Monitoring Officer.

Term	Previously referred as	Meaning
Client Group	Shadow Oversight Group (SOG)	Group comprised primarily of Pension Officers drawn from each of the Administering Authorities. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function. In effect, it will provide a client-side link between the Oversight Board and the Brunel Company and therefore as appropriate will also draw on administering authorities finance and legal offices.
Client Group (CG)	Shadow Operations Group (SOG) (change @ 01 April 2018)	Sub-committee of the Oversight Board, it is responsible for the client oversight of the Brunel manager on a day to day basis. It will include Fund officers with investment and contract management expertise.
Collective Investment Scheme (CIS)	not applicable	An investment scheme in which profits or income is shared through collective investment, and the participants of the scheme do not have any day-to-day control over the management of the assets or property.
Cross Pool Collaboration Group (CPCG)	not applicable	A collaborative group across 8 pools in the UK
Department for Communities and Local Government(DCLG)	not applicable	The UK Government department for communities and local government in England
Environment, Social and Governance (ESG)	not applicable	Refers to the three central factors in measuring the sustainability and ethical impact of an investment in a company or business.
FBC cases	not applicable	Strategic, financial, economic, commercial and management case.
Finance and Legal Assurance Group (FLAG)	not applicable	Finance and Legal Assurance Group (FLAG) with membership of each AAs equivalent to Chief Finance Officer (CFO) and Chief Legal Officer (CLO)) will sponsor the changes in the Funds and the arrangements for governance of the Brunel company.
Financial Conduct Authority (FCA)	not applicable	A financial regulatory body in the United Kingdom, but operates independently of the UK government, and is financed by charging fees to members of the financial services industry
Full Business Case (FBC)	not applicable	The document that captures the reasoning for the project. From this information, the justification for the project is derived
Full Time Employee (FTE)	not applicable	Employment in which a person works a minimum number of hours defined as such by his/her employer. Full-time employment often comes with benefits that are not typically offered to part-time, temporary, or flexible workers, such as annual leave, sick leave, and health insurance.
Government Actuary's Department (GAD)	not applicable	A department of the Government of the United Kingdom responsible for providing actuarial advice to public sector clients. It describes itself as providing "Actuarial analysis - For the public sector - From the public sector".
Her Majesty's Treasury (HMT)	sometimes referred to as the Exchequer, or more informally the Treasury,	The British government department responsible for developing and executing the government's public finance policy and economic policy.
Investment Strategy Statement (ISS)	not applicable	A set of rules, behaviours or procedures, designed to guide an investor's selection of an investment portfolio. Individuals have different profit objectives, and their individual skills make different tactics and strategies appropriate.
JLT Employee Benefits (JLT)	not applicable	Specialist adviser - Business case development/ project support
LGPS (Management and Investment of Funds) Regulations 2016 (Investment Regulations)	Draft LGPS (Management and Investment of Funds) Regulations 2016	Regulations 2016 (Investment Regulations) that came into effect 1 November 2016.
Local Authority Pension Fund (LAPF)	not applicable	One of the LGPS Funds and is part of the LPP pool.
Local Authority Pension Fund Forum (LAPFF)	not applicable	The UK's leading collaborative shareholder engagement group. The Forum provides a unique opportunity for Britain's local authority pension funds to discuss investment issues and shareholder engagement.
Local Government Association (LGA)	not applicable	An organisation which comprises local authorities in England and Wales. The LGA seeks to promote better local government; it maintains communication between officers in different local authorities to develop best practice. It also represents the interests of local government to national government.

Term	Previously referred as	Meaning
Local Government Pension Scheme (LGPS)	not applicable	A nationwide scheme and is a valuable part of the pay and reward package for employees working in local government or working for other employers participating in the Scheme and for some councillors. The Scheme is administered locally for participating employers through 99 regional pension funds
London Collective Investment Vehicle (London CIV)	not applicable	This pool consists of London's 32 boroughs and the City of London Corporation, but it is also open to the rest of the LGPS
LPP (London Pensions Partnership)	not applicable	This pool consists of Lancashire, Berkshire and the London Pension Fund Authority.
Management contract	Framework agreement	Legal contract between each Participating Authority and the Brunel company
Markets in Financial Instruments Directive II (MiFID II)		Investment firm under the Markets in Financial Instruments Directive (MiFID) means "any legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more investment activities on a professional basis"
National Audit Office (NAO)	not applicable	An independent Parliamentary body in the United Kingdom which is responsible for auditing central government departments, government agencies and non-departmental public bodies. The NAO also carries out Value for Money (VFM) audit into the administration of public policy.
Net Present Value (NPV)	not applicable	The value in the present of a sum of money, in contrast to some future value it will have when it has been invested at compound interest.
Office of Government Commerce (OGC)	not applicable	A UK government office that supported the public sector in procurement and acquisition. Their goal was to improve value to taxpayer, and as part of their remit they provided useful best practice advice on delivery of projects and programs
Official Journal of the European Union(OJEU)	not applicable	The publication in which all tenders from the public sector which are valued above a certain financial threshold according to EU legislation, must be published
Osborne Clarke (OC)	not applicable	Specialist adviser - Procurement and Legal
Outline Business Case(OBC)	not applicable	The second stage in developing a case for change. It is preceded by the Strategic Business Case (SBC) and followed by the Full Business Case (FBC)
Oversight Board (OB)	Shadow Oversight Board (SOB) (change @ 01 April 2018)	The senior client/shareholder group that oversees the Brunel Manager on behalf of the funds. It is made up of the funds' Pension committee chairs and an independent Chair, as for the SOB.
Oversight Board (OB)	Shadow Oversight Board (SOB)	This will be comprised of representatives from each of the Pension Committees. It will be set up by the BPP Administering Authorities (i.e. the 9 Councils, with the Environment Agency). Acting for the Administering Authorities, it will have ultimate responsibility for ensuring that the Brunel company delivers the services required to achieve asset pooling.
Pension Committee (PC)	not applicable	The primary committee accountable for the governance of a LGPS Fund. The actual name of the committee varies between Funds but this is the most common description and therefore is used as the generic title for this type of committee. It will therefore have a monitoring and oversight function, and will be able to consider relevant matters on behalf of the Administering Authorities, but will not have delegated powers to take decisions, including decisions requiring shareholder approval.
Project Office (PO)	not applicable	Creates and maintains the plan, track and report progress.
Portfolio	Sub-group	The grouping of the asset types to be available for funds. For example, Global Equities Core, Hedge funds, UK Gilts, LDI.
Portfolio group	Sub-fund group	The higher level category of asset types. For example, equities, alternatives, fixed interest.
PricewaterhouseCoopers LLP (PwC)	not applicable	Specialist adviser - Financial
PRojects IN Controlled Environments(PRINCE 2)	not applicable	This is a de facto process-based method for effective project management. Used extensively by the UK Government, PRINCE2 is also widely recognised and used in the private sector, both in the UK and internationally

Term	Previously referred as	Meaning
Public Sector Comparator (PSC)	not applicable	A tool used by governments in determining the proper service provider for a public sector project. It consists of an estimate of the cost that the government would pay were it to deliver a service by itself
Risk Potential Assessment (RPA)	not applicable	Standard set of high-level criteria against which the intrinsic characteristics and degree of difficulty of a proposed project are assessed. Used in the UK public sector to assess the criticality of projects and so determine the level of OGC Gateway Review required.
S151 Officer	not applicable	An officer appointed under section 151 of the Local Government Act 1972 which requires every local authority to appoint a suitably qualified officer responsible for the proper administration of its affairs
Scheme Advisory Board (SAB)	not applicable	A body set up under Section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110-113. It will seek to encourage best practice, increase transparency and coordinate technical and standards issues.
Secretary of State (SoS)	not applicable	A guidance that includes "the authority's approach to pooling of investments, including the use of collective investment vehicles and shared services"
Senior Responsible Owner/Officer (SRO)	not applicable	Provide leadership and direction, bringing together the perspectives of the members of the sponsoring groups, to ensure the pooling initiative meets its objectives and delivers the benefits. Ensure (with input from each AA) the authority is in place to implement the changes. Ensure the aims of the change continue to be aligned with the direction of AAs and government.
Shadow Operations Group (SOG)	not applicable	This group provides officer activity, support and knowledge to project. This is the future Client Group.
Shadow Oversight Board (SOB)	not applicable	A group with representatives (usually the Chair of the Pensions Committee) from each Administering Authority
Shareholders' Agreement	not applicable	Agreement between the Administering Authorities relating to their shareholdings in the Brunel Company.
South West (SW)	not applicable	A mainly rural region with an extended coastline along the English Channel and Bristol Channel. Stonehenge, the famous prehistoric stone circle, is found in Wiltshire
Strategic Business Case (SBC)	not applicable	The stage in developing the case for changes and is followed by the Outline Business Case (OBC) and then the Full Business Case (FBC).
Transfer of Undertakings (Protection of Employment) (TUPE)	not applicable	Regulations which protect employment rights when employees transfer from one business ("the transferor") to another ("the transferee").
Value Added Tax (VAT)	not applicable	A tax on the amount by which the value of an article has been increased at each stage of its production or distribution.

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

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Division(s):N/A

PENSION FUND COMMITTEE – 2 DECEMBER 2016

RISK REGISTER

Report by Chief Finance Officer

Introduction

1. At the meeting on 11 March 2016, the Committee received a copy of the latest risk register for the Fund, and agreed that it should form a standard item for each quarterly meeting. This report therefore sets out any progress on the mitigation actions agreed for those risks not yet at target, and identifies new risks which have arisen since the initial register was produced.

Progress since Last Committee

2. The March risk register was the first produced in the new format, which introduced the concept of a target level of risk and the need to identify mitigation action plans to address those risks that were currently not at their target score. Many of the action plans were focused on long term improvements, and were dependent on the information to be produced following the 2016 Valuation Exercise. As such, no significant movement has been completed in the last quarter for these risks. Review dates have been amended to March 2017 to reflect when the data from the Actuary will be available.
3. The only risk where the risk score has moved significantly from the September report is risk 10 in respect of insufficient resources to deliver our responsibilities under the Regulations. This risk was initially focussed on the potential loss of skilled and experienced staff following relocation from Unipart House. The team have temporarily been relocated to Speedwell House, and whilst this has caused some operational difficulties, staff are happy with their proposed permanent location which should be available early next year, and have remained with us.
4. However, the recent issue with the delays in sending out the Annual Benefit Statements by the statutory deadlines has highlighted the resourcing issues associated with the backlog of work. This backlog has built up as staff have struggled to cope with incomplete, inaccurate and/or late data from employers, the complexity of the changing regulations and the growth in the number of employers. This backlog means many tasks are delayed as the scheme member records have not always been fully updated, and staff have to search through the data waiting to be checked, corrected and loaded to find what they need to complete a calculation. It is also the case that outstanding queries become harder to resolve the longer they are left.

5. Elsewhere on the agenda, proposals to address this risk and the on-going workload pressures are addressed.
6. A new risk has been added to the register at Risk 18. This covers the governance risk that the Committee could lose skills, knowledge and experience following the May elections. Whilst this can be mitigated to an extent by the induction programme developed for any new Committee members, 2017/18 will be a key year for the Committee with the detailed work to implement the pooling arrangements and to develop more robust arrangements for monitoring performance and risks.
7. Both the impact and likelihood scores for risk 13 were increased for the September report following concerns that the pension payroll file will not be compatible with the software used to transfer money to the accounts of the individual pensioners. As reported at the September meeting, the software suppliers did finally apply the right updates and ensure the compatibility of our files. Lessons learnt from this episode mean we believe we can reduce the likelihood score back down to unlikely.

RECOMMENDATION

8. **The Committee is RECOMMENDED to note the current risk register.**

Lorna Baxter
Chief Finance Officer

Background Documents: Nil

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

November 2016

Part D: Risk Register

Identification of Risks:

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

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

Key to Scoring

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

Likelihood

4	Very likely	This risk is very likely to occur (over 75% probability)
3	Likely	There is a distinct likelihood that this will happen (40%-75%)

2	Possible	There a possibility that this could happen (10% - 40%)
1	Unlikely	This is not likely to happen but it could (less than 10% probability)

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Direction of Travel
							Impact	Likelihood	Score			Impact	Likelihood	Score		
1	Investment Strategy not aligned with Pension Liability Profile	Financial	Pension Liabilities and asset attributes not understood and matched.	Long Term - Pension deficit not closed.	Service Manager	Triennial Asset allocation Review after Valuation.	4	2	8	Develop cash flow Model with Actuary. Gain greater understanding of employer changes. Review asset allocation.	March 2017	4	1	4	Mar 2017	→
2	Investment Strategy not aligned with Pension Liability Profile	Financial	Pension Liabilities and asset attributes not understood and matched.	Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	4	2	8	Develop cash flow Model with Actuary. Gain greater understanding of employer changes. Review asset allocation.	March 2017	4	1	4	Mar 2017	→
3	Investment Strategy not aligned with Pension Liability Profile	Financial	Poor understanding of Scheme Member choices.	Long Term - Pension deficit not closed. Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	3	2	6	Develop Improved Management Reports to benchmark, and monitor opt outs, 50:50 requests etc.	March 2017	3	1	3	Mar 2017	→
4	Under performance of asset managers or asset classes	Financial	Loss of key staff and change of investment approach.	Long Term - Pension deficit not closed.	Financial Manager	Quarterly review Meeting, and Diversification of asset allocations.	3	2	6			3	2	6		→
5	Actual results varies to key financial assumptions in Valuation	Financial	Market Forces	Long Term - Pension deficit not closed.	Service Manager	Moderation of assumptions at point of valuation. Asset allocation to mirror risk. Sensitivity analysis included in Valuation report.	3	2	6			3	2	6		→
6	Loss of Funds	Financial	Poor Control	Long Term -	Finan	Review of	3	1	3	Administration		3	1	3		→

	through fraud or misappropriation.		Processes within Fund Managers and/or Custodian	Pension deficit not closed	cial Manager	Annual Internal Controls Report from each Fund Manager. Clear separation of duties.				audit report identified this & only action agreed is to implement separation of duties on pension payroll by September 2016						
7	Employer Default - LGPS	Financial	Market Forces, increased contribution rates, budget reductions.	Deficit Falls to be Met By Other Employers	Pension Services Manager	All new employers set up with ceding employing under-writing deficit, or bond put in place.	3	2	6	Review all employers where there is no statutory covenant. Meeting held with actuaries	March 2017	2	2	4	Mar 2017	→
8	Inaccurate or out of date pension liability data – LGPS and FSPS	Financial & Administrative	Late or Incomplete Returns from Employers	Errors in Pension Liability Profile impacting on Risks 1 and 2 above.	Pension Services Manager	Monitoring of Monthly returns	4	3	12	Develop improved management reporting to highlight data issues at an earlier point in time. Develop escalation issues to ensure data issues are resolved at earliest point, including new charges, and improved training/guidance. Actions in progress	March 2017	3	1	3	Mar 2017	→
9	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative	Late or Incomplete Returns from Employers	Late Payment of Pension Benefits.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	3	2	6	Develop improved management reporting to highlight data issues at an earlier point in time. Develop	March 2017	3	1	3	Mar 2017	→

										escalation issues to ensure data issues are resolved at earliest point, including new charges, and improved training/guidance. In progress						
10	Insufficient resources to deliver responsibilities- LGPS and FSPS	Administrative	Budget Reductions	Breach of Regulation	Service Manager	Annual Budget Review as part of Business Plan.	4	3	12	Need to address backlog of work which is impacting on ability of staff to meet statutory deadlines.		4	1	4		↓
11	Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Governance	Poor Training Programme	Breach of Regulation	Service Manager	Training Review	4	2	8	Develop Needs Based Training Programme	June 2017	4	1	4	June 2017	→
12	Insufficient Skills and Knowledge amongst – LGPS and FSPS Officers	Administrative	Poor Training Programme and/or high staff turnover	Breach of Regulation and Errors in Payments	Service Manager	Training Plan. Control checklists.	3	1	3			3	1	3		↑
13	Key System Failure – LGPS and FSPS	Administrative	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme	4	1	4			4	1	4		↑
14	Breach of Data Security – LGPS and FSPS	Administrative	Poor Controls	Breach of Regulation	Pension Services Manager	Security Controls, passwords etc.	3	1	3			3	1	3		→
15	Failure to Meet Government Requirements on Pooling	Governance	Inability to agree proposals with other administering authorities.	Direct Intervention by Secretary of State	Service Manager	Full engagement in Project Brunel	5	1	5			5	1	5		→
16	Failure of	Financial	Sub-Funds	Long Term -	Service	Full	4	1	4			4	1	4		→

	Pooled Vehicle to meet local objectives		agreed not consistent with our liability profile.	Pension deficit not closed	ce Manager	engagement in Project Brunel										
17	Significant change in liability profile or cash flow as a consequence of Structural Changes	Financial	Significant Transfers Out from the Oxfordshire Fund, leading to loss of current contributions income.	In sufficient cash to pay pensions requiring a change to investment strategy and an increase in employer contributions	Service Manager	Engagement with Unitary Authority project to ensure impacts fully understood	4	2	8	Work with Fund Actuary to Understand Potential Implications to feed into project and investigate potential changes to investment strategy that can be implemented within required timescales		4	1	4	Mar 2017	→
18	Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Governance	Change in Committee membership post May 2017 elections.	Breach of Regulation	Service Manager	New Member Induction Programme	4	2	8	Assessment of need post election and induction programme reviewed to ensure meets requirements.		4	1	4	June 2017	New

Division(s): N/A

PENSION FUND COMMITTEE – 2 DECEMBER 2016

ADMINISTRATION REPORT

Report by the Chief Finance Officer

Introduction

1. This report is to update members of current issues within the Pension Services team from both management and operational perspectives. It also sets out the latest position in respect of the employers within the Oxfordshire Fund. The report also includes new requests for admission to the Fund, an update on previously approved applications and the write off of any amounts due to the Fund.

Performance Data / Data Quality

2. Last quarter's report noted that there had been an improved response from scheme employers with 78% providing end of year returns. Whilst the non-return rate of 22% looks high this is mainly from a couple of the smaller employers with multiple contracts each of which is recorded as a separate scheme employer, so overall, not a huge number of scheme members are affected by these non-returns.
3. In processing these returns significant issues were found with the data provided which is detailed at annex 1, leading to delays in loading data to provide to the actuaries for valuation purposes and delays in issuing annual benefit statements.
4. Members are aware that the Fund has reported the non-issue of all annual benefit statements to the Pension Regulator but as yet no further information has been requested.
5. In terms of the valuation data work has continued to resolve outstanding issues and to load all data ahead of making a second submission to the Fund actuaries on Monday 14 November.
6. Members of the Pension Board had asked for more detailed information about outstanding annual benefit statements which is shown at annex 2. This shows that 13% of active members are missing more than one annual benefit statement, and 3% are missing more than two annual benefits statements.
7. These outstanding data issues also affect the processing of leavers / refunds which in turn affects the issue of deferred annual benefit statements. This area of work is the one which has been most neglected in that it has and can be parked whilst the team are dealing with higher priority work and managing staffing levels. However, this work is clearly outside of the regulatory timescales and as such a risk to the fund.
8. Adding in the issues of employer restructures, outsourcing leading to an increasing number of scheme employers and member concerns and queries from working in

such an environment the team are finding that they simply cannot keep up and incoming work is building at a faster pace than work can be cleared, which is shown in the figures for October below:

Open cases brought forward	6952
New cases	930
Completed cases	- 635
Cases carry forward	7247
Increase	295

9. These concerns are reflected in the increased risk score in respect of the team's ability to deliver information to members in line with regulatory requirements which is reported in the risk register agenda item.

Solutions

10. The management of data received is the basis of all the work we do. Therefore, this is the key area to resource to ensure that the team are dealing with the volume of incoming data; identifying errors and queries quickly and making sure that data is sent back to employer for correction. As a team we will need to focus on better education and support for our scheme employers to make accurate and timely data returns.
11. At present this approach is somewhat fragmented across the team so in order to make our processes more efficient and robust the proposal is to create an "employer team" which would be responsible for all employer movements e.g. TUPE or conversion to academy status alongside receiving and monitoring all employer data coming in to the team. Sharing this work across a small team it is hoped will allow Pension Services to build better relationships with scheme employers and to manage the incoming data more quickly so that issues are resolved at an early stage or data is uploaded more quickly to allow the benefit team to process the work.
12. It is also intended that this team will receive end of year data to review before it is uploaded and to co-ordinate the resolution of queries across the whole administration team.
13. The data team would retain responsibility for uploading data to the pension system once cleared by the employer team, including the production of ABS. Since this team will be passing some work over to the newly created employer team it will take on more responsibility for project management of any new software or system improvements. This team would also retain responsibility for the administration of Fire Service Pension Scheme.
14. The Benefits team would then focus on all member administration from starting to leaving employment.
15. The best estimate of staffing required shown in the current and proposed structure charts at annex 3 would result in an overall increase in staffing of 4.31 FTE. Increasing staffing levels have been discussed with our colleagues at both Buckinghamshire and Gloucestershire Funds who find themselves in a similar position of having to increase staffing levels in order to maintain flow of work through the team.

16. In addition to changes to staffing levels the team are also looking at further changes to the pension software to automate process of submitting data. A demonstration has been arranged at the end of November.
17. In order to achieve a steady state more quickly Pension Services are also waiting for information about the new administration framework which could allow parts of the backlog of work to be contracted out to a third party administrator. Any work contracted out will be funded from the underspend on staffing to date.

Write Offs

18. In June 2015, the Committee reviewed the scheme of financial delegation and agreed the following:
- Write off of outstanding debts to the Local Government Pension Scheme above £10,000 need the approval of the Pension Fund Committee.
 - The authorisation of debt write offs up to and including £10,000 is delegated to the Service Manager (Pensions). For debts between £7,500 and £10,000 authorisation is in conjunction with the Chief Finance Officer.
 - For Debts below £500, authorisation of debt write off is delegated to the Pension Services Manager
 - All debts below £10,000 need to be reported to Committee following write off. This report provides the details of those debts written off in the last quarter.
19. In the current period, the Pension Services Manager has approved the write off of £34.04 chargeable to the pension fund in respect of six cases where the member has died.
20. In the period March 2016 to December 2016 a total of £307.78 has been written off, in respect of 23 cases where the member has died.

Update on Previous Applications for Admission

- Admission agreements need to be finalised in respect of:
 - The outsourcing from William Fletcher School to Carillion on 01 April 2016.
 - Optalis Ltd, second generation contract following on from Leonard Cheshire Disability, which was effective from 15 February.
 - The admission agreement between Age UK and Oxfordshire County Council is outstanding.
 - Civicare Oxford, a second generation contract following on from Allied Healthcare, effective 14 March 2016
 - The long outstanding admission agreement between Carillion and Oxfordshire County Council for the second transfer of staff has not yet been resolved despite reminders and meetings with Carillion.
 - Outsourcing from VWHDC / SODC to Capita, Vinci, Arcadis and Indigo to be finalised.

New Outsourcings / Academy Conversions

- Urgent Response Service from OCC
- Respite & short breaks for disabled children from OCC. Contract has been awarded to Barnardo's
- Gypsy and Traveller Site – outsourcing of management, from OCC
- 20/20 visioning project - WODC
- St Birinus and Didcot Girls School have merged to become the Didcot Academy of schools
- There are 8, possibly 10 schools converting to academy status in January and February. All schools will join existing multi academy trusts.

Completed Applications

- The application by Groundworks South has been completed bar paperwork for the bond.

Closures

- Civica's arrangement with St Birinus has ceased – this was on a pass through, so no closure valuation
- OCC contract with Oxford NHS Foundation Trust ceased on 30 September. This was a pass through and so no closure valuation required.

RECOMMENDATIONS

21. The Committee is RECOMMENDED to:

- (a) note current team performance;**
- (b) approve the increase in staffing levels;**
- (c) approve the write off of £34.04; and**
- (d) note the current positions with applications for admission to the fund and other employer changes.**

Lorna Baxter
Chief Finance Officer

Background papers: Nil

Contact Officer: Sally Fox; Pension Services Manager, Tel: (01865) 323854

November 2016

ANNEX 1

Employer Number	Employer Name	Fund Reference		Issued	Not Issued
00001	OXFORDSHIRE COUNTY COUNCIL	PA0101		7540	1017
00002	WEST OXFORDSHIRE DISTRICT COUNCIL	PA0102		169	24
00003	SOUTH OXFORDSHIRE DISTRICT COUNCIL	PA0103		189	1
00004	CHERWELL DISTRICT COUNCIL	PA0104		384	2
00005	VALE OF WHITE HORSE D C	PA0105		124	
00006	OXFORD CITY COUNCIL	PA0106	184 errors identified in provisional posting - 51 referred to employer to resolve	0	
00007	ABINGDON TOWN COUNCIL	PA0201		19	
00011	A2 DOMINION HOUSING	PA0306	04.11.16 - all queries cleared	0	
00012	CHIPPING NORTON TOWN COUNCIL	PA0202		5	
00014	DIDCOT TOWN COUNCIL	PA0203		14	
00017	HENLEY ON THAMES TOWN COUNCIL	PA0204		21	
00018	KIDLINGTON PARISH COUNCIL	PA0205		8	
00022	OXFORD ARCHAEOLOGICAL UNIT LTD	PA0314		71	2
00027	SWALCLIFFE PARK SCHOOL TRUST	PA0308		22	3
00028	THAME TOWN COUNCIL	PA0206		11	
00030	WALLINGFORD TOWN COUNCIL	PA0207		6	
00031	WITNEY TOWN COUNCIL	PA0208		14	
00032	CARTERTON TOWN COUNCIL	PA0209		6	
00033	WOODSTOCK TOWN COUNCIL	PA0222		4	
00034	OXFORD BROOKES UNIVERSITY	PA0109	Provisional run has identified a large number of queries e.g no information about new starters; leavers or multiple jobs.	0	
00036	BICESTER TOWN COUNCIL	PA0211		10	

Employer Number	Employer Name	Fund Reference		Issued	Not Issued
00037	SUTTON COURTENAY PARISH COUNCIL	PA0212		1	
00040	THE HENLEY COLLEGE	PA0110		99	
00048	CHINNOR PARISH COUNCIL	PA0213		4	
00049	SANCTUARY HOUSING	PA0304		0	
00050	CfBT THAMES CAREERS GUIDANCE	PA0305		1	
00061	WITNEY AND DISTRICT CITIZENS ADVICE BUREAU	PA0323		5	
00063	OXFORD COMMUNITY WORK AGENCY	PA0310	26/07 ready for provisional post	0	
00064	MARCHAM PARISH COUNCIL	PA0215		1	
00065	EYNHAM PARISH COUNCIL	PA0216	No return yet received	0	
00068	ROTHERFIELD PEPPARD PARISH COUNCIL	PA0217	No return yet received	0	
00070	CUMNOR PARISH COUNCIL	PA0219	Data uploaded - payment outstanding	1	
00071	ABINGDON AND WITNEY COLLEGE	PA0116		249	10
00072	BANBURY TOWN COUNCIL	PA0220		12	
00074	COTTSWAY HOUSING	PA0322		45	5
00075	Chalgrove Parish Council	PA0223		1	
00076	ORDERS OF ST JOHN	PA0309	Queries over whether overtime was contractual / No WTE provided	0	
00078	THAMES VALLEY PARTNERSHIP	PA0324		10	
00082	OXFORD HOMELESS PATHWAYS	PA0329		6	
00084	FARINGDON TOWN COUNCIL	PA0224		11	
00085	ACTIVATE LEARNING	PA0118		451	77
00086	CHARTER COMMUNITY HOUSING	PA0330		7	
00088	BERINSFIELD PARISH COUNCIL	PA0226		1	
00090	WHEATLEY PARISH COUNCIL	PA0227		1	
00091	BENSON PARISH COUNCIL	PA0228	Information re hourly rates requested to work out average hours and pay	0	

Employer Number	Employer Name	Fund Reference		Issued	Not Issued
00092	OYAP TRUST	PA0334		1	
00096	VALE CAPITA	PA0338		17	
00097	NORTH OXFORDSHIRE ACADEMY	PA0119	14/09 Revised end of year return received.	0	
00098	BARNARDO'S	PA0336		5	
00099	OXFORD ACADEMY	PA0120	05/10 approx 60 starter / leaver forms received - can now issue end of year queries	0	
00100	USEA	PA0339		1	
00102	OLD MARSTON PC	PA0229		1	
00104	FUSION LIFESTYLE	PA0342	Data received incorrect - following protracted correspondence now visiting employer at end November to resolve these	0	
00107	OXFORD HEALTH NHS FOUNDATION	PA0344		1	
00108	RM EDUCATION	PA0348		0	
00110	OXFORD SPIRES	PA0121	Query on some pay increases	0	
00111	OXFORD CITIZENS HOUSING	PA0349		0	
00112	COMMUNITY VOICE	PA0350		3	
00113	RADLEY PARISH COUNCIL	PA0230		2	
00114	VALE ACADEMY TRUST	PA0122	07/10 ready for provisional posting	0	
00115	WALLINGFORD ACADEMY	PA0123	07/10 ready for provisional posting	0	
00116	LEONARD CHESHIRE HOMES / OPTALIS LTD	PA0352	22/07 data received	0	
00117	ALLIED HEALTHCARE	PA0351	02/08 data received	0	
00118	RUSH COMMON SCHOOL	PA0128	13/10 new return received - now balanced	0	2
00119	GILLOTTS SCHOOL	PA0127	13/10 new return received - now balanced	0	8
00120	BARTHOLOMEW ACADEMY	PA0126	?	0	

Employer Number	Employer Name	Fund Reference		Issued	Not Issued
00121	CHIPPING NORTON ACADEMY	PA0125	13/10 new return received - now balanced	0	
00122	LANGTREE ACADEMY	PA0131	13/10 new return received - now balanced	0	
00123	RIVER LEARNING TRUST (CHERWELL ACADEMY)	PA0130	13/10 new return received - now balanced	0	
00124	FARINGDON ACADEMY	PA0129	13/10 new return received - now balanced	0	
00125	HANWELL FIELDS ACADEMY	PA0124	14/09 new return received	0	
00126	MILL ACADEMY (WAS HENRY BOX SCHOOL)	PA0133	13/10 new return received - now balanced	0	
00127	BURFORD ACADEMY SCHOOL	PA0134	13/10 new return received - difference to query	0	
00128	LONG HANBOROUGH PARISH COUNCIL	PA0231		3	
00129	DIDCOT ACADEMY SCHOOL	PA0136	13/10 new return received - now balanced	0	
00130	ASPIRATIONS ACADEMY TRUST	PA0135	Issue with multiple jobs - requested unique references plus pay and hour data to distinguish jobs	0	
00131	CAPITA SYMONDS	PA0353		4	
00132	CARILLION (AMBS) LTD	PA0354	Outstanding errors to resolve	0	
00133	NORTHERN HOUSE SCHOOL	PA0139		0	
00134	LORD WILLIAMS ACADEMY	PA0138	Return balanced and posted - queries indicated wrong CARE pay provided so revised return received 29/09. Manual amendment to be made to data already posted	0	
00135	ST BIRINUS ACADEMY	PA0137	13/10 new return received - now balanced	0	
00136	OXFORD DIOCESAN TRUST	PA0140	?	0	

Employer Number	Employer Name	Fund Reference		Issued	Not Issued
00137	MARLBOROUGH ACADEMY SCHOOL	PA0141	13/10 new return received - now balanced	0	
00138	HOME FARM TRUST SOUTH VALE 1	PA0361		0	
00139	HOME FARM TRUST SOUTH VALE 2	PA0362		0	
00140	CAMDEN SOCIETY CITY 1	PA0359		0	
00141	CAMDEN SOCIETY CITY 2	PA0360		0	
00142	CAMDEN SOCIETY NORTH 1	PA0358		0	
00143	PROPELLER ACADEMY TRUST	PA0146	13/10 new return received - now balanced	0	
00144	CAMDEN SOCIETY WEST	PA0357		0	
00145	GOSFORD HILL ACADEMY	PA0143	13/10 new return received - now balanced	0	
00146	CHENEY ACADEMY	PA0144	13/10 new return received - now balanced	0	
00147	EUROPA SCHOOL UK	PA0142		21	1
00148	CARE OUTLOOK	PA0355		5	
00149	REABLEMENT	PA0363	?	0	
00150	THE IFFLEY ACADEMY (ISIS ACADEMY SCHOOL)	PA0145	13/10 new return received - now balanced	0	
00151	BLACKBIRD ACADEMY	PA0152	?	0	
00152	SONNING COMMON PARISH COUNCIL	PA0232		2	
00153	DOMINIC BARBERI ACADEMY	PA0147	13/10 new return received - now balanced	0	
00154	LADYGROVE PARK PRIMARY	PA0148	13/10 new return received - now balanced	0	
00155	ST JOHNS PRIMARY	PA0149	13/10 new return received - now balanced	0	
00156	MANOR SCHOOL	PA0150	13/10 new return received - now balanced	0	3

Employer Number	Employer Name	Fund Reference		Issued	Not Issued
00157	WILLOWCROFT PRIMARY SCHOOL	PA0151	13/10 new return received - now balanced	0	
00158	BLOXHAM PARISH COUNCIL	PA0234		1	
00159	ABBEY WOODS ACADEMY	PA0153	Waiting for starter / leaver information	0	
00160	TYNDALE COMMUNITY SCHOOL	PA0154		5	
00162	CHOLSEY PRIMARY SCHOOL	PA0156	13/10 new return received - now balanced	0	
00163	SKANSKA CONSTRUCTION UK LTD	PA0364		32	
00165	SCHOOL LUNCH COMPANY - TOWER HILL	PA0365	?	0	
00166	INNOVATE SERVICES - COOPER	PA0379	?	0	
00167	CIVICA ST BIRINUS	PA0369		1	
00168	FRESH START - BLOXHAM	PA0367	?	0	
00169	BANBURY MUSEUM TRUST	PA0370		10	
00170	CATERLINK	PA0371	Waiting for confirmation of final pay	0	
00171	JOHN MASON SCHOOL	PA0155	13/10 new return received - now balanced	0	
00172	HEYFORDIAN SCHOOL TRUST	PA0157	13/10 new return received - now balanced	0	
00174	CARA SERVICES LTD	PA0372		0	
00176	WHEATLEY AREA LEARNING TRUST	PA0159	13/10 new return received - now balanced	0	
00177	PAM WELLBEING LTD	PA0374		1	
00178	BICESTER LEARNING ACADEMY	PA0160	? Outstanding queries	0	
00179	RAMSDEN PARISH COUNCIL	PA0233		1	
00180	POPE FRANCIS MULTI ACADEMY	PA0161	? Outstanding queries	0	
00182	HAYWARD SERVICES LTD	PA0375		0	
00184	ENDEAVOUR ACADEMY	PA0162		1	

Employer Number	Employer Name	Fund Reference		Issued	Not Issued
00185	RADCLIFFE ACADEMY TRUST	PA0163	13/10 new return received - now balanced	0	
00186	HAYWARD SERVICES ICKNIELD		Check if contract started	0	
00187	OXFORD ACTIVE LIMITED	PA0384		2	
00188	RAPID COMMERCIAL CLEANING LTD	PA0382		1	
00189	UBICO LIMITED	PA0381		21	
00190	GREENWICH LEISURE LTD	PA0378		0	
00191	SCHOOL LUNCH CO - ST JOSEPH	PA0390		0	
00192	SCHOOL LUNCH CO - ST J FISHER	PA0391		1	
00193	SCHOOL LUNCH CO - THE BATT	PA0611		1	
00194	SCHOOL LUNCH CO - ST CHRISTOPHER'S	PA0622		0	
00196	SCHOOL LUNCH CO - STANDLAKE	PA0624		0	
00197	SCHOOL LUNCH CO - WYCHWOOD	PA0612		0	
00198	SCHOOL LUNCH CO - ST MARYS	PA0608		0	
00199	SCHOOL LUNCH CO - WHITCHURCH	PA0613		0	
00200	SCHOOL LUNCH CO - JOHN HENRY NEWMAN	PA0621		0	
00201	SCHOOL LUNCH CO - COMBE	PA0614		0	
00202	SCHOOL LUNCH CO - STONESFIELD Catering	PA0610		0	
00204	SCHOOL LUNCH CO - APPLETON	PA0389		0	
00205	SCHOOL LUNCH CO - BISHOP LOVEDAY	PA0604		0	
00206	SCHOOL LUNCH CO - BRIZE NORTON	PA0605		0	
00207	SCHOOL LUNCH CO - HOOK NORTON	PA0615		0	
00208	SCHOOL LUNCH CO - EVANGELIST (St John the)	PA0607		0	
00209	SCHOOL LUNCH CO - CHESTERTON	PA0380		0	
00210	DRAYTON PARISH COUNCIL	PA0235		1	

PA0235

Employer Number	Employer Name	Fund Reference		Issued	Not Issued
00211	WEST OXFORD SCHOOL TRUST (MATTHEW ARNOLD)	PA0164		0	
00212	WARRINER MAT	PA0165	CARE pay incorrect - waiting correction	0	
00213	ACTIVATE BICESTER COLLEGE	PA0167		55	5
00214	ACTIVATE - UTC OXFORDSHIRE	PA0168		11	
00216	SCHOOL LUNCH CO - ST KENELMS	PA0623		0	
00217	SCHOOL LUNCH CO - NORTH HINKSEY	PA0619		0	
00218	SCHOOL LUNCH CO - BADGEMORE	PA0620		0	
00219	SCHOOL LUNCH CO - QUEENSWAY	PA0606		0	
00220	E&W: Banbury Dashwood	PA0392	With employer liaison to resolve	0	
00221	E&W: Benson CofE Primary	PA0393		0	
00222	E&W: Caldecott Primary	PA0395		0	
00223	E&W: Chilton Primary	PA0396		0	
00224	E&W: Hailey Primary	PA0388		0	
00225	E&W: New Marston Primary	PA0397		0	
00226	E&W: Rush Common Primary	PA0387		0	
00227	E&W: St Andrews CofE Primary	PA0399		0	
00228	E&W: St Marys CofE Primary	PA0600		0	
00229	E&W: St Nicolas' CofE Primary Abingdon	PA0601		0	
00230	E&W: St Nicolas' Primary Old Marston	PA0386		0	
00231	E&W: Wolvercote Primary	PA0385		0	
00232	E&W: Bladon CofE Primary	PA0394		0	
00233	E&W: Orchard Fields Primary	PA0398		0	
00234	E&W: William Morris County Primary	PA0602		0	
00235	E&W: Willowcroft Community School	PA0603		0	
00236	E&W: Brightwell-cum-Sotwell	PA0625		0	
00237	Chartwells (Wheatley Park)	PA0618		0	
00238	Fresh Start - Langford Primary	PA0383		0	
00239	GLF William Morris Primary	PA0169		20	1

Employer Number	Employer Name	Fund Reference	Issued	Not Issued
00240	Kennington Parish Council		0	
00241	Optalis Ltd		0	
00242	Civicare Oxford Ltd		0	
00243	White Horse Federation (Southwold School)		32	6
00244	Capita Five District Councils		39	
00245	Arcadis		2	
00246	Indigo		9	
00247	Vinci		14	
00248	Wyclean Mill Academy		1	
00249	School Lunch - Witney CP		0	
00250	School Lunch - Nettlebed		0	

KEY
Unlikely to be able to issue ABS on time due to data issues
EOY received - Work in progress
Data ok - majority/all of ABS able to be issued
Blue tab = CARE data finished - EOY to finish
Purple tab = EOY finished = CARE data to upload
Green tab = CARE POSTED AND EOY WORK COMPLETE
CARE not currently being loaded due to ongoing queries

9851 1167

Notes: - outstanding queries with Carillion data will affect the records for any new employer taking on staff e.g school lunch company or edwards and ward.
 Previous payroll provider to academies - Kier - has yet to give information to resolve all outstanding queries.

ANNEX 2

	Number of Actives	Number of ABS Issued	Percentage
Reported to Regulator	19310	9815	50.83
Update as at 14 November 2016		9851	51.01
Statements still to be issued : -		9459	48.98
Including members who have not yet received a statement since:			
	2005	193	
	2006	10	
	2007	10	
	2008	13	
	2009	10	
	2010	10	
	2011	37	
	2012	50	
	2013	40	
	2014	282	
	2015	1917	
		<u>2572</u>	13.32

P07 - October 2016

Grade	Team	Current FTE	Position FTE	Approved - December 2015	New FTE	Charge to Fire Service	New FTE - LGPS Only	Plus / Minus
Administrator	Benefits	1.00	1.00		1.00		1.00	
Administrator	Benefits	1.00	1.00		1.00		1.00	
Administrator	Benefits	0.58	0.50		0.50		0.50	
Administrator	Benefits	1.00	1.00		1.00		1.00	
Administrator	Benefits	1.00	1.00		1.00		1.00	
Administrator	Benefits	0.43	0.43		0.43		0.43	
Administrator	Benefits	0.14	0.14		0.00		0.00	
Administrator	Benefits	0.49	1.00		1.00		1.00	
Administrator	Benefits	1.00	1.00		1.00		1.00	
Administrator	Benefits	1.00	1.00		1.00		1.00	
Administrator - Vacancy					2.00		2.00	
Sub total - administrator		7.64	8.07	10.00	9.93		9.93	-0.07
Assistant - Vacancy					2.00		2.00	
Sub total - assistant		0.00	0.00	0.00	2.00		2.00	2.00
Senior	Benefits	0.65	0.65	0.65	0.65		0.65	
Senior	Benefits	0.70	1.00	1.00	1.00		1.00	
Senior	Benefits	1.00	1.00	1.00	1.00		1.00	
Senior	Benefits	1.00	1.00	1.00	1.00		1.00	
Training Officer - Vacancy				1.00	1.00		1.00	
Sub total - senior		3.35	3.65	4.00	4.65		4.65	0.65
Team Leader	Benefits	0.81	1.00		1.00		1.00	
Team Leader	Benefits	1.00	1.00		1.00		1.00	
Sub total - team leader		1.81	2.00	2.00	2.00		2.00	0.00
BENEFIT TEAM - TOTAL		13.80	14.72	16.00	18.58		18.58	2.58

P07 - October 2016

Grade	Team	Current FTE	Position FTE	Approved - December 2015	New FTE	Charge to Fire Service	New FTE - LGPS Only	Plus / Minus
Administrator	Data	0.54	0.54		0.54		0.54	
Administrator	Data	0.50	1.00		1.00		1.00	
Administrator	Data	1.00	1.00		1.00		1.00	
Administrator	Data	1.00	1.00		1.00		1.00	
Administrator - Vacancy					1.00	1.00	0.00	
Sub total - administrator		3.04	3.54	2.00	4.54	1.00	3.54	2.54
Assistants - vacancy				2.00				
Sub total - assistant				2.00	0.00	0.00	0.00	-2.00
Manager	Data	1.00	1.00		1.00		1.00	1.00
Sub total - team leader		1.00	1.00	1.00	1.00		1.00	0.00
Senior	Data	0.85	1.00		1.00		1.00	1.00
Senior	Data	0.78	1.00		1.00	0.50	0.50	0.50
Sub total - senior		1.63	2.00	1.50	2.00	0.50	1.50	0.50
DATA TEAM - TOTAL		5.67	6.54	6.50	7.54	1.50	6.04	1.04
Administrator	Employer	0.76	1.00	1.00	1.00		1.00	1.00
Administrator - vacancy					2.00		2.00	2.00
Senior - vacancy					1.00		1.00	1.00
Sub total - administrator / senior		0.76	1.00	1.00	4.00		4.00	3.00
Manager	Communications	0.65	0.65		0.65		0.65	0.65
Manager	Communications	0.41	0.41	1.00	0.54		0.54	0.54
Sub total - team leader		1.06	1.06	1.00	1.19		1.19	0.19
EMPLOYER TEAM - TOTAL		1.82	2.06	2.00	5.19		5.19	3.19
Manager		1.00	1.00	1.00	1.00		1.00	0.00
Assistant	Benefits	1.00	1.00	1.00	0.00		0.00	0.00
		2.00	2.00	2.00	1.00		1.00	-1.00
MANAGER - TOTAL		2.00	2.00	2.00	1.00		1.00	-1.00
Totals		23.29	25.32	26.50	32.31	1.50	30.81	5.81

Division(s): N/A

PENSION FUND COMMITTEE – 2 DECEMBER 2016

UPDATE ON FUND VALUATION

Report by Chief Finance Officer

Introduction

1. In line with the LGPS Regulations, the Fund is required to undertake a triennial valuation. The Fund Actuary is currently undertaking the most recent valuation will value both assets and liabilities of the Fund as at 31 March 2016 and set employer contribution rates for the three years from 1 April 2017.

Data

2. The data was due to be submitted to the Fund Actuary by the end of July 2016 in order that provisional results could be discussed at a meeting in November 2016.
3. From previous reports members will be aware that there have been many challenges in getting scheme employers to provide the correct data at end of year. This is an issue which has affected many of the larger scheme employers therefore causing delays in Pension Services providing information to Barnett Waddingham.
4. The delays meant that the Actuary could not provide the provisional results in time for the writing this report. However Barnett Waddingham has provided an interim paper.

Interim Report

5. This report sets out the suggested assumptions to be used in the valuation process that are in line with those used in the 2013 valuation exercise. However, the actuaries are now, in line with provisions of the Public Service Pension Act 2013, to have regard to:
 - Securing the solvency of the Pension Fund, and
 - The long-term cost efficiency of the Scheme
6. Both of these factors will be assessed by a Section 13 valuation carried out by the Government Actuary Department (GAD), on behalf of the Department for Communities and Local Government. . The purpose of these additional steps is to identify any Funds that cause concern in respect of solvency and long-term cost efficiency. The report will also comment on the consistency between valuations of different Fund where assumptions are materially different. This report is due to be published in late 2018.

7. The smoothed funding model used by the Fund Actuary will, using assumptions below, estimate the cashflow to and from the Fund through the future lifetime of existing active members, deferred members, pensioners and their dependents. These projected cashflow are then discounted to assess the amount of money which, if invested now, would be sufficient with income and asset growth to make these payments in the future.
8. The proposed assumptions are shown below. These are due to be confirmed at the meeting with Barnett Waddingham in November. Any changes will be reported to the Committee.
 - Price Inflation – The starting point is the (smoothed) 20 year point on the Bank of England implied Retail Price Index inflation curve which was 3.3% as at 31 March 2016. The 20 year point is consistent with the typical duration of a Fund's liabilities.
 - The Consumer Price Index (CPI) inflation figure is proposed as 2.4% at 31 March 2016. This is at odds with the Bank of England CPI target of 2.0% per annum. Barnett Waddingham is suggesting that the bank will not make this target and that CPI inflation will be higher than target over the next 20 years.
 - Salary Increases - The long term assumption for salary increases has been reduced to CPI plus 1.5% from CPI plus 1.8% at the 2013 valuation. For short term salary increases the Government has announced that average salary increases in the public sector will be restricted in the short term. Our actuaries are, therefore proposing that the short term assumption is limited to CPI for four years from 2016.
 - Discount rate – an initial consideration might be to see what the discount rate needs to be to maintain the current average contributions rate, with the same target of paying off the deficit by 2038. The discount rate applied at the 2013 valuation was 5.8% whereas indications for the 2016 valuation are putting this between 5.3% and 5.5% to maintain a theoretical contribution rate of 19.3%.
 - Statistical assumptions will look at issues such as mortality data; retirement ages; ill-health retirements; deaths; 50/50 membership and commutation of retirement benefits to cash. In these cases the actuary will assess the Fund experience against various published tables to determine whether Fund experience is in line, or whether an adjustment needs to be made.
9. Whilst the report is heavily caveated subject to final confirmation of employer data, the initial results would give an estimated funding level of between 85% and 87% compared to an 82% funding level in 2013.
10. At whole fund level this will mean that the average scheme employer contribution will be relatively stable to the 2013 whole fund rate of 19.3%.

However, individual scheme employers could see variations from this rate depending on their own experience over the last three years, and the profile of their membership.

11. The initial results and assumptions have been compared to the “dry run” Section 13 GAD report, which was based on March 2013 data, as well as the consistent financial assumptions published by the Scheme Advisory Board. The discount rate of 5.3% - 5.5% is comparable with the Scheme Advisory Board figure of CPI plus 3% which equates to 5.4%. If the Board reviews its figure to CPI plus 2.8% in line the reduction in the SCAPE (Superannuation Contributions Adjusted for Past Experience) discount rate, it is not felt that the variation to 5.2% would trigger any red flags within the Section 13 report.

Issue of Results

12. If there are changes to the above a verbal update on this report will be given at the meeting. An interim report will be circulated to member ahead of the scheduled meeting with scheme employers on Wednesday 18 January 2017.

RECOMMENDATION

13. **The Committee is RECOMMENDED to note the report and comment on any assumptions used in this exercise.**

Lorna Baxter
Chief Finance Officer

Background papers: Nil

Contact Officer: Sally Fox, Pension Services Manager, Tel:(01865) 323854

November 2016

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TABLE 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND
OVERALL VALUATION OF FUND AS AT 30th SEPTEMBER 2016

Investment	COMBINED PORTFOLIO 01.07.16	Baillie Gifford UK Equities		Wellington Global Equities		Legal & General Global Equity Passive		Legal & General Fixed Interest		UBS Global Equities and Property		Other Investments		COMBINED PORTFOLIO 30.09.16		Target %
	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	
EQUITIES																
UK Equities	528,809	356,708	94.7%	23,387	9.2%	167,192	47.8%	0	0.0%	23,444	5.9%	0	0.0%	570,731	27.5%	29.0%
<i>Overseas Equities</i>																
North American Equities	143,041	0	0.0%	149,558	59.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	149,558	7.2%	
European & Middle Eastern Equities	37,677	0	0.0%	50,363	19.9%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	50,363	2.5%	
Japanese Equities	15,912	0	0.0%	14,580	5.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	14,580	0.7%	
Pacific Basin Equities	-	0	0.0%	465	0.2%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	465	0.0%	
Emerging Markets Equities	8,829	0	0.0%	10,666	4.2%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	10,666	0.5%	
UBS Global Pooled Fund	233,089	0	0.0%	0	0.0%	0	0.0%	0	0.0%	261,066	65.4%	0	0.0%	261,066	12.6%	
L&G World (ex UK) Equity Fund	168,696	0	0.0%	0	0.0%	182,802	52.2%	0	0.0%	0	0.0%	0	0.0%	182,802	8.8%	
Total Overseas Equities	607,244	0	0.0%	225,632	89.2%	182,802	52.2%	0	0.0%	261,066	65.4%	0	0.0%	669,500	32.3%	30.0%
BONDS																
UK Gilts	95,954	0	0.0%	0	0.0%	0	0.0%	89,335	26.3%	0	0.0%	0	0.0%	89,335	4.3%	3.0%
Corporate Bonds	69,591	0	0.0%	0	0.0%	0	0.0%	74,271	21.9%	0	0.0%	0	0.0%	74,271	3.6%	6.0%
Overseas Bonds	50,196	0	0.0%	0	0.0%	0	0.0%	67,458	19.9%	0	0.0%	0	0.0%	67,458	3.3%	2.0%
Index-Linked	104,771	0	0.0%	0	0.0%	0	0.0%	101,502	29.9%	0	0.0%	0	0.0%	101,502	4.9%	5.0%
Total Bonds	320,512	0	0%	0	0.0%	0	0.0%	332,566	98.0%	0	0.0%	0	0.0%	332,566	16.1%	16.0%
ALTERNATIVE INVESTMENTS																
Property	141,390	0	0.0%	0	0.0%	0	0.0%	0	0.0%	107,183	26.8%	30,279	8.6%	137,462	6.6%	8.0%
Private Equity	171,345	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	189,512	53.6%	189,512	9.2%	9.0%
Hedge Funds	-	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Multi Asset - DGF	80,524	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	82,649	23.4%	82,649	4.0%	5.0%
Infrastructure	-	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	3.0%
Total Alternative Investments	393,259	0	0.0%	0	0.0%	0	0.0%	0	0.0%	107,183	26.8%	302,440	85.6%	409,623	19.8%	25.0%
CASH	65,223	20,161	5.3%	4,173	1.6%	0	0.0%	6,820	2.0%	7,685	1.9%	51,130	14.4%	89,969	4.3%	0.0%
TOTAL ASSETS	1,915,047	376,869	100.0%	253,192	100.0%	349,994	100.0%	339,386	100.0%	399,378	100.0%	353,570	100.0%	2,072,389	100.0%	100.0%

% of total Fund

18.18%

12.22%

16.89%

16.38%

19.27%

17.06%

100.00%

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

Asset	Market Value 01.07.16	%	Net Purchases and Sales					Changes in Market Value					Market Value 30.09.16	%
			UBS	Baillie Gifford	Legal & General	Wellington	Other	UBS	Baillie Gifford	Legal & General	Wellington	Other		
	£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
EQUITIES														
UK Equities	528,809	28	0	(203)		(1,887)	0	(513)	32,808	11,232	485	0	570,731	28
US Equities	143,041	7	0	0	0	(2,641)	0	0	0	0	9,158	0	149,558	8
European & Middle Eastern Equities	37,677	2	0	0	0	8,397	0	0	0	0	4,289	0	50,363	2
Japanese Equities	15,912	1	0	0	0	(2,385)	0	0	0	0	1,053	0	14,580	1
Pacific Basin Equities	0	0	0	0	0	464	0	0	0	0	1	0	465	0
Emerging Market Equities	8,829	0	0	0	0	698	0	0	0	0	1,139	0	10,666	1
Global Pooled Funds	401,785	21	0	0	0	0	0	27,977	0	14,106	0	0	443,868	21
Total Overseas Equities	607,244	31	0	0	0	4,533	0	27,977	0	14,106	15,640	0	669,500	32
BONDS														
UK Gilts	95,954	5	0	0	(7,798)	0	0	0	0	1,179	0	0	89,335	4
Corporate Bonds	69,591	4	0	0	1,866	0	0	0	0	2,814	0	0	74,271	4
Overseas Bonds	50,196	3	0	0	15,231	0	0	0	0	2,031	0	0	67,458	3
Index-Linked Bonds	104,771	5	0	0	(14,049)	0	0	0	0	10,780	0	0	101,502	5
ALTERNATIVE INVESTMENTS														
Property	141,390	7	(4,569)	0	0	0	(897)	(1,521)	0	0	0	3,059	137,462	7
Private Equity	171,345	9	0	0	0	0	(9,947)	0	0	0	0	28,114	189,512	9
Hedge Funds	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Multi Asset - DGF	80,524	4	0	0	0	0	0	0	0	0	0	2,125	82,649	4
SUB TOTAL	1,849,824	97	(4,569)	(203)	(4,750)	2,646	(10,844)	25,943	32,808	42,142	16,125	33,298	1,982,420	96
CASH *	65,223	3	4,900	3,357	6,101	(1,035)	11,423	0	0	0	0	0	89,969	4
GRAND TOTAL	1,915,047	100	331	3,154	1,351	1,611	579	25,943	32,808	42,142	16,125	33,298	2,072,389	100

* Movement in cash is not confined to investment transactions but also includes dividend income and the payment of fees. Further details of cash movements can be found in the Managers' individual valuations.

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TABLE 3

PERFORMANCE TO 30th SEPTEMBER 2016

COMBINED PORTFOLIO (BY FUND MANAGER)

FUND MANAGER	% Weighting of Fund as at 30th September 2016	QUARTER ENDED	12 MONTHS ENDED	THREE YEARS ENDED	FIVE YEARS ENDED	TEN YEARS ENDED
		30th September 2016	30th September 2016	30th September 2016	30th September	30th September 2016
		RETURN	RETURN	RETURN	RETURN	RETURN
		%	%	%	%	%
BAILLIE GIFFORD UK EQUITIES	18.2%	10.3	15.1	6.4	12.6	7.5
BENCHMARK		7.8	16.8	6.6	11.0	5.8
VARITAION		2.5	-1.7	-0.2	1.6	1.7
WELLINGTON GLOBAL EQUITIES	12.2%	7.5	27.1	11.7		
BENCHMARK		8.4	30.6	13.2		
VARITAION		-0.9	-3.5	-1.5		
L&G UK EQUITIES - PASSIVE	8.1%	7.2	18.6	6.1	10.2	
BENCHMARK		7.1	18.4	6.0	10.1	
VARITAION		0.1	0.2	0.1	0.1	
L&G GLOBAL EX UK EQUITIES - PASSIVE	8.8%	8.4	32.2	14.6	16.1	
BENCHMARK		8.3	32.2	14.6	16.2	
VARITAION		0.1	0.0	0.0	-0.1	
L&G FIXED INCOME	16.4%	5.5	16.6	10.7	8.6	7.8
BENCHMARK		5.9	16.8	10.6	8.6	7.4
VARITAION		-0.4	-0.2	0.1	0.0	0.4
IN-HOUSE PROPERTY	1.4%	9.9	18.5	10.6	8.8	
BENCHMARK		-0.7	3.3	11.3	8.2	
VARITAION		10.6	15.2	-0.7	0.6	
PRIVATE EQUITY	9.2%	15.6	27.6	17.9	16.6	8.8
BENCHMARK		12.0	9.8	7.2	14.3	4.1
VARITAION		3.6	17.8	10.7	2.3	4.7
UBS GLOBAL EQUITIES	13.7%	10.9	27.2	10.2	13.7	7.5
BENCHMARK		8.5	31.0	12.8	14.6	8.3
VARITAION		2.4	-3.8	-2.6	-0.9	-0.8
UBS PROPERTY	5.5%	-1.1	4.1	11.8	8.5	3.4
BENCHMARK		-0.7	3.3	11.4	8.2	2.5
VARITAION		-0.4	0.8	0.4	0.3	0.9
INSIGHT DIVERSIFIED GROWTH FUND	4.0%	2.8	5.2			
BENCHMARK		0.9	3.5			
VARITAION		2.0	1.7			
IN-HOUSE CASH	2.5%	0.1	0.5	0.4	0.7	1.7
BENCHMARK		0.1	0.4	0.4	0.4	1.5
VARITAION		0.0	0.1	0.0	0.3	0.2
TOTAL FUND	100.0%	8.1	19.6	10.0	11.9	6.3

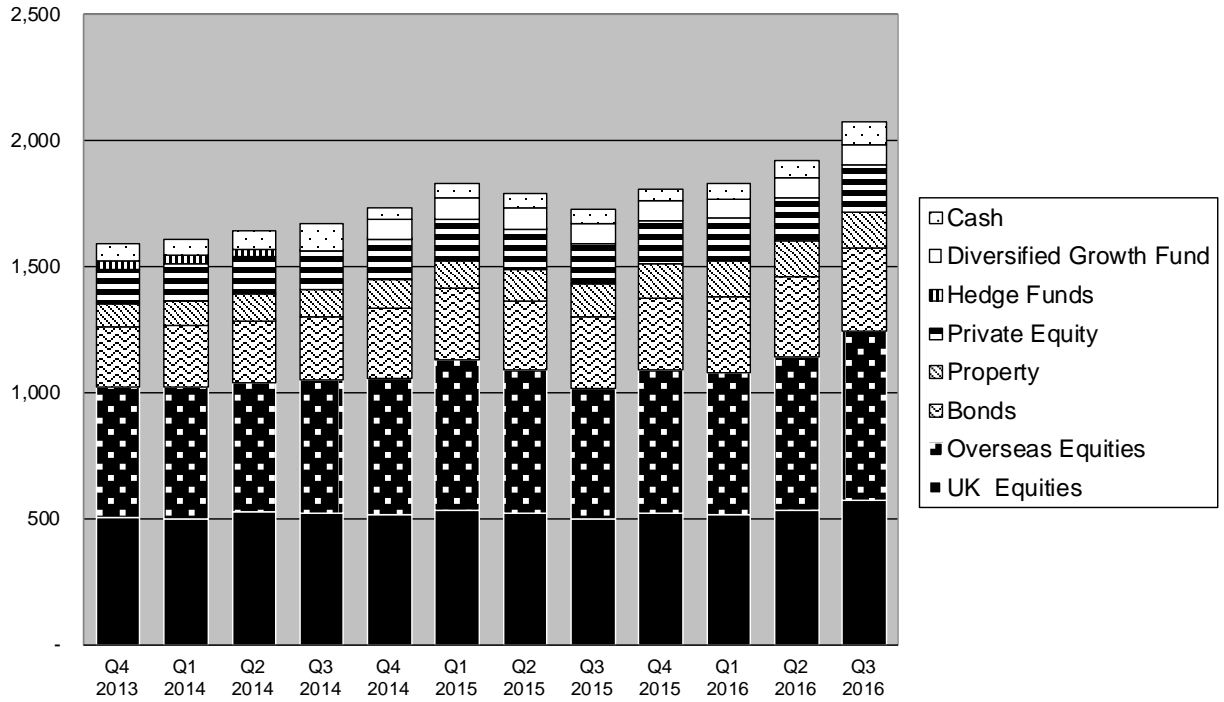
OXFORDSHIRE COUNTY COUNCIL PENSION FUND**TOP 20 HOLDINGS AT 30/09/2016**

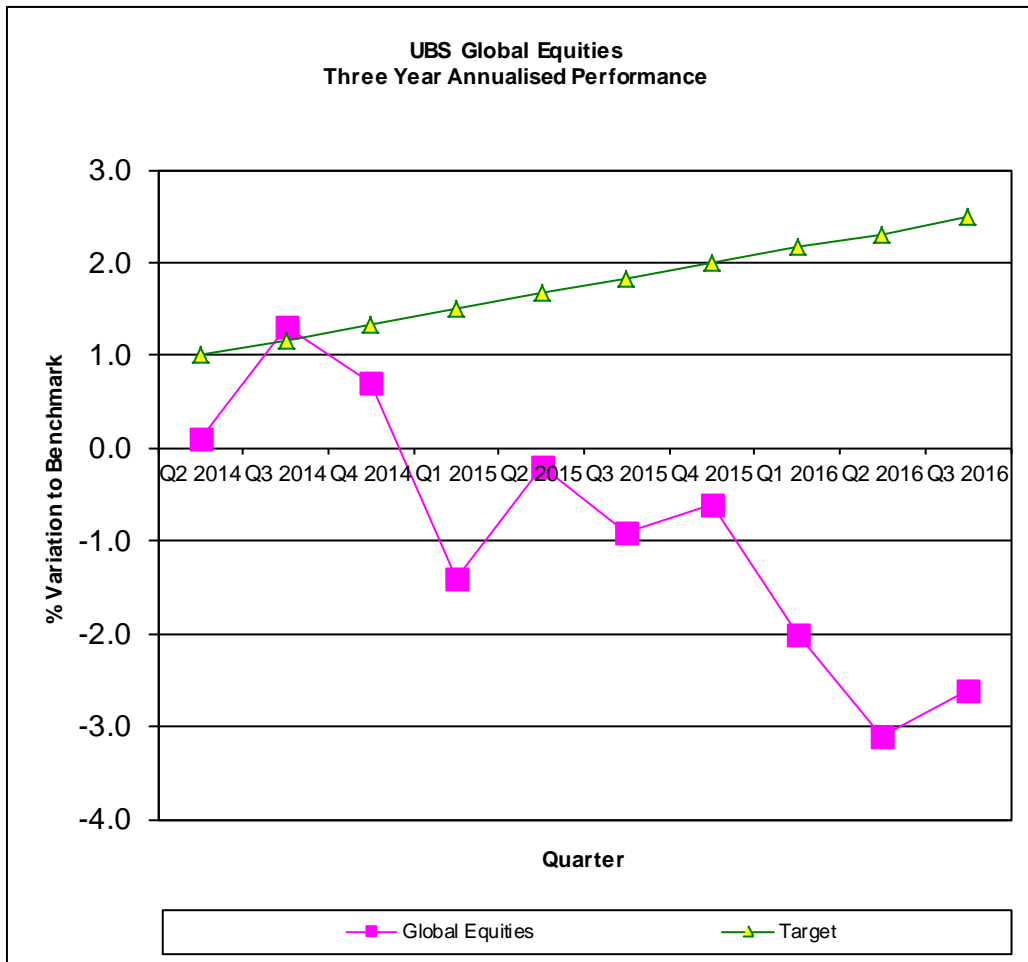
ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
<u>DIRECT HOLDINGS</u>		
1 ELECTRA PRIVATE EQUITY PLC	47,104,292	2.27
2 HG CAPITAL TRUST PLC	28,120,360	1.36
3 BRITISH AMERICAN TOBACCO PLC	23,845,818	1.15
4 ROYAL DUTCH SHELL B SHS EUR0.07	22,452,391	1.08
5 BUNZL PLC	14,786,689	0.71
6 ST JAMESS PLACE PLC	13,442,185	0.65
7 PRUDENTIAL PLC	13,361,897	0.64
8 ASHTEAD GROUP PLC	12,919,296	0.62
9 STANDARD LIFE EURO PR EQ ORD	12,450,333	0.60
10 F&C PRIVATE EQUITY TRUST-B	11,232,000	0.54
11 UNILEVER PLC	9,751,814	0.47
12 REED ELSEVIER PLC	9,735,051	0.47
13 LEGAL & GENERAL GROUP PLC	9,609,678	0.46
14 HSBC HOLDINGS PLC	9,263,830	0.45
15 SPAIN (GOVT) 0.25% 31/01/19 EUR	8,730,362	0.42
16 CARNIVAL PLC	7,780,920	0.38
17 UBM PLC	7,731,456	0.37
18 DIAGEO PLC	7,658,543	0.37
19 COMPASS GRP PLC	7,503,988	0.36
20 RIO TINTO	7,337,145	0.35
TOP 20 HOLDINGS MARKET VALUE *	284,818,048	13.72
* Excludes investments held within Pooled Funds		
<u>POOLED FUNDS AT 30/09/2016</u>		
1 UBS LIFE GLOBAL EQUITY ALL COUNTRY FUND A	284,509,919	13.73
2 L&G WORLD (EX UK) EQUITY INDEX	182,801,939	8.82
3 L&G HP UK FTSE 100 EQUITY INDEX	167,191,505	8.07
4 LEGAL AND GENERAL TD CORE PLUS	127,397,340	6.15
5 INSIGHT BROAD OPPORTUNITIES FUND	82,649,199	3.99
TOTAL POOLED FUNDS MARKET VALUE	844,549,902	40.76
TOTAL FUND MARKET VALUE	2,072,389,199	

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

MARKET VALUE OF TOTAL FUND

TOTAL FUND MARKET VALUE BY ASSET CLASS



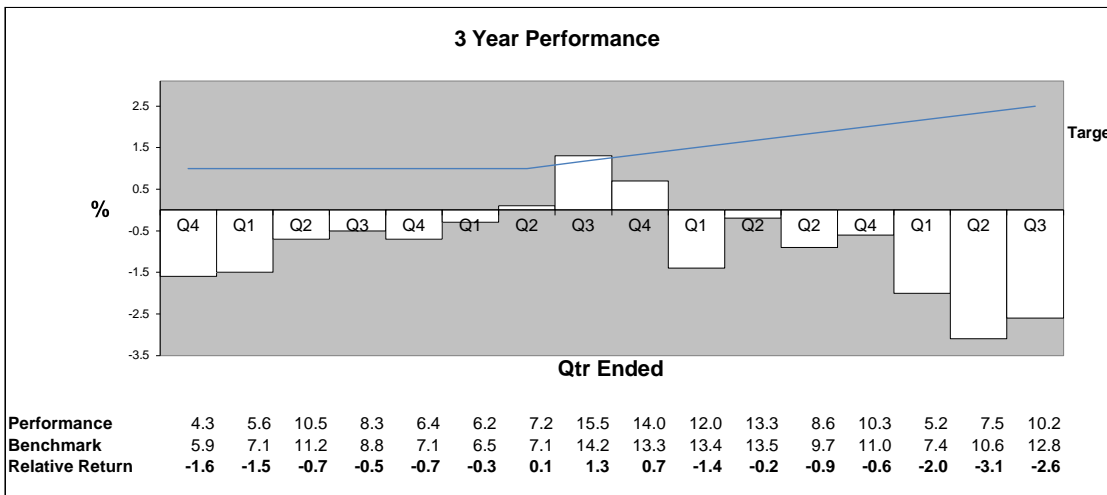
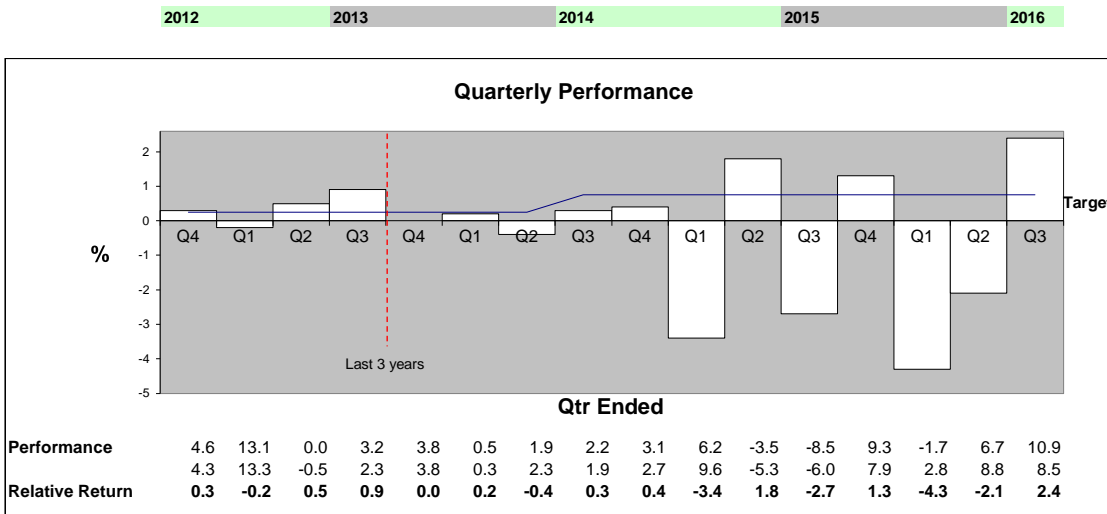


UBS Three Year Annualised Performance

	Global Equities	Target
Q2 2014	0.1	1.0
Q3 2014	1.3	1.2
Q4 2014	0.7	1.3
Q1 2015	-1.4	1.5
Q2 2015	-0.2	1.7
Q3 2015	-0.9	1.8
Q4 2015	-0.6	2.0
Q1 2016	-2.0	2.2
Q2 2016	-3.1	2.3
Q3 2016	-2.6	2.5

PERFORMANCE RELATIVE TO BENCHMARK

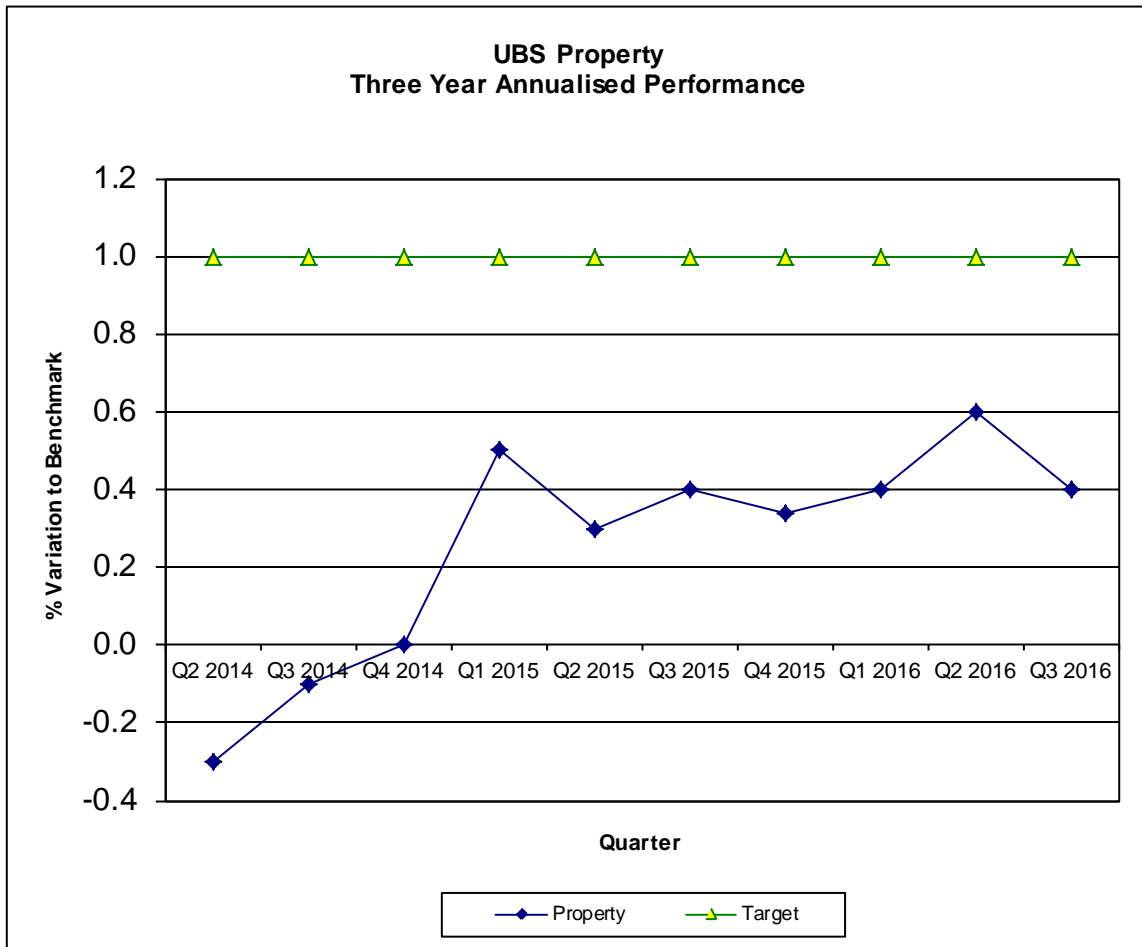
GRAPH 3



Target Returns

Rolling annual target of 3.00% above benchmark

**UBS -
Overseas
Equities**

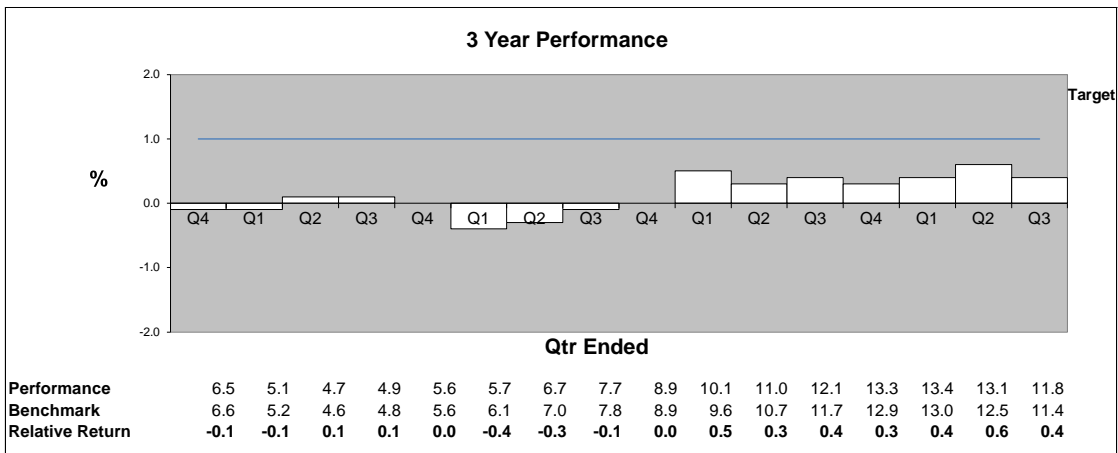
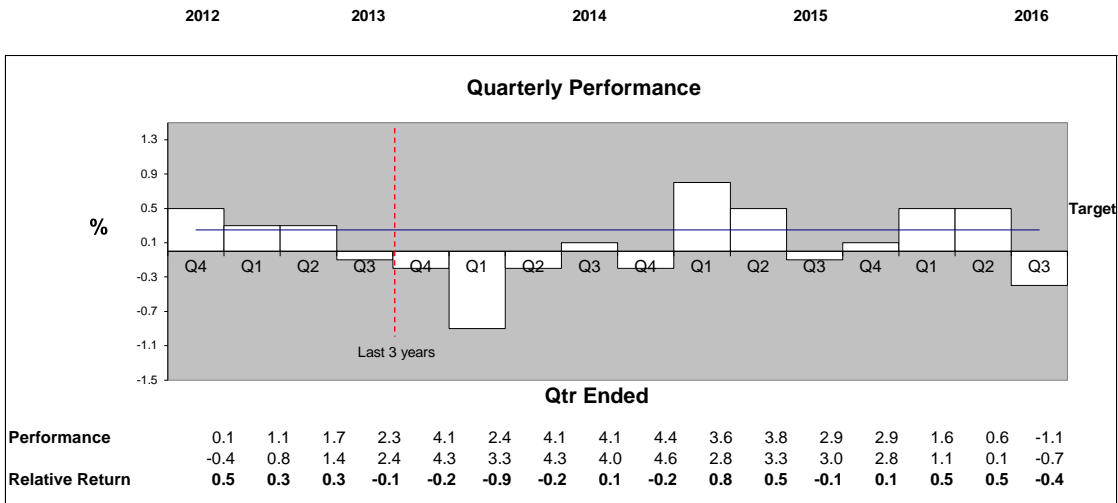


UBS Three Year Annualised Performance

	Property	Target
Q2 2014	-0.3	1.0
Q3 2014	-0.1	1.0
Q4 2014	0.0	1.0
Q1 2015	0.5	1.0
Q2 2015	0.3	1.0
Q3 2015	0.4	1.0
Q4 2015	0.3	1.0
Q1 2016	0.4	1.0
Q2 2016	0.6	1.0
Q3 2016	0.4	1.0

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 5



Target Returns

Rolling annual target of 1.0% above benchmark

Top 10 holdings at 30/09/2016

Holding	Value £	% of portfolio
1 BLACKROCK UK PROPERTY FUND	15,153,412	13.19
2 ROCKSPRING HANOVER PROPERTY UNIT TRUST	9,559,355	8.32
3 SCHRODER UK PROPERTY-INC	8,159,896	7.10
4 HENDERSON OUTLET MALL FUND	8,097,965	7.05
5 STANDARD LIFE POOLED PPTY FD	7,920,077	6.90
Top 10 Holdings Market Value	48,890,705	4.26
Total UBS Property Market Value	114,868,000	

**UBS -
Property**

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PENSION FUND COMMITTEE – 2 DECEMBER 2016

FUND MANAGER MONITORING ARRANGEMENTS Report by Chief Financial Officer

Introduction

1. Each year the Pension Fund Committee considers the arrangements for monitoring the performance of its Fund Managers. This report sets out the proposed schedule for 2017/18, and recommends the Committee to approve the arrangements.

Proposed Arrangements

2. Under the current arrangements, the performance of all Fund Managers is reviewed at least every six months, either by the full Committee, or by officers in conjunction with the Independent Financial Adviser (IFA) to the Fund. The active equity managers, property fund manager, fixed income and passive equity manager, and diversified growth fund manager will attend committee once a year with the two private equity managers attending once every two years in alternate years.
3. Officers and the IFA will continue to monitor manager performance during the year and regularly report to the Pension Fund Committee. In line with the schedule agreed last year it is proposed that officers and the IFA will not meet with the fund managers during the quarter immediately following their presentations to the committee, unless there are concerns regarding the manager's performance, or other issues to be addressed.
4. The proposed detailed monitoring arrangements are as follows:

	Committee	Officer/IFA meetings
Quarter 1 Committee 9 June 2017	Insight	Baillie Gifford Legal and General Private Equity
Quarter 2 Committee 1 September 2017	Baillie Gifford Legal and General	UBS Wellington Private Equity
Quarter 3 Committee 1 December 2017	Adams Street Private Equity	UBS Wellington Insight
Quarter 4 Committee 9 March 2018	UBS Wellington	Baillie Gifford Legal and General Insight Private Equity

RECOMMENDATION

- 5. The Committee is RECOMMENDED to approve the Fund Manager monitoring Arrangements as set out in this report.**

**Lorna Baxter
Chief Financial Officer**

Background papers: Nil

Contact Officer: Gregory Ley, Financial Manager, Tel: (01865) 323978

November 2016

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QUARTERLY REVIEW PREPARED FOR

Oxfordshire Council Pension Fund

Q3 2016

28th October 2016

Peter Davies

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OXFORDSHIRE PENSION FUND COMMITTEE – 2 DECEMBER 2016

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

Economy

1. UK base rate was cut to 0.25%, and quantitative easing resumed, on August 4th. UK GDP growth of 0.5% for the 3rd quarter was better than expected, and only slightly below the 2nd quarter rate of 0.7%. The US Federal Reserve has continued to delay raising interest rates, but the September decision was not unanimous, and there were hints that a rise in December was likely. (No change in rates is expected before the US Presidential Election on November 8th).

(In the table below, bracketed figures show the forecasts made in August)
[Source of estimates: The Economist, October 8th, 2016]

Consensus real growth (%)						Consumer prices latest (%)
	2013	2014	2015	2016E	2017E	
UK	+1.7	+2.8	+2.3	+1.8 (+1.6)	+ 0.7	+1.0(CPI)
USA	+1.9	+2.4	+2.4	+1.5 (+1.7)	+ 2.1	+1.5
Eurozone	-0.4	+0.8	+1.5	+1.5 (+1.5)	+1.3	+0.4
Japan	+1.7	+0.3	+0.6	+0.6 (+0.5)	+ 0.9	-0.5
China	+7.7	+7.4	+6.9	+6.6 (+6.5)	+6.3	+1.9

2. The value of the pound has continued to fall, reaching \$1.30 at the end of September, but then sliding to \$1.22 in mid-October on signs from the Conservative Party Conference that the government was planning to implement a 'Hard Brexit' policy.
3. The Bank of Japan has altered its method of quantitative easing (QE); its policy now is to maintain a 0% yield on the 10-year Japan Government Bond, and to target an inflation rate of 2%.

Markets

Equities

4. **UK equities** had a strong quarter after the Bank of England's cut in interest rates and the resumption of QE, while overseas markets (notably the Pacific Rim) also gained ground, with the weakness of sterling (see para 8) amplifying these gains in £ terms.

	Capital return (in £, %) to 30.9.16		
Weight %	Region	3 months	12 months
100.0	FTSE All-World Index	+ 7.8	+27.9
55.0	FTSE All-World North America	+ 6.5	+31.2
8.5	FTSE All-World Japan	+11.1	+28.4
11.9	FTSE All-World Asia Pacific ex Japan	+11.3	+33.9
15.3	FTSE All-World Europe (ex-UK)	+ 8.7	+17.6
6.5	FTSE All-World UK	+ 6.3	+13.9
9.1	FTSE All-World Emerging Markets	+10.2	+32.6

[Source: FTSE All-World Review, September 2016]

5. The recent outperformance of the FTSE 100 Index relative to mid- and small-cap indices failed to persist in the quarter, although the 12-month returns are still showing superior performance from the large-caps.

(Capital only %, to 30.9.16)	3 months	12 months
FTSE 100	+ 6.1	+13.8
FTSE 250	+ 9.8	+ 7.1
FTSE Small Cap	+11.3	+11.0
FTSE All-Share	+ 6.8	+12.6

[Source: Financial Times]

UK FTSE All-Share



6. Sectorally there has been an enormous change in relative performance during 2016. In the year 2015, Basic Materials and Oil & Gas were by far the weakest sectors, as a result of the falls in oil and raw material prices, while the more stable Health Care and Consumer Services sectors out-performed them by some 30-35% during the year. In 2016, by contrast, the recovery in commodity prices has caused gains of some 30% in Basic Materials and Oil & Gas in the first 9 months of the year, against 10-15% gains for Health Care and Consumer Services.

Capital return (in £, %) to 30.9.16		
Industry Group	3 months	12 months
Technology	+16.3	+41.1
Basic Materials	+12.4	+37.7
Industrials	+ 9.5	+34.8
Oil & Gas	+ 4.3	+33.3
Consumer Goods	+ 6.1	+29.6
FTSE All-World	+ 7.8	+27.9
Utilities	-0.6	+26.5
Telecommunications	+ 0.4	+25.8
Consumer Services	+ 6.1	+24.3
Health Care	+ 2.7	+22.3
Financials	+10.1	+18.5

[Source: FTSE All-World Review, September 2016]

Bonds

7. **Gilts** were the only one of the major government bond markets to record significant falls in yield during the quarter, but the yield then rebounded to 1.15% by mid-October after the Governor of the Bank of England said that the Bank would tolerate higher UK inflation, possibly above the 2% target level.

10-year government bond yields (%)					
	Dec 13	Dec 2014	Dec 2015	June 2016	Sept 2016
US	3.03	2.17	2.27	1.46	1.59
UK	3.04	1.76	1.96	1.00	0.75

Germany	1.94	0.54	0.63	-0.13	-0.19
Japan	0.74	0.33	0.27	-0.23	-0.08

[Source: Financial Times]

Generic UK 10 Year Yield



Currencies

8. After its sharp fall following the Brexit vote, the pound traded close to the \$1.30 level during the quarter, but weakened to as low as \$1.22 in mid-October following the rhetoric at the Conservative Party Conference.

				£ move (%)	
	30.9.15	30.6.16	30.9.16	3m	12m
\$ per £	1.515	1.337	1.299	-2.8	-14.3
€ per £	1.357	1.203	1.156	-3.9	-14.8
¥ per £	181.4	137.1	131.5	-4.1	-27.5

[Source: Financial Times]

GBP vs USD



Commodities

9. Oil, as measured by Brent Crude, traded in the \$45-50 range during the quarter, strengthening at the end of September when it appeared that the OPEC producers had reached agreement to limit oil output to 32.5m barrels/day, although the details of how this will be implemented remain unclear. Gold moved in a narrow range, showing weakness when there were expectations of a rise in US interest rates, but recovering when the Fed deferred any rise.

Property

10. Capital values of UK commercial property fell in the third quarter, amid the fallout from the Brexit vote. The level of redemption requests from retail investors, combined with uncertainty over the future demand for office space in London, has made valuation more difficult than usual.

	3-month	12-month
All Property	- 2.3%	+ 3.2%
Retail	- 2.4%	+ 1.5%
Office	- 3.5%	+ 2.5%
Industrial	- 0.7%	+ 6.6%

[IPD Monthly Index of total returns, September 2016]

Outlook

11. Equity and bond markets continued to be buoyed up by the maintenance of low rates of interest globally, and by quantitative easing programmes in UK, the Eurozone and Japan. The Federal Reserve may well raise the US interest rate in December, but this would be the only rise this year – a far cry from the four rate rises predicted for 2016. Despite this monetary backdrop, global economic growth for 2016 will still be slower than the previous year, and 2017 may see a further slowdown.
12. The UK's decision to leave the EU has caused a 15% fall in sterling, which is likely to produce higher inflation as the cost of imported goods rises, and the translation effect hits the price of petrol. The September CPI rose to +1.0% annually, even before the effects of the weaker pound. If real wage growth again turns negative, consumer spending will be dampened, while the outlook for UK employment may well worsen if capital spending decisions are delayed. The UK government's fiscal stance will be set out by the Chancellor in his Autumn Statement on November 23rd.
13. It would be unwise to forecast the result of the US Presidential Election on November 8th; the markets, however, would face a period of extreme uncertainty if Donald Trump were to win, given his declared opposition to free trade and his isolationist rhetoric. With all these uncertainties, and with the crisis in Syria continuing, it remains hard to see equity or bond markets appreciating further from current levels.

Peter Davies
Senior Adviser – AllenbridgeEpic Investment Advisers
October 28th, 2016

[All graphs supplied by Legal & General Investment Management]

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