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OXFORDSHIRE COUNTY COUNCIL

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 8 March 2019 at 10.00 am

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

Yvonne Rees
Chief Executive

February 2019

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

Membership

Chairman – Councillor Kevin Bulmer
Deputy Chairman - Councillor Ian Corkin

County Councillors

Nicholas Field-Johnson	Charles Mathew	Alan Thompson
John Howson	John Sanders	
Mark Lygo	Lawrie Stratford	

District Councillors (Co-optees)

Alaa Al-Yousuf	Bill Service

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 7 June 2019***

Declarations of Interest

The duty to declare…..
Under the Localism Act 2011 it is a criminal offence to
(a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
(b) provide false or misleading information on registration, or
(c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

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

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

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

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

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

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

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

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

List of Disclosable Pecuniary Interests:
Employment (includes"*any employment, office, trade, profession or vocation carried on for profit or gain*".), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members' conduct guidelines. http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/ or contact Glenn Watson on **07776 997946** or glenn.watson@oxfordshire.gov.uk 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 7 December 2018 (**PF3**) and to receive information arising from them.

4. Petitions and Public Address

5. Minutes of the Local Pension Board and the Oversight Board (Pages 9 - 22)

10:05

A copy of the unconfirmed Minutes of the Local Pension Board, which met on 18 January 2019, is attached for information only (**PF5**).

Also attached is a copy of the approved 1 November 2018 Minutes of the Brunel Oversight Board, again for information only (**PF5**).

6. Report of the Local Pension Board (Pages 23 - 26)

10:10

In response to a request from the Chairman of Penson Fund Committee to have a dedicated item on each Committee agenda for the work of the Local Pension Board, attached at **PF6** is the report by the Independent Chairman of the Local Pension Board. It invites the Committee to respond to the key issues raised by the Pension Board at its most recent meeting on 18 January 2019.

The Committee is RECOMMENDED to note the Report of the Board and:

(a) note the comments of the Board in respect of the actions being taken to ensure that the Pensions Administration Team have adequate and appropriate resources to deliver the agreed implementation plan;
(b) consider its request that all key reports in respect of the 2019 Valuation are submitted to the Board for their comments as appropriate; and
(c) note its comments on the risk register and the investment in

the low carbon portfolio and to consider this further on the separate item on the risk register elsewhere on this agenda.

7. Improvement Plan (Pages 27 - 42)

10:20

The attached report (**PF7)** updates the Committee on progress against the objectives and milestones set out in the Improvement Plan.

The Committee is RECOMMENDED to note the latest position with regard to the implementation of the Improvement Plan**.**

8. Review of the Annual Business Plan 2018-19 and Approval of Annual Business Plan 2019-20 (Pages 43 - 62)

10:45

The report (**PF8**) covers the Business Plan for the Pension Fund Committee for the forthcoming financial year and includes the key objectives for the forthcoming year, the proposed Budget and the Cash Management Strategy. Progress against the objectives set for the current financial year is also set out to provide the context for the forthcoming year.

The Committee is RECOMMENDED to:

(a) approve the Business Plan and Budget for 2019/20 as set out at Annex 1;
(b) approve the Pension Fund Cash Management Strategy for 2019/20;
(c) delegate authority to the Director of Finance to make changes necessary to the Pension Fund Cash Management Strategy during the year, in line with changes to the County Council's Treasury Management Strategy;
(d) delegate authority to the Director of Finance to open separate pension fund bank, deposit and investment accounts as appropriate; and
(e) delegate authority to the Director of Finance to borrow money for the pension fund in accordance with the regulations.

9. Risk Register (Pages 63 - 68)

11:00

The report (**PF9**) presents the latest position on the Fund's Risk Register, including any new risks identified since the report to the last meeting.

The Committee is RECOMMENDED to note the comments of the Pension Board and determine any changes it wishes to see made to the Risk

Register.

10. **Administration Report** (Pages 69 - 74)

11:05

The Committee is updated (**PF10**) on those administration issues not covered under the Improvement Plan.

The Committee is RECOMMENDED to note the report, including the payment of £3,100 compensation following a stage 2 determination under the Adjudication of Disagreements Procedure.

11. **Government Consultations** (Pages 75 - 88)

11:10

Attached at **PF11** is a report which updates the Committee on recent government consultations and regulation changes and invites the Committee to approve responses to consultations on pooling guidance and pension protections on out sourcing.

The Committee is RECOMMENDED to:

(a) approve the consultation response in respect of pooling guidance as contained in Annex 1;
(b) approve the consultation response in respect of pension protection as contained in Annex 2;
(c) note the changes introduced under the LGPS (Miscellaneous Amendment) Regulations 2018, and ask for a further report on the implications once the process and costs become clearer; and
(d) note the position in respect of the cost capping mechanism and consider it further as part of the 2019 Valuation process.

12. **Overview of Past and Current Investment Position** (Pages 89 - 100)

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 31 December 2018 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 31 December 2018
Table 2	shows net investments/disinvestments during the quarter
Table 3	provides investment performance for the consolidated Pension Fund for the quarter ended 31 December 2018
Table 4	provide details of the Pension Fund's top holdings

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

Graph 1 – Market value of the Fund over the last three years
Graphs 2-7 – Performance of the Fund Managers attending Committee to the quarter ended 31 December 2018

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 15, 16, 17, 18 and 19 on the agenda.

13. EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 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 16 and 17, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

14. Exempt Minutes (Pages 101 - 104)

11:25

To **note** the exempt Minute of the Local Pension Board meeting held on 18 January 2018 (**PF14**).

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

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

15. **Overview and Outlook for Investment Markets** (Pages 105 - 114)

11:25

The report (**PF15**) sets out an overview of the current and future investment scene and market developments across various regions and sectors. It provides the context for consideration of the reports from the Fund Managers. The report itself does not contain exempt information and is available to the public. 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.

16. UBS Group

11:35

(1) The Independent Financial Adviser will report orally on the performance and strategy of UBS drawing on the tables at Agenda Items 12 and 15.

(2) The representatives (Malcolm Gordon and Anthony Sander) 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 31 December 2018;

(b) give their views on the future investment scene.

In support of the above is their report for the period to 31 December 2018.

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. Wellington

12:15

(1) The Independent Financial Adviser will report orally on the performance and strategy of Wellington drawing on the tables at Agenda Items 12 and 15.

(2) The representatives (Nicola Staunton, Ian Link and Louise Kooy-Henckel) 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 31 December 2018;

(b) give their views on the future investment scene.

In support of the above is their report for the period to 31 December 2018.

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.

18. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting (Pages 115 - 122)

12:55

The Independent Financial Adviser will report orally on the officer meetings with Adams Street, Insight and Legal & General in conjunction with information contained in the tables (Agenda Item 12).

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.

19. Summary by the Independent Financial Adviser

13:00

The Independent Financial Adviser will, if necessary, summarise any issues arising from the previous discussions 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

20. Corporate Governance (Voting Review) (Pages 123 - 164)

13:05

This report (**PF20**) provides information on the voting records of the Fund Managers, which have been exercised on behalf of this Fund.

The Committee is RECOMMENDED to:

(a) note the Fund's voting activities; and
(b) determine any issues it wishes to follow up with the specific fund managers, or in general.

21. Corporate Governance and Socially Responsible Investment

13:15

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

22. Annual Pension Forum

13:15

The officers will report on the Annual Pension Forum which took place on 11 January 2019.

LUNCH

Pre-Meeting Briefing
There will be a pre-meeting briefing at County Hall on **Wednesday 6 March 2019 at 11am** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 7 December 2018 commencing at 10.15 am and finishing at 1.20 pm

Present:

Voting Members:	Councillor Kevin Bulmer – in the Chair Councillor Ian Corkin (Deputy Chairman) Councillor Nicholas Field-Johnson Councillor John Howson Councillor Charles Mathew Councillor John Sanders Councillor Alan Thompson
Representatives of all District Councils (Voting):	District Councillor Alaa Al-Yousuf District Councillor Bill Service

Officers:

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

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

66/18 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies were received from Cllr Lawrie Stratford, Cllr Mark Lygo and Anya Greig.

Members of the Committee and the officers offered their sincere condolences to the family of Jean Fooks on hearing of her recent death. The Committee wished to have recorded its thanks for the 20 years excellent service she gave whilst serving on the Committee.

67/18 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

There were no declarations of interest.

68/18 MINUTES
(Agenda No. 3)

The Minutes of the meeting held on 14 September 2018 were approved and signed as a correct record.

There were no Matters Arising.

69/18 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 4)

No requests to submit a petition or to address the Committee had been received.

70/18 MINUTES OF THE LOCAL PENSION BOARD AND BRUNEL OVERSIGHT BOARD
(Agenda No. 5)

The unconfirmed Minutes of the Local Pension Board which met on 26 October 2018 were noted.

The Minutes of the Brunel Oversight Board which met on 27 September 2018 were also noted.

71/18 REPORT BY THE INDEPENDENT CHAIRMAN OF THE LOCAL PENSION BOARD
(Agenda No. 6)

Members had before them the latest report by the independent Chairman of the Local Pension Board which invited the Committee to respond to the key issues raised by the Board at its most recent meeting on 26 October 2018 (PF6).

RESOLVED: to note the report and to inform the Board of the following:

(a) to note the Board’s wish to consider the Improvement Plan at their subsequent meetings in the context that it is the responsibility of this Committee to drive the plan;
(b) to note the Board’s continued concern over the level of vacancies and its strong support for recruiting to fill all positions;
(c) to inform the Board that it would be invited to consider the next version of the Investment Strategy Statement prior to its approval by the Committee, as a matter of course; and
(d) to note the Board’s request for the Committee to reflect on how it would monitor the performance of the Brunel portfolios in the context of net performance against benchmarks and fee levels; and to inform the Board that it would consider it further when it reviewed the new investment performance reports from Brunel.

72/18 ADMINISTRATION REPORT
(Agenda No. 7)

The Committee considered the report PF7 which gave an update on the latest position in relation to administration issues.

Members also had before them, to aid discussion, a letter from the Scheme Advisory Board to the Pensions Regulator together with a diagram of the Pension Services workforce structure (included as part of the Addenda to the meeting).

Sally Fox reported that the Pensions Team was currently carrying 11 vacancies.

Following a full and detailed discussion, the Committee **RESOLVED** to:

(a) note the report, including the letter dated 28 November 2018 from the Scheme Advisory Board to the Pensions Regulator as included on the Addenda;
(b) agree that all future correspondence with the Pension Regulator should be circulated to the Committee and Board;
(c) confirm the arrangements for monitoring the delivery of the draft Improvement Plan at future meetings, with the addition of the Breaches Log data; and
(d) agree the proposed changes to the Scheme of Delegation, as outlined in paragraph 29 of the report.

73/18 REVIEW OF THE ANNUAL BUSINESS PLAN 2018/19
(Agenda No. 8)

The Committee considered a report (PF8) which reviewed progress to date on the key objectives, budget and training programme, as set out in the Business Plan for the forthcoming year. Following a full discussion the Committee

RESOLVED: to

(a) note the progress against the key service priorities; and
(b) not to add any further subjects to future training plans at this time.

74/18 RISK REGISTER
(Agenda No. 9)

The Committee had before them a report which gave the latest position in relation to the Fund's Risk Register (PF9).

RESOLVED: to note the current risk register and not to add any further changes at this time.

75/18 PROJECT PLAN FOR THE IMPLEMENTATION OF I-CONNECT
(Agenda No. 10)

A key element of the Improvement Plan was the implementation of I-Connect which would automate the transfer of key scheme data between scheme employers and the administering authority.

The Committee was given a presentation by Julie Skelly, Team Leader, Pensions Team, on I-Connect. A report was also before the Committee setting out the business case for the project and the key steps within the plan (PF10).

RESOLVED: to

(a) note the report on the project plan and to thank Julie Skelly, Team Leader, Pensions for her presentation;
(b) agree to the monitoring of progress of the Plan as part of the quarterly updates on the overall Data Improvement Plan; and
(c) ensure that the Pensions Team was aware of this Committee's support for the work that they were undertaking on the Committee's behalf and to request that Team Leaders attend the Committee on a regular basis to give progress reports.

76/18 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 11)

The Independent Financial Adviser reviewed the investments activity during the past quarter and presented an overview of the Fund's position as at 30 September 2018.

Mr Davies reported that the overall size of the Fund was the highest it had ever been and the £52m rise in the third quarter of 2018 was largely due to an appreciation from UK and private equities, together with a rise in real estate infrastructure. Overseas equities had seen a depreciation which had largely cancelled out the rise in the quarter. He added that the value of the Fund had risen again and its size was now approaching £2.5b.

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 15, 16, 17 and 18 on the Agenda.

77/18 EXEMPT ITEMS

(Agenda No. 12)

The Committee RESOLVED that the public be excluded for the duration of items 13, 14, 15, 16, 17, 18 and 19 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.

78/18 EXEMPT MINUTES
(Agenda No. 13)

The exempt Minute of the Pension Fund Committee meeting held on 14 September 2018 was approved and signed as a correct record (PF13).

The exempt Minute of the Local Pension Board meeting held on 26 October 2018 was noted (PF13).

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

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

79/18 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS
(Agenda No. 14)

The Committee had before them a report of the Independent Financial Adviser (PF14) which set out an overview of the current and future investment scene and market developments across various regions and sectors. The report itself did not contain exempt information and was available to the public. Information which the Independent Financial Adviser reported orally was exempt information.

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 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 receive the report, tables and graphs and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

80/18 PARTNERS GROUP
(Agenda No. 15)

The Independent Financial Adviser reported orally on the performance and strategy of Partners Group drawing on the tables at Agenda items 11 and 14.

The representatives, Serge Jovelle and Sean Dryden, of the Fund Manager presented their approach to investments in relation to their part of the Fund and their strategy against the background of the current investment scene.

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

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

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

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

81/18 ANNUAL REVIEW OF PRIVATE EQUITY

(Agenda No. 16)

The Independent Financial Adviser presented his annual review of the Fund's Private Equity investments (PF16).

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

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

RESOLVED: to agree the recommendation, as set out in the exempt report PF16.

82/18 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 17)

The Committee considered a report from the Independent Financial Adviser (PF17) on the main issues arising from the reports from UBS (Global Equity), Wellington (Global Equity) and Insight (Diversified Growth Fund) in conjunction with information contained in the tables at Agenda Item 11.

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 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 agree the recommendation as set out in the exempt report PF16.

83/18 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 18)

No summary was required.

84/18 PROPOSED CONTRACT EXTENSION FOR THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 19)

(The Independent Financial Adviser left the room for the duration of the discussion and resolution in respect of this item).

The current contract for the Independent Financial Adviser to the Committee was due to expired in February 2019. Given all the changes underway during the transition for Fund Manager responsibility to Brunel, it was unclear what the long - term requirements were for on-going support, based on a clear knowledge of the existing arrangements.

The Committee considered a report which therefore proposed an extension of the current contractual arrangements through an exemption to the normal procurement rules (PF19).

The Committee considered a report from the Independent Financial Adviser (PF18) on the main issues arising from the reports from UBS, Wellington and Adams Street Partners in conjunction with information contained in the tables at Agenda Item 12.

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.

RESOLVED: to approve the recommendation as set out in the report and to thank Peter Davies for all his good work.

RE-ADMISSION OF THE PRESS AND PUBLIC

85/18 FUND MANAGER MONITORING ARRANGEMENTS

(Agenda No. 20)

The Committee considered proposals for the arrangements for Fund Manager Monitoring for the 2019/20 financial year (PF20).

RESOLVED: to approve the Fund Manager monitoring arrangements as set out in the report, subject to the attendance of Brunel representatives to this Committee on the basis of twice a year rather than once.

86/18 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 21)

No issues were raised.

87/18 ANNUAL PENSION FORUM

(Agenda No. 22)

No further matters were raised in relation to the next Pension Forum which was to take place on **11 January 2019 at Unipart.**

.... in the Chair

Date of signing ....

LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 18 January 2019 commencing at 10.30 am and finishing at 12.20 pm

Present:

Voting Members:	Mark Spilsbury – in the Chair
	Alistair Bastin Stephen Davis Councillor Bob Johnston District Councillor Sandy Lovatt Sarah Pritchard

Officers:

Whole of meeting	S. Collins, S. Fox and J. Dean

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.

1/19 WELCOME BY CHAIRMAN
(Agenda No. 1)

The Chairman welcomed all to the meeting.

With regard to the vacancy on the Employer's side, Sean Collins reported that he intended to take the matter to the next Employers Group at the beginning of February. He hoped to have someone in place by the next meeting.

2/19 APOLOGIES FOR ABSENCE
(Agenda No. 2)

There were no apologies for absence.

3/19 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE OPPOSITE
(Agenda No. 3)

There were no declarations of interest submitted.

4/19 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 4)

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

5/19 MINUTES
(Agenda No. 5)

The Minutes of the last meeting held on 26 October 2019 were approved and signed as a correct record.

With regard to the vacancy on the Employer's side, Sean Collins reported that he intended to take the matter to the next Employers Group at the beginning of February. He hoped to have someone in place by the next meeting.

With regard to Minute 45/18 – 'Review of the Annual Business Plan' Sean Collins confirmed that the first investment performance report would be reported to the Oversight Board on 31 January and would be circulated to Members of the Board, commenting also that it would be the first draft and it would evolve over time. He was also asked if there would be a main report going to Committee in relation to ESG investment. He responded that the main conversation regarding this would be at Brunel. The Chairman added that the Investment Strategy would come before the Board for comment to the Committee as part of the 2019 Valuation process – the timetable for which was set down in the current Agenda (Agenda Item 10).

6/19 REVIEW OF THE ANNUAL BUSINESS PLAN
(Agenda No. 6)

The Board was invited to review the latest position against the Annual Business Plan for 2018/19, as considered by the Pension Fund Committee at its meeting on 7 December 2018, and to offer its views to the Committee (LPB6).

Sean Collins reported that work on the full report on the transition to the UK active equity portfolio was ongoing. However, it was known that it was likely that fund management fees would be lower than assumed in the business case.

In response to a question from the Board, Sean Collins reported that the Business Plan would be submitted to the 8 March meeting of the Pension Fund Committee, and to the 26 April meeting of the Board. Members of the Board were sent a copy of the Committee papers as a matter of routine.

In relation to paragraph 17 of the report, Sean Collins reported that a meeting about the Business Plan had taken place between the new Actuary, Hymans Robertson and with most of the large Employers. This was a new approach and had been the first time the Employers had been engaged with the process. In part, Hymans was endeavouring to ascertain what the appetites for risk were and what they valued the most. The key factor which arose from this meeting was that they valued contribution rate stability above short – term contribution rate reductions. It was intended to ask their views for key matters, all of which would be brought back to the Board and the Employers for discussion prior to submission to the June or September meeting of the Committee.

With regard to Environmental, Social and Governance (ESG) issues within investment decision making (paragraph 10 of the report), Sean Collins reported that the first quarterly report from Brunel Pension Partnership (BPP) to clients, as portfolios continued to transition over, would contain data on this topic. This would be shared with the Committee and the Board, together with advice on how this could be used in public to address any issues. The Board welcomed this improved reporting that would be provided by BPP and also requested that consideration be given to including this very fast-moving subject on the Training Plan.

It was **AGREED**: to

(a) note the progress against the key service priorities and budget included within the Business Plan 2018/19 and, in particular to welcome the improved reporting that would be provided by BPP in relation to ESG matters; and
(b) request that consideration be given to including ESG matters in future training plans.

7/19 RISK REGISTER

(Agenda No. 7)

The Board reviewed the latest Risk Register report which was submitted to the Committee at its last meeting on 7 December 2018 (**LPB7)**.

Sean Collins reported that climate change and the risks to returns had been raised at the Employers Forum which had taken place the week prior to this meeting. The Chief Responsible Investment Officer from Brunel had given reassurance that all ESG factors were looked at and a Board member added that she had stated that Brunel did consider climate change amongst other ESG factors as a risk to future investment returns.

Some members of the Board spoke of the importance of the risks being reported in the public domain and that there was a transparency to this. Sean Collins stated that there was already a large amount of mitigation in relation to climate change already being undertaken by the fund managers to ensure that it did not become a long-term risk. The ESG elements of the Independent Strategy Statement would set out how it was monitored and how the Committee could ensure that this had the desired effect.

The Board considered whether to recommend the Committee to consider making an investment into the BPP passive low carbon mandate by reducing its investment in the BPP passive equities mandate. This needed to be balanced alongside Risk 2 ‘Investment Strategy aligned with Pension Liability Profile’ and how we ensure sufficient robustness for the Fund to meet its obligations.

It was **AGREED** to **RECOMMEND** the Committee to consider:

(a) including climate change on the risk register as a separate risk; and
(b) make an investment into the BPP passive low carbon mandate by reducing its investment in the BPP passive equities mandate(s).

8/19 PENSION BOARD CONSTITUTION
(Agenda No. 8)

The Board considered changes to its current Constitution (LP8) following discussions at the last two meetings. It was asked to agree the changes for recommendation to the Pension Fund Committee for approval.

A consensus in relation to all the changes was not reached and it was therefore decided not to include the changes made to paragraph 42.

9/19 MONITORING INVESTMENT EXPENDITURE
(Agenda No. 9)

At the request of one of the scheme member representatives the Board considered a report (LPB9) which provided a breakdown of the investment management costs included in the 2017/18 Annual Report and Accounts, alongside the performance information of the Fund Managers covering the same period. The Board was invited to consider the information contained in the report (LPB9) and determine what conclusions it could draw from the data and to advise the Pension Fund Committee accordingly.

In response to analysis of the performance given by the scheme member, Mr Collins clarified that some were new allocations thus making it both too early and inaccurate to scrutinise performance based on costs. Moreover, some required time to come to fruition. He further advised that the Committee did not look specifically at fees, but it looked at the net performance of the investments over time. He gave some examples of fund managers' turning around bad performance over time, and vice-versa. He also assured the Board that the Committee was very active in keeping account of performance.

The Board both thanked Mr Collins for the reports he had provided on this matter and welcomed them.

It was **AGREED** that a similar report monitoring fees against each mandate be provided to the Board in 6 months' time.

10/19 2019 FUND VALUATION
(Agenda No. 10)

At the request of one of the scheme members, the Board considered a report (LPB10) which set out the key steps and the timetable for the 2019 Fund Valuation process, in order to gain a better understanding of the Board's role in the process.

Mr Collins assured the Board that the key Committee reports would also be submitted to the Board for comment. He added that should the Board determine that something had not been taken account of, then the Committee would not sign it off until it could take account of the Board's comments at its next meeting. This was welcomed by the Board.

11/19 EXEMPT ITEMS
(Agenda No. 11)

RESOLVED: to exclude the public for the duration of Items 12, 13 and 14 since it was likely that if they were present during these items there would be disclosure of exempt information as defined in Part 1 of Schedule 12 A to the Local Government Act 1972 (as amended) and specified in relation to the respective item in the Agenda and since it is considered that, in all circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

PROCEEDINGS FOLLOWING THE WITHDRAWAL OF THE PRESS AND PUBLIC

12/19 EXEMPT MINUTE - 26 OCTOBER 2018 MEETING
(Agenda No. 12)

The exempt minute from the meeting of 26 October 2018 was approved and signed as a correct record (LPB12).

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.

The Board asked if staff recruitment was still a challenge for the Pensions Team. Sean Collins responded that, whilst it remained a challenge, the Team was in a better position in terms of its ability to resolve queries and data issues. The Team was currently getting into position for the end of year.

In response to a question about whether a market premium had been considered, Mr Collins stated that the Pension Fund Committee had already advised that any option to help the situation should not be ignored, including the possibility of applying supplements.

13/19 IMPROVEMENT PLAN
(Agenda No. 13)

The Board considered the latest in the series of reports to the Pension Fund Committee (LPB13) and this Board on the Fund's approach to employer management. It included the latest version of the Improvement Plan which was aimed at ensuring the Fund met its statutory targets in terms of data quality and services to scheme members and employers.

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.

Sean Collins reported on current actions being taken in respect of the Improvement Plan.

The Board thanked Mr Collins for the detailed report.

It was **AGREED** to note the major improvements being made and implemented, and to support the actions being taken.

14/19 INDEPENDENT FINANCIAL ADVISER

(Agenda No. 14)

This item had been added to the Agenda at the request of one of the scheme member representatives. It allowed the Board to review the confidential report presented to the meeting of the Pension Fund Committee on 7 December 2018. The report was attached at LPB14 and the Board was invited to provide any comments to the Pension Fund Committee.

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.

It was **AGREED** to note the report.

READMISSION OF PRESS AND PUBLIC

15/19 ITEMS TO INCLUDE IN REPORT TO THE PENSION FUND COMMITTEE

(Agenda No. 15)

- Various ESG matters, as highlighted above in the ‘Review of Annual Business Plan’ and ‘Risk Register’ items; and
- ‘Monitoring Investment Expenditure’ item.

.... in the Chair

Date of signing ....

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Brunel Pension Partnership

BOB

Brunel Oversight Board Meeting

Minutes

Purpose:	**To review Brunel/Client progress agree next steps**
Date and time:	Thursday 1 November 2018, 10:30 – 13:00
Location:	Brunel Offices, 101 Victoria Street, Bristol, BS1 6PU
Dial-in details:	Dial In: 0330 336 1949 | Participant Pin: 566525

Pension Committee Representatives		
David Veale	Avon	
John Chilver	Buckinghamshire	
Derek Holley	Cornwall	
Ray Bloxham	Devon	
Peter Wharf	Dorset	Apologies
Joanne Segars	EAPF	Apologies
Hywel Tudor	EAPF	
Ray Theodoulou	Gloucestershire	Chair
Kevin Bulmer	Oxfordshire	Vice-Chair
Mark Simmonds	Somerset	Phone
Tony Deane	Wiltshire	
Member representative observers		
Andy Bowman	*Scheme member rep.*	
Ian Brindley	*Scheme member rep.*	
Fund Officers and Representatives		
Tony Bartlett	Avon	
Julie Edwards	Buckinghamshire	Phone
Mark Gayler	Devon	
David Wilkes	Dorset	Phone
Craig Martin	EAPF	
Mark Spilsbury	Gloucestershire	
Sean Collins	Oxfordshire	Chair – CG
Jenny Devine	Wiltshire	
Nick Buckland	JLT – Client Side Executive	
Brunel Pension Partnership Ltd		
Denise Le Gal	Brunel, Chair	
Steve Tyson	Brunel Shareholder NED	
Matthew Trebilcock	Brunel, CRD	
Dawn Turner	Brunel, CEO	
Mark Mansley	Brunel, CIO	
David Anthony	Brunel, CFO	
Alice Spikings	Brunel, Client Relations	Minutes

Item	Agenda	Paper provided	Owner
1	Election of Chair and Vice-Chair		NB
	NB reminded members of the process for election of Chair and Vice-Chair and invited nominations for the role of Chair. RT put himself forward to continue in the role, and his nomination was agreed and seconded. With no further nominations being received a vote was taken and RT was unanimously elected a Chair. RT thanked the Board for the confidence show in him to continue in the role. RT invited nominations for the role of Vice-Chair. KB expressed his desire to continue in the role and this was agreed and seconded. As no further nominations were received a vote was taken and KB was elected by unanimous vote. KB thanked the Board for their support.		
2	Confirm agenda Requests for AOB (Urgent or for information) Any new declarations of conflicts of interest		Chair
	The agenda for the meeting was confirmed and there were no new declarations of interest or additional items of business received.		
3	Review 27 September BOB minutes • Matters arising - SRMs	Minutes	Chair
	The minutes of the meeting on 27 September were agreed by the Board. All ongoing or outstanding items were either complete or elsewhere on the agenda for the meeting, with one exception: MT updated BOB the on the result of the Special Reserve Matter 9 – Pricing Policy. The SRM was approved by 100% of the shareholder representatives.		
4	Business Plan	Report	DLG/DT/SC
	DLG introduced the Brunel Business Plan and highlighted a number of the changes that had happened since the Original Business Case was developed: • The Assets Under Management had increased to nearly £30bn • Estimated level of savings had increased. Actual savings from initial transitions were higher than estimates. • Level of work involved in the creation and transition of each portfolio had been under-estimated. To do the work effectively and with the appropriate level of detail it was taking longer. • The investment team therefore needed to strengthen its level of resource to ensure it is able to deliver. DLG reminded BOB of the discussions at the last meeting around the options available for the transition and that in reality the “best “ option involved a lengthened transition and additional resource, and that the		

Business Plan was built on this assumption.

DLG concluded by suggesting a small amendment to the wording of the recommendations to keep them consistent with that of the Special Reserve Matter. This amended wording was supported.

ST supported the proposals within the Business Plan and commented that the Brunel Board had been scrutinising the plans and had spent a good deal of time questioning the robustness of the plans and ensuring that the additional resource required was enough to deliver the transition plan.

It was highlighted that the Client Group had undertaken a significant amount of work to analyse the assumptions and calculations within the proposals. MS was invited to comment in his role as Chair of the Client Group's Financial Sub-group (FSG), which had undertaken a substantial proportion of the assurance work.

MS commented on the detail of the work that had been undertaken. He concluded that following the exercise, the FSG and Client Group felt that they had been provided with sufficient information on the non salary budgets to conclude that all major budget increases were supported by detailed and robust costings, and appeared to be justified by business need.

Hence overall he summarised that the FSG and Client Group were able to give a high level of assurance to BOB on the detailed budget proposals for 2019/20.

DH thanked MS for the assurance and commented that he was generally happy with the proposals. He asked for clarity around the proposal to allow for movement in budgets between year's, and what would get reported to BOB. DT confirmed that the move to allow over and underspends to be carried forward from one financial year to the next would allow for flexibility around particular projects if there was either slippage, or delivery was ahead of schedule. She also confirmed that in the regular budget updates to BOB it would be highlighted if this was likely to happen, and it would also be reported where any issues have arisen that previously would have resulted in a Special Reserve Matter.

This was supported generally amongst the Board, and there were further clarification questions around the recommendations, and also the ability for Brunel to recruit the right calibre of staff in the future. The responses received assured BOB on these points.

SC was invited to comment, and he confirmed that the Client Group was supportive of the proposals, and that he felt giving Brunel the ability to carry-forward over and underspent positions was sensible and allowed them to take a longer term view over projects.

RB commented that he felt that it was essential for Brunel to have the correct level of staffing to enable the proper due diligence on fund manager appointments. He was happy with the proposals and revised timetable. In addition to this comment there were questions around whether the proposed staffing level was enough. DT commented that with what was known at the moment she was content that they would be.

On being asked further whether she could guarantee not coming back in the next year's business plan for more budget DT said she could not as there may be changes that are not known yet and she gave three

	examples: increase in demands from funds following triennial valuation, regulatory or legislative changes, and understanding of needs as we move further into business as usual. The was accepted as a fair statement and that the rules of engagement if this were to happen were clear and that this would require a Special Reserve Matter. Given the increases in the resourcing levels within Brunel SC was asked whether he felt there was enough resource amongst the clients, in particular within the Client Group. He responded that it was on the agenda to be discussed at the next meeting in the next couple of weeks, and that he would report back to the next BOB meeting. In concluding DT commented that the process of review of the financial aspects of the business plan had been very thorough and she wished to highlight the work that MS had undertaken in leading the work of the FSG. The Chair thanked MS for his work. **BOB supported the recommendations (as amended) included in the cover report.** **I. The Oversight Board support the Business Plan and detailed budget for 2019/20 and draft budgets for 2020/2021 and 2021/22, to be issued as a Special Reserve Matter (SRM).** **II. The Oversight Board support the proposal that underspends from delayed activity in a year, or overspends by bringing activity forward can be managed by Brunel in consultation with the Client Group rather that through an in year SRM if the impact was to exceed the 5% tolerance. If this did occur it would be included with the regular reporting to BOB.** **III. The Oversight Board notes the current expenditure forecast of £7.795m which is £267k above the 5% budget tolerance within the current Business Plan, and endorses the request for an SRM to approve this additional expenditure funded from the £570k underspend in 2017/18.** **IV. The Oversight Board endorse the Business Case Review in the context of the savings generated to date from the first three tenders and set out in detail within the main report.**		
5	Client Oversight & Assurance	Presentation	SC
	SC took BOB through a presentation to show where the Client Group were involved in the process of the creation of portfolios, to enable the appropriate levels of assurance to be gained, and given to BOB. The presentation detailed a number of papers that will be issued by Brunel during the portfolio creation and implementation process. SC highlighted a number of areas where there would be input from clients (in the form of the Client Group as a whole) into the process. It was commented that the there were a couple of key points within the process where there were specific "Client Group touch-points". SC commented that these points were not for individual clients to be		

	expressing specific views on individual manager appointment; it was to allow the Client Group, as a whole, to assess whether the work that Brunel has done gave any reason to stop the process i.e. • Was there anything which the clients felt that the portfolio launch process would not deliver to the specification He also highlighted that if at this stage the Client Group felt that there was an issue that hadn't been dealt with by Brunel it would be classed as a formal complaint under the FCA rules. He therefore felt that this was a situation that would be extremely unlikely to arise. There was a specific question to clarify what was meant by the statement on Slide 3 around an individual Fund's fiduciary duty, and the potential need for action ahead of a Brunel portfolio being available. MT clarified that the comment around additional costs being incurred referred to the potential transition costs of needing to move twice, and not any additional charge to be levied by Brunel. He highlighted that the robust transition plan that was now in place should allow Fund to plan. There were questions around the process, and assurance was taken form the work that Brunel and the Client Group had undertaken to develop the formal set of procedures. There were no requests to amend the framework presented and that this would now be presented by one of the fund's officers as part of the engagement day presentation taking place next week on 05, 06 and 07 November in Oxford, Bristol and Exeter respectively.		
6	Brunel Update Report	Paper	MT
	MT summarised the quarterly Brunel update report, and highlighted a couple of specific points: • He updated BOB on a telephone conversation that he and SC had with Teresa Clay from the MHCLG by way of follow up to the autumn update. He assured BOB that positive feedback was received, specifically with regard to governance structure being used by Brunel. There were also positive comments around the work that was being done in Private Markets. • MT highlighted the engagement days that were being held in the next week and encouraged BOB members to ensure that their own Funds had good attendance. This was the opportunity for Fund's to ensure their officers, committee and board members that weren't involved pooling on regular basis were acting in an informed way.		
7	Shareholder NED update	Paper	ST
	ST presented his update report, and commented that most of his comments had already been discussed as part of the other discussions around the Business Plan. He highlighted the importance to the Partnership has a whole of the Business Plan being agreed, and commented that he		

	felt a little nervous around the progress of the Special Reserve Matter through the shareholder representatives. When asked about this comment he asked that BOB members, who weren't shareholder representatives to highlight the importance of this at a local level and he also acknowledged that different funds operate in different ways and have different decision making processes. He finished by saying that his nervousness really stemmed form the importance of the Business Plan being agreed.		
8	AOB		Chair
	There was no additional business other than to confirm the dates of the engagement days, to be held in Oxford, Bristol and Exeter, and to confirm the dates for BOB meetings in 2019: • Thursday 31st January • Tuesday 30th April • Thursday 25th July • Thursday 26th September • Tuesday 5th November. It was highlighted that all key dates for Brunel meetings in 2019 were contained in an Appendix to the Business Plan report. This being the final item on the agenda, the meeting was closed at 12.58pm		

Produced: JLT on 27/11/2018

Division(s): N/A

PENSION FUND COMMITTEE – 8 MARCH 2019

REPORT OF THE PENSION BOARD

Report by the Independent Chairman of the Pension Board

Introduction

1. At the first meeting of the new Pension Fund Committee on 23 June 2017, it was agreed at the suggestion of the Chairman, that each future meeting of the Committee should receive a written report from the Pension Board, setting out the key elements of their work and any matters which the Board wished to draw to the Committee's attention.

2. This report reflects the discussions of the Board members at their meeting on 18 January 2019. The Board was attended by the Independent Chairman and five of the scheme employer and scheme member representatives. David Locke had changed employer and as such was no longer able to meet the criteria to act as a Scheme Employer representative and had stepped down from the Board with effect from 31 December 2018. The process to appoint a replacement is underway. Cllr John Howson also attended the Board meeting as an Observer.

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

3. The Board again devoted a significant part of its agenda to the on-going issues on employer management, data quality and the issue of Annual Benefit Statements. It considered the improvement plan, and noted the major improvements being implemented. The Board also wished to have noted its support for the actions being taken to ensure the Pensions Administration Team has adequate and appropriate resources to deliver the agreed improvement plan.

4. The Board considered the reports received by the Pension Fund Committee on the review of the Annual Business Plan and the Risk Register. It focused its discussions on issues around the Environmental, Social and Governance (ESG) Policy, and had a number of issues it wished to be noted and brought to the Committee's attention:

   - It welcomed the improved reporting that would be provided through the Brunel Pension Partnership;
   - It felt that ESG issues should form a key element of the future training plan;
   - It recommended that there should be a separate risk added to the risk register on climate change; and

- that the Committee be requested to consider making an investment into the passive low carbon equity mandate managed through Brunel, by reducing the allocation to the passive global mandate, with this being seen as a key mitigation to the proposed risk on climate change.

5. Following the discussion at the two previous Board meetings, the Board again reviewed its own Constitution, with particular reference to the process for adding items to the agenda. Following the discussion, the Board made no recommendations to amend the current Constitution.

6. Following a request from a scheme member representative, the Board discussed an item the cost transparency which included an analysis of the fund manager costs for 2017/18 split by fund manager, alongside their performance for the same period. Whilst the Board drew no conclusions from the data presented, they welcomed the information, and asked for a similar report to be produced in 6 months' time.

7. The Board reviewed a report on the upcoming 2019 Fund Valuation, it being keen to understand the timetable and how they could review the key assumptions being made and how these impacted onto the final contribution rates certified by the Actuary. The Board resolved to request that the key reports due to presentation to the Committee are also made available to the Board, to enable it to comment as appropriate.

8. The final report considered by the Board was the confidential item presented to the December Committee meeting regarding the short-term extension of the contract for the Independent Financial Adviser. One member of the Board highlighted that the Fund had underperformed it's benchmark by 0.2% per annum over the period of the IFA's contract. It was explained to the Board that the IFA was not directly responsible for the investment performance of the Fund Managers but had in fact been instrumental in initiating the changes in all areas which had contributed to the under-performance. The Board also noted that the primary purpose for seeking the short-term extension was to provide continuity during the period assets were transitioning to Brunel, with full procurement exercise undertaken on completion of the transition as appropriate, once the long - term requirements were identified.

RECOMMENDATION

9. **The Committee is RECOMMENDED to note the Report of the Board and:**

   (a) note the comments of the Board in respect of the actions being taken to ensure that the Pensions Administration Team have adequate and appropriate resources to deliver the agreed implementation plan;
   (b) consider its request that all key reports in respect of the 2019 Valuation are submitted to the Board for their comments as appropriate; and

(c) note its comments on the risk register and the investment in the low carbon portfolio and to consider this further on the separate item on the risk register elsewhere on this agenda.

Mark Spilsbury
Independent Chairman of the Pension Board

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

February 2019

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Division(s): N/A

PENSION FUND COMMITTEE – 8 MARCH 2019

IMPROVEMENT PLAN

Report by the Director of Finance

Introduction

1. At their December 2018 meeting the Committee considered the draft Improvement Plan which had been submitted to the Pension Regulator at the end of September 2018. At the time of the December meeting, we had not received the formal feedback from the Pension Regulator.

2. The December Committee also received the draft implementation plan for iConnect. Whilst iConnect is not seen as a pre-requisite for the delivery of the Improvement Plan, it is seen as a key step for delivering long term improvements to the current arrangements, and so the Committee agreed to monitor progress as part of future reports on the Improvement Plan.

3. Since the December Committee we have had further correspondence with the Pension Regulator on the Improvement Plan, and following amendments, they have stated that they are happy with the revised plan. This report covers the main changes in the final Improvement Plan and sets out the progress against achieving the Plan.

Comments from the Pension Regulator and the Revised Plan

4. The formal comments on the draft Improvement Plan were received from the Pension Regulator (tPR) by letter on 20 December 2018. The comments, and the responses, which we submitted on 8 January 2019 are set out below:

   - tPR was concerned that the Plan did not clearly set out who was responsible for the various elements of the Plan. Our response clarified that the Committee had overall responsibility for delivery of the Plan and that day to day operational responsibility was delegated to the Service Manager – Pensions. Responsible officers for each task were included on the plan, and a footnote was added to cover those lines where responsibility was split across a team.
   - tPR felt that there were insufficient milestones included within the plan, to enable those responsible to track progress over the period of the Plan. The revised Plan includes more interim steps to ensure progress can be monitored and early warning given if the Plan is not on target for success.
   - tPR felt there was a lack of clarity over the risks to the delivery of the Plan. A risk register has been added as a new sheet to the Plan, including the mitigation strategies for each of the risks identified.

- tPR were unclear on the engagement of the Pension Fund Committee and the Pension Board with the Plan. In our response, we re-iterated that the Committee is the ultimate owner of the Plan and responsible for its delivery, supported by the Pension Board. The Plan was revised to include the regular reporting to both bodies to ensure both were in a position to meet their responsibilities.
- tPR felt that the overall objectives of the Plan were not explicit, and it was unclear on how the success of the work would be judged. In response, we have added a new front sheet which sets of the project objectives, and the individual target scores against the key statutory responsibilities.
- tPR were unclear on the targets for data quality in light of the national work to produce a standard approach to the calculation of data quality scores. In our response, we have confirmed that the data quality targets set out in the front sheet are based on the definitions used in making the 2017/18 return. If we receive national guidance which indicates a significant change to the way the data quality scores should be calculated, then we will review the appropriateness of the targets and advise tPR accordingly.

5. The other major change to the revised plan (as contained in Annex 1) was to include the detailed implementation plan for iConnect.

6. The Pension Regulator responded on 16 January 2019 to confirm that they were now happy with the Plan and did not require any further changes. They did make a few comments in terms of improving future presentation and sought further clarification about our approach to data quality but confirmed that we should proceed with deliver of the revised Plan as now drafted.

7. The Pension Regulator also asked for an update on the current position in respect of the 2017/18 annual benefit statements. We have confirmed that there are still 16 ABS outstanding, all in respect of employees of Edwards and Ward.

8. We have provided a full report to the Regulator on the performance of Edwards and Ward, who have a number of contracts with both maintained and academy schools for the provision of school meals. Initially Edwards and Ward failed to provide the necessary pension provision for the out-sourced staff, placing a number of staff into the NEST scheme.

9. Once we became aware of the issue, we took advice from Legal Services on the best approach to restoring the statutory pension protection to the out-sourced staff, and required Edwards and Ward to enter admission agreements in respect of each out-sourced contracts and provide data returns and pension contributions back-dated to the start of each contract.

10. Despite the provision of support to Edwards and Ward, they have been very slow in addressing the outstanding issues. Officers attended a meeting in March 2018 at Edwards and Ward head office in East Sussex and re-iterated the required information and the deadlines for its provision. Following further

failures to meet the agreed deadlines, a second meeting was attended in East Sussex during November, which agreed a final deadline for all outstanding information of 30 November 2018.

11. Unfortunately, Edwards and Ward again failed to provide the majority of the outstanding data and have failed to provide any updates on the outstanding position since missing the deadlines. In accordance with the Administration Strategy, we have now issued a fine of £13,500 which represents a charge of £150 for each outstanding end of year return and each year where we are missing a monthly data return.

Progress against Improvement Plan Milestones

12. Progress against the End of Year actions has largely been in line with the planned timescales. We have issued the general communications and have had a good response to the request to provide senior escalation points in the event of non-compliance with the timetable. We have just appointed a new Senior Administrator to support the process, and next steps are to allocate a team member to each employer and initiate contact with employers to ensure no known issues

13. Work on the monthly returns though is behind target, impacted in part by key staff absences over the last 6 months. Additional staff have now been allocated to support this task with a view to bringing it back into target for the March returns, so there are no knock-on implications for the work once we start receiving the end of year returns at the end of April.

14. The major concern remains on the level of vacancies held across the various teams within Pension Services. As covered in the Administration report elsewhere on the agenda, the initial round of recruitment was unsuccessful, and we are still carrying vacancies in key positions. We continue to work with colleagues in HR to identify new approaches to filling the outstanding vacancies and are continually looking to re-allocate work in line with the key priorities identified to meet the Plan.

15. In respect of data quality, as noted above the Regulator queried our decision to remove certain tests where the data 'fail' does not impact on the scheme benefits for the member. We have provided further clarification to the Regulator on this on 30 January 2019. We have indicated that we will be happy to discuss these points further with the LGA and the Scheme Advisory Board as part of the process of designing a comprehensive set of standard data quality tests to ensure we are measuring relevant data items against relevant records.

16. We are currently reviewing our records to identify any missing data to determine the action we need to take to resolve these. We have met with our software supplier and have provided examples of data 'fails' where the information held on our system is accurate. The software provider is reviewing these cases to see if the reports can be amended to take these circumstances into account.

17. Work is underway to run a procurement exercise to identify an address tracing agency with a view to undertaking another address tracing exercise which will complete in time for the issue of benefit statements in August 2019.

18. In respect of the iConnect project, we are currently in the employer testing stage, for phase one we are working with 17% of our employees, just over 3400 members. The table below provides an update where we are with each employer.

I-Connect

Number	Employer	Active mer	Payroll	Notes
00014	DIDCOT TOWN COUNCIL	14	Sharon	awaiting date
00017	HENLEY ON THAMES TOWN COUNCIL	24	Liz	Feb onboarding meeting
00031	WITNEY TOWN COUNCIL	15	Sharon	awaiting Date
00032	CARTERTON TOWN COUNCIL	6	Tan	TESTING
00034	OXFORD BROOKES UNIVERSITY	1836	Sarah	Awaiting file - for data matching
00075	CHALGROVE PARISH COUNCIL	2	Jo	awaiting Date
00084	FARINGDON TOWN COUNCIL	12	Sally	TESTING
00086	SANCTUARY HOUSING	5	John	*TESTING*
00097	UNITED LEARNING TRUST	305	Cat	Data Matching
00102	OLD MARSTON PC	1	Tim	TESTING
00110	OXFORD SPIRES ACADEMY	109	EPM	Data Matching
00119	GILLOTTS SCHOOL	50	Data plan	Awaiting file - for data matching
00130	ASPIRATIONS ACADEMY TRUST	91	Data plan	Awaiting file - for data matching
00136	OXFORD DIOCESAN TRUST	662	John	TESTING
00153	DOMINIC BARBERI ACADEMY	290	EPM	linked to 00110
00179	RAMSDEN PARISH COUNCIL	1	Jon	*TESTING*
00254	GEMS Didcot Primary Academy	11	Data plan	Awaiting file - for data matching

Awaiting File – Employer is currently producing a CSV to test with I-Connect and data Matching
TESTING – First file received, data matching taken place and employer uploading alongside main Monthly submission. Go live date April 2019 (maybe before)
Awaiting Date – been in contact with employer waiting for them to confirm a training date.
Data Matching – File received, currently checking quality of data and Data matching against Altair (Pension System)

19. Key tasks undertaken include:

- Setting up *training sessions* for employers and helping them create file extract.

- Looking at *processes* with in the Pensions team and how iConnect will impact these. The main review has been carried out however we will continue during testing period to pick up anomalies using the Live data.
- *Data matching* – this includes matching records, amending any payroll reference changes, creating missing records. Oxford Diocesan Trust alone had 122 members in conflict and 42 unmatchable. These have now been resolved with the help of the employer.
- Creating Multi payroll providers (MPP) — this means a payroll provider like Data Plan only has to do one return.
- Reaching out to Smaller employers to try and onboard these in quieter periods.
- Looking at Administration strategy to include iConnect
- *Reporting* – setting up reports to test the data coming in from Employers. Data tests being applied by not limited to are:
  - *CARE v Contributions Monthly*
  - *CARE v Contributions Year to data*
  - No CARE pay
  - Final pay checks

20. The key challenges faced include:

- Internal processes need to change – trying to think of every what if scenario so these can be tested.
- TUPE transfers is a concern, education of employer to reiterate the need to let us know before transfer.
- Managing and updating payroll number changes, this had to be done before the DATA matching process could happen.
- Casual Employees – the number of casual employees are increasing. This will impact iConnect and the end of year if records are not closed now effectively.
- Working with employer to create a working extract file, not all employers understand CSV or the background to the data we require.
- Keeping momentum going with some smaller parish councils, feedback has been that pensions is a small part of their role and they are normally only one person doing all types of roles.
- The interest in iConnect has slowed down…we will be working on communication, websites, targeting getting some testimonials from our current employers in phase one.

21. The next key steps in the process include:

- Continuing to meet with team to discuss processes and workflow task management
- Plan phase 2 which will commence 01/04/2019 – aim is to get Oxfordshire County Council and Oxford City Council on board. This equates to 9600 members nearly 50% membership.
- Continue testing and feeding back to Employers with the aim to go LIVE April 2019

- Set up an iConnect section on the Oxfordshire County Council Pension web pages.
- Keep targeting smaller employers, and those employers who already use iConnect with other LGPS schemes. Also look at providing employers with a provisional staging date to keep momentum going.
- Use the iConnect data to help the end of year process. Any employer currently in the phase 1 of testing we will be able to start the end of year process on receipt of their March 2019 file.

RECOMMENDATION

22. The Committee is RECOMMENDED to note the latest position with regard to the implementation of the Improvement Plan.

Lorna Baxter
Director of Finance

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

February 2019

Project Objectives

The Improvement Plan is designed to ensure that the Oxfordshire Pension Fund as administered by the Pension Fund Committee delivers against its statutory duties as set out below. These duties include a mix of annual responsibilities in terms of information requirements to scheme members, the annual submission of our data quality score, and a series of on-going responsibilities to scheme members and scheme employers based on their movements in and out of the Fund, deaths retirements etc. The ultimate objective of this revised improvement plan is to deliver the target scores as set out below. The success against the annual targets will be measured once a year as per the target date (with interim measures against the milestones set out in the plan indicating the likelihood of success), whereas success against the on-going responsibilities will be measured monthly.

Annual Statutory Responsibilities

	Target Data	Target Score	Comments
Issue Annual Benefit Statement to all Active Scheme Members	31/08/19	100%	A score above 98% would not be regarded as a material breach of duty for the Fund as a whole, but could still require individual scheme employers to be reported for a material breach if a significant number of their statements were still outstanding
Issue Annual Benefit Statement to all Deferred Scheme Members	31/08/19	100%	
Issue Pension Savings Statements to those above Annual Allowance	06/10/19	100%	
Return Data Quality Scores to the Pension Regulator - Common Data	06/11/19	98%	Score based on definitions included in reports from Aquila Heywood dated 25 October 2018
Return Data Quality Scores to the Pension Regulator - Scheme Specific Data	06/11/19	98%	

On-Going Statutory Responsibilities

	SLA (days)	Target % of cases within SLA	
Annual Allowance	10	90	The statutory deadlines are, in general, two months, although there are some variations to these which extend beyond the two months. For the purposes of monitioring and reporting we will use the two month deadline. This will also apply to divorce cases where the deadline is in excess of two months. The only deadline under two months is that of retirements where benefits are being paid after NPA where information about benefits should be provided within one month.
APC	10	90	
Data Changes	10	90	
Deaths	10	95	
Deferred Benefits	40	90	
Divorces	10	95	
Estimates - employer	10	90	
Estimates - member	10	90	
General Queries - employer	10	90	
General Queries - member	10	90	
Re-employments	40	90	
Refund of Benefits	10	95	
Retirements	10	95	
Starters / PPF	40	90	
Transfer In	10	90	
Transfer Out	10	95	

Ownership of the Improvement Plan

The Improvement Plan is owned by the Pension Fund Committee in its role as Scheme Manager under the relevant Regulations. The Committee is ultimately accountable for the delivery of the Plan. Day to day management of the plan is delegated to the Service Manager - Pensions, who will manage the plan with the support of the Pension Services Management Team. The Plan identifies owners for the individual tasks, who will be responsible for reporting through to the Management Team and ultimately the Pension fund Committee on perfroamnce agaisnt their elements of the plan.

Revised Improvement Plan 2018/19

End of Year 2018/19 and Issuance of Annual Benefit Statements	*Comments*	Owner*	Due date	Status	Comments on Status
End of Year Return					
Issue Scheme Employer Questionnaire re 2017/18 Exercise		BH	26/10/18	Completed	Feedback requested in Talking Pensions - 1 response
Hold Employer Forum to Discuss Results of Questionnaire		BH	30/11/18	Completed	Forum not held in light of limited feedback received.
Prepare Briefing for All Employers to Set out any Key Changes		BH/SJC	21/12/18	Completed	Talking Pensions January
Confirm Senior Escalation Point with All Scheme Employers		BH	21/12/18	Completed	E-mail sent to all employers 20/12/2018, responses being chased. Second e-mail sent 15/01/2019
Prepare/Review templates for 2018/19 Returns		BH	14/01/19	Completed	
Allocate Member of Employer Team to Lead for Each Scheme Employer		BH	14/01/19		Subject to recruitment
Get in touch with employers by phone to confirm who our contacts are for the annual return	Final chase of escalation points	Employer team	18/01/19	Completed	E-mail sent to all employers 20/12/2018
Annual returns emails to be drafted	Included FAQ information, reminder about AVC's.	BH	16/01/19	Completed	
Returns to be sent out w/c 21 January 2019 (include dates for training days)		Employer team	25/01/19	Completed	
Contact all employers who have had previous issues to check receipt support needed	Telephone call	Employer team	28/02/19		Subject to employer allocation / recruitment
Run Employer Training Sessions on Completion of End of Year Return		SAF/BH/JW/RO	15/03/19		Waiting for response from scheme employers
Week before the April deadline send a reminder to High level contacts that the data is required by 30 April	Copy to any 3rd party payroll providers	Employer team	23/04/19		
Review receipt of end of year returns and issue initial escalation letter for all missing returns	Report numbers to SJC/SF	BH	03/05/19		
Review receipt of outstanding returns and issue final escalation letter	Report numbers to SJC/SF	BH	17/05/19		
Issue Breach Report to Pension Regulator for non-compliance where end of year return still outstanding		SF	24/05/19		
Complete review of all end of year returns received by 30 April deadline	Check formatting of data, completeness of return, and contributions balance to those paid over during year (within agreed tolerances)	Employer Team	10/05/19		
Send end of year review queries to employer	Report numbers to SJC/SF	Employer team	10/05/19		
Review Receipt of end of year Queries and issue final escalation letter for any outstanding	Report numbers to SJC/SF	BH	24/05/19		
Issue Breach Report to Pension Regulator for non-compliance where end of year return queries still outstanding		SF	31/05/19		
Complete Provisional Runs of end of year data	Report numbers to SJC/SF	BH/RS	31/05/19		
Send Provisional Run queries to scheme employers, where these stop end of year file data being loaded	Queries to include missing starters, missing leavers, un-matched pay reference numbers, formatting errors in data, mis-match between number of employee records	Employer team	03/06/19		
Work with Scheme Employers to resolve provisional run queries, escalating as necessary		Employer team	28/06/19		
Issue Breach Report to Pension Regulator for non-compliance where end of year data can not be loaded due to outstanding queries		SF	28/06/19		
Final Load of Actual Data including monthly CARE data, and issue queries on errors to scheme employers (e.g. pay variation to previous year outside agreed tolerances, and/or inconsistent with contributions recorded and received.	Process will start from 3 June for those employers with no errors on provisional run, with regular daily runs as queries are resolved on remaining employers. Weekly reports of numbers to SJC/SF	BH/RS	05/07/19		
Review receipt of query responses and issue initial escalation letter	Report numbers to SJC/SF	BH	19/07/19		
Issue final escalation letter	Report numbers to SJC/SF	BH	26/07/19		

Issue Breach Report to the Pension Regulator where outstanding queries mean that data is not sufficient to issue annual benefit statement		SF	02/08/19		
Issue Annual Benefit Statements	Daily runs from 5 August starting with those scheme members who have requested a paper statement.	RS	31/08/19		
Monthly returns - MARS		**Owner**	**Due date**		
Review First 6 month returns and identify any missing returns	remind employer (5 days)	BH/SF/JF	31/10/18	Completed	21/11/18
Escalate All Employers with Missing Returns	Chase - Fine to follow	BH/SF/JF	18/01/19		
Identify All Scheme Employers Where Active Membership has Ceased	Fine	BH/SF/JF	31/10/18		
Ensure All Records For Ceased Employers have been loaded and validated	Chase - Fine to follow	BH/SF/JF	30/11/18		
Review First 6 months CARE data, and identify any inconsistences. Raise queries with employers		BH	30/11/18	Completed	
Escalate All Missing Monthly Returns by month end		SF/JF	End of Each Month (Nov - Apr)		
Maintain CARE data monthly, and raise queries with employers each month		BH/SF/JF	End of Each Month (Nov - Apr)		
Communication		**Owner**	**Due date**	**Status**	
Write to Scheme employers (see line 8 above)	Administration guide, TPR letter	BH	21/12/18	Completed	Talking Pensions January
Email templates/acknowledgements to finalise	MARS/EOY	BH	18/01/19	Completed	
Update team at team meeting	EOY process.	BH/SAF	25/01/19		
Pension Fund Forum	Administration update, confirm eoy coming out	SAF	11/01/19	Completed	
Monthly updates - talking pensions	To include key changes from previous years, key dates (including highlighting earlier due date for March MARS return as 19 April is a Bank Holiday)	JW/RO	31/01/19		
Monthly updates - talking pensions	To include reminder of key dates and importance of timely and accurate returns in respect of both statutory duties and impact on 2019 Valuation Results	JW/RO	28/02/19		
Monthly updates - talking pensions	Pick up issues identified	JW/RO	31/03/19		
Staffing		**Owner**	**Due date**	**Status**	
Review Current Staff Structure in Light of Recent Experience		SJC/SAF	19/10/18	Completed	
Agree new structure and Appropriate Division of Duties		SJC/SAF	19/10/18	Completed	
Revise Job Descriptions, Grades and Person Specifications including suitability of apprenticeships with County HR		SJC/SAF	02/11/18	Completed	
Implement new structure		SAF	02/11/18	Completed	
Recruitment		Team Leaders	30/11/18	Completed	
Recruitment - interviews		Team Leaders	07/12/18		Interviews w/c 07/01/19
Recruitment - issuing offers		Team Leaders	14/12/18		
Recruitment - references / medicals		Team Leaders	21/12/18		
Recruitment - confirm start dates		Team Leaders	21/12/18		
Resource cover - sickness/maternity		Team Leaders	On-Going		
Staff Induction		Team Leaders	08/02/19		
Staff Training		Team Leaders	On-Going		

Governance and Reporting					
Identify all statutory responsibilities and associated timescales		SAF	26/10/19	Completed	Included in Objectives Sheet of this Improvement Plan
Develop portfolio of performance measures that measure achievement of statutory functions and provide early warnings of potential breaches of targets	To include monthly statistics for the on-going statutory duties, the progress statistics identified above against the tasks within the end of year process and regular updates on data quality scores	SAF	31/01/19		
Determine frequency and timetable of manager reviews of performance data and schedule in diaries	Will be a mix of weekly, monthly and ad hoc reports		31/01/19		
Present Performance Report to Pension Fund Committee and agree schedule of interim reports to be sent to Committee members between the quarterly meetings	Copies to be provided to Pension Board members	SAF	08/03/19		
Data Quality		**Owner**	**Due date**		
Hold workshop with Aquila Heywood to review results of 31 August 2018 Report		SAF/RS	26/10/18	Completed	04/12/18
Produce Report for LGA on Proposal for Standardise Data Quality Reports covering tests to be applied, records to be covered by test and basis for how the test is to be applied.		SAF	18/01/19		SC discussing with LGA
Produce Action Plan to Improve Data Quality Scores where they fall below 98% in Revised Report		SAF	21/12/18	Completed	See below:
Common Data - addresses. Re-Run missing address report		RS	31/01/19	Completed	5246 missing addresses for LGPS status 1,2,4,9
Common Data - addresses - chase responses to letters seeking confirmation of new addresses		RS	29/03/19		Ongoing - identifying cases involved with view to sending out letters in early March
Common Data - addresses - run procurement exercise to identify address chasing agency		SF	29/03/19		
Common Data - addresses - re-run address tracing exercise with new agency		RS	30/04/19		
Common Data - addresses - send out confirmation letters to new addresses identified		RS	31/05/19		
Common Data - addresses - update records on receipt of confirmation of new address from scheme member		RS	30/08/19		
Scheme Specific Data - CARE and Salary Checks - Run reports to confirm latest status	Work completed on previous errors since the last report as at end of August 2018	RS	28/02/19		
Scheme Specific Data - CARE and Salary Checks - Update Records with Missing Data		RS/Benefits Team	30/04/19		
Scheme Specific Data - Annual Allowance - Re-Check Data updated since last data quality report	Majority of work on 2017/18 records completed in September 2018 after August data quality extract - error rate therefore mainly reflected timing issue.	RS	31/01/19		
Scheme Specific Data - Annual Allowance - Bulk Update for any outstanding Records		RS	29/03/19		
Scheme Specific Data - Annual Allowance - Determine any process changes (if any) required for 2018/19 data.		RS	29/03/19		
Footnote					
* The Owner represents the officer responsible for the delivery of each given task on the stated deadline. Where the owner is shown as a team, this is because the work has been allocated out across all team members, each with responsible for a given set of scheme employers, or individual scheme member tasks as appropriate. The relevant team leader is responsible for managing the work of the team to ensure that all individual members meet their deadlines and the overall task is completed to deadlines.					

Improvement Plan - Risk Register

Ref	Risk	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			Further Action Required	Data for Completion of Action	Target Risk Rating			Comments
					Impact	Likelihood	Score			Impact	Likelihood	Score	
1	Lack of suitably qualified and experienced staff	Work not completed to deadline and/or required standards	Sally Fox	Current Recruitment on-going. Have explored option of bringing in apprenticeships	5	3	15	Need to put in place contract for provision of interim support	28/02/19	5	1	5	
2	Lack of Timely Returns from Employers	Project Deadlines missed, resulting in material breach of regulations	Becky Herman	Early communication of deadlines. Telephone contact for all those late last year. Escalation and fines policy in place.	4	2	8	Ensure timely performance reporting of data returns against deadlines to ensure escalation process works effectively, so reducing impact of delay		2	2	4	
3	Lack of Accurate Returns from Employers	Project Deadlines missed, resulting in material breach of regulations	Becky Herman	Early communication of requirements, and training programme arranged. Telephone contact for all thosewith issues last year. Escalation and fines policy in place.	4	2	8	Ensure timely performance reporting of quality of data returns to ensure escalation process works effectively, so reducing impact of delay		2	2	4	
4	Technical Failure of System	Deadlines missed, or inaccurate information published to scheme members and/or employers	Rachael Salsbury	System on hosted arrangement with regular disaster recovery checks. Clear validation process in place for system upgrades	5	1	5			5	1	5	
5	Legislative Changes	All work delayed whilst impact of changes clarified and systems updated - new work backlogs	Chris Thompson/ Vicki Green	Regular review of LGA bulletins to ensure timely update of our processes.	3	2	6	Respond to any future Government Consultations to ensure timely of proposed changes allows system and process changes to be put in place in advance		1	2	2	
6	Changes in Actuarial Factors issued by GAD	All work delayed whilst awaiting new factors - new work backlogs	Chris Thompson/ Vicki Green	Regular review of LGA bulletins, and communications from GAD to ensure timely update of our processes.	3	2	6	Clear Communication to all impacted scheme members so they are aware of delays whilst we await new factors - look to bring in temporary staff to clear backlog if necessary		1	2	2	

Key to Rsatings

Impact

5	Severe - Project Failure and Material Breach Reported to tPR
4	Major - significant number of scheme employer breaches reported to tTPR
3	Moderate - significant number of individual complaints
2	Minor - Individual employer breaches reported to tPR
1	Insignificant - individual complaints

Likelihood

4	Very Likely - over 75% probability
3	Likely - 50% to 75% probability
2	Possble - 20% to 50% probability
1	Unlikely - less than 20% probability

Implementation of I-Connect

Project Lead - Jules Skelly

Project Start:	01 September 2018
Display Week:	1

TASK	ASSIGNED TO	PROGRESS	START	END
Setting up contract/decisions				
Statement of works Signed off	Sally Fox	100%	01/09/2018	13/09/2018
I-connect at Team Meeting	Jules Skelly	100%	10/10/2018	10/10/2018
GDPR requirements	Jules	100%	02/10/2018	07/10/2018
Committee update (Project Plan) PFC december	Jules		31/10/208	16/11/2018
Look at Resources - staffing	Jules/Sal	100%	15/10/2018	31/10/2018
Review Resources - Staffing PFC	Jules/Sal	100%	15/11/2018	30/11/2018
Speak to Philip Berkshire Pension Fund	Jules	100%	29/11/2018	29/11/2018
New employers - straight to I-connect PFC decision	PFC	100%	31/12/2018	31/12/2018
Employer to be staged over a two year period - Plan phases			01/12/2018	31/12/2020
I-connect at Team Meeting	Jules		14/01/2019	14/01/2019
Staffing and resourcing review			01/02/2019	15/02/2019
Setting UP Altair				
Action from Sow - ICNCT4 report	Jules Skelly	100%	27/09/2018	05/10/2018
Action from Sow - ICNCT2 report	Jules Skelly	100%	27/09/2018	05/10/2018
Action from Sow Scheme Location -report TEST and LIVE	Jules/John	100%	27/09/2018	05/10/2018
Add new data Views - Add to roles TEST	Rachael	100%	27/09/2018	05/10/2018
Workflow processes - TEST	John	100%	05/10/2018	31/10/2018
Member Tidy up - NI etc - TEST	Jules	100%	27/09/2018	05/10/2018
Member Tidy up - NI Etc - LIVE	Jules Skelly	100%	27/09/2018	05/10/2018
Action from Sow URL - sign up	Jules Skelly	100%	27/09/2018	05/10/2018
Action from Sow Check Dashboard availability	Jules Skelly	100%	27/09/2018	05/10/2018
Action from Sow Set Logins up, Rach, Sally, David (Sally does not need	Jules Skelly	100%	27/09/2018	05/10/2018
Add new data Views - Add to roles LIVE	Rachael		31/01/2019	31/01/2019
I-Connect set up				
User Acceptance Testing	Jules	100%	01/10/2018	05/10/2018
Telephone call 05/10/2018 re acceptance testing	Jules		05/10/2018	05/10/2018
Decision re employer access	Jules	100%		31/10/2018
i-Connect multiple payroll extract file specification - look at Mandatory		100%	01/12/2018	31/12/2018
Target Setting - Employers Per month?			31/03/2019	31/03/2019
Employer onboarding				
Employer create payroll Extract - Talking pension Volunteer	Jenny Wylie	100%	01/10/2018	31/10/2018
Create Employer guidance templates - Final Pay		100%	01/11/2018	30/11/2018
Choose Test Employer/s	Julie	100%	20/11/2018	25/11/2018
Employer log on creation			01/01/2019	01/01/2019
Create Payrolls (see Employer sheet)			01/12/2018	01/12/2018
Data Matching (See Employer sheet)			02/12/2018	31/12/2018
Task Testing				
ICOSTART Starters/Re-enrolments	David	100%	01/11/2018	30/11/2018
ICOOPTOU Opt Out	David	100%	01/11/2018	30/11/2018
ICOOPTIN Opt In	David	100%	01/11/2018	30/11/2018
ICOLEAVE Leaver	David	100%	01/11/2018	30/11/2018
EXCONT Contribution Exception	David	100%	01/11/2018	30/11/2018
EXADDCO Additional Contribution Exception	David	100%	01/11/2018	30/11/2018
EXCARE CARE Exception	David	100%	01/11/2018	30/11/2018
Reason For leaving configuration				
Reset up tasks Ltest and Live				
Processess Reviews				
Starter process				
How to bulk generate PFC letter	Jules	100%	01/01/2019	31/01/2019
How to deal with Pay ref changes	Jules	100%	01/01/2019	31/01/2019
How to deal with NI changes	Jules	100%	01/01/2019	31/01/2019
How to Deal with Post number changes	Jules	100%	01/01/2019	31/01/2019

Display Week: 1

TASK	ASSIGNED TO	PROGRESS	START	END
Re-employment Process				
How do starters tie in with Altairs Auto link	further testing		01/01/2019	31/01/2019
How do we identify starters	Jules	100%	01/01/2019	31/01/2019
Leavers over 55 process				
IS there an easy way to split/report on leavers?			01/01/2019	31/01/2019
How do we obtain final pay - decision around forms v MARS	jules		01/01/2019	31/01/2019
Leavers under 55				
IS there an easy way to split/report on leavers?			01/01/2019	31/01/2019
How do we obtain final pay - decision around forms v MARS			01/01/2019	31/01/2019
Unpaid leave				
How do we pick up APC's?			01/01/2019	31/01/2019
Estimates				
What pay do we use for Final pay?			01/01/2019	31/01/2019
MSS - availability				
What do we want available to members?			01/01/2019	31/01/2019
Can it flag to member no monthly return received?			01/01/2019	31/01/2019
Member Adress Update				
MSS v I-connect how to resolve			01/01/2019	31/01/2019
Data quality - Issue of correctly entered addresses			01/01/2019	31/01/2019
Member details update			01/01/2019	31/01/2019
How I-connect flags changes - report to task?			01/01/2019	31/01/2019
New employer process				
What information do we need to provide			01/01/2019	31/01/2019
PFC - essential for new employers	Jules	100%	01/01/2019	31/01/2019
Setting up process			01/01/2019	31/01/2019
Closing employers				
removing access to system	Jules	100%	01/01/2019	31/01/2019
How long after scheme closed should acess be given	Jules	100%	01/01/2019	31/01/2019
Employer changes				
Payroll provider? Whats the best process			01/01/2019	31/01/2019
TUPE cases				
no starters needed, move to new employer required - outside ERM?			01/01/2019	31/01/2019
Process - employer Team			01/01/2019	31/01/2019
New starters/ not in scheme			01/01/2019	31/01/2019
Contribution return				
Set up meeting with Investment Team.	**Jules**	**On Hold**	01/01/2019	31/01/2019
ERM				
Investigate ERM population - Strain costs/cash received	Jules	On Hold	01/01/2019	28/02/2019
Can you have access to report only on these areas?	jules	100%	01/01/2019	28/02/2019
Additional Actions				
Meeting with Investment Re contibution return			16/01/2019	16/01/2019
Status 2 - For Project meeting			07/02/2018	

Display Week: 1

	TASK	ASSIGNED TO	PROGRESS	START	END
	Employers Onboarding	ASSIGNED TO	Staging Date	START	END
00000	Oxfordshire County Council - FIRE service	0		00/01/1900	
00001	OXFORDSHIRE COUNTY COUNCIL	0		00/01/1900	
00002	WEST OXFORDSHIRE DISTRICT COUNCIL	0		00/01/1900	
00003	SOUTH OXFORDSHIRE DISTRICT COUNCIL	0		00/01/1900	
00004	CHERWELL DISTRICT COUNCIL	0		00/01/1900	
00005	VALE OF WHITE HORSE D C	0		00/01/1900	
00006	OXFORD CITY COUNCIL	0		00/01/1900	
00007	ABINGDON TOWN COUNCIL	0		00/01/1900	
00011	A2 DOMINION HOUSING	0		00/01/1900	
00012	CHIPPING NORTON TOWN COUNCIL	0		00/01/1900	
00014	DIDCOT TOWN COUNCIL	0		00/01/1900	
00017	HENLEY ON THAMES TOWN COUNCIL	David		16/01/2019	
00018	KIDLINGTON PARISH COUNCIL	0		00/01/1900	
00022	OXFORD ARCHAEOLOGICAL UNIT LTD	0		00/01/1900	
00027	SWALCLIFFE PARK SCHOOL TRUST	0		00/01/1900	
00028	THAME TOWN COUNCIL	0		00/01/1900	
00030	WALLINGFORD TOWN COUNCIL	0		00/01/1900	
00031	WITNEY TOWN COUNCIL	David		00/01/1900	
00032	CARTERTON TOWN COUNCIL	David		03/01/2019	
00033	WOODSTOCK TOWN COUNCIL	0		00/01/1900	
00034	OXFORD BROOKES UNIVERSITY	Julie		08/10/2018	
00036	BICESTER TOWN COUNCIL	0		00/01/1900	
00037	SUTTON COURTENAY PARISH COUNCIL	0		00/01/1900	
00040	THE HENLEY COLLEGE	0		00/01/1900	
00048	CHINNOR PARISH COUNCIL	0		00/01/1900	
00060	North Hinksey Parish Council	0		00/01/1900	
00061	WITNEY AND DISTRICT CITIZENS ADVICE BUREAU	0		00/01/1900	
00063	OXFORD COMMUNITY WORK AGENCY	0		00/01/1900	
00064	MARCHAM PARISH COUNCIL	0		00/01/1900	
00065	EYNSHAM PARISH COUNCIL	0		00/01/1900	
00070	CUMNOR PARISH COUNCIL	0		00/01/1900	
00071	ABINGDON AND WITNEY COLLEGE	0		00/01/1900	
00072	BANBURY TOWN COUNCIL	0		00/01/1900	
00075	CHALGROVE PARISH COUNCIL	David		00/01/1900	
00076	ORDERS OF ST JOHN	0		00/01/1900	
00078	THAMES VALLEY PARTNERSHIP	0		00/01/1900	
00082	OXFORD HOMELESS PATHWAYS	0		00/01/1900	
00084	FARINGDON TOWN COUNCIL	David		03/01/2019	
00085	ACTIVATE LEARNING	0		00/01/1900	
00086	SANCTUARY HOUSING	Julie		21/11/2018	
00088	BERINSFIELD PARISH COUNCIL	0		00/01/1900	
00091	BENSON PARISH COUNCIL	0		00/01/1900	
00092	OYAP TRUST	0		00/01/1900	
00096	VALE CAPITA	0		00/01/1900	
00097	UNITED LEARNING TRUST	Julie		08/01/2019	
00099	OXFORD ACADEMY	0		00/01/1900	
00102	OLD MARSTON PC	David		07/01/2019	
00104	FUSION LIFESTYLE	0		00/01/1900	
00110	OXFORD SPIRES ACADEMY	Julie		24/01/2019	
00113	RADLEY PARISH COUNCIL	0		00/01/1900	
00114	VALE ACADEMY TRUST	0		00/01/1900	
00115	MERCHANT TAYLORS OXON ACADEMY TRUST	0		00/01/1900	
00118	RUSH COMMON SCHOOL (ABINGDON LEARNING TRUST)	0		00/01/1900	
00119	GILLOTTS SCHOOL	Julie		26/11/2019	
00120	BARTHOLOMEW ACADEMY (EYNSHAM PARTNERSHIP)	0		00/01/1900	
00121	CHIPPIN NORTON ACADEMY	0		00/01/1900	
00122	LANGTREE ACADEMY	0		00/01/1900	
00123	RIVER LEARNING TRUST (Incl. 121 Ch. Norton, 176 Wheatley, plus New	0		00/01/1900	
00124	FARINGDON ACADEMY	0		00/01/1900	
00125	HANWELL FIELDS ACADEMY	0		00/01/1900	
00126	MILL ACADEMY	0		00/01/1900	
00127	BURFORD ACADEMY SCHOOL	0		00/01/1900	
00128	LONG HANBOROUGH PARISH COUNCIL	0		00/01/1900	
00129	RIDGEWAY EDUCATION TRUST	0		00/01/1900	
00130	ASPIRATIONS ACADEMY TRUST	Julie		26/11/2019	
00132	Carillion (AMBS) Ltd	0		00/01/1900	

Display Week: 1

	TASK	ASSIGNED TO	PROGRESS	START	END
00133	NORTHERN HOUSE ACADEMY TRUST	0		00/01/1900	
00134	LORD WILLIAMS ACADEMY	0		00/01/1900	
00136	OXFORD DIOCESAN TRUST	Julie		19/11/2018	
00137	MARLBOROUGH ACADEMY SCHOOL	0		00/01/1900	
00138	HOME FARM TRUST SOUTH VALE 1	0		00/01/1900	
00139	HOME FARM TRUST SOUTH VALE 2	0		00/01/1900	
00140	CAMDEN SOCIETY CITY 1	0		00/01/1900	
00141	CAMDEN SOCIETY CITY 2	0		00/01/1900	
00142	CAMDEN SOCIETY NORTH 1	0		00/01/1900	
00143	PROPELLER ACADEMY TRUST	0		00/01/1900	
00144	CAMDEN SOCIETY WEST	0		00/01/1900	
00145	GOSFORD HILL ACADEMY	0		00/01/1900	
00146	COMMUNITY ALLIENCE	0		00/01/1900	
00147	EUROPA SCHOOL UK	0		00/01/1900	
00150	GALLERY TRUST	0		00/01/1900	
00151	BLACKBIRD ACADEMY	0		00/01/1900	
00152	SONNING COMMON PARISH COUNCIL	0		00/01/1900	
00153	DOMINIC BARBERI ACADEMY	Julie		24/01/2019	
00154	LADYGROVE PARK PRIMARY	0		00/01/1900	
00155	ST JOHNS PRIMARY	0		00/01/1900	
00156	MANOR SCHOOL	0		00/01/1900	
00157	WILLOWCROFT PRIMARY SCHOOL	0		00/01/1900	
00158	BLOXHAM PARISH COUNCIL	0		00/01/1900	
00159	ABBEY WOODS ACADEMY	0		00/01/1900	
00160	TYNDALE COMMUNITY SCHOOL	0		00/01/1900	
00162	CHOLSEY PRIMARY SCHOOL	0		00/01/1900	
00163	SKANSKA CONSTRUCTION UK LTD	0		00/01/1900	
00168	FRESH START - BLOXHAM	0		00/01/1900	
00169	BANBURY MUSEUM TRUST	0		00/01/1900	
00170	CATERLINK	0		00/01/1900	
00171	JOHN MASON SCHOOL	0		00/01/1900	
00172	HEYFORDIAN SCHOOL TRUST	0		00/01/1900	
00174	CARA SERVICES LTD	0		00/01/1900	
00177	PAM WELLBEING LTD	0		00/01/1900	
00178	BICESTER LEARNING ACADEMY	0		00/01/1900	
00179	RAMSDEN PARISH COUNCIL	David		15/01/2019	
00180	POPE FRANCIS MULTI ACADEMY	0		00/01/1900	
00184	ENDEAVOUR ACADEMY	0		00/01/1900	
00185	RADCLIFFE ACADEMY TRUST	0		00/01/1900	
00186	SCHOOL LUNCH CO - CHARLTON ON OTMOOR	0		00/01/1900	
00188	RAPID COMMERCIAL CLEANING LTD	0		00/01/1900	
00189	UBICO LIMITED	0		00/01/1900	
00190	GREENWICH LEISURE LTD	0		00/01/1900	
00191	SCHOOL LUNCH CO - ST JOSEPH	0		00/01/1900	
00192	SCHOOL LUNCH CO - ST J FISHER	0		00/01/1900	
00193	SCHOOL LUNCH CO - THE BATT	0		00/01/1900	
00196	SCHOOL LUNCH CO - STANDLAKE	0		00/01/1900	
00197	SCHOOL LUNCH CO - WYCHWOOD	0		00/01/1900	
00198	SCHOOL LUNCH CO - ST MARYS	0		00/01/1900	
00204	SCHOOL LUNCH CO - APPLETON	0		00/01/1900	
00205	SCHOOL LUNCH CO - BISHOP LOVEDAY	0		00/01/1900	
00207	SCHOOL LUNCH CO - HOOK NORTON	0		00/01/1900	
00208	SCHOOL LUNCH CO - EVANGELIST (St John the)	0		00/01/1900	
00209	SCHOOL LUNCH CO - CHESTERTON	0		00/01/1900	
00210	DRAYTON PARISH COUNCIL	0		00/01/1900	
00211	WEST OXFORD SCHOOL TRUST (MATTHEW ARNOLD) (ACER TRUST)	0		00/01/1900	
00212	WARRINER MAT	0		00/01/1900	
00213	ACTIVATE BICESTER COLLEGE	0		00/01/1900	
00216	SCHOOL LUNCH CO - ST KENELMS	0		00/01/1900	
00217	SCHOOL LUNCH CO - NORTH HINKSEY	0		00/01/1900	
00218	SCHOOL LUNCH CO - BADGEMORE	0		00/01/1900	
00219	SCHOOL LUNCH CO - QUEENSWAY	0		00/01/1900	
00220	E&W: Banbury Dashwood	0		00/01/1900	
00221	E&W: Benson CofE Primary	0		00/01/1900	
00227	E&W: St Andrews CofE Primary	0		00/01/1900	
00230	E&W: St Nicolas' Primary Old Marston	0		00/01/1900	
00236	E&W: Brightwell-cum-Sotwell	0		00/01/1900	
00237	CHARTWELLS (WHEATLEY PARK)	0		00/01/1900	
00239	GLF - William Morris School	0		00/01/1900	

Display Week: 1

	TASK	ASSIGNED TO	PROGRESS	START	END
00240	Kennington Parish Council	0		00/01/1900	
00241	Optalis Ltd	0		00/01/1900	
00242	1st Homecare (Oxford) Ltd (Prev. Civicare Oxford Ltd)	0		00/01/1900	
00243	White Horse Federation (Southwold School)	0		00/01/1900	
00244	Capita Five District Councils	0		00/01/1900	
00246	Indigo	0		00/01/1900	
00247	Vinci	0		00/01/1900	
00248	Wyclean Mill Academy	0		00/01/1900	
00249	School Lunch - Witney CP	0		00/01/1900	
00250	School Lunch - Nettlebed	0		00/01/1900	
00251	Groundwork South	0		00/01/1900	
00252	Adderbury Parish Council	0		00/01/1900	
00254	GEMS Didcot Primary Academy	Julie		26/11/2019	
00255	School Lunch - RAF Benson	0		00/01/1900	
00256	Barnardo's	0		00/01/1900	
00257	Alliance in Partnership (Queen Emma)	0		00/01/1900	
00258	SCHOOL LUNCH CO - HENDREDS	0		00/01/1900	
00259	School Lunch Co - Tackley	0		00/01/1900	
00260	Publica	0		00/01/1900	
00261	Hill End Outdoor Education Centre	0		00/01/1900	
00262	APCOA PARKING	0		00/01/1900	
00263	Rapid Clean - Stockham Primary School	0		00/01/1900	
00264	Rapid clean - Manor School Didcot Academy Trust	0		00/01/1900	
00265	Cleantec Services Ltd	0		00/01/1900	
00266	BusyBee Cleaning - Ridgeway End	0		00/01/1900	
00267	St Marys Infant - ODST	0		00/01/1900	
00268	Oxford Direct Services	0		00/01/1900	
00269	School Lunch Company - Blake Cogg	0		00/01/1900	
00270	Energy Kidz	0		00/01/1900	
00271	Kingston Bagpuise with Southmoor	0		00/01/1900	
00272	School Lunch company Orchard Fields	0		00/01/1900	
00273	REGENCY CLEANING - CALDECOTT ABINGDON	0		00/01/1900	
00274	School lunch Company - Wroxton	0		00/01/1900	
00275	Servicemaster - East Oxford	0		00/01/1900	
00276	School Lunch Co - St Christopher's Cowley	0		00/01/1900	
00277	EW South Moreton	0		00/01/1900	
00278	School Lunch Co - St Marys 2 (Cleaning)	0		00/01/1900	
00279	School Lunch Co - Gt Milton	0		00/01/1900	
00280	Maiden Erlegh Trust	0		00/01/1900	
00281	EW Stockham	0		00/01/1900	
00282	EW John Henry Newman	0		00/01/1900	
00283	SLC - St Nicolas Abingdon	0		00/01/1900	
00285	TNS Catering - Lord Williams	0		00/01/1900	
00286	Clean Genie - St Marys Bicester* All staff opted out ?	0		00/01/1900	
00287	ABS Catering - CC St James	0		00/01/1900	
00288	EW Ridgeway Children	0		00/01/1900	
00289	EW St Johns Wallingford	0		00/01/1900	
00291	EW Vale Academy Trust at Fitzwaryn School	0		00/01/1900	
00292	Alliance in Partnership - The Cooper School	0		00/01/1900	
00293	Cater Link Ltd - Dominic Barberi	0		00/01/1900	
00294	Fresh Start Catering Limited - St Mary's Catholic Primary School	0		00/01/1900	
00295	Fresh Start Catering - Bure Park Primary School	0		00/01/1900	
00296	Edwards and Ward - Sutton Courtenay C of E Primary School	0		00/01/1900	
00297	Regency Cleaning Services - Meadowbrook College (Radcliffe Academy	0		00/01/1900	
00298	Oxfordshire LEP	0		00/01/1900	
00299	Rapid Commercial Cleaning Services - Clanfield C of E Primary School	0		00/01/1900	
00000	0	0		00/01/1900	
00000	0	0		00/01/1900	
	0	0		00/01/1900	

Division(s): N/A

PENSION FUND COMMITTEE – 8 MARCH 2019

BUSINESS PLAN 2019/20

Report by the Director of Finance

Introduction

1. This report sets out the business plan for the Pension Fund for 2019/20. The Plan sets out the key objectives of the Fund, details the key service activities for the year, and includes the proposed budget and cash management strategy for the service.

2. The report also reviews the progress against the key service priorities included in the 2018/19 Plan as context for setting the key priorities going into the next financial year.

3. The key objectives for the Oxfordshire Pension Fund are set out on the first page of the Business Plan for 2019/20 (contained in annex 1) and remain consistent with those agreed for previous years. These are summarised as:
   - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pensons Regulator
   - To achieve a 100% funding level
   - To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
   - To maintain as near stable and affordable employer contribution rates as possible.

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

Key Service Priorities – A review of 2018/19

5. The service priorities included in the 2018/19 Plan and the latest position on each is as follows:

   <u>Contribute to the planning and delivery of the asset transition programme for the Brunel Pension Partnership.</u>
   There were three measures of success set out in the initial business plan which were the successful transition of all public equity assets to the new Brunel portfolios by 31 March 2019, establishment of the private market portfolios to allow investment during 2018/19 and initial transitions managed in line or better than assumptions within the business case.

As previously reported, the timescale for the transition of the public equity assets has been slipped in light of the experience of the initial transition. This was to allow for a more in-depth procurement process which should lead to better outcomes, improving the overall position against the business case. Whilst the passive and UK equities have successfully transition, the global equity portfolios are not now expected to transition until November 2019 and March 2020.

The transitions to date have been in line or better that the business case, so successfully delivering measure three within our business plan. We have also made our initial investments to the private markets in line with the second measure of success, although work is continuing on the client assurance process to ensure that the overall arrangements are being developed in line with client expectations.

Review the Funding Strategy and Investment Strategy Statements to meet the requirements of future cash flows and employer covenants and risk appetites.

This objective required joint working with the Fund Actuary and the major employers within the scheme, with the two measures of success being around the management of cash flows to ensure all pension liabilities are met as they fall due with minimal impact on employer contribution rates and the two Statements were reviewed and aligned to feed into the 2019 Valuation process.

Following discussions with Hymans Robertson, the Actuary to the Fund, it was determined that the deadlines for this work could be slipped back into 2019/20 to better meet the requirements of the 2019 Valuation timetable.

Work though has been proceeding with initial meetings held with the major scheme employers, and more detailed follow up meetings held with Oxford Brookes University. This work will be incorporated into the report on Scheme policies to be presented to the June meeting of this Committee.

In the meantime, cashflow remains positive. Over the first 10 months of 2018/19, the total cash received in respect of members benefits exceeded the cost of payments in respect of members benefits by an average of just over £1m a month.

Develop more sophisticated management arrangements to ensure all Pension Fund data is received and stored in accordance with the requirements of the Pension Fund Regulator.

The three measures of success for 2018/19 on this objective were no issues raised by the Pension Regulator, annual benefit statements issued in accordance with statutory deadlines and reduced levels of queries and complaints received from scheme members. Delivery against these targets has been covered elsewhere on this agenda throughout the year, with significant improvements recorded relative to previous years, but some further improvements still required to bring us fully into line with the measures of success we have targeted.

Develop a more robust approach to monitoring the performance of Fund Managers, in respect of their delivery against the Funds governance responsibilities.

The measures of success targeted for this objective were to regularly publish benchmark data within the open sessions of the Committee's agenda, alongside a clear audit trail of the process for reviewing the performance of fund managers. Work has continued throughout the year on this objective in association with Brunel.

Whilst the quarterly report to the end of December 2018 from Brunel included a commentary section on responsible investment, the first set of portfolio level ESG reports are not now expected until the end of March 2019 quarter.

Improving scheme member communications

Work completed during 2018/19 included moving the default position for the publication of the annual benefit statements from paper to the electronic portal, allowing scheme members to log onto their account and view their statement as required.

Work is now on-going to transfer more of our current paper processes to the portal, including the issuance of standard letters, and the development of the self-help facilities for members.

6. Work against the 2018/19 business plan has been undertaken inside the budget provision agreed for the year, as seen in the table below.

	Budget	YTD	%	Forecast Outturn	Variance
	2018/19	2018/19		2018/19	2018/19
	£'000	£'000		£'000	£'000
Administrative Expenses					
Administrative Employee Costs	1,523	1,048	69	1,304	-219
Support Services Including ICT	608	617	101	623	15
Printing & Stationary	61	90	148	105	44
Advisory & Consultancy Fees	115	20	18	30	-85
Other	40	45	112	55	15
Total Administrative Expenses	**2,347**	**1,820**	**78**	**2,117**	**-230**
Investment Management Expenses					
Management Fees	8,415	35	0	8,194	-221
Custody Fees	159	2	1	2	-157
Brunel Contract Costs	650	685	105	685	35
Total Investment Management Expenses	**9,224**	**722**	**8**	**8,881**	**-343**
Oversight & Governance					
Investment Employee Costs	247	178	72	240	-7
Support Services Including ICT	11	12	108	15	4
Actuarial Fees	40	167	416	95	55
External Audit Fees	24	20	85	34	10
Internal Audit Fees	14	10	69	14	0
Advisory & Consultancy Fees	65	63	96	75	10
Committee and Board Costs	39	35	91	40	1
Total Oversight & Governance Expenses	**440**	**485**	**110**	**513**	**73**
Total Pension Fund Budget	**12,011**	**3,027**	**25%**	**11,511**	**-500**

7. As previously reported the main variations have been the underspend against pensions administration staffing costs due to the level of vacancies experienced during the year, the underspend against fund management fees and the underspend against custodian fees, both of which are directly linked in to the transfer of responsibilities to Brunel.

Service Priorities for 2019/20

8. For 2019/20 it is proposed to take all five of the key priorities from the current year forward and amend the actions and measures of success to reflect the progress during the current year. The detail of the key actions and measures

of success are set out in Part B of the Business Plan. A summary of each of the 5 key priorities is as follows.

9. In respect of Brunel, the key priority for 2019/20 is seen as the development of comprehensive client reports, which will provide assurances on the processes and performance of the Brunel company, as well as on the investment performance itself. This is seen as increasingly important as more assets are transition to the Brunel portfolios and Brunel takes on its full responsibility for the selection and monitoring of the underlying fund managers. We have retained measures of success relating to the transition of the outstanding assets and for monitoring delivery against the initial business cased.

10. The second priority focusses on the 2019 Valuation, including the need to manage the risks associated with cash flow and employer covenants, and to develop funding and investment strategies which reflect these factors as well as the risk appetites of individual scheme employers. The work will build on that undertaken during 2018/19, leading to a revised funding strategy statement, and the publication of the 2019 Valuation results. Key to success will be maintaining good communications with scheme employers, so that final Valuation results are published on a timely basis, with no major shocks.

11. The third priority focusses on delivery of the Improvement Plan as discussed elsewhere on this agenda. The measures of success are set as compliance with our statutory targets and those included in our service level agreements with scheme employers, meeting our data quality target scores and the successful implementation of iConnect. If we are successful in delivering these, then we should also be successful in delivering the final measure of success of having no issues raised by the Pension Regulator.

12. The fourth priority maintains the focus on the growing importance of Environmental, Social and Governance (ESG) issues within investment decision making. The actions include building on the current work with the responsible investment team at Brunel to develop a suite of reports which demonstrate the effectiveness of the ESG policies and the impact of company engagement by our Fund Managers.

13. The final priority proposed in the 2019/20 Business Plan is the continued development of Member Self Service. This should allow scheme members access to their records to undertake amendments to their core data and view key information on their pension benefits, so releasing pension administrator time to focus on the other priorities.

Budget 2019/20

14. Part C of the Business Plan sets out the Fund's budget for 2019/20 and compares it with the budget for 2018/19. Overall there is an increase in the budget from £12,011,000 to £12,698,000. The main elements of this variation are explained in more detail below. A report comparing the Pension Fund budget for the full 2018/19 financial year against the actual expenditure will be produced for the June 2019 Committee meeting.

15. The administrative staffing budget has simply been increased for the impact of inflation. The support services budget for administration has increased from £608,000 to £634,000 due to an allowance for the replacement of scanners and printers.

16. There has been an increase in the budget for printing and stationary to allow for additional printing requirements arising from the annual address chasing exercise and letters to scheme members on the activation of member self-service.

17. The advisory and consultancy fees budget for administration has increased by £45k, this includes address tracing services, retendering of the software contract, and the latest stage of the Guaranteed Minimum Pension reconciliation exercise.

18. The increase in the budget for Brunel contract costs reflects the increase in work being undertaken by Brunel as more portfolios are set-up and Brunel continues to progress its services as per the business plan. The contract costs are based on the 2019/20 Brunel budget that has been signed off by all client funds. Custody fees are now paid by Brunel and form part of the contract cost for the Fund.

19. The budget for actuarial fees has been increased by £120k as during 2019/20 the actuary will undertake the triennial valuation of the Pension Fund including work on scheme employer covenants.

20. External audit fees have been increased as the Fund is now charged a separate fee for assurance work undertaken on the provision of data to the actuary for the production of accounting reports for scheme employers.

21. A separate line has been added for subscriptions and memberships and includes the Local Government Association, Pensions & Lifetime Savings Association, Chartered Institute of Public Finance Accountants (CIPFA) Pensions Network, and the Local Authority Pension Fund Forum.

Training Plan

22. A Training Plan for Committee Members has not been included within the Business Plan. A training programme will be developed through the year to include topical subjects which are likely to include further training on the 2019 Valuation and on interpreting the new ESG reporting data from Brunel.

Cash Management

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

RECOMMENDATION

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

(a) approve the Business Plan and Budget for 2019/20 as set out at Annex 1;
(b) approve the Pension Fund Cash Management Strategy for 2019/20;
(c) delegate authority to the Director of Finance to make changes necessary to the Pension Fund Cash Management Strategy during the year, in line with changes to the County Council's Treasury Management Strategy;
(d) delegate authority to the Director of Finance to open separate pension fund bank, deposit and investment accounts as appropriate; and
(e) delegate authority to the Director of Finance to borrow money for the pension fund in accordance with the regulations.

Lorna Baxter
Director of Finance

Contact Officer: Sean Collins, Tel: 07554 103465

February 2019

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Annex 1

Oxfordshire Pension Fund: Business Plan 2019/20

Service Manager - Pensions: Sean Collins

Service Definition:

- To administer the Local Government Pension Scheme on behalf of Oxfordshire County Council

Our Customers:

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

Key Objectives:

- Administer pension benefits in accordance with the LGPS regulations
- Achieve a 100% funding level;
- Ensure there are sufficient liquid resources available to meet the Fund's liabilities and commitments; and
- Maintain as nearly a constant employer contribution rate as is possible.

Part A: Service Activities

Service Activity	Outputs	Outcomes
Investment Management		
Management of the Pension Fund Investments	The Fund is invested in assets in accordance with the Committee's wishes. The Fund's assets are kept securely. Quarterly reports to the Pension Fund Committee.	Pension Fund deficit is minimised by securing favourable returns on investments (compared to benchmarks).
Management of the Pension Fund Accounts	Completion of the Annual Report and Accounts.	No adverse comments from the Fund's auditors.
Management of the Pension Fund Cash	Cash management strategy and outturn reports. Cash Managed in accordance with the strategy.	The Pension Fund cash is managed securely and effectively.
Scheme Administration		
Management of the Pension Fund Administration	The administration procedures are robust and in accordance with regulations and service standards Changes to regulatory framework of the scheme	The workload is completed & checked in accordance with regulations and procedures. Work is completed within specified time scales No adverse comments from the Fund's auditors, and the Pension Regulator Implementation of actions arising from regulation changes

Part B – Service Priorities

Task	Actions	Measures of Success
Contribute to the planning and delivery of the continued development of the Brunel Pension Partnership.	Work with the Company and Client Group to develop the client reporting and assurance processes. Work with the Company, Client Group and Transition Managers on delivery of the remaining transition plan. Work with the company and Client Group to monitor the development of the Partnership against the initial Business Case.	Development of comprehensive client reporting, providing assurance on the processes and performance of the Brunel company. Delivery of the outstanding asset transitions in accordance with the revised Transition Plan and the initial business case. Delivery of robust financial reports monitoring all elements of the business case, including company and investment costs, investment performance and transition costs.
Manage the 2019 Valuation, including the review the Funding Strategy and Investment Strategy Statements to meet the requirements of future cash flows, and employer covenants and risk appetites.	Work with the large scheme employers to understand their key strategic direction in so far as it relates to their LGPS workforce, and their risk appetite. Work with the Fund Actuary to develop a technical model which allows liability, contribution and investment income forecasts to be modelled for the potential scenarios discussed with the scheme employers. Review employer covenants and the different risk appetites expressed by employers and determine any changes required to the Funding Strategy Statement.	Cash flows managed to ensure all pension liabilities are met as they fall due, with minimal impact on employer contribution rates. Investment Strategy and Funding Strategy Statements reviewed and aligned to meet risk and cash flow levels consistent with the 2019 Valuation process. Delivery of the 2019 Valuation results to time, and to the satisfaction of scheme employers.
Delivery of the current Improvement Plan to ensure all Pension Fund data is kept in accordance with the requirements of the Pension Fund Regulator	Manage the end of year process in line with the timetable set out in the Improvement Plan. Work with the Scheme Advisory Board on developing a national standard for the	No issues raised by the Pension Regulator. Annual Benefit Statements, Deferred Benefit Statements etc issued in accordance with Statutory Timescales Data Quality Scores equal or

	Data quality Tests, and ensure Oxfordshire data is collected, and measured consistent with these standards. Work with scheme employers to ensure all requirements are understood and data submitted accurately and timely, and all omissions are promptly escalated. Delivery of the iConnect implementation plan as included in the Improvement Plan.	above national standard targets. All business as usual activity completed within targets set in the Service Level Agreements, leading to a reduced level of queries and complaints from Scheme Members. Successful implementation of iConnect.
Finalise a more robust approach to monitoring Fund Manager performance in respect of delivery against the Fund's governance policies.	Review the initial ESG reports developed by Brunel to measure performance against benchmarks, and determine any additional measures which help determine compliance with the agreed ESG policies, and set benchmarks against which to judge Fund Manager performance. Review Fund Manager performance against benchmarks and follow up all exceptions as part of the Committee's regular monitoring of investments	Benchmark data published, and regular reports made publicly available at quarterly Committee meetings. Clear audit trail of fund management review process published.
Improve Scheme Member Communications	Monitor take up of MSS, as well as activity in terms of numbers accessing newsletters etc, and promote increased service usage as appropriate. Develop the functionality of MSS to maximise the use of self-help facilities for scheme members, and the amount of information available electronically.	Reduction in the number of simple tasks being undertaken by the team, in response to paper requests.

Part C. Budget:

	2019/20 Budget £'000		2018/19 Budget £'000
Administrative Expenses			
Administrative Employee Costs	1,576		1,523
Support Services including ICT	634		608
Printing and Stationery	72		61
Advisory and Consultancy Fees	160		115
Other	60		40
	2,502		**2,347**
Investment Management Expenses			
Management Fees	8,484		8,415
Custody Fees	0		159
Brunel Contract Costs	1,043		650
	9,527		**9,224**
Oversight and Governance			
Investment Employee Costs	254		247
Support Services Including ICT	11		11
Actuarial Fees	160		40
External Audit Fees	35		24
Internal Audit Fees	15		14
Advisory and Consultancy Fees	95		65
Committee and Board Costs	49		39
Subscriptions and Membership	50		0
	669		**440**
Total Pension Fund Budget	**12,698**		**12,011**

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Part D - Pension Fund Cash Management Strategy 2019/20

Introduction

1. The Oxfordshire Pension Fund maintains a balance of cash arising from the receipt of employer and employee contributions, and income from internally managed investments. This incoming cash currently exceeds the amount of payments made on behalf of the Fund. The situation is forecast to continue for the whole of 2019/20. Income from portfolios managed by fund managers currently remains within the fund manager's portfolio and is available for re-investment. Were the Pension Fund's cashflow to turn negative based on the current arrangements, income from fund manager portfolios could instead be paid back to the Fund as required to make up any cash shortfall. The cash managed in-house by the Administering Authority, provides a working balance for the fund to meet its short-term commitments and forms 0-5% of the Fund's strategic asset allocation.

2. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 state that administering authorities must hold in a separate bank account all monies held on behalf of the Pension Fund. The regulations also state that the Administering Authority must formulate an investment strategy to govern how the authority invests any Pension Fund money that is not needed immediately to make payments from the fund. This document sets out the strategy for cash for the financial year 2019/20.

Management Arrangements

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

Rebalancing

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

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

7. In general, a minimum cash balance of £40million will be retained following a fund rebalancing exercise, to meet cashflow requirements and private equity investment transactions. This minimum level has been increased from £10m in the prior year to accommodate the higher level of drawdowns anticipated to flow from commitments made to private market portfolios with Brunel. The

level of cash balances will fluctuate on a daily basis and may be considerably higher than the minimum balance dependent upon the timing of transactions and strategic asset allocation decisions.

Investment Strategy

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

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

Investment of Pension Fund Cash

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

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

11. Pension Fund deposits will be restricted to a subset the County Council's approved counterparties at the time of deposit and will include the Fund's custodian bank. Approved counterparties as at 31st January 2019 are shown in annex 2. There will be a limit of £25m for cash held with each counterparty.

Borrowing for Pension Fund

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

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

14. The Director of Finance (S.151 Officer) has delegated authority to borrow money for the Pension Fund in accordance with the regulations but only in exceptional circumstances. It is proposed that the authority to borrow on behalf of the Pension Fund continues to be delegated to the Director of Finance during 2019/20.

Lorna Baxter
Director of Finance

February 2019

Appendix 1

Oxfordshire County Council 2019/20 Approved Specified Investments for Maturities up to one year

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

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

Appendix 2

<u>Approved Counterparties</u>

Aberdeen Standard Sterling Liquidity Fund

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

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Division(s): N/A

PENSION FUND COMMITTEE – 8 MARCH 2019

RISK REGISTER

Report by the Director of Finance

Introduction

1. At its meeting on 11 March 2016, the Committee agreed that the risk register should form a standard item for each quarterly meeting. A copy of the report also goes to each meeting of the Pension Board for their review. Any comments from the Pension Board are included in their report to this meeting.

2. The risk register presented to the March 2016 Committee meeting was the first produced in the new format, which introduced the concept of a target level of risk and the need to identify mitigation action plans to address those risks that were currently not at their target score. This report sets out any progress on the mitigation actions agreed for those risks not yet at target, and identifies any changes to the risks which have arisen since the register was last reviewed.

3. A number of the mitigation plans are directly linked to the key service priorities identified in the Annual Business Plan for 2018/19. This report should therefore be considered in conjunction with the business plan report elsewhere on this agenda.

Comments from the Pension Board

4. At their meeting in January 2019, the Pension Board identified that the risk to investment returns from more management of environmental, social and governance issues, in particular climate change was not fully reflected in the current risk register. They wished to see a new risk added to the register.

5. The proposal from the Board was to add a risk relating to reductions in investment performance, with the cause specifically related to the failure to properly account for climate change in making investment decisions. The impact of the risk was seen as a fall in funding levels requiring an increase in employer contributions. The Board felt that the risk could be managing by switching assets between the current allocation to passive equities to the passive low carbon portfolio.

Officer Comment

6. It is the view of Officers that there is a real risk to investment returns caused by a lack of consideration of the wider environmental, social and governance (ESG) factors which can direct impact future financial performance of the

companies invested in. We would though not choose to limit the risk to a single focus on climate change, as whilst a key issue at present, there are other ESG factors which could have a similar financial impact. Similarly, a mitigation based on an allocation to the passive low carbon portfolio would be seen as too narrow to mitigate the wider risk. Indeed the risks associated with climate change itself are much wider than those that could be mitigated by an allocation to a low carbon fund. For example, research papers have identified a number of companies where the climate change risk is to their current properties through flooding as a result of rising sea-levels. A failure by these company boards to address this risk could significant impact future financial performance.

7. It is for this reason, that the Pension Fund Committee has also determined that the best way to mitigate ESG risks is on an investment by investment basis, with full engagement with company management to ensure they understand the risks they are facing and have proper mitigation plans in place, which they are monitoring to ensure they are effective. This is currently reflected in the ESG Policy section within the Investment Strategy. The main improvements to the mitigation is seen to be through the improved ESG reporting being developed by Brunel in conjunction with officers from the client funds.

Latest Position on Existing Risks

8. There have been limited changes to the risk register in the last quarter, with mitigation work continuing as set out in the Business Plan Review elsewhere on this Committee's agenda.

9. No new risks have been identified and added to the register during this quarter.

RECOMMENDATION

10. The Committee is RECOMMENDED to note the comments of the Pension Board and determine any changes it wishes to see made to the risk register.

Lorna Baxter
Director of Finance

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

February 2019

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				
							Impact	Likelihood	Score			Impact	Likelihood	Score	Date of Review	Comment
1	Investment Strategy not aligned with Pension Liability Profile	Financial	Pension Liabilities and asset attributes not understood and matched.	Long Term -Pension deficit not closed.	Service Manager	Triennial Asset Allocation Review after Valuation.	4	2	8	Develop cash flow Model with Actuary. Gain greater understanding of employer changes. Review asset allocation.	March 2019	4	1	4	December 2018	Now working with new Actuary and Major Employers on aligning Investment and Funding Strategies
2	Investment Strategy not aligned with Pension Liability Profile	Financial	Pension Liabilities and asset attributes not understood and matched.	Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	4	2	8	Develop cash flow Model with Actuary. Gain greater understanding of employer changes. Review asset allocation.	March 2019	4	1	4	December 2018	Actuary has developed draft long term cash forecast, and now looking at sensitivities, and income generating investment options.
3	Investment Strategy not aligned with Pension Liability Profile	Financial	Poor understanding of Scheme Member choices.	Long Term -Pension deficit not closed. Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	3	2	6	Develop Improved Management Reports to benchmark, and monitor opt outs, 50:50 requests etc.	September 2018	3	1	3	December 2018	Working with new Actuary on Improved Reports – slipped as a result of priority work on Improvement Plan.
4	Under performance of asset managers or asset classes	Financial	Loss of key staff and change of investment approach.	Long Term -Pension deficit not closed.	Financial Manager	Quarterly review Meeting, and Diversification of asset allocations.	3	2	6			3	2	6		At Target
5	Actual results varies to key financial assumptions in Valuation	Financial	Market Forces	Long Term -Pension deficit not closed.	Service Manager	Moderation of assumptions at point of valuation. Asset allocation to mirror risk. Sensitivity analysis included in Valuation report.	3	2	6			3	2	6		At Target
6	Loss of Funds through fraud or misappropriation.	Financial	Poor Control Processes within Fund Managers and/or Custodian	Long Term -Pension deficit not closed	Financial Manage	Review of Annual Internal Controls Report from each Fund Manager. Clear separation of duties.	3	1	3			3	1	3		At Target
7	Employer Default - LGPS	Financial	Market Forces, increased contribution rates, budget reductions.	Deficit Falls to be Met By Other Employers	Pension Services Manager	All new employers set up with ceding employing under-writing deficit, or bond put in place.	3	2	6		March 2019	3	2	6	March 2019	No further action subject to planned review of Funding Strategy Statement Key risks accepted as education sector.

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
							Impact	Likelihood	Score			Impact	Likelihood	Score		
8	Inaccurate or out of date pension liability data – LGPS and FSPS	Financial & Administrative	Late or Incomplete Returns from Employers	Errors in Pension Liability Profile impacting on Risks 1 and 2 above.	Pension Services Manager	Monitoring of Monthly returns	4	1	4	Delivery against data quality standards.	June 2018	3	1	3	December 2018	Need to work with Scheme Advisory Board and Aquila Heywood to develop an agreed standard Data Quality Report, and then address outstanding issues.
9	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative	Late or Incomplete Returns from Employers	Late Payment of Pension Benefits.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	3	1	3		June 2018	3	1	3		At Target
10	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative	Late or Incomplete Returns from Employers	Improvement Notice and/or Fines issued by Pension Regulator.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	4	2	8	Improve process for monthly returns (iConnect)	March 2019	4	1	4	December 2018	Implementation Plan for iConnect at Committee for approval.
11	Insufficient resources to deliver responsibilities- – LGPS and FSPS	Administrative	Budget Reductions	Breach of Regulation	Service Manager	Annual Budget Review as part of Business Plan.	4	2	8	Need to fill current staff vacancies, and develop robust performance reporting arrangements	June 2018	4	1	4	December 2018	Significant progress in addressing backlog of work. Focus now on bringing staff levels up to approved levels.
12	Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Governance	Poor Training Programme	Breach of Regulation	Service Manager	Training Review	4	2	4	Develop Needs Based Training Programme.		4	1	4		Initial Training Day held – Further training to be identified and undertaken.
13	Insufficient Skills and Knowledge amongst – LGPS and FSPS Officers	Administrative	Poor Training Programme and/or high staff turnover	Breach of Regulation and Errors in Payments	Service Manager	Training Plan. Control checklists.	3	1	3			3	1	3		At Target
14	Key System Failure – LGPS and FSPS	Administrative	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme	4	1	4			4	1	4		At Target

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

Division(s): N/A

PENSION FUND COMMITTEE – 8 MARCH 2019

ADMINISTRATION REPORT

Report by the Director of Finance

Introduction

1. This report is to update members on scheme administration data and issues.

Workload and Staffing

2. The recent recruitment exercise for new administrators in the Benefit Administration team proved unsuccessful. There was initially a good response which resulted in six people being invited for interview. By the time of the interviews, the numbers were down to two interviewees. One didn't turn up on the day and the second turned down the job offer.

3. The recruitment exercise for administrative assistants was much better and two people have accepted job offers. Team Leaders are waiting for confirmation of start dates.

4. Overall, recruitment is a concern therefore Team Leaders are considering whether it would be better to recruit at administration assistant level and train those staff up as administrators rather than trying to recruit directly.

5. Other staff changes are within the employer team – following appointment of new Team Leader their senior administrator post has been backfilled on a two-year secondment. This does leave a gap in the part of the team dealing with new employers / admission agreements yet to be covered.

6. The Benefit Team has now restructured on a functional basis to bring the work back in to specification. This will be kept under review to ensure that it is meeting the objectives of dealing with any staff training needs; maintaining skills; recruitment to vacant posts and making changes to work processes to improve flow through the team. This last point will be driven by implementation of i-connect.

7. The statistics below show performance during the period 01 October 2018 to 31 December 2018.

Subject	Working Days	% Within Target	% Achieved October to December 2018	Number of Cases
Annual Allowance	10	90	83.33%	05/06
APC	10	90	57.14%	08/14
Data Changes	10	90	62.42%	98/157
Deaths	10	95	63.29%	131/207
Deferred Benefits	40	90	32.33%	1035/3201
Divorces	10	95	64.58%	31/48
Estimates – Employer	10	90	75.00%	27/36
Estimates – Member	10	90	46.32%	126/272
General Queries – Employer	10	90		
General Queries - Member	10	90	64.09%	389/607
Other			35.74%	346/968
Re-employments	40	90	18.93%	198/1046
Refund of Benefits	10	95	76.52%	277/362
Retirements	10	95	67.69%	287/424
Transfers In	10	90	34.90%	67/192
Transfers Out	10	95	40.00%	108/270

8. It should be noted that:

- ITM contract was in place until November 2018, hence the high levels of deferred benefits
- Deaths – this reports all stages of the process rather than just payment of the benefits. There is a review of outstanding cases where responses are being chased so that these records can be closed down

Project Work

9. Current project work in the team is:

Project	Status	Notes
Administration to Pay	Amber	Testing has identified various code mapping issues which have been referred back to Heywood, who say these will be resolved in next 2 weeks. Implementation date has slipped to May.
Employer Relationship	Amber	This Altair module is in and being used.

Module - Altair		However, the functionality is limited hence amber rating. This is long term ongoing development so remove from project list.
GDPR	Amber	Some tidying up to do
GMP Reconciliation	Green	Phase 3 of the project is now in progress
Member Self Service	Green	This is now available to all active, deferred and pensioner members. Work will be scheduled to increase functionality for members. Move to BAU
Pension Software Contract	Green	This is due to end in January 2020. A procurement exercise has now started.

Scheme Employers

10. During the year the team has completed:

- 35 new admission agreements
- 02 new designating bodies
- 13 schools joining academy trusts, and
- 02 academy mergers

11. Not all scheme employers yet recognise their responsibilities in ensuring continuity of pension provisions when outsourcing services. Pension Services has reviewed both internal processes and the documentation we give to scheme employers to make clear their responsibilities and the information they need to provide. This is now being monitored and will be reported back to committee in future reports.

Complaints

12. Twenty-four complaints have been received in the year to date. Half of these have been made using the internal procedure to complain about delays in replying to queries. As previously reported some changes have been made to better balance conflicts between responding to customers; other workloads and staffing. The remaining complaints have been made using the formal complaint procedure about a decision affecting their pension. The above number equates to 0.12% of active scheme members - which compares with a figure of 0.14% in 2017.

13. The case of Ms L was dealt with at Stage 2 of the Adjudication of Disagreements Procedure during the last quarter. In this case, Ms L left her employment and became a deferred member of the Oxfordshire Fund in 1989. She subsequently arranged for the transfer out of her pension benefits to a new employer in 1997.

14. At the time of the transfer in 1997, there was a manual process to set the status marker for the scheme member to exited – no future liability. In this case, the task was missed and the status remained showing as deferred.

15. In 2005 under the new requirement to issue deferred benefit statements to all deferred members, Ms L received a deferred benefit statement based on

the status showing on her record. This was not queried at the time, and Ms L then received further annual deferred statements to 2017.

16. In 2018, Ms L contacted Pension Services to ask about bring her deferred benefit into payment. She was sent the appropriate paperwork to complete and staff began to process the record. It was only at the final stages of checking, that a member of staff went back through the old correspondence held on the file and discovered that a transfer had been completed and no deferred pension was in fact due.

17. Ms L raised her complaint, querying the fact as to whether the transfer out had actually happened and if so why had she been sent information about her deferred pension since 2005. In determining the case at Stage 2, the Service Manager – Pensions found that there was sufficient evidence to suggest that the transfer out had indeed been completed, but that Ms L had suffered both direct financial loss and significant distress as a result of the error on her record and the provision of misleading information over a prolonged period.

18. Following advice from the legal team, Ms L was offered £1,100 compensation to offset the direct financial loss (related to a lost deposit on works order on the basis that she was about to receive a tax free lump sum) and £2,000 compensation for non-financial injustice. This latter figure was in-line with the guidance from the Pension Ombudsman for cases where the injustice is seen as severe (the second highest category on a five point scale). Ms L has accepted the offer of compensation to bring the matter to a close.

Write Offs

19. In line with the Scheme of Delegation Policy (last reviewed in June 2017), the approval for writing off outstanding debts is given by:

Pension Fund Committee	For amounts above £10,000
Service Manager – Pensions (in conjunction with Director of Finance	For amounts between £7,500 and £10,000
Service Manager – Pensions	For amounts up to £7,500
Pension Services Manager	For amounts up to £500

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.

20. In the current period, £146.48 has been written off in respect of eleven cases where a member has died.

21. In the previous 12 months a total of £222.77 has been written off in respect of twenty-four cases where a member has died.

Fire Service Pension Schemes

22. Pension Services also provide administration services to Oxfordshire Fire & Rescue in respect of the Fire Service Pension Schemes. The table below shows the work for Q3 2018:

Subject	Working Days	% Within Target	Achieved October to December 2018	Number of Cases
Annual Allowance	10	90		
APC	10	90	0.00%	0/1
Data Changes	10	90	0.00%	0/8
Deaths	10	95	33.33%	1/3
Deferred Benefits	40	90	0.00%	0/1
Divorces	10	95		
Estimates – Employer	10	90		
Estimates – Member	10	90	66.67%	2/3
General Queries – Employer	10	90		
General Queries - Member	10	90	93.33%	28/30
Other			75.00%	3/4
Re-employments	40	90		
Refund of Benefits	10	95		
Retirements	10	95	62.50%	5/8
Transfers In	10	90		
Transfers Out	10	95		

RECOMMENDATIONS

23. The Committee is RECOMMENDED to note the report, including the payment of £3,100 compensation following a stage 2 determination under the Adjudication of Disagreements Procedure

Lorna Baxter
Director of Finance

Background papers: Nil
Contact Officer: Sally Fox, Pension Services Manager; Tel: 01865 323854

February 2019

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Division(s): N/A

PENSION FUND COMMITTEE – 8 MARCH 2019

GOVERNMENT CONSULTATIONS

Report by the Director of Finance

Introduction

1. Since the December meeting of this Committee, the Government have published two consultation documents. The first of these is in respect of new pooling guidance to reflect the experienced gained over the initial development of the new pooling arrangements. The second consultation is to introduce new regulations in respect of pension protections for those staff being out-sourced from a number of public sector employers.

2. This report covers the main issues arising from the two consultations and invites the Committee to agree responses to the Government in respect of both consultations. The report also covers the main implications of the LGPS (Miscellaneous Amendment) Regulations 2018 which came into force on 10 January 2019. We were also expecting a consultation on the implications of the cost capping mechanism. This report covers why that consultation has not been published.

Consultation of Revised Pooling Guidance

3. The Government issued revised guidance to administering authorities in relation to the pooling of LGPS assets on 3 January and ask for consultation responses to be submitted by 28 March 2019. Overall, there is very little new in the guidance, which simply consolidates the previous guidance and additional clarifications issued by Ministers in the interim. The guidance will have statutory backing.

4. The guidance covers seven areas as follows:

<u>Definitions</u> – key terms are defined to ensure consistency in future discussions on pooling. These appear sensible and helpful.

<u>Structure and Scale</u> – This sets out the Government's expectations that all pools will have an FCA authorised body at their centre (this may prove a challenge for the Northern Pool who are currently managing their listed equity investments outside an FCA structure.
There are a number of places within the guidance where the current wording needs to be tightened up to avoid inconsistencies and confusion, including 3.2 in this section, which states that "pool members may continue to decide if they wish to invest via in-house or externally managed vehicles". This suggests a

choice not current available within the Brunel (and other) pools, where there is no option for an in-house vehicle.
The main point of contention in this section is paragraph 3.6 which requires a regular review of active and passive management, with a presumption that pool members should consider moving from active to passive where active management has not generated better net performance over a reasonable period. It is unclear that this paragraph is relevant to the pooling arrangements. It is inappropriate to focus simply on the decision between active and passive as opposed to the wider asset allocation decisions, and indeed, it is inappropriate for the guidance to be one directional, as opposed to requiring consideration of moving from passive to active management where net performance would suggest appropriate. Finally, guidance based on performance over a reasonable period would need to define a reasonable period.

<u>Governance</u> – This section covers the role of the Pension Fund Committee and Pension Board in overseeing the work of the pool company, and in retaining their responsibility for strategic asset allocation.
Paragraph 4.4 confirms that Pension Committees should take a long-term view of performance, considering the wider benefits of pooling across the scheme as a whole, and not simply focus on minimising costs in the short term.

<u>Transition of Assets</u> – This section sets out the expectation that assets will be transitioned to the new arrangements as quickly and cost effectively as possible.
In paragraphs 5.4 and 5.5, it covers the circumstances where pool members may retain assets on a temporary basis, highlighting the potential cost of transition as a justification for retention. The current drafting though seems overly prescriptive with reference to maturity dates for investments and long-term investment contracts. These definitions would not cover our investments in listed private equity companies, which Brunel do not have the relevant authorisation from the FCA to take on. Paragraph 5.6 which requires regular review of all retained assets, with a presumption in favour of transition, but the opportunity to set out the rationale for retention could be seen as sufficient guidance with the comments from 5.4 and 5.5 included as examples only.

<u>New Investments Outside the Pool</u> – This section sets out the presumption that all new investments will be through the pool company except in very limited circumstances. These circumstances include local investments which would not normally exceed 5% of the total value of the pool member's assets. Paragraph 6.3 goes on to state that "Pool members may invest through pool vehicles in a pool other than their own where collaboration across pools or specialisation by pools can deliver improved net returns.". It is not clear whether the second part of this statement could lead to a competitive process between pools, or whether the specialist nature of one pool would need to be recognised by their own pool before investment was allowed.

<u>Infrastructure Investment</u> – There is little new here, with confirmation that the Government is not setting targets for infrastructure investment, but expects

pool companies to provide the capability and capacity for pool members to move towards levels of infrastructure investment similar to overseas pension funds of comparable size.

Reporting – The reporting guidance is comprehensive and likely to lead to some challenge in the earlier years as pool companies and members develop their understanding of the new requirements. These requirements are based on the CIPFA guidance “Preparing the Annual Report”.

5. Overall, subject to clarification or tighten of language in a couple of places, the new guidance is unlikely to place any undue burden on the Committee other than in respect of reporting. All administering authorities will need to continue to work with CIPFA and the pool companies to ensure that the requirements are achievable and add value for the reader of the accounts, and those with responsibility for overseeing investment costs and performance. This is reflected in the draft response at Annex 1 which the Committee are asked to agree to be sent to the Ministry of Housing, Communities and Local Government.

Consultation on Strengthening pension protection on out-sourcing

6. The Ministry of Housing, Communities and Local Government also issued a consultation document on protecting pension rights on out-sourcing on 10 January 2019 with a request for consultation responses to be submitted by 4 April 2019.

7. This consultation document follows on from a previous consultation in 2016, which itself followed on from changes to the Fair Deal guidance in 2013, which covered central government and their agencies, the NHS, non-maintained schools (including academies) and other parts of the public sector under the control of Ministers.

8. This latest consultation seeks to bring local government into line with the provisions introduced for central government in 2013. In particular, it removes the option of providing a broadly comparable pension scheme for transferring staff, and instead gives them protected rights to remain in the LGPS. The proposals also provide a new framework for the management of pension risks on out-sourcing.

9. The consultation is set out in a number of sections with specific questions at the end of each section. These sections are:

Protected Transferees – The proposed regulations introduce the new concept of a protected transferee. Such an individual must be given access to the LGPS whilst they remain a protected transferee and have entitlement to membership of the scheme. A protected transferee is an individual who is an active member or eligible to be an active member of the LGPS, and who was employed by a Fair Deal employer (see below) immediately before the compulsory transfer of their employment under a contract to provide the service or function to a new service provider. An individual remains a protected transferee as long as they remain wholly or mainly employed on the delivery of the service or function, even if the service is subsequently sub-contracted or re-let. The draft Regulations allow the Fair Deal employer and the service provider to grant protected transferee status to new staff employed on the delivery of the service or function, though such status can subsequently be removed by either party acting independently.

Fair Deal Employers – The draft regulations define a Fair Deal employer as any employer where members are admitted to the LGPS, with the exception of further and higher education corporations and sixth form college corporations and community admission bodies. The exceptions are based on these not being public sector bodies.

Transitional Arrangements – The draft regulations allowed for those people previously out-sourced under the previous pension protections to gain protected transferee status at the point their contracts are re-tendered. Where these individuals were previously protected through membership of a broadly comparable scheme, the draft regulations set out the basis for the calculation of transfer values to ensure a consistent approach which is seen as fair to scheme members, scheme employers and local taxpayers.

Risk Sharing – The draft regulations introduce the concept of a deemed employer as a means of addressing the current pension risks on out-souring contracts. These risks include the volatility of employer contribution rates at the tri-ennial valuations and cessation calculations (both particularly acute in small employers where demographic issues such as ill-health can have an dis-proportionate impact on future rates). These risks can lead to a number of employers being priced out of the tender process, and/or scheme employers having to pay a pension risk premium as part of their contract price.
Under the new proposals, the Fair Deal employer will have the option to remain the deemed employer of the transferred staff and as such retain the majority of the pension risks. Any risks they wish to share with the new service provider would be set out in the service contract. There would be no requirement for an admission agreement under these arrangements, so removing one of the current delays in the process, providing greater certainty to the transferring staff.

Responsibilities for Employers – The new service provider, even under the deemed employer model will still be responsible for deducting employee contributions and passing these and relevant information through to the pension fund. The draft regulations require the service provider to provide sufficient and timely information. The draft Regulations also provide that unless otherwise covered in the service contract, the scheme provider is responsible for certain decisions which give rise to additional cost and for paying these costs over to the Pension Fund e.g. ill health, redundancy, flexible retirement.

Existing Arrangements – The draft regulations allow for the existing arrangements whereby membership of the LGPS is through an admission agreement to be retained, as this may still be the most appropriate route on larger contracts. The draft regulations allow for risk sharing arrangements to be set out in the admission agreement.

Timely Consideration of Pension Issues – To try and ensure that pension issues are not ignored or forgotten about as part of the out-sourcing process, the draft Regulations require the service contract to state whether the continued access to the LGPS will be provided via the deemed employer route or via an admission agreement. Guidance will make it clear that the Fair Deal employer should set out their preferred approach at the point they are inviting bids.

10. The consultation proposals are in the main consistent with the preferred approach that the Council as Administering Authority has been recommending to the scheme employers for a number of years. As such, the draft response in Annex B is largely supportive of the proposals.

11. There is, though, an additional section to the consultation paper regarding the transfer of pension assets and liabilities where an LGPS scheme employer is merged into or taken over by a successor body. To avoid the unintended consequences of a cessation valuation being issued, it is proposed that the pension liabilities and assets automatically transfer to the successor body.

12. This issue was at the heart of the recent merger of two further education colleges, with Activate Learning taking on one of the Berkshire colleges. Officers refused to accept the request for a simple transfer of assets and liabilities as this would have meant that in the event that Activate Learning failed to meet its pension liabilities, these, including the unfunded liabilities of the previous Berkshire college would fall to be met by the scheme employers in the Oxfordshire Fund.

13. On this basis, the draft response included at Annex B has been written to oppose this part of the consultation proposals. The Committee are invited to endorse this approach and agree the draft consultation response.

The LGPS (Miscellaneous Amendment) Regulations 2018

14. The LGPS (Miscellaneous Amendment) Regulations 2018 (SI 12018/1366) came into force on 10 January 2019, but include provisions which have effective dates of 17 April 2018, 5 December 2005 and 13 March 2014, amending the 2013 LGPS Regulations, and the LGPS Transitional provisions, Savings and Amendment Regulations 2014.

15. These amendment regulations:

- give the Secretary of State power to issue statutory guidance
- enable early access to pensions for members with a deferred benefit who left the scheme before 1 April 1998
- require review and reassessment of surviving partner pensions from same sex marriage and civil partnerships, following the death of the scheme member. The amount of pension due must not be less that

would have been paid to a widow when comparing the time in the scheme, when left the scheme and partnership status at death.

16. The early release of deferred pensions brings this group into line with the changes introduced last year, (with exceptions that early payment can be requested even if in the same employment, and payment request does not need to be logged three months in advance with Pension Services) The provisions are backdated to 17 April 2018.

17. Increasing the benefit package for scheme members with a civil partnership or a same sex marriage, and whether the formal relationship is registered before or after the member left the LGPS requires research, reassessment and payment of pension arrears, if the member has died. Where the member has left the LGPS and taken a transfer of their accrued pension, or requested on retirement a single value for a trivial pension, again the 'package' is affected, but we await details and statutory guidance, before that part of the review can begin.

18. A civil partnership is recognised from December 2005 and the same sex marriage from March 2014, meaning potentially, a considerable number of leavers, and more urgently those where a death has occurred, will need review. Although a partnership may be recognised in December 2005, the member could have left the LGPS, many years earlier, kept a deferred benefit in the fund and still come within the scope of these changes.

19. For example, if a member left the scheme in 1994, registered the civil partnership in December 2005, and later died the survivor's pension in payment would currently be based on membership from 1988, but now will need to be from 1978 – or such later date the member joined the scheme.

Cost Capping Mechanism and the McCloud Judgement

20. The final consultation we were expecting from the Government for this Committee meeting was to reflect the outcome of the cost capping mechanism, which now applies to all public sector schemes, following Lord Hutton's review of public sector pensions. The mechanism was established to ensure the cost to scheme employers of providing public sector pensions was kept within an agreed range of costs.

21. Within the LGPS, there are two elements to the cost capping mechanism, with one under the management of the Scheme Advisory Board (SAB) and one under Her Majesty's Treasury. Following the 2016 Valuation results, the calculations undertaken by the Government's Actuarial Department, indicated that the cost floor had been breached, and proposals had to be brought forward to improve scheme benefits to bring the costs back above floor level.

22. SAB did make proposals to the Secretary of State to address the issue, and it was consultation on these proposals that was expected. However, the Government has recently lost a case in the Court of Appeal which will have a direct bearing on the cost of all public sector pension schemes, and as such

HMT have suspended the cost capping mechanism until these costs can be clarified. SAB have similarly paused their process and withdrawn the proposals presented to the Secretary of State.

23. The Court Case, known as the McCloud case was a joint case brought by fire-fighters and judges, seeking a ruling that the transition arrangements introduced under the changes to the public sector schemes following the Hutton review were unlawful. The Court of Appeal upheld the case, finding that the transition arrangements discriminated on the basis of age, and the Government had not provided sufficient justification to support such discrimination. Whilst the case was specific to the fire-fighters and judges, it has been agreed the principles apply to all the public sector schemes including the LGPS.

24. The Government have indicated that they wish to appeal the decision to the Supreme Court, but it may take a few months to find out whether the Supreme Court will be willing to hear the appeal.

25. If the Supreme Court chose not to hear the appeal, the matter will be sent to the Employment Tribunal to determine suitable measures to address the discrimination. Such measures must be positive i.e. they can not reduce the position of those benefitting from the discrimination. It could take 9 months to a year for the Employment Tribunal to determine the appropriate measures. Once determined, these will need to be costs by GAD and the cost capping mechanisms re-run. At the earliest therefore, it is unlikely to be before the beginning of 2020 before any changes can be introduced.

26. If the Supreme Court hear the appeal, but find against the Government, the subsequent process will be the same, but likely to be up to a year later (i.e. 2021), given the time taken for the Supreme Court to hold the hearing. In the event that the Supreme Court upholds the Government's appeal, then the cost capping mechanism comes back into play, but it is likely that new proposals will need to be brought forward, as the Government has stated that the changes will still be effective from April 2019. Careful consideration will therefore need to be given to the suitability of any proposals and how they could be backdated to April 2019.

27. At the present time, the Scheme Advisory Board is consulting on the approach to be taken to the 2019 Valuations in light of the uncertainty. Whilst it is clear that there will be increased costs either under the cost capping mechanism or via any means to address the discrimination determined in the McCloud case, without knowing the detail of the proposals, it is unknown how these costs will fall between scheme employers. It is therefore likely that 2019 Valuations will need to proceed based on known costs, and this Committee will need to determine how to manage the risk of subsequent increases in costs.

RECOMMENDATION

28. The Committee is RECOMMENDED to:

(a) approve the consultation response in respect of pooling guidance as contained in Annex 1;
(b) approve the consultation response in respect of pension protection as contained in Annex 2;
(c) note the changes introduced under the LGPS (Miscellaneous Amendment) Regulations 2018, and ask for a further report on the implications once the process and costs become clearer; and
(d) note the position in respect of the cost capping mechanism and consider it further as part of the 2019 Valuation process.

Lorna Baxter
Director of Finance

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

February 2019

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

OXFORDSHIRE COUNTY COUNCIL
www.oxfordshire.gov.uk

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Yvonne Rees
Chief Executive

Date: 8 March 2019

This matter is being dealt with by Sean Collins
Email: sean.collins@oxfordshire.gov.uk

Direct Line: 07554 103465

Dear Teresa

Local Government Pension Scheme – Statutory Guidance on Asset Pooling

Thank you for the opportunity to comment on the proposed revised pooling guidance. This response is on behalf of the Oxfordshire Pension Fund Committee who discussed and agreed it at their meeting on 8 March 2019.

Overall, we are happy with the revised guidance, and believe it is consistent with the approach taken by Oxfordshire and its partners in the development of the Brunel Pension Partnership. Where we have comments, we set them out below, using the section headings as requested.

Definitions – These appear to be sensible and helpful.

Structure and Scale – There are a number of places in the guidance as a whole where the language used is a little loose and therefore open to misinterpretation. One such example is in paragraph 3.2 which states that "pool members may continue to decide if they wish to invest via in-house or externally managed vehicles". This is currently not a choice open to pool members within the Brunel Pension Partnership where there is no capacity/capability at present to invest via an in-house vehicle. Can this be re-worded please to clarify that this is a choice open to pool members where the pool company offer both options.

We do not believe paragraph 3.6 is appropriate to be included in the guidance and believe it should be deleted. Questions of asset allocation between active and passive managers are outside the pooling arrangements. If there is a requirement to include any guidance, it should be more balanced, reflecting that pool members should be continually reviewing the appropriateness of all asset classes within their allocation, which would include moving assets from passive to active management where appropriate. If such a paragraph is retained, it would also be helpful to define reasonable period e.g. ever 3 (or 4) years in line with the Valuation cycle.

Governance – We welcome the inclusion of paragraph 4.4 and the requirement not to simply focus on minimising costs in the short term. We believe the inclusion of the words across the scheme as a whole potentially conflict though with the requirement to make decisions in the interests of scheme members, employers and local tax payers and should be deleted or the intention behind their inclusion clarified.

Transition of Assets – We support the principles set out in paragraph 5.6, which requires the regular review of all retained assets with a presumption of transition, and the requirement to provide a rationale for any assets retained. Whilst we do not have an issue with the examples contained in paragraphs 5.4 and 5.5, we do not believe these cover all areas where assets maybe retained, and as such, these paragraphs should be presented after 5.6 and be examples only. Currently, Oxfordshire has a number of investments directly into listed private equity companies. These investments are not subject to maturity (para 5.4) nor an investment contract (para 5.5), and have provided the Fund with very positive investment returns at low cost for a number of years. Currently Brunel do not have the appropriate FCA permissions to take over the management of these investments and Oxfordshire would wish to retain these whilst they fit within our Investment Strategy Statement.

New Investments Outside the Pool – We believe the wording of paragraph 6.3 needs to be clarified. As currently drafted, it suggests a pool member could go direct to another pool where they believe that the other pool can offer some specialisation which offers them improved net returns. We do not believe this should be the intention, and such investments should still be through the home pool, where they have agreed that there is not a suitable offering within their own range of investment portfolios.

Infrastructure Investment – no comments

Reporting – We note the reporting requirements and the fact that these are based on CIPFA guidance. We however are concerned that there is considerable detail requested here, with some elements open to interpretation. We therefore expect there will be some challenge in ensuring compliance. We would like to continue to work with CIPFA on the Guidance, ensuring that the requirements are achievable, clearly defined and add value to the reader of the accounts. As such, we believe the pooling guidance should exclude the detailed information and refer specifically to the latest CIPFA Guidance, which would mean the pooling guidance stays relevant as the CIPFA guidance is developed as accounting for the new pooling arrangements beds down.

We hope the above comments are helpful in finalising the guidance.

Yours sincerely,

………………………………………………

Sean Collins
Service Manager (Pensions)
On behalf of Oxfordshire County Council as Administering Authority of the Oxfordshire County Council Pension Fund

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

OXFORDSHIRE COUNTY COUNCIL
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Yvonne Rees
Chief Executive

Sent by email to LGPensions@communities.gov.uk

Date: 8 March 2019

This matter is being dealt with by Sean Collins
Email: sean.collins@oxfordshire.gov.uk

Direct Line: 07554 103465

Dear Sir/Madam

Local Government Pension Scheme – Fair Deal – Strengthening pension protection

Thank you for the opportunity to comment on the proposed new Fair Deal Regulations. This response is on behalf of the Oxfordshire Pension Fund Committee who discussed and agreed it at their meeting on 8 March 2019.

Overall, we are happy with the Regulations as drafted and believe they are consistent with the principles the Oxfordshire Pension Fund have encouraged our scheme employers to follow in recent years. We do though have concerns about the proposals in Chapter 3 regarding the transfer of pension assets and liabilities.

Taking the consultation questions in turn, we would comment as follows.

Q1 – Do you agree with the definition of protected transferees? We are broadly happy with the definition of protected transferee. We do not believe the terminology is suited to those employees who take on employment in delivering the service after the transfer, as clearly, they do not have protected status if it can be removed by either the Fair Deal Employer or the service provider, and use of the term could create a false impression. We agree the opportunity to provide LGPS membership should though be available.

Q2 - Do you agree with the definition of a Fair Deal employer? We accept the definition of a Fair Deal Employer. We have concerns that the exclusion of higher and further education corporations may promote future out-sourcings, leading to a reduction in their membership and long-term participation in the scheme, but understand the different approach being applied to non-public sector employers.

Q3 – Do you agree with the proposed transitional measures?
Q4 – Do you agree with the proposed approach to calculating inward transfer values?
We are happy with the proposed transitional measures and the calculation of inward transfer values.

INVESTOR IN PEOPLE

Q5 – Do you agree with the proposal on deemed employer status?
Q6 – What advice should the Scheme Advisory Board provide to ensure the deemed employer status works effectively?
We believe that the proposed approach to introduce deemed employer status is sensible and workable. It would be helpful if the advice from the Scheme Advisory Board could set out a comprehensive statement of the various risks that the parties should consider and include in the service contract, and a comprehensive list of the full responsibilities to the Administering Authority of both parties under the new arrangements. The consultation document is unclear in what is intended under the proposal, with reference in section on responsibilities for employers covering the responsibility of the service provider to deduct and pay over employee contributions, but no reference to employer contributions. It is not clear whether this would also fall to the service provider (our preference) or would fall to the Fair Deal Employer and is covered by the requirement on the service provider to provide sufficient and timely information. To ensure there is no scope for confusion, or for any key responsibilities to fall between the two parties, we would wish to see either the Regulations stipulate the responsibility of the parties in respect of returns to the Administering Authority, or a requirement to comply with the guidance. The guidance must then either specify the full responsibilities of all parties or require that these are fully covered in the service contract or admission agreement.

Q7 – Should the LGPS Regulations 2013 specify other costs and responsibilities for the service provider where deemed employer status is used?
Again, as the Administering Authority, we would want to avoid a situation where there is any confusion over where responsibility for decision making and subsequent costs falls. We would expect such issues to be determined between the parties and included in the service contract, but would be happy for the Regulations to provide a default position unless otherwise amended within the service contract. Alternatively, as above, the Regulations can require compliance with the guidance from the Scheme Advisory Board, and this in turn can set out what must be covered within the service contract by way of responsibility for decision making and costs.

Q8 – Is this the right approach to existing arrangements?
Whilst our preference would be for the deemed employer approach, we accept that employers should be given the option of retaining the existing approach through an admission agreement.

Q9 – What further steps can be taken to encourage pensions issues to be given full and timely consideration by Fair Deal employers when services or functions are outsourced?
We support the requirement to require the pension arrangements to be set out in the service contract, and would like the guidance from the Scheme Advisory Board which states that Fair Deal employers should set out their intended approach at the point they are inviting bids, to have statutory status. Whilst these approaches are a positive encouragement to support the timely consideration of pension issues, it would also be helpful to set out the negative consequences of failure, including the consequences of failing to protect the pension provision of out-sourced staff.

Q10 – Are you aware of any other equalities impacts or any particular groups with protected characteristics who would be disadvantaged by our Fair Deal proposals?
No

Q11 – Is the proposed approach to transferring pension assets and liabilities the right approach?
Q12 – Do the draft regulations effectively achieve our aims?
Q13 – What should guidance issued by the Secretary of Stat state regarding the terms of asset and liability transfers?

We have a real concern about the proposed approach where the two employers are not currently members of the same Fund. This concern is based on a recent merger between a college in the Oxfordshire Fund and one in the Berkshire Fund. The key question is where the past service deficit sits after the merger. If it is transferred to the successor body, it is now under-written by the scheme employers and therefore tax-payers of the new Fund. As in many cases, the merger will be triggered by the weakening financial covenant of the secondary employer, then the risk of default cannot be ignored. We do not see it as appropriate to require the successor Fund and its scheme employers/tax payers to take on the new financial risk in such cases, where they have no say in the merger.
However, if the transfer of assets and liabilities was made on a fully funded basis, this would crystalise the deficit in the old Fund, which would need to be met by the soon to be merged employer, or would fall to be met by the remaining scheme employers and tax payers in the old fund, without any further contribution from the successor body. Again we would argue that this is not an appropriate solution.
In our recent college merger case, we therefore sought Secretary of State agreement to have the Oxford College admitted to the Berkshire Fund in respect of the staff transferred from the Berkshire college. Whilst this did have an increased administrative burden on the Oxford college who are required to make separate pension deductions and returns for the two sets of staff affected, we believe it is fairer to the remaining scheme employers in both funds, and the tax payers of both areas.

We hope the above comments are helpful in finalising the guidance.

Yours faithfully,

………………………………………………
Sean Collins
Service Manager (Pensions)
On behalf of Oxfordshire County Council as Administering Authority of the Oxfordshire County Council Pension Fund

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TABLE 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND
OVERALL VALUATION OF FUND AS AT 31st DECEMBER 2018

Investment	COMBINED PORTFOLIO 01.10.18	Brunel Pension Partnership UK Equities		Brunel Pension Partnership Passive Equities		Wellington Global Equities		Legal & General Fixed Interest		UBS Global Equities and Property		Brunel Pension Partnership Other Investments		In House Other Investments		COMBINED PORTFOLIO 31.12.18		
	Value £' 000	Value £' 000	% of Total Value	Value £' 000	% of Total Value	Value £' 000	% of Total Value	Value £' 000	% of Total Value	Value £' 000	% of Total Value	Value £' 000	% of Total Value	Value £' 000	% of Total Value	Value £' 000	% of Total Value	Target %
EQUITIES																		
UK Equities*	**684,002**	**399,549**	**99.8%**	**177,667**	**45.1%**	**20,535**	**8.3%**	**0**	**0.0%**	**31,948**	**7.6%**	**0**	**0.0%**	**0**	**0.0%**	**629,699**	**27.0%**	**26.0%**
Overseas Equities	**794,082**	**0**	**0.0%**	**215,838**	**54.9%**	**221,457**	**89.0%**	**0**	**0.0%**	**250,277**	**59.5%**	**0**	**0.0%**	**0**	**0.0%**	**687,572**	**29.5%**	**28.0%**
BONDS																		
UK Gilts	151,615	0	0.0%	0	**0.0%**	0	0.0%	150,370	31.9%	0	0.0%	**0**	0.0%	0	0.0%	150,370	6.4%	
Corporate Bonds	117,587	0	0.0%	0	**0.0%**	0	0.0%	107,269	22.7%	0	0.0%	**0**	0.0%	0	0.0%	107,269	4.6%	
Overseas Bonds	34,364	0	0.0%	0	**0.0%**	0	0.0%	45,423	9.6%	0	0.0%	**0**	0.0%	0	0.0%	45,423	1.9%	
Index-Linked	156,090	0	0.0%	0	**0.0%**	0	0.0%	153,723	32.6%	0	0.0%	**0**	0.0%	0	0.0%	153,723	6.6%	
Total Bonds	**459,656**	**0**	**0%**	**0**	**0.0%**	**0**	**0.0%**	**456,785**	**96.8%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**456,785**	**19.5%**	**16.0%**
ALTERNATIVE INVESTMENTS																		
Property	166,687	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	135,086	32.1%	**0**	0.0%	32,015	8.1%	167,101	7.2%	8.0%
Private Equity	179,160	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	**0**	0.0%	168,568	42.7%	168,568	7.2%	9.0%
Multi Asset - DGF	115,844	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	**0**	0.0%	110,920	28.1%	110,920	4.8%	5.0%
Infrastructure	7,171	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%	**0**	0.0%	9,481	2.4%	9,481	0.4%	3.0%
Secured Income	-	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	0	0.0%		0.0%	0	0.0%	0	0.0%	5.0%
Total Alternative Investments	**468,862**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**135,086**	**32.1%**	**0**	**0.0%**	**320,984**	**81.3%**	**456,070**	**19.5%**	**30.0%**
CASH	**116,371**	**867**	**0.2%**	**0**	**0.0%**	**6,697**	**2.7%**	**15,097**	**3.2%**	**3,138**	**0.7%**	**4,163**	**100.0%**	**74,129**	**18.8%**	**104,091**	**4.5%**	**0.0%**
TOTAL ASSETS	**2,522,973**	**400,416**	**100.0%**	**393,505**	**100.0%**	**248,689**	**100.0%**	**471,882**	**100.0%**	**420,449**	**100.0%**	**4,163**	**100.0%**	**395,113**	**100.0%**	**2,334,217**	**100.0%**	**100.0%**
% of total Fund		17.15%		16.86%		10.65%		20.22%		18.01%		0.18%		16.93%		100.00%		

* During the quarter the Baillie Gifford UK Equities portfolio was transitioned in full to the Brunel Pension Partnership UK Equities portfolio.

TABLE 2

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

Asset	Changes in Market Value						
	Brunel Pension Partnership UK Equities	**Brunel Pension Partnership Passive Equities**	**Wellington Global Equities**	**Legal & General Fixed Interest**	**UBS Global Equities and Property**	**Brunel Pension Partnership Other Investments**	**In House Other Investments**
	£000	£000	£000	£000	£000	£000	£000
EQUITIES							
UK Equities	(13,977)	(4,516)	(1,536)	0	(6,100)	0	0
				0	0	0	0
Overseas Equities	0	(43,001)	(28,444)	0	(40,526)	0	0
	0	0	0	0	0	0	0
BONDS	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
UK Gilts	0	0	0	2,433	0	0	0
Corporate Bonds	0	0	0	(10,318)	0	0	0
Overseas Bonds	0	0	0	1,609	0	0	0
Index-Linked Bonds	0	0	0	2,703	0	0	0
	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
ALTERNATIVE INVESTMENTS	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
Property	0	0	0	0	1,360	0	536
Private Equity	0	0	0	0	0	0	(6,524)
Multi Asset - DGF	0	0	0	0	0	0	(4,924)
Infrastructure	0	0	0	0	0	0	286
Secured Income		0	0	0	0	0	0
SUB TOTAL	(13,977)	(47,517)	(29,980)	(3,573)	(45,266)	0	(10,626)
CASH *	0	0	0	0	0	0	0
GRAND TOTAL	**(13,977)**	**(47,517)**	**(29,980)**	**(3,573)**	**(45,266)**	**0**	**(10,626)**

TABLE 3

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 31st DECEMBER 2018

COMBINED PORTFOLIO (BY FUND MANAGER)

FUND MANAGER	% Weighting of Fund as at 31st December 2018	QUARTER ENDED 31st December 2018 RETURN %	12 MONTHS ENDED 31st December 2018 RETURN %	THREE YEARS ENDED 31st December 2018 RETURN %	FIVE YEARS ENDED 31st December 2018 RETURN %	TEN YEARS ENDED 31st December 2018 RETURN %
BRUNEL - UK EQUITIES	17.2%					
BENCHMARK						
VARIATION						
WELLINGTON GLOBAL EQUITIES	10.7%	-10.1	-3.4	11.1	9.2	
BENCHMARK		-10.6	-3.3	12.1	10.0	
VARIATION		**0.5**	**-0.1**	**-1.0**	**-0.8**	
BRUNEL - L&G UK EQUITIES - PASSIVE	7.6%	-10.2				
BENCHMARK		-10.2				
VARIATION		**0.0**				
BRUNEL - L&G WORLD DEVELOPED EQUITIES - PASSIVE	9.2%	-11.2				
BENCHMARK		-11.2				
VARIATION		**0.0**				
L&G FIXED INCOME	20.2%	1.1	-0.5	5.6	6.3	6.6
BENCHMARK		1.8	0.1	5.8	6.4	6.4
VARIATION		**-0.7**	**-0.6**	**-0.2**	**-0.1**	**0.2**
IN-HOUSE PROPERTY	1.4%	1.2	12.4	12.8	11.0	
BENCHMARK		0.9	6.5	6.4	9.7	
VARIATION		**0.3**	**5.9**	**6.4**	**1.3**	
PRIVATE EQUITY	7.2%	-3.6	6.5	16.0	15.8	15.4
BENCHMARK		-10.3	-9.5	4.7	4.8	13.1
VARIATION		**6.7**	**16.0**	**11.3**	**11.0**	**2.3**

FUND MANAGER	% Weighting of Fund as at 31st December 2018	QUARTER ENDED 31st December 2018 RETURN %	12 MONTHS ENDED 31st December 2018 RETURN %	THREE YEARS ENDED 31st December 2018 RETURN %	FIVE YEARS ENDED 31st December 2018 RETURN %	TEN YEARS ENDED 31st December 2018 RETURN %
INFRASTRUCTURE	0.4%	4.4	8.2			
BENCHMARK		1.2	4.6			
VARIATION		**3.2**	**3.6**			
UBS GLOBAL EQUITIES	12.1%	-14.2	-6.9	10.5	8.3	10.5
BENCHMARK		-10.6	-3.3	12.5	10.2	10.6
VARIATION		**-3.6**	**-3.6**	**-2.0**	**-1.9**	**-0.1**
UBS PROPERTY	5.9%	1.5	6.3	6.7	10.0	7.7
BENCHMARK		0.9	6.5	6.4	9.7	7.5
VARIATION		**0.6**	**-0.2**	**0.3**	**0.3**	**0.2**
INSIGHT DIVERSIFIED GROWTH FUND	4.8%	-4.3	-5.5	2.9		
BENCHMARK		1.2	4.6	3.9		
VARIATION		**-5.5**	**-10.1**	**-1.0**		
IN-HOUSE CASH	3.2%	0.2	0.6	0.4	0.4	0.9
BENCHMARK		0.2	0.7	0.5	0.4	0.4
VARIATION		**0.0**	**-0.1**	**-0.1**	**0.0**	**0.5**
BRUNEL - INFRASTRUCTURE	0.2%					
BENCHMARK						
VARIATION						
TOTAL FUND	**100.0%**	**-7.4**	**-3.3**	**8.6**	**7.6**	**9.6**
BENCHMARK		**-6.1**	**-3.2**	**8.0**	**7.1**	**9.6**
VARIATION		**-1.3**	**-0.1**	**0.6**	**0.5**	**0.0**

TABLE 4

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TOP 20 HOLDINGS AT 31/12/2018

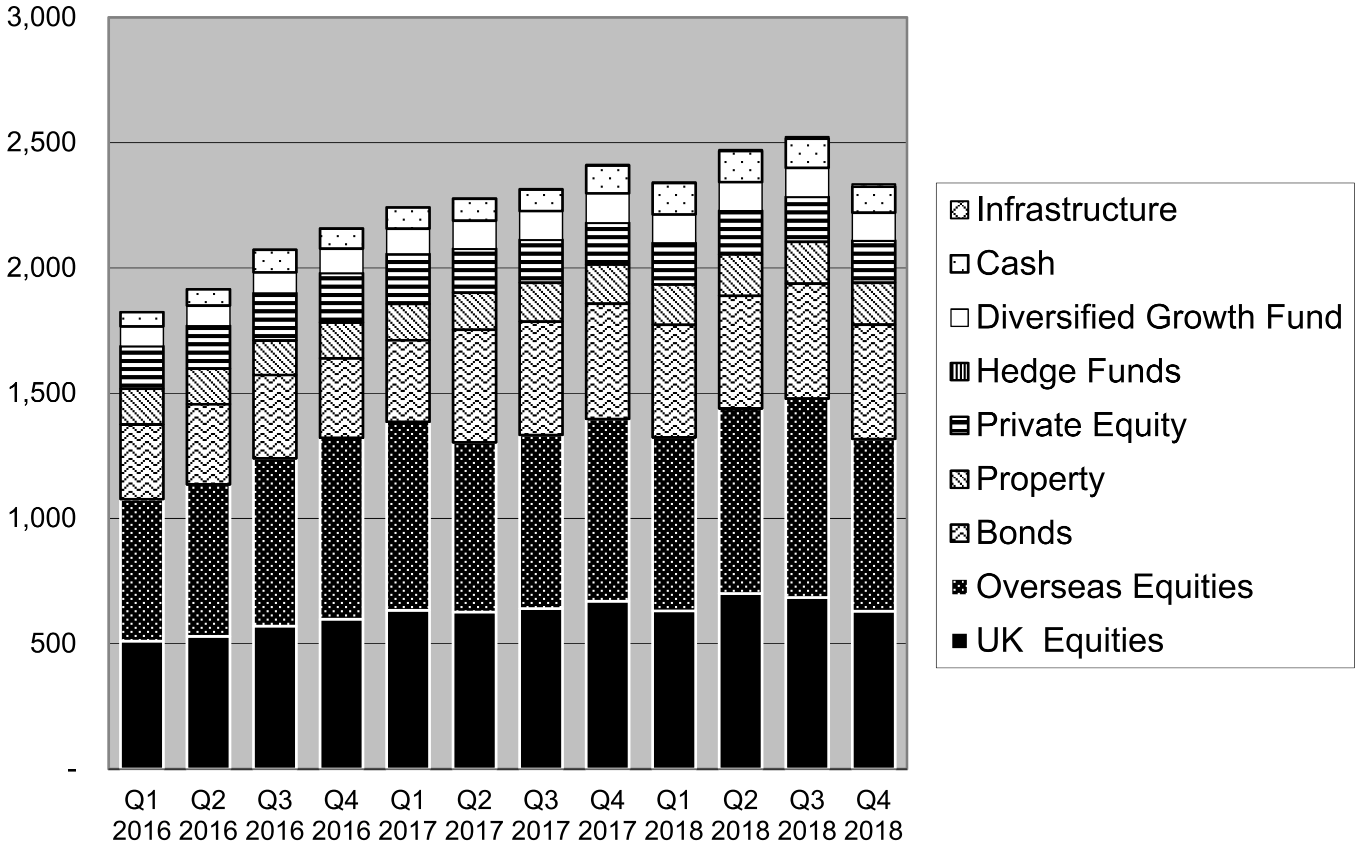
	ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
	DIRECT HOLDINGS		
1	HG CAPITAL TRUST PLC	34,521,900	1.48
2	STANDARD LIFE PRIVATE EQ ORD	14,907,789	0.64
3	BMO PRIVATE EQUITY TRUST PLC	13,104,000	0.56
4	UK TSY 2 2020 BONDS REGS 07/20 2	9,786,901	0.42
5	TSY 0 5/8 2040 I/L GILT BONDS REGS 03/40 0.625	9,775,382	0.42
6	TSY 0 1/8 2026 I/L GILT BONDS REGS 03/26 0.125	8,879,025	0.38
7	3I GROUP PLC COMMON STOCK GBP.738636	8,698,530	0.37
8	TSY 1 1/4 2055 I/L GILT BONDS REGS 11/55 1.25	8,681,097	0.37
9	CANADIAN GOVERNMENT SR UNSECURED 06/28 2	8,533,632	0.37
10	UK TSY 6 2028 BONDS REGS 12/28 6	8,069,538	0.35
11	TSY 0 1/8 2068 I/L GILT BONDS REGS 03/68 0.125	7,785,651	0.33
12	TSY 0 1/2 2050 I/L GILT BONDS REGS 03/50 0.5	7,543,795	0.32
13	UK TSY 1 1/2 2021 BONDS REGS 01/21 1.5	7,357,194	0.32
14	TSY 0 1/8 2044 I/L GILT BONDS REGS 03/44 0.125	7,272,730	0.31
15	TSY 0 3/8 2062 I/L GILT BONDS REGS 03/62 0.375	7,249,252	0.31
16	TSY 1 1/8 2037 I/L GILT BONDS REGS 11/37 1.125	7,048,308	0.30
17	ICG ENTERPRISE TRUST PLC	6,820,096	0.29
18	TSY 0 1/8 2024 I/L GILT BONDS REGS 03/24 0.125	6,765,096	0.29
19	UK TSY 4 2022 BONDS REGS 03/22 4	6,644,248	0.28
20	UK TSY 4 1/2 2034 BONDS REGS 09/34 4.5	6,317,080	0.27
	TOP 20 HOLDINGS MARKET VALUE *	**195,761,244**	8.38
	* Excludes investments held within Pooled Funds		
	POOLED FUNDS AT 31/12/2018		
1	FP BRUNEL UK EQUITY FUND A ACC MUTUAL FUND	399,549,000	
2	UBS LIFE GLOBAL EQUITY ALL COUNTRY FUND A	282,225,131	12.09
3	L&G WORLD DEVELOPED EQUITY INDEX	229,858,651	9.85
4	LEGAL AND GENERAL TD CORE PLUS	176,140,082	7.55
5	L&G UK EQUITY INDEX	163,645,674	7.01
	TOTAL POOLED FUNDS MARKET VALUE	**1,251,418,538**	36.50
	TOTAL FUND MARKET VALUE	**2,334,217,206**	

GRAPH 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

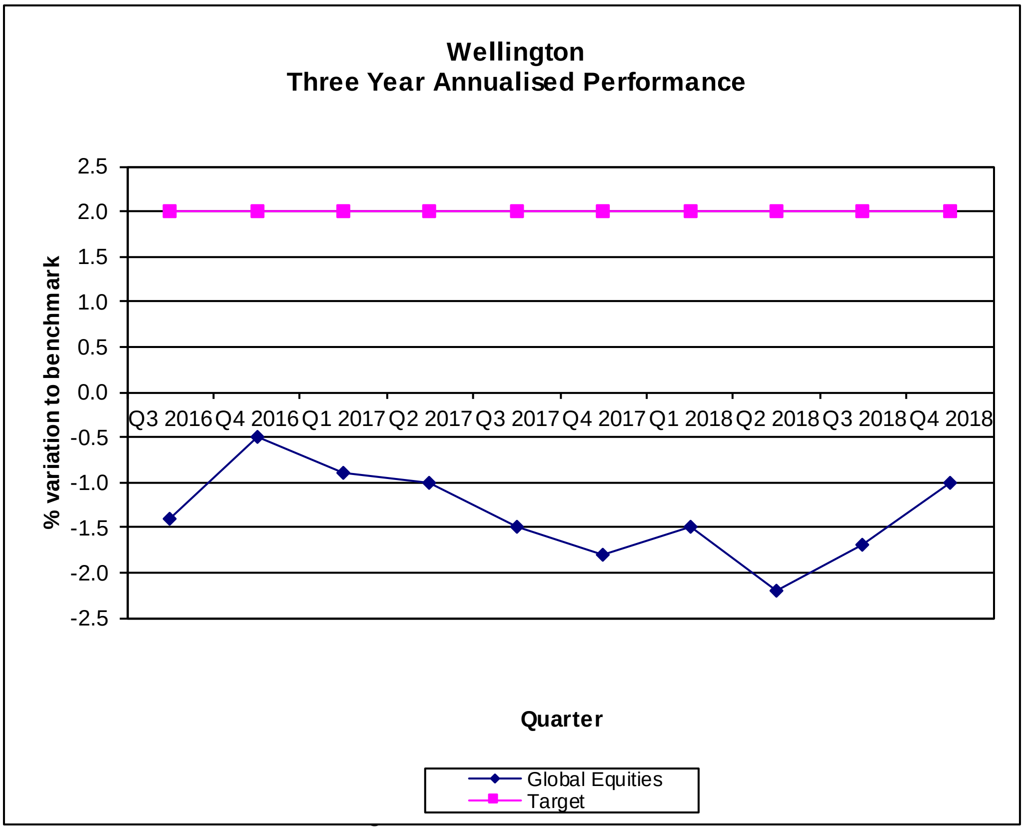
MARKET VALUE OF TOTAL FUND

TOTAL FUND MARKET VALUE BY ASSET CLASS



OXFORDSHIRE COUNTY COUNCIL PENSION FUND

GRAPH 2



Wellington Three Year Annualised Performance

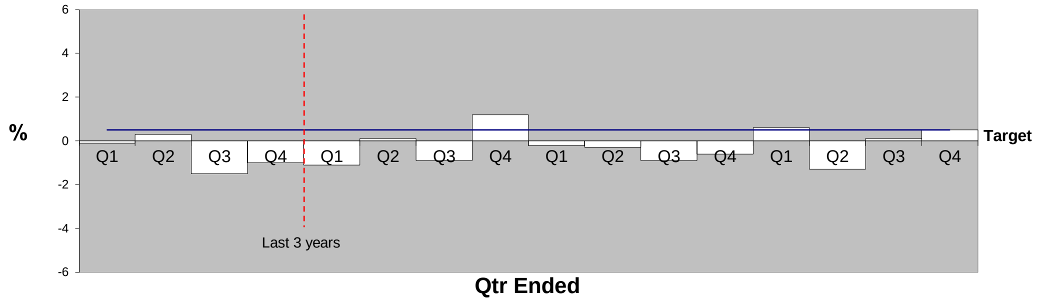
	Global Equities	Target
Q3 2016	-1.4	2.0
Q4 2016	-0.5	2.0
Q1 2017	-0.9	2.0
Q2 2017	-1.0	2.0
Q3 2017	-1.5	2.0
Q4 2017	-1.8	2.0
Q1 2018	-1.5	2.0
Q2 2018	-2.2	2.0
Q3 2018	-1.7	2.0
Q4 2018	-1.0	2.0

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 3

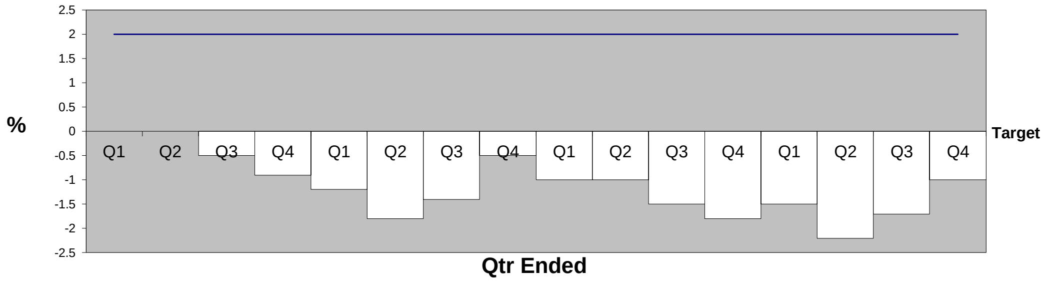
2015 2016 2017 2018

Quarterly Performance



Performance	7.4	-5.0	-7.4	6.9	1.7	8.8	7.5	7.6	5.4	0.1	0.9	4.3	-3.8	5.7	5.8	-10.1
Benchmark	7.5	-5.3	-6.0	7.9	2.8	8.6	8.4	6.4	5.6	0.4	1.8	4.9	-4.4	7.0	5.7	-10.6
Relative Return	**-0.1**	**0.3**	**-1.4**	**-1.0**	**-1.1**	**0.2**	**-1.0**	**1.2**	**-0.2**	**-0.4**	**-0.9**	**-0.6**	**0.6**	**-1.3**	**0.1**	**0.5**

3 Year Performance



Performance			8.7	10.4	6.3	8.8	11.7	13.1	14.7	13.9	12.9	12.8	8.7	12.6	17.7	11.1
Benchmark			9.2	11.3	7.5	10.6	13.2	13.7	15.7	14.9	14.4	14.6	10.2	14.8	19.4	12.1
Relative Return	**0.0**	**0.0**	**-0.5**	**-0.9**	**-1.2**	**-1.8**	**-1.4**	**-0.5**	**-1.0**	**-1.0**	**-1.5**	**-1.8**	**-1.5**	**-2.2**	**-1.7**	**-1.0**

Target Returns

Rolling annual target of 2% above benchmark

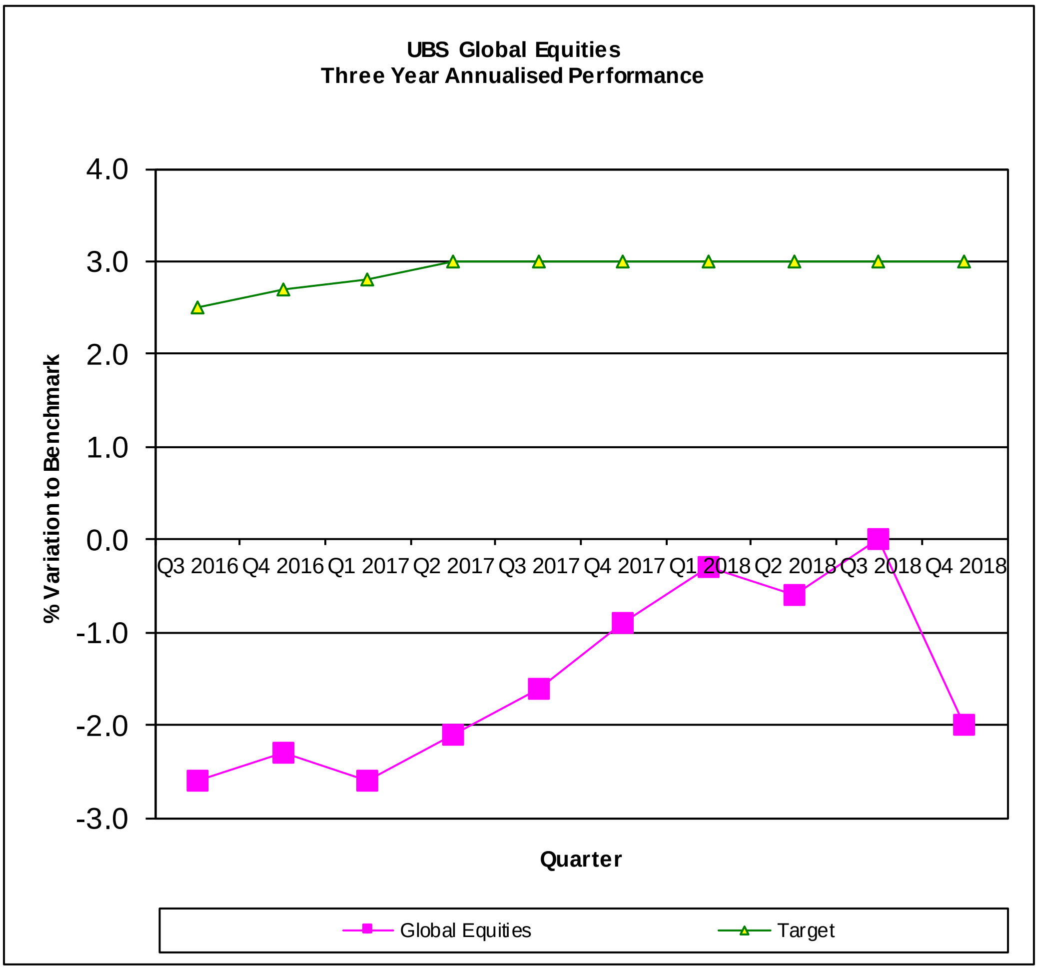
Top 10 holdings at 31/12/2018

	Holding	Value £	% of portfolio
1	CISCO SYSTEMS INC	5,929,403	2.38
2	MICROSOFT CORP	5,535,346	2.23
3	INTEL CORP	5,367,511	2.16
4	UNILEVER	4,956,747	1.99
5	QUALCOMM	4,705,621	1.89
6	MONDELEZ INTERNATIONAL INC	4,577,068	1.84
7	DOMINION ENERGY INC	4,568,525	1.84
8	JP MORGAN CHASE	4,413,437	1.77
9	ASTRAZENECA PLC	4,357,421	1.75
10	ELI LILLY + CO	4,043,295	1.63
	Top 10 Holdings Market Value	48,454,374	19.48
	Total Wellington Market Value	248,689,000	

Wellington

Top 10 holdings excludes investments held within pooled funds.

<u>**OXFORDSHIRE COUNTY COUNCIL PENSION FUND**</u> **GRAPH 4**



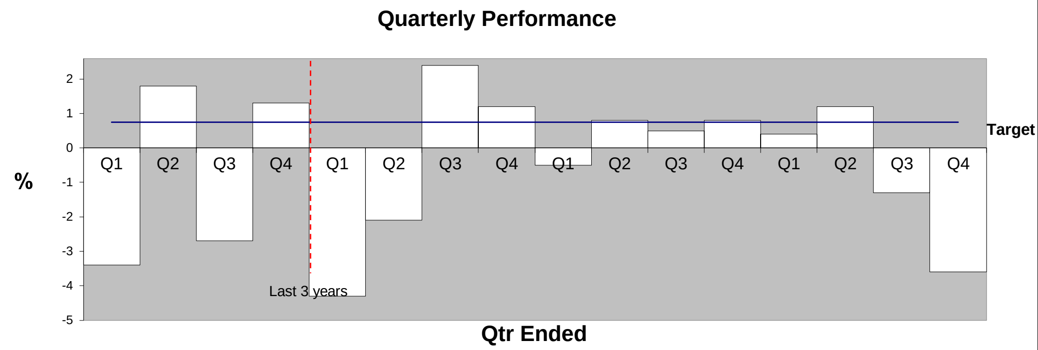
UBS Three Year Annualised Performance

	Global Equities	Target
Q3 2016	-2.6	2.5
Q4 2016	-2.3	2.7
Q1 2017	-2.6	2.8
Q2 2017	-2.1	3.0
Q3 2017	-1.6	3.0
Q4 2017	-0.9	3.0
Q1 2018	-0.3	3.0
Q2 2018	-0.6	3.0
Q3 2018	0.0	3.0
Q4 2018	-2.0	3.0

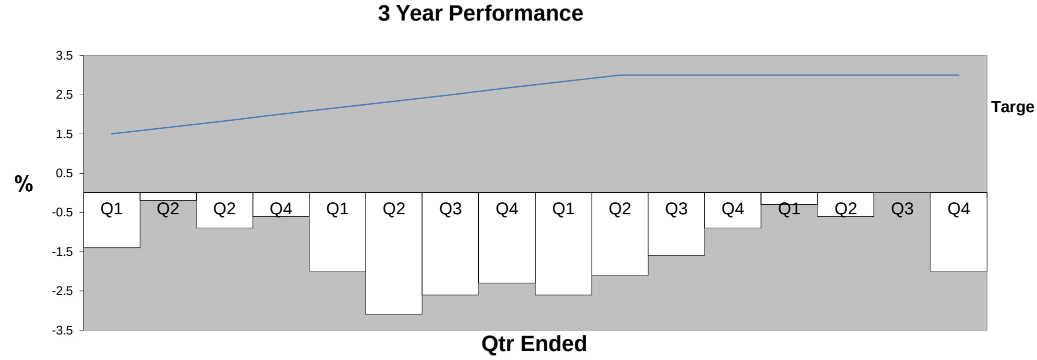
PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 5

2015	2016	2017	2018



Performance	6.2	-3.5	-8.5	9.3	-1.7	6.7	10.9	7.7	5.3	1.4	2.5	5.7	-4.0	8.2	4.4	-14.2
	9.6	-5.3	-6.0	7.9	2.8	8.8	8.5	6.5	5.8	0.6	2.0	4.9	-4.4	7.0	5.7	-10.6
Relative Return	**-3.4**	**1.8**	**-2.7**	**1.3**	**-4.3**	**-2.1**	**2.4**	**1.2**	**-0.5**	**0.8**	**0.5**	**0.8**	**0.4**	**1.2**	**-1.3**	**-3.6**



Performance	12.0	13.3	8.6	10.3	5.2	7.5	10.2	11.5	13.2	13.1	13.2	14.1	10.3	14.6	19.8	10.5
Benchmark	13.4	13.5	9.7	11.0	7.4	10.6	12.8	13.8	15.8	15.2	14.8	15.0	10.6	15.2	19.8	12.5
Relative Return	**-1.4**	**-0.2**	**-1.1**	**-0.7**	**-2.2**	**-3.1**	**-2.6**	**-2.3**	**-2.6**	**-2.1**	**-1.6**	**-0.9**	**-0.3**	**-0.6**	**0.0**	**-2.0**

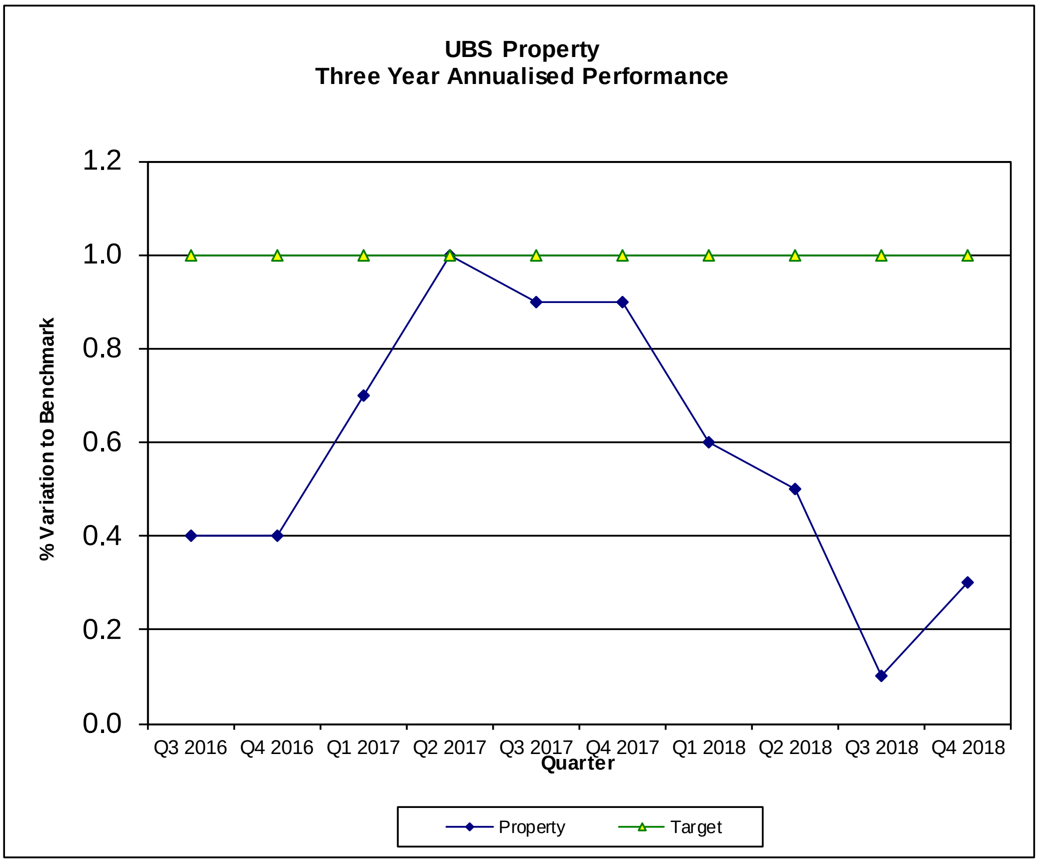
Target Returns

Rolling annual target of 3.00% above benchmark

UBS - Overseas Equities

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

GRAPH 6



UBS Three Year Annualised Performance

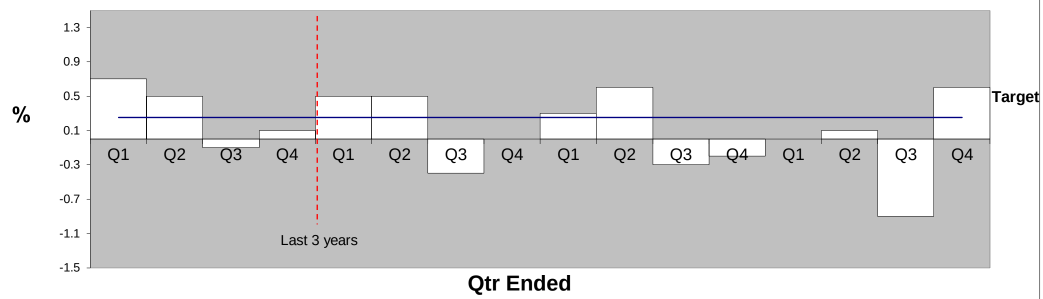
	Property	Target
Q3 2016	0.4	1.0
Q4 2016	0.4	1.0
Q1 2017	0.7	1.0
Q2 2017	1.0	1.0
Q3 2017	0.9	1.0
Q4 2017	0.9	1.0
Q1 2018	0.6	1.0
Q2 2018	0.5	1.0
Q3 2018	0.1	1.0
Q4 2018	0.3	1.0

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 7

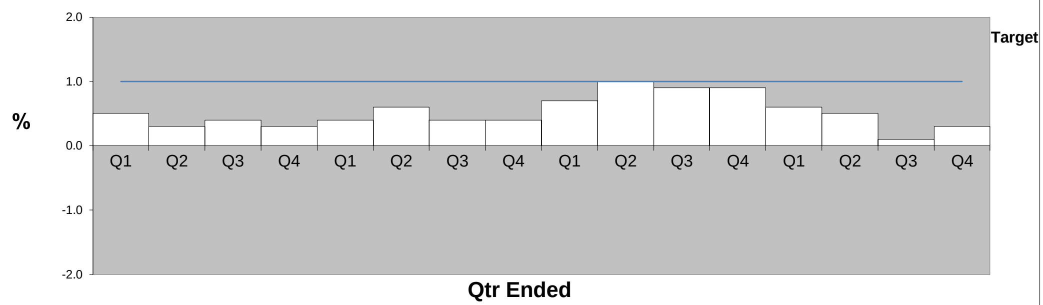
2015	2016	2017	2018

Quarterly Performance



Performance	3.5	3.8	2.9	2.9	1.6	0.6	-1.1	2.3	2.3	2.9	2.1	2.9	1.9	2.1	0.7	1.5
	2.8	3.3	3.0	2.8	1.1	0.1	-0.7	2.3	2.0	2.3	2.4	3.1	1.9	2.0	1.6	0.9
Relative Return	**0.7**	**0.5**	**-0.1**	**0.1**	**0.5**	**0.5**	**-0.4**	**0.0**	**0.3**	**0.6**	**-0.3**	**-0.2**	**0.0**	**0.1**	**-0.9**	**0.6**

3 Year Performance



Performance	10.1	11.0	12.1	13.3	13.4	13.1	11.8	11.1	10.9	10.5	9.8	9.3	8.7	8.1	7.2	6.7
Benchmark	9.6	10.7	11.7	12.9	13.0	12.5	11.4	10.7	10.2	9.5	8.9	8.4	8.1	7.6	7.1	6.4
Relative Return	**0.5**	**0.3**	**0.4**	**0.3**	**0.4**	**0.6**	**0.4**	**0.4**	**0.7**	**1.0**	**0.9**	**0.9**	**0.6**	**0.5**	**0.1**	**0.3**

Target Returns

Rolling annual target of 1.0% above benchmark

Top 10 holdings at 31/12/2018

	Holding	Value £	% of portfolio
1	BLACKROCK UK PROPERTY FUND	14,749,336	10.67
2	SCHRODER UK PROPERTY-INC	13,543,303	9.80
3	HENDERSON OUTLET MALL FUND	12,260,746	8.87
4	ROCKSPRING HANOVER PROPERTY UNIT TRUST	10,245,900	7.41
5	STANDARD LIFE POOLED PPTY FD	9,488,279	6.86
	Top 10 Holdings Market Value	60,287,564	4.36
	Total UBS Property Market Value	138,224,000	

UBS - Property

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MJ HUDSON
Allenbridge

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OXFORDSHIRE PENSION FUND – 8 MARCH 2019

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

Economy

1. There are clear signs that the rate of economic growth is slowing in all regions. China's official figure for 2018 was the lowest for many years, with a further slowdown forecast for 2019. US growth is slackening, and both Germany and Japan reported negative growth in the 3rd quarter.

(In the table below the bracketed figures show the forecasts made in November)

Consensus real growth (%)						**Consumer prices latest (%)**
	2015	**2016**	**2017**	**2018E**	**2019E**	
UK	+2.3	+2.0	+1.6	+1.3 (+1.3)	+1.5	+2.1(CPI)
USA	+2.4	+1.6	+2.3	+2.9 (+2.9)	+2.6	+ 1.9
Eurozone	+1.5	+1.6	+2.3	+1.9 (+2.1)	+1.6	+ 1.6
Japan	+0.6	+0.9	+1.7	+1.0 (+1.1)	+1.0	+ 0.9
China	+6.9	+6.7	+6.8	+6.6 (+6.6)	+6.2	+ 1.9

[Sources of estimates: 2018 – The Economist, 19.1 19, 2019 – Bloomberg consensus]

2. In mid-December the Federal Reserve announced its fourth rate rise of 2018, to a new range of 2.25- 2.5%. Initially two more rate rises were expected during 2019, but in a speech early in January the Fed Chairman implied that the next rate rise would be delayed, which boosted equity markets. The European Central Bank confirmed that QE would terminate at the end of December.

3. The UK political scene has been dominated by the approaching deadline for withdrawal from the EU. After several resignations from the Cabinet (including the Brexit Secretary), Theresa May postponed a parliamentary vote on the Withdrawal Agreement and survived a vote of no confidence from the Conservatives in December (after agreeing to stand down before the next General Election). In January the Withdrawal Agreement was roundly defeated in parliament, and the government then survived a vote of no confidence tabled by the Opposition. After another vote on January 29th, Mrs May was authorised to return to Brussels and try to negotiate changes to the Irish backstop arrangements in the Agreement.

4. In the United States, the Democrats took control of the House in the mid-term elections, but failed to overturn the Republican majority in the Senate. A succession of senior officials resigned (including the Attorney-General, the White House Chief of Staff and the US Ambassador to the UN). President Trump's sudden decision to withdraw US troops from Syria prompted the resignation of Defence Secretary Mattis.

5. In early December the US and China agreed to postpone for three months the escalation of tariffs threatened by both sides, in the hope that some agreement could be reached in the meantime. In late December a partial government shutdown began after President Trump refused to sign the Finance Bill unless it included a $5.7bn allocation to the Mexican Border Wall. The shutdown was temporarily lifted on January 25th after five weeks.

6. In France, widespread demonstrations by the 'gilets jaunes' caused President Macron to cancel his proposed fuel tax rise, and to improve pay and benefit levels for the least well off in France. In doing so he breached the fiscal deficit ceiling imposed by the EU – a fact which allowed Italy some leeway when re-framing their own Budget.

7. Elsewhere, the US and many other countries refused to recognise Nicolas Maduro as the legitimate President of Venezuela, and demanded that he stand down or call fresh elections. In Zimbabwe security forces cracked down violently on demonstrators angered by the doubling of the price of petrol.

Markets

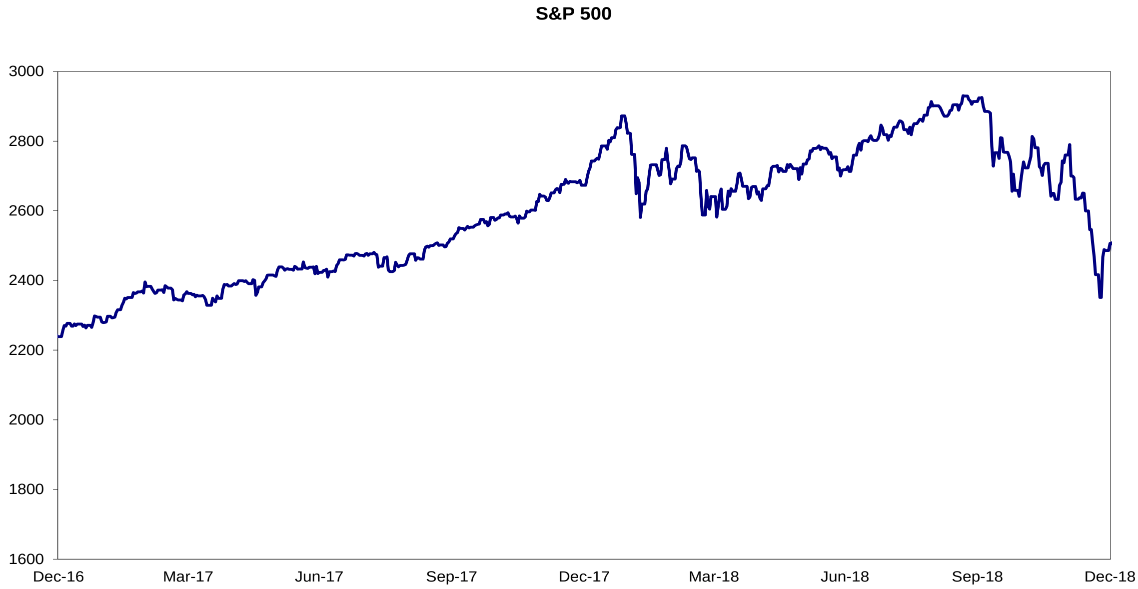
<u>Equities</u>

8. After the sharp falls in October, markets stabilised in November, but then experienced severe weakness and extreme volatility in December. Worries about the slowdown in global growth, the effects of a US-China trade war, rising US interest rates and disappointing results from some of the leading US technology stocks all played their part in the slide in equities. The 11% fall in the All-World Index marked the worst quarter for over 10 years, and the Index recorded its first negative year since 2011. As the table below shows, however, the 3-year return on equities has been strongly positive – except in the UK and, to a lesser extent, Europe.

	Capital return (in £, %) to 31.12.18			
Weight %	**Region**	**3 months**	**12 months**	**36 months**
100.0	**FTSE All-World Index**	**-11.0**	**-5.8**	**+32.1**
56.0	FTSE All-World North America	-12.0	-1.2	+41.4
8.3	FTSE All-World Japan	-12.6	-9.6	+21.7

12.6	FTSE All-World Asia Pac ex Japan	-7.0	-11.2	+32.5
14.8	FTSE All-World Europe (ex-UK)	-11.0	-11.9	+16.9
5.5	FTSE All-World UK	-10.7	-12.9	+7.0
10.3	FTSE All-World Emerging Mkts	-4.2	-10.3	+38.7

[Source: FTSE All-World Review, December 2018]



9. Technology stocks – which had been the strongest sector until September – fell sharply on disappointing results and regulatory concerns. Oil & Gas shares were badly hit by the fall in the oil price, while Industrials weakened on evidence of slowing economic growth. By contrast, the traditionally safer Utilities sector was the only one to gain ground in the quarter.

	Capital return (in £, %) to 31.12.18		
Weight %	**Industry Group**	**3 months**	**12 months**
11.5	Health Care	-7.3	+7.2
3.3	Utilities	+2.6	+3.4
11.4	Consumer Services	-10.8	+0.3
14.8	Technology	-14.9	+0.1
100.0	**FTSE All-World**	**-11.0**	**-5.8**
3.0	Telecommunications	-4.6	-8.4
6.1	Oil & Gas	-18.5	-9.9
21.6	Financials	-9.3	-10.1

12.5	Industrials	-14.3	-10.3
11.3	Consumer Goods	-8.7	-11.7
4.5	Basic Materials	-11.4	-12.8

[Source: FTSE All-World Review, December 2018]

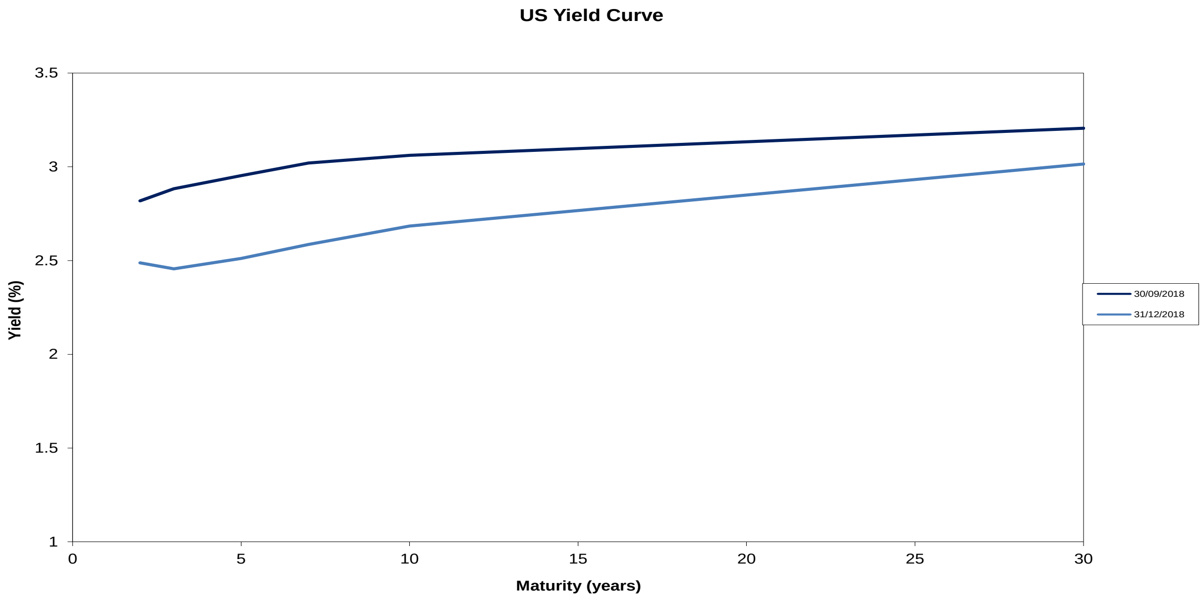
10. UK equities were not immune from the world wide weakness, in their case exacerbated by the domestic political uncertainty engendered by the Brexit negotiations. It is noticeable that the mid-cap stocks represented by the FTSE 250 - more domestically focussed that the FTSE 100 – have been markedly weaker than the large-caps over the past one and three years.

(Capital only%, to 31.12.18)	3 months	12 months	36 months
FTSE 100	**-10.4**	**-12.5**	**+ 7.8**
FTSE 250	**-13.8**	**-15.6**	**+ 0.4**
FTSE Small Cap	**-11.1**	**-12.4**	**+11.7**
FTSE All-Share	**-11.0**	**-13.0**	**+ 6.7**

Bonds

11. The increase in the US 10-year Treasury yield to 3.2% in October caused nervousness in equity markets, but the yield later fell back below 3%. As it declined further to 2.8%, however, fears grew that an 'inverted yield curve' was developing (when the 2-year yield exceeds the 10-year yield) as shown in the graph below. This has frequently been the precursor to an economic recession. The switch from weak equities to 'safe haven' government bonds played out in December, so that bond prices recorded healthy gains in the fourth quarter.

10-year government bond yields (%)					
	Dec 2015	**Dec 2016**	**Dec 2017**	**Sept 2018**	**Dec 2018**
US	2.27	2.46	2.43	3.04	2.68
UK	1.96	1.24	1.23	1.44	1.14
Germany	0.63	0.11	0.43	0.47	0.24
Japan	0.27	0.04	0.05	0.12	-0.01



Currencies

12. Sterling once again fluctuated as prospects of a Brexit agreement waxed and waned, reaching \$1.30 when a resolution to the impasse appeared likely, but falling back to \$1.27 periodically. The yen was the strongest of the major currencies over the quarter and the year.

				£ move (%)	
	31.12.17	**30.9.18**	**31.12.18**	**3m**	**12m**
\$ per £	1.353	1.304	1.274	- 2.3	- 5.8
€ per £	1.127	1.123	1.114	- 0.8	- 1.1
Y per £	152.4	148.1	139.7	- 5.7	-8.3

Commodities

13. The oil price fell by one-third during the quarter, with Brent Crude moving from \$83 to \$54 per barrel. This was prompted by signs of a slowdown in China's growth rate and also by the increased supply of US oil from shale. In January the price recovered to above \$60, partly because of the threat of sanctions on Venezuelan oil.

Oil

Property

14. The 7.5% total return for UK Property during the year represents a slowdown from the 11.2% recorded in 2017, but still compares favourably with the returns from equity and bond markets during the year. The Retail sector declined further during the quarter, and produced a negative total return for the year.

	3-month (%)	12-month
All Property	**+ 1.1**	**+7.5**
Retail	**- 1.9**	**- 0.1**
Office	**+ 1.8**	**+7.3**
Industrial	**+ 3.4**	**+17.4**

[MSCI UK Monthly Index of total returns, December 2018]

Outlook

15. World equity markets have started the year strongly, recouping the losses sustained in December – although they still stand well below end-September levels. While further rises in US interest rates now look unlikely in the near term, other concerns – notably the progress of US-China trade negotiations, the White House/ Congress impasse over the border wall, and the developing crisis in Venezuela – will all weigh on the US market.

16. Closer to home, the Brexit situation, and the possibility that the UK will exit with no deal on March 29th, are likely to cause volatility in UK markets and currency for some months to come. European markets will additionally be confronted with the impact of slowing economic growth and the increasing influence of populist movements.

Peter Davies
Senior Adviser – MJ Hudson Investment Advisers

February 6th, 2019
[Graphs supplied by Legal & General Investment Management]

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

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Division(s): N/A

PENSION FUND COMMITTEE – 8 March 2019

CORPORATE GOVERNANCE - VOTING

Report by the Director of Finance

Introduction

1. The UK Stewardship Code was introduced by the Financial Reporting Council (FRC) in 2010 and revised in September 2012. The Code, directed at institutional investors in UK companies, aims to protect and enhance the value that accrues to ultimate beneficiaries through the adoption of its seven principles. The code applies to fund managers and also encourages asset owners such as pension funds, to disclose their level of compliance with the code.

2. The FRC published a consultation on the draft 2019 Stewardship Code on 30 January 2019 with a closing date of 29 March 2019. The final version is expected to be published in the summer of 2019. Through its representation on the Cross-Pool Responsible Investment Group the Pension Fund has been involved in meetings with the FRC to provide feedback on the proposed new code.

3. Principle 6 of the Code states that institutional investors should have a clear policy on voting and disclosure of voting activity. They should seek to vote all shares held and should not automatically support the board. If they have been unable to reach a satisfactory outcome through active dialogue then they should register an abstention or vote against the resolution, informing the company in advance of their intention to do so and why.

4. In 2016 the FRC introduced tiering for Stewardship Code signatories. The FRC assesses signatories to the Stewardship Code based on the quality of their Code statements and uses this to put asset managers into one of three tiers. All of the Pension Fund’s investment managers undertaking voting on the Fund’s behalf have been assessed as tier 1, which is the highest rating.

5. The Oxfordshire County Council Pension Fund’s voting policy is set out in its Investment Strategy Statement (ISS), which states that voting decisions are delegated to the Fund Managers to excercise voting rights in respect of the Pension Fund’s holdings. The ISS also confirms that the Pension Fund maintains ultimate responsibility for ensuring voting is undertaken in the best interests of the Fund. The Committee and officers monitor the voting activity of the Fund Managers and raise any concerns as considered necessary.

Voting Details

6. Manifest, now Minerva Analytics, were appointed in August 2014 to monitor the voting activity of the Fund. As part of this service they provide an annual report summarising the Fund's voting activity, a copy of which is included in annex 1. The report covers the 12 - month period ending 31 July 2018. The report enables the Pension Fund to fulfil the objectives of the Stewardship Code in using the results to constructively challenge the external fund managers on their stewardship activities.

7. Minerva analyse the votes on the Pension Fund's equity portfolios. As the equity portfolios transfer to Brunel fewer votes will be covered by Minerva's services. As all the equity portfolios the Pension Fund intends to allocate to are expected to complete transition by March 2020 the Pension Fund intends for the report to 31 July 2019 to be the last report received from Minerva. Brunel have appointed Hermes EOS as their voting and engagement provider. The Pension Fund will receive reporting from Brunel on voting activity and will discuss the potential for an interim solution covering the period between the final Minerva report and all equity portfolios being transferred to Brunel.

8. The key points from the 2018 report can be summarised as follows:

9. Overall the Fund's managers voted against management more often than general shareholders, by 2.42%, opposing management on 6.44% of resolutions. This was up from 5.55% for the prior 12-month period.

10. Looking at the results at the individual fund manager level, UBS, L&G Investment Management and Baillie Gifford voted with management less than shareholders in general. Wellington voted with management on marginally more occasions than shareholders in general. Table 1 below contains a breakdown of votes cast by manager.

11. Table 1: Overall Voting Patterns

FUND	RESOLUTIONS VOTED	OXFORDSHIRE MANAGERS SUPPORTED MANAGEMENT	GENERAL SHAREHOLDERS SUPPORTED MANAGEMENT	TEMPLATE FOR MANAGEMENT
Baillie Gifford	649	93.53%	97.05%	84.59%
L&G Investment Management	4,149	94.65%	97.01%	85.01%
UBS	1,245	87.95%	92.78%	76.64%
Wellington	1,143	95.71%	94.88%	73.09%
Total	**7,186**	**93.56%**	**95.98%**	**81.63%**

12. The Pension Fund's voting policy gives discretion to managers to vote in line with their own voting policy and therefore does not require managers to follow

a specific policy. It is important to note therefore, that the Manifest best practice template should not be viewed as a measure of 'success' or 'compliance' but more of an aspirational benchmark for best practice company behaviour. It is to be used as a flagging mechanism to identify potential risk that can then be raised with fund managers.

13. Of the 7,186 resolutions analysed in 2018, 1,188 were resolutions where the Manifest Voting Template highlighted potential governance concerns and on these resolutions fund managers supported management on 1,035 occasions. This may seem like a relatively high proportion, but it should be noted that not all concerns merit a vote against management, especially where managers use engagement to express concerns and bring about change. Conversely, the report has also identified instances of votes against management where no concerns have been identified by the Manifest template, demonstrating the willingness of managers to apply their own judgement on these issues. Managers also need to be conscious of focusing on those issues they consider most material; simply voting against a high number of resolutions may result in their key concerns being lost among other less significant issues.

14. Table 2 below shows voting activity per resolution category. In the prior year the greatest proportion of dissent in the Pension Fund's portfolio was seen for sustainability related resolutions. However, excluding the other category, this year has seen the highest proportion of dissent on remuneration related resolutions. Remuneration continues to be a hot topic in corporate governance particularly due to its high public profile. Concerns around the overall quantum of executive remuneration, complexity, alignment to shareholder interests, and the cultural aspect of remuneration levels are all issues frequently seen in voting on remuneration related resolutions.

15. Table 2: Overall Voting Patterns

RESOLUTION CATEGORY	NUMBER OF RESOLUTIONS	RESULTS AVAILABLE	OXFORDSHIRE MANAGERS' DISSENT	GENERAL SHAREHOLDERS AVERAGE DISSENT
Board	3,590	3,467	6.56%	3.89%
Capital	1,344	1,313	5.43%	2.95%
Audit & Reporting	965	935	1.87%	1.32%
Remuneration	713	693	13.18%	7.90%
Shareholder Rights	352	343	7.69%	7.43%
Sustainability	148	145	6.76%	7.72%
Corporate Actions	71	66	5.63%	3.82%
Other	3	0	33.33%	-
Total	**7,186**	**6,525**	**6.44%**	**4.02%**

16. The Pension Fund's fund managers supported five successful shareholder sponsored proposals during the 12 months under review all of which were in the US market. Two sustainability related proposals at Kinder Morgan were successful, one requesting an annual report on sustainability and the other an

assessment of the long-term portfolio impacts of scenarios consistent with global climate change policies. The other successful proposals related to the ability of shareholders to nominate directors and to shareholder rights.

17. The Fund's managers voted against 24 management proposed resolutions that were ultimately defeated. Of these, 18 were remuneration related, three related to share issue authorities and three the election of directors.

Internally Managed Holdings

18. Voting decisions on internally managed holdings are determined by the Service Manager – Pensions after taking advice from the Fund's Independent Financial Adviser. These votes are outside the scope of the Manifest report. Over the 12-month period ending 31 July 2018 a total of 117 resolutions were voted on at 11 separate meetings consisting of 10 Annual General Meetings and one Ordinary General Meeting. The Fund voted with management on 115 occasions. The two votes not voted in-line with management's recommendation were at the same meeting and were abstentions on proposals relating to the remuneration policy where the Pension Fund had concerns about whether the proposals were in the best long-term interests of shareholders.

19. It is important to note that voting forms one part of the wider stewardship activities undertaken by fund managers and asset owners and should be considered alongside other activities including company engagement and contributing to the development of corporate governance standards in general. Investors may therefore be supportive of company management through a period where engagement was occurring and management was working towards making improvements from that engagement activity, even though the company currently falls short of the desired standard.

RECOMMENDATION

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

(a) note the Fund's voting activities; and
(b) determine any issues it wishes to follow up with the specific fund managers, or in general.

Lorna Baxter
Director of Finance

Contact Officer: Gregory Ley, Financial Manager – Pension Fund Investments; Tel: 01865 323978

February 2019

MINERVA ANALYTICS

Monitoring Review
of
Shareholder Voting 2017/18
for
Oxfordshire Pension Fund

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1 Introduction

1.1 Aim of Shareholder Vote Monitoring

This is the fourth year for which Minerva has undertaken a thematic review of the shareholder voting of the Oxfordshire Pension Fund, putting Oxfordshire's fund manager voting behaviour into a comparative and wider context.

The aim of the report is to provide further understanding of:

- Voting activity taken on behalf of the Fund;
- Wider voting issues;
- Governance standards at companies; and
- How the Fund's investment managers use voting rights.

As an on-going annual report, the report assesses progress in terms of the governance standards at investee companies versus good practice, as well as the use of share voting by Oxfordshire's appointed fund managers as a part of their engagement with companies.

This report looks at the full picture of how Oxfordshire's fund managers are making use of the Fund's voting rights and helps Oxfordshire better understand and challenge fund managers about the role their voting activity plays in ownership strategy. The report enables Oxfordshire to fulfil the objectives of the Stewardship Code in constructively challenging external fund managers in their stewardship activities.

1.2 Voting in Context

Oxfordshire's voting policy gives discretion to managers to vote in line with their own voting policy and does not require managers to follow a specific policy. It is important to note therefore, that the Minerva good practice template should not be viewed as a measure of 'success' or 'compliance' but more of an aspirational benchmark for good practice company behaviour.

The use of shareholder voting rights is not the only means by which shareholder concerns can be communicated to management; however, use of these rights is something that investors are being asked to consider in a more strategic, holistic manner. Managers implement their voting policy in conjunction with other shareholder tools, such as engagement, as a part of their investment management. It should therefore be noted that investment managers may be supportive of company management through a period where engagement has occurred and management are working towards making improvements from that engagement activity, even though the company currently falls short of the desired standard.

Vote monitoring is therefore about understanding investment risk management and oversight of stewardship activities, not enforcing compliance with a policy. It allows for a comparison of fund managers, general shareholder voting behaviour and fund expectations.

1.3 Scope of Analysis

The period covered by this report encompasses the period of the 1st August 2017 to the 31st July 2018. It represents a full years' voting.

Minerva analyses the issues at hand to provide voting guidance for each voting resolution. This guidance is the result of assessing the company and the resolutions proposed for the meeting in light of a Voting Template framed upon corporate governance good practice policy developed by Minerva for Oxfordshire. This frame of reference can be amended or modified on a customised basis at any time.

Members should consider the Voting Template as a good practice framework to assess corporate governance standards for investee companies, rather than in terms of being voting instructions for fund managers to follow.

The precise tactical use of voting rights is in itself a strategic investment consideration taken by managers. Therefore, for the purposes of this report, Members should bear in mind that it is more significant that the Voting Template identifies an issue of concern (i.e. suggests there may be a reason to not support management or requiring further fund manager review) in relation to a resolution, than the voting action suggested by the template (i.e. an 'Abstain', 'Against' or 'Case by Case' consideration). It is in this light that we have analysed and compared fund manager voting against issues of potential concern, with the emphasis on 'potential'. The report also analysis some of the specific governance issues which have been identified by Minerva's implementation of the voting policy during the monitoring period, to ascertain some notable patterns of the fund policy and external fund managers voting practice.

1.4 Peak workloads

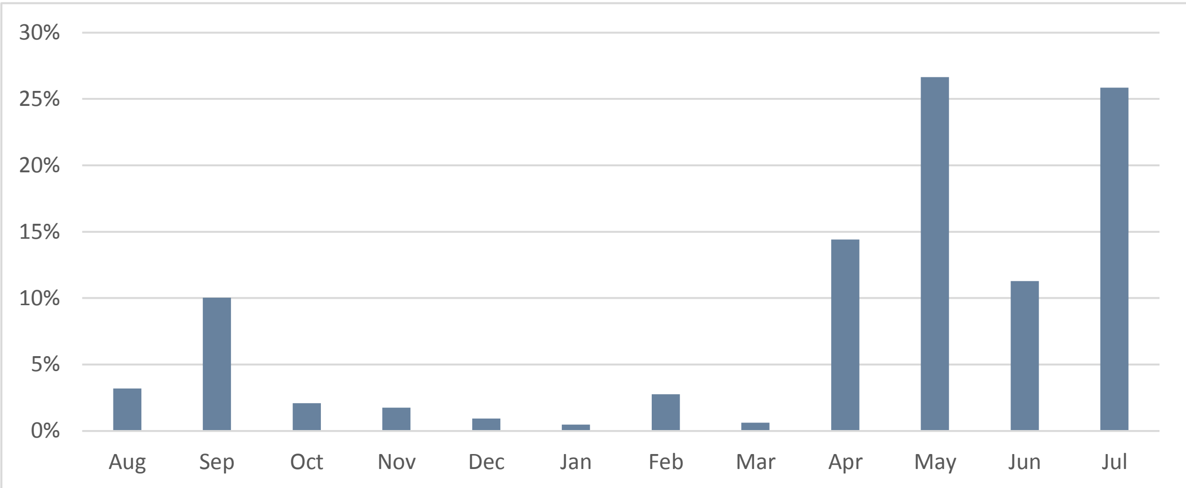
Institutional investors are faced with a highly seasonal cycle of activity when it comes to voting shares. With the vast majority of companies reporting a financial year end of the 31st December, and many others using the traditional April to March financial year, there are clear 'peaks' of meeting activity approximately three to four months after the end of the financial years. This means the majority of company meetings are concentrated in the period between April-June (Quarter 2). Because of this concentration Quarter 2 is commonly referred to as 'peak season' and those outside this seasonal concentration "off-peak season".

Figure 1 shows the percentage of total annual resolutions voted by Oxfordshire's fund managers per month. It shows graphically the severe concentration of voting decisions that occurs in Quarter 2, 52.3% of the voting occurring during the Quarter.

Asset owners like the Oxfordshire Pension Fund should be aware that such a high concentration of work inevitably leads to the commoditisation of voting decisions. This in turn increases the likelihood of outsourcing voting decision-making responsibility to outside consultants. In recent years, this dynamic has become the focus of regulatory scrutiny in the UK, Europe, the US, Canada and Australia, especially towards proxy research consultants, and the role that investors play in retaining control of voting decisions.

This high concentration of business at the same time of year may result in a reduced opportunity for investors to be able to properly consider AGM meeting business at what is by definition the only time on the year at which shareholders have a formal right to vote on such matters. This time pressure is not just an issue for investors, it is also a problem for all the services providers associated with the governance process including auditors, registrars, proxy advisers, proxy solicitors etc. Investors have a role to play in highlighting this concern with issuers and regulators, since they very obviously bear the economic risk of the collective lack of oversight due to the tight timescales imposed by such bunching.

Figure 1: Percentage of Total Annual Resolutions Voted Per Month (August 2017 – July 2018)



1.5 Governance Hot Topics

There follows at the end of the report a selection of short pieces on issues of topical relevance to institutional investors in 2017/18.

2 Executive Summary

Section 3 ("Explanation of Voting Activity & Monitoring Approach") explains what shareholder voting is and what types of issues shareholders are frequently asked to vote upon. It also sets out the number of meetings voted by Oxfordshire's fund managers in the review period and explains how Minerva approaches monitoring the fund manager voting at those events.

Minerva undertook full monitoring of meetings in companies in mainstream markets (primarily the UK, Europe, and North America) for the period of 1st August 2017 to the 31st July 2018. The research brought a total of 413 meetings, comprising a total of 6,249 resolutions (an increase on the 338 meetings and 5,856 resolutions in the prior period). Taking into account occurrences of more than one fund manager voting at the same meeting and on the same resolution, a total of 7,186 resolution analyses were undertaken over 468 meetings. Of these:

- 4,149 were voted by L&G Investment Management, representing the largest proportion of the votes cast;
- 1,245 were voted by UBS;
- 1,143 voted by Wellington;
- 649 were voted by Baillie Gifford;
- 1,188 were resolutions where the Voting Template highlighted a potential governance concern and on these resolutions fund managers supported management on 1,035; and
- In total 462 resolutions were voted against management recommendation, comprising:
    - 409 management sponsored resolutions
    - 53 shareholder sponsored resolutions

Whilst the number of resolutions where funds managers supported management despite potential concerns being identified seems relatively high, this is ultimately evidence to support the significance of the word 'potential'. Not all concerns merit a vote against management, especially where investors may prefer to use other communications to articulate their concerns before using their share voting rights.

Conversely, the report also identifies instances where investors have opposed management even where no governance concerns were highlighted suggesting fund managers are also not afraid to apply their own investment judgement, even where this implies a vote against management. It is understood that investment managers voting will differ from the template, due to variances in views on governance and voting issues.

Section 4 ("Common Policy Issues at Investee Companies") examines the range of governance issues and considerations which lie behind the resolutions on which Oxfordshire's fund managers were asked to vote, and detailing those which Minerva identified most frequently among the companies at whose meetings the fund managers voted.

Board balance issues remain the most frequently identified concerns, this is explained by the fact that so many of the resolutions pertain to board structures (not least director elections, which are by far the most numerous resolution type) The most common governance concerns which Minerva identified in Oxfordshire's portfolio companies were:

- Board and Committee independence.
- No Nomination Committee.
- Authority to make political donations.
- Authority to issue shares exceeding good practice thresholds.
- Lack of gender diversity targets.
- Over-boarding concerns.
- No independent verification of the Company's ESG reporting.
- No meetings held by the non-executive directors without the executives' present.
- Roles of Chairman and Chief Executive are combined.
- A lack of a shareholder say on dividend.

Many of these issues were consistently identified in this analysis in the prior year. Many of these instances will have seen portfolio companies provide explanations for non-compliance, following the "comply-or-explain" regime. These explanations may in some cases be accepted by shareholders, although some shareholders may have 'red lines' on certain governance matters. These are the substantial issues on which investor attention should focus, rather than whether specific resolutions were opposed or otherwise.

The number of potential corporate governance issues identified in Oxfordshire's holdings slightly increased from the prior year, 1,633 compared to 1,582, although the level of compliance with the good practice template increased by 2.14% (i.e. this year's template with management is 81.63% and 79.49% last year).

The next step of the analysis is to study patterns of voting behaviour, both those of Oxfordshire's fund managers as well as shareholders in general (Section 5 "Aggregate Voting Behaviour"). We also examine which types of resolution have been the most contentious (Section 6 "Voting Behaviour by Resolution Category").

Overall, Oxfordshire's managers during the review period were comparatively more active in expressing concerns through their votes at corporate meetings than the average shareholder. Whereas general dissent[1] stood at 4.02% on average (compared to 3.75% in the prior year), Oxfordshire's fund managers opposed management on 6.44% of resolutions (up from 5.55%).

At individual fund manager voting behaviour level, Ballie Gifford, L&G and UBS voted with management less than shareholders in general whilst Wellington supported management more than shareholders in general. Baillie Gifford and UBS voted against management noticeably more than shareholders in general (i.e. by a factor of more than 3%). L&G, UBS and Wellington's level of dissent has increased from last year while Baillie Gifford's support for management has increased, however Ballie Gifford continue to oppose management more than often than general shareholders.

A summary of the major developments and debates in global (and especially domestic) corporate governance and voting follows in Hot Governance Topics, featuring amendments to the UK Corporate Governance Code and wider governance reforms, changes to the UK Pension and Lifetime Savings Association's guidelines, changes to the UK's Investment Association's executive pay recommendations, and human capital and diversity initiatives.

[1] **What is General Shareholder Dissent?** Where Minerva uses the term 'Dissent', this is the result of having added up all votes not supporting the management recommendation, represented as a percentage of all votes cast ('Against' plus 'Abstain' votes where Management recommended a 'For' vote and 'For' votes where management recommended 'Against'). Where there was no clear recommendation from company management, we have not counted any votes cast on those resolutions as dissent. We calculate the average dissent figure by aggregating all the voting results (expressed in terms of % of votes cast 'For') on all resolutions, then dividing the aggregate figure by the number of resolutions. In most cases, this gives an accurate statistical indication of the dissent that a typical resolution type attracts, relative to others.

3 Explanation of Voting Activity & Monitoring Approach

This section explains what shareholder voting is and what types of issues are frequently voted upon. It will also identify the number of meetings voted by Oxfordshire's fund managers in the monitoring period and explains how Minerva approaches monitoring the fund manager voting at those events.

3.1 Voting Opportunities

Voting Resolutions

The majority of meetings at which shareholders are asked to vote during the year are Annual General Meetings (AGM), at which there is legally defined, mandatory business which must be put to the shareholders. Few resolutions are actually non-binding in nature. The main non-binding resolutions at an AGM are the receipt of the report and accounts and the approval of the remuneration report.

Like investment decisions, the consideration of shareholder voting decisions often takes into account multiple questions, including company disclosures, company practices, shareholder preferences and wider engagement strategy undertaken by fund managers. This is especially true on the report and accounts resolution. A vote against a particular resolution such as the report and accounts may be explained by any number of various potential factors.

Voting strategy should be seen as an important part of the wider investment process, by using voting rights both positively and negatively to mitigate risk in the equity portfolio. This may mean that, despite the presence of some potentially significant issues, investors may agree to support management in the short term with their votes as part of an engagement process for addressing longer term concerns.

It is therefore reasonable to withhold support from management without appearing inconsistent with the investment decision to hold the company's stock. This may mean that, despite the presence of some potentially significant issues, investors may agree to support management in the short term with their votes as part of an engagement process for addressing longer term concerns.

3.2 Meeting Types

Minerva's experience is that companies have approximately 1.2 meetings per year on average. The majority of meetings at which investors vote during the year are AGMs, at which the main mandatory business typically includes:

- Receiving of the annual report and accounts;
- Director (re)elections;
- Director remuneration;
- Approval of annual dividend; and
- Reappointment and remuneration of auditors.

Readers should note that what counts as mandatory business varies between jurisdictions. For example, the discharge of Board members from liabilities for their acts or omissions in the past financial year is a regular item on the agenda of AGMs of German companies but is not a feature of UK AGMs. Likewise, the UK is fairly unusual in having a routine resolution to seek shareholder permission for the right to hold non-AGMs at 14 days' notice, instead of the requisite 21 days which normally otherwise applies for shareholder meetings across the EU.

AGM business will often also contain resolutions to approve the issue of new share capital up to a certain maximum (for example in the UK this is usually one third of current Issued Share Capital plus another third for use in a rights issue), along with an accompanying request for the dis-application of pre-emption rights. Across different markets the capital authorities required vary somewhat in their application and number. American and Canadian incorporated companies are not normally required to seek shareholder approval for authorisations to issue shares or to dis-apply pre-emption rights on the issue of shares. Provided a company's authorised capital includes sufficient headroom, management may issue shares subject only to certain limitations set out in the stock exchange listing rules. Although varying by market, resolutions of this authority contribute towards AGMs having a significantly larger number of resolutions on average than other types of meetings.

Since UK and European companies may sometimes challenge the legal terminology for non-Annual General Meetings; some meetings during the period under review were reported as an EGM (Extra-ordinary General Meeting) and other meetings identical in nature were reported as simply General Meetings (GM). In future, GM will replace the term 'EGM'. A Special General Meeting (SGM) is what some companies might use to refer to an EGM, where a Special Resolution is the substance of a meeting (i.e. a resolution which requires a special (higher) level of support or turnout). Other types of meetings include Court Meetings which are technically called by a Court of Law (most commonly in the UK when there is a need to approve a Scheme of Arrangement), rather than by management, and Class Meetings where only shareholders of a specified class of share may vote.

3.2.1 Meetings in the full monitoring sample by Fund Manager

During the period under review, of the 468 meetings Oxfordshire Fund Managers voted at, 85.47% were AGMs, with the majority of the rest constituting GMs 8.55%. The remaining were EGMs 3.21%, Court Meetings 2.14% and SGMs 0.64%.

The table below represents the number of meeting in which fund managers have voted during the monitoring period. The total number of meetings voted by managers (468) exceeds the unique total number voted at for the fund (413) because of instances where more than one fund manager voted at the same meeting, additionally a number of companies held more than one meeting during the review period:

Table 1: Meeting types by fund manager

FUND MANAGER	COMPANIES	AGM	GM	EGM	SGM	COURT	TOTAL
Baillie Gifford	33	32	5	0	0	3	40
L&G Investment Management (Pooled Instrument)	236	215	32	8	0	5	260
UBS (Pooled Instrument)	85	82	2	4	2	1	91
Wellington	72	71	1	3	1	1	77
Total	**378***	**400**	**40**	**15**	**3**	**10**	**468**

** Represents the total number of unique companies, not the sum total of companies voted by each manager.*

Although we would expect there to be a 1:1 ratio between the number of companies voted and the number of AGMs voted (on the basis that all companies should have an AGM during the year), the small differences are likely to be explained by portfolio turnover. For example, if a fund manager sells a position in a company in June whose AGM is normally in September, replacing it with stock in a company whose AGM was in March, the fund manager will have owned two companies but had no AGMs to vote in either. However, were Non-AGMs have taken place, these are still counted and therefore explain why the number of companies voted exceeds the number of AGMs voted. This is not as unlikely as it may seem – often when a company de-lists, a shareholder meeting is required, making it quite plausible that a company may have an EGM but no AGM during the year.

3.3 Monitoring Approach

The Minerva Voting Template analyses and considers good practice governance expectations in the context of company meeting business (i.e. what can be voted at a shareholder meeting). Where there are local variations to good practice questions (for example, the length of time after which an independent director may no longer be deemed independent), Minerva applies the local market variation to the assessment, so that we only flag an issue as of concern if the company in question fails to meet their local standards. Where no issues of concern are identified in connection with a resolution, the Voting Template will naturally suggest supporting the proposal.

Minerva monitors companies using this Voting Template in order to:

- Consistently identify company-specific governance policy issues, and
- Monitor and benchmark the actual voting behaviour of investment managers compared to
  - The average shareholder (based on meeting outcomes) and
  - The good practice governance standards (based on regulatory and public policy standard).

The Voting Template is not a prescriptive list of mandatory voting requirements. It is understood that investment managers actual voting behaviour will differ from the Voting Template. This is due to variances in views on governance and voting issues, investment strategy and the role of voting within on-going engagement and stewardship strategy. As such it offers the Fund a “sense check” of the stewardship approach managers are taking.

Therefore, for the purposes of this report, members should bear in mind that the fact the Voting Template identifies an issue of concern (i.e. suggests there **may** be a reason to not support management) in relation to a resolution, is more significant than whether the template suggests an ‘Abstain’, ‘Against’ or ‘Case by Case’ consideration. It is in this light that we have analysed and compared fund manager voting against issues of potential concern, with the emphasis on ‘potential’.

Each time a company flags a potential governance in some way, not only is policy guidance produced as described above, but an audit trail is produced outlining the specific governance concern in question. The audit trail is used to analyse the governance criteria identified by Minerva according to the Voting Template to identify the most frequent governance issues companies within the monitoring subset have. Therefore, Oxfordshire should consider the guidance itself as an objective application of a good practice policy in terms of corporate governance standards for investee companies, rather than in terms of a voting decision.

4 Common Policy Issues at Investee Companies

This section develops the themes identified in the previous chapter by examining the range of governance policy issues and considerations which lie behind the resolutions on which shareholders are asked to vote. The analysis then details those concerns from Oxfordshire's policy which Minerva identified most frequently among the companies Oxfordshire's fund managers have voted meetings for. This can be considered as a measure for companies' compliance with Oxfordshire's governance policy.

4.1 Introduction

Corporate governance is important to investors because it defines the system of checks and balances between the executive management of the company and its owners. Without appropriate levels of independence, accountability, remuneration, experience and oversight, corporate governance would offer shareholders little protection from the risk that their investee company is badly managed.

Analysis of the Voting Template settings allows for an in-depth study of the specific governance issues which have been identified by Minerva's research and analysis process. We have selected the most common issues which have been triggered by the Voting Template, to illustrate the most common 'issues' with resolutions voted by the Oxfordshire fund managers according to the preferences set out in Oxfordshire's Voting Template used by Minerva for monitoring fund manager voting.

The scope of Oxfordshire's voting policy is focussed upon a small number of important governance themes, to enable scrutiny of a manageable number of issues. These themes include Audit & Reporting; Board; Remuneration: and Sustainability. Each theme has a number of specific policy questions associated with it (e.g. on a Director Election resolution (Board), "Where the nominee is non-executive and not independent and the percentage of independent directors is insufficient"). It is these specific policy questions whose frequency this section of the report examines.

There were 1,188 resolution analyses where one or more concerns were identified by Minerva from Oxfordshire's Voting Template.

When considering the most common policy issues Minerva identified at the meetings researched in the Oxfordshire portfolios, comparison with last year's analysis shows that, in general, a larger number of issues of concern were identified at companies, 1,633 compared to 1,582. This is explained in part by there being a higher number of resolutions in the data set. However, changes in the patterns of frequency also suggest some inferences.

When analysing the dataset, there is a distinct high proportion of Board-related resolutions (49.96%). This stems from the fact that director elections are frequently, indeed preferably, conducted on an individual basis (i.e. one resolution per director), and more often than not form a part of the common or mandatory business for an AGM every year.

Table 2: Most Common Policy Issues

TABLE POSITION	DESCRIPTION	POLICY PILLAR	POLICY ISSUE
1	Nominee is a non-independent member of the Remuneration Committee and the percentage of the Remuneration Committee considered to be independent is less than 50-100% (depending on the local market provisions)	Remuneration	Remuneration Committee
2	Nominee is a non-independent member of the Audit Committee and the percentage of the Audit Committee considered to be independent is less than 50-100% (depending on the local market provisions)	Audit & Reporting	Audit Committee
=	A Nomination Committee does not exist (or its membership is not disclosed)	Board	Nomination Committee
4	An authority for political donations and expenditures is being sought	Sustainability	Donations
5	Nominee is a non-independent member of the Nomination Committee and the percentage of the Nomination Committee considered to be independent is less than 50-100% (depending on the local market provisions)	Board	Nomination Committee
6	A share issue authority exceeded 5%-50% (depending on the local market provisions and whether pre-emption rights applied)	Capital	Share Issues
7	The Company, being a large/mid cap constituent, has not disclosed a gender diversity target	Board	Board Diversity
8	The individual's number of other current directorships at listed companies (Chairman role counts as 2) exceeds one in the case of an executive nominee and five in the case of a non-executive nominee	Board	Director - Time Commitment
9	There is no independent verification of the Company's ESG reporting	Sustainability	Corporate Social Responsibility
10	There are no meetings held by the non-executives without the executives present	Board	Board Operation
11	The roles of Chairman and CEO are combined	Board	Chairman/CEO
12	The Company has paid a dividend, yet no resolution to approve the distribution has been proposed	Shareholder Rights	Meeting Resolutions

Overall, Minerva flagged 1,633 policy issues across the 7,186 resolution analyses undertaken for this report. This includes instances where the same resolution was analysed multiple times due to fund managers voting on the same resolution. Some resolutions were subject to multiple issues. Due to this, the following section includes an indication of the resolution category that each concern may be associated with.

4.1.1 Notes on the operation of good practice governance analysis

Readers should note that the Minerva voting guidance system allows for an individual governance issue to be applied to multiple resolutions. This is because, for the most part, there is not a one to one match between a policy issue and a specific resolution. This means that the list below is heavily weighted towards those considerations which are associated with the most frequent resolution type – board resolutions, and specifically, director elections.

For example, concerns relating to board or committee independence may be taken into consideration for the approval of the report and accounts (Audit & Reporting), director elections and possibly remuneration related resolutions (where the remuneration committee is insufficiently independent, concern with their proposals may be highlighted). Minerva reflects board accountability in its research by placing the analysis of the relevant board committee in the context of analysis of the governance matters for which they are responsible.

4.2 Conclusions on common policy issues

Taken as a whole, this analysis shows just how many different considerations there are that go into assessing the governance of a typical company.

Although the volume (in absolute terms) of the most common governance concerns Minerva identifies is heavily affected by the high number of director election resolutions compared to other types of resolution, readers should not dismiss the significance of board-related considerations (director election).

The election of directors, and the governance structures which they constitute on the board, is the lifeblood of accountability between boards and owners. It is the (non-executive) individuals on the board whose job it is to protect and look out for the interests of shareholders, so it follows that they are held accountable regularly and that a wide number of considerations are taken into account.

Eight of the top 12 concerns relate to director elections, of which the majority relate to independence issues and the effect that has on the functioning of the board and its committees. Of the top 12, the only exceptions to this are the questions of independent verification of Environmental, Social and Governance (ESG) reporting, a lack of a shareholder say on dividends, and authorities sought for political expenditure and share issues.

4.3 Audit & Reporting

Annual report resolutions are frequently those on which concerns about general board structures and practices may be concentrated, in addition to issues relating to the verification and reporting of information.

4.3.1 Audit committee independence

We assess the independence of the audit committee, in terms of whether there is a sufficient number and/or proportion of directors deemed independent (by reference to the local good practice standards).

It is a consideration for the approval of financial and non-financial reporting, because it relates to judging the independence of the audit process which underpins company reporting and therefore has been flagged on Report & Accounts resolutions.

4.3.2 No independent verification of ESG reporting

The growth in importance of ESG considerations in investment heightens the profile of ESG information provided by companies and hence increases the need for its veracity. As more investors use ESG information in their investment decisions, it follows that such information should be subject to levels of verification equivalent to those of more traditional disclosures such as financial updates and governance reports.

4.3.3 The number of meetings held by the non-executives without the executives present.

We identify where there has been no meeting of non-executives without executives present disclosed by the company.

It is important for the non-executives to meet without the executives present in order to be able to have a free and open discussion about matters which may be more difficult to discuss with the presence of those who are running the business day to day.

4.3.4 The roles of Chairman and Chief Executive Officer are combined

We identify where the roles of Chair and Chief Executive Officer (CEO) and are performed by the same person.

The over-concentration of power in one single office or person is a key potential risk factor in any organisation. Despite the fact that some markets (notably France and the US) have much more relaxed standards on this question than most others, investors increasingly expect companies to separate the roles of CEO and Chair. It is associated with the Audit & Reporting category because it is applied to consideration of the report and accounts.

4.4 Remuneration

4.4.1 Remuneration Committee Independence

We assess the independence of the remuneration committee, in terms of whether there is a sufficient number and/or proportion of directors deemed independent (by reference to the local good practice standards).

4.5 Board

Many of the most common governance criteria that were triggered all pertain to board structures and independence, which are considerations in director elections. Readers will note that the most common type of resolution in the voting portfolio was director elections (they accounted for 49.58% of all resolutions), which largely explains the fact the below criteria are flagged most frequently.

4.5.1 Nomination Committee Independence

We identify where the Nomination Committee does not have a sufficient number of or proportion of independent directors by reference to the local standards within which the company operates.

Globally it is acknowledged that the Nomination Committee should consist of at least a majority of independent directors. Independence and objectivity of input are the best conditions for the nomination of suitably independent and diverse candidates for future board positions.

4.5.2 A nomination committee does not exist (or its membership is not disclosed).

Without a clear nomination committee and process, the provenance of director election proposals is unclear. This is therefore a consideration which has flagged on director elections.

4.5.3 Percentage of female directors on the board

Minerva tracks the issue of female representation on the board as a part of the wider debate on board diversity.

Whilst the issue of female directors on the board may not be a critical risk consideration on its own, the fact that director independence in general is so frequently flagged might point to a wider problem with adequate application of diversity considerations when making board appointments, of which female presence on the board is perhaps the most obvious measure. It is recognised that Boards perform best with the best people appointed to them, and for that reason; diversity of all kinds (including gender) should be encouraged.

The 2015 Davies Review Five Year Summary Report recommended for the target of 25% female board representation by 2015 at FTSE100 companies to be expanded to the FTSE350 and to 33%. The expanded target was subsequently adopted by the Hampton-Alexander Review, this review has a particular focus on getting more women into executive positions. There have also been business-backed initiatives on gender diversity launched such as the Women in Finance Charter and the 30% Club.

4.5.4 Nominee is non-executive, non-independent and the board is not sufficiently independent

We monitor whether boards' composition meets the independence criteria of the market where they operate. Where it doesn't, and the individuals who are contributing to this concern are up for (re)election, we highlight board composition as a concern in the context of their (re)election proposal.

4.5.5 Nominee has a significant number of other directorships

This consideration takes into account that if a director holds a significant number of other directorships at listed companies then the individual's ability to meet the time commitments expected of the role may be impaired. This consideration can be taken alongside the individual's attendance records, if it is below 75% there may be concerns whether the director is fulfilling the role expected by shareholders.

4.6 Capital

4.6.1 The authority sought exceeds 5% of issued share capital

The most common capital-related concern highlighted is where a company board seeks permission for authority to issue new shares, or allocate share capital, sometimes for a specified purpose (for example, for the purpose of executive or employee incentive pay) without the application of pre-emption rights.

Where the amount of share capital concerned exceeds a certain threshold, it may be of concern to shareholders (who may wish to have the right to choose to maintain ownership of a certain proportion of the company, so would want the ability to obtain their proportion of the new share issue in order to do so). The stipulated proportion may frequently be defined in local corporate governance codes under provisions designed to protect the rights of shareholders.

4.7 Sustainability

4.7.1 Political donations

Under European jurisdictions, companies are required to seek approval for so-called political donations. These resolutions are not specifically for party political donations as the EU include expenditure towards the realisation of political aims such as political lobbying, trade association memberships etc.

4.7.2 An authority for political donations and expenditures is being sought

Whilst it may seem arbitrary to set an absolute figure on such a resolution, this is actually in line with investor preferences in the sense that it would not seem appropriate for shareholders to approve a figure expressed relative to company size or turnover as that would imply that political donations are an acceptable routine aspect of corporate life. Secondly, given that laws relating to disclosures require absolute amounts to be disclosed, an absolute limit is also a more transparent means of applying a preference.

4.8 Corporate Actions

The Corporate Actions category covers a narrow and specific set of considerations. As a result, none of the governance concerns typically associated with this category featured in our analysis of the most common concerns identified by the policy, simply because the issues to which they relate don't come up on a typical corporate agenda very regularly.

4.9 Shareholder Rights

The shareholder rights category covers resolutions which relate specifically to proposals which affect the ability of shareholders to exercise some element of their rights (usually in a negative way by reducing ownership rights). It is therefore still a relatively rare resolution type to occur. They encompass not only rules about shareholder voting, but also things such as the ability of a shareholder (or shareholders) to requisition a meeting or a resolution at a meeting, the way in which a shareholder meeting is conducted and (perhaps most significantly) shareholder rights in the event of a (hostile) takeover situation.

5 Aggregate Voting Behaviour

Having discussed above the general themes of the most frequent contentious issues in each resolution category, the next step is to consider how Oxfordshire's fund managers voted. This section sets out and compares how Oxfordshire's fund managers voted, as compared to general shareholder voting patterns (as shown by the meeting results data collected by Minerva as a part of the monitoring service), in the context of different categories of resolution.

5.1 Fund Manager Voting Comparison

Table 3 below shows the total number of resolutions voted by each fund manager during the period under review. It shows the proportion of all resolutions which each fund manager voted with management, compared with the proportion of resolutions where the good practice Voting Template identified a potential governance concern. Lastly, it shows how shareholders were reported to have voted where meeting results were available from the companies in question. Minerva seeks to collect the meeting results data for all meetings analysed. In certain jurisdictions, provision of such information by companies is not guaranteed. However, of the 7,186 resolutions analysed in this report, Minerva obtained poll data for 6,972 resolutions, allowing for a meaningful analysis of the resolution data set.

Table 3: Overall Voting Patterns

FUND	RESOLUTIONS VOTED	OXFORDSHIRE MANAGERS SUPPORTED MANAGEMENT	GENERAL SHAREHOLDERS SUPPORTED MANAGEMENT	TEMPLATE FOR MANAGEMENT
Baillie Gifford	649	93.53%	97.05%	84.59%
L&G Investment Management	4,149	94.65%	97.01%	85.01%
UBS	1,245	87.95%	92.78%	76.64%
Wellington	1,143	95.71%	94.88%	73.09%
Total	**7,186**	**93.56%**	**95.98%**	**81.63%**

General Shareholders Supported Management" calculated from resolutions in respect of which shareholder voting results were available. Resolutions where management provided no recommendation have not been included in the calculations for fund manager support and general shareholder support.

Table 3 shows that fund managers vote with management a high proportion of the time, and that the good practice Voting Template identifies potential governance issues on a far higher proportion of resolutions than the fund managers choose to oppose.

The "Template For Management" data can be used as a proxy for compliance with corporate governance good practice expectations. This is true when considering the level of general shareholder dissent on resolutions on which the Voting Template suggested a contrary vote to management being higher than the average dissent on resolutions on which the Voting Template suggested a vote in favour, 7.75% dissent compared to 3.20%.

The companies in the L&G and Baillie Gifford portfolios display a comparatively higher level of compliance with governance good practice than those of UBS and Wellington. This is also reflected in the general shareholder support levels – with Baillie Gifford and L&G portfolios receiving higher average support.

This in part reflects the mandates, and therefore the composition of the portfolios, of the fund managers. L&G's and Baillie Gifford's mandates are for UK equities whereas the UBS and Wellington mandates are for global equities and are therefore exposed to a much higher potential variance of general governance standards creating lower levels of convergence with the voting policy template.

We can compare each fund manager's overall voting pattern with how other shareholders voted on the same resolutions (using our own analysis of the voting results data (where made available by companies)). Table 3 shows that Oxfordshire's fund managers oppose management more often than shareholders in general, by 2.42%, and the fund managers aggregate level of dissent has increased by 0.89% from the prior year. However, there are some variances between the respective fund managers.

Wellington have supported management more than most fund managers, supporting management 95.71% of the time. Conversely, UBS supported management significantly less than shareholders in general – this is notable given that both UBS and Wellington's portfolios are global. The difference in voting patterns could be explained by the different companies within the respective fund's portfolios as well as by engagement strategy.

The Wellington and UBS portfolios track global equities and are therefore subject to a much higher potential variance of general governance standards, especially coming from a UK context, and considering it is harder to engage global companies from a practical level, voting rights often become more important. This is demonstrated by taking the "Template For Management" measure as a proxy, the degree which portfolio companies display potential issues of concern is greater than the L&G and Baillie Gifford's portfolios Therefore, Wellington's support for management could be considered surprising in light of the lower level of compliance with the corporate governance good practice standards of the Voting Template and the lowest level of general shareholder support.

UBS have supported management to a lesser degree than Baillie Gifford, L&G, and Wellington. When compared against L&G and Ballie Gifford, the differences are again partly explained by the fund manager mandates. L&G and Baillie Gifford's mandates have the effect of ensuring that the companies in which they are invested tend to have higher standards of governance to begin with when situated in a global context. Additionally, the degree to which it is possible to positively engage with portfolio companies in the UK market lends the funds to being in a position to continue to support management even where technical concerns may appear to persist.

Baillie Gifford and UBS voted against management noticeably more than shareholders in general (i.e. by a factor of more than 3%). L&G also voted against management notably more than shareholders in general. While Wellington's supported management more often than shareholders in general it should be noted their level of support has decreased (by 0.28%) while general shareholders has increased (by 0.25%) from the prior year.

At an aggregate level it is difficult to make thematic observations about why the funds have supported management less than shareholders in general, other than to say that it could be an indicator that the use of voting rights appears to play a more significant part of the investment and engagement process with companies than for the other shareholders. There could be a number of reasons for this including, for example, engagement strategy or even resourcing, as it could be taken as a measure of shareholder advocacy per se.

6 Voting Behaviour by Resolution Category

Table 4 and Table 5 below show headline figures as to how shareholders voted on each resolution category in general. The sections which follow them then show more detail into the sub-themes of each resolution category, showing in turn how the considerations relevant to each category and sub-category fit together to translate governance policy into possible voting action.

Using the vote outcome data collected in respect of the significant majority of meetings at which Oxfordshire fund managers have voted, we have combined the meeting results with our classification of meeting business, so as to identify which were the most contentious resolutions and the reasons for them being contentious.

6.1.1 What is "Dissent"?

Where Minerva uses the term 'Dissent', this is the result of having added up all votes not supporting the management recommendation, represented as a percentage of all votes cast ('Against' plus 'Abstain' votes where Management recommended a 'For' vote and 'For' votes where Management recommended 'Against'). Where there was no clear recommendation from company management, we have not counted any votes cast on those resolutions as dissent. In respect of shareholder proposed resolutions, dissent is measured by taking into account votes cast differently to the management recommendation (which may most commonly have been "Against").

Table 4: Dissent by Resolution Category

RESOLUTION CATEGORY	NUMBER OF RESOLUTIONS	RESULTS AVAILABLE	OXFORDSHIRE MANAGERS' DISSENT	GENERAL SHAREHOLDERS AVERAGE DISSENT
Board	3,590	3,467	6.56%	3.89%
Capital	1,344	1,313	5.43%	2.95%
Audit & Reporting	965	935	1.87%	1.32%
Remuneration	713	693	13.18%	7.90%
Shareholder Rights	352	343	7.69%	7.43%
Sustainability	148	145	6.76%	7.72%
Corporate Actions	71	66	5.63%	3.82%
Other	3	0	33.33%	-
Total	**7,186**	**6,972**	**6.44%**	**4.02%**

"General Shareholders Average Dissent" calculated from general shareholder voting results where available. No voting results were disclosed in the 'Other' category. Resolutions where Management provided no recommendation have not been included in the calculations of fund manager and general shareholder support.

Table 4 above shows the most common categories of resolutions at meetings voted at by Oxfordshire's fund managers. When looking at the general average dissent levels (i.e. the meeting results data), it is clear that shareholders in general support management to a considerable extent, even on the most contentious issues.

Oxfordshire's fund managers in 2017-18 were, on average, more assertive in expressing concerns through votes at shareholder meetings, voting against management on 462 occasions out of 7,176 resolutions, constituting an overall average opposition level of 6.44% (this excludes 10 resolutions where management provided no recommendation). This represents an approval rating of around 93%, this is slightly down from the prior period where the general approval rating was around 94%.

As was the case in previous years, remuneration related resolutions proved to be the consistently contentious resolution category of those routinely and predominantly proposed by management. The following section analyses the dissent by categories in more detail, by exploring patterns of opposition at sub-categories level.

6.1.2 Dissent on shareholder proposed resolutions

Table 5: Shareholder Proposed Resolutions

RESOLUTION CATEGORY	NUMBER OF RESOLUTIONS	PROPORTION OF ALL SUCH RESOLUTIONS	OXFORDSHIRE MANAGERS' DISSENT	GENERAL SHAREHOLDERS AVERAGE DISSENT
Sustainability	40	27.03%	25.00%	16.86%
Board	37	1.03%	72.22%	26.12%
Shareholder Rights	29	8.24%	35.71%	33.10%
Remuneration	19	2.66%	26.32%	21.15%
Capital	2	0.15%	100.00%	-
Total	**127**	**1.77%**	**42.40%**	**23.76%**

"Average Dissent" calculated from resolutions in respect of which shareholder voting results were available. No voting results were disclosed in the 'Capital' category. Resolutions where Management provided no recommendation have not been included in the calculations of fund manager and general shareholder support.

The overwhelming numbers of resolutions were proposed by management, with only 1.77% of resolutions proposed by shareholders. The majority of shareholder resolutions were proposed in North America (115), where in the absence of an independent national corporate governance code (as in, for example, the UK Corporate Governance Code), shareholders use resolutions as a tool to try and improve corporate governance practices at companies. The remaining shareholder resolutions took place in the UK & Ireland (7), Japan (4) and Europe (1). Overall fund managers voted on a smaller number of shareholder proposals this year, 127 compared to 142 in the prior period.

Oxfordshire's managers voted with Management on 57.60% of all shareholder proposed resolutions, with the most support shown for shareholder proposals on board issues. Oxfordshire fund managers supported five successful shareholder sponsored proposals, all of these were in the US market.

In terms of Sustainability-related resolutions, the majority related to human capital reporting, political activity (e.g. reporting on lobbying), and miscellaneous specific environmental proposals, largely in the Oil & Gas sector. The remaining proposals (11 instances) related to ethical business practises or sector specific matters. Two sustainability-related proposals at Kinder Morgan Inc were successful, one requested an annual report on sustainability and the other an assessment of the long-term portfolio impacts of scenarios consistent with global climate change policies.

The largest single proportion of the resolutions relating to Shareholder Rights pertained to requests to amend company Bylaws so that a lower threshold is required for shareholders to call a special shareholder meeting. These proposals proved relatively popular with one successful proposal at Cognizant Technologies Corp. Requests to amend voting procedures (this included requests to exclude abstentions from vote counts) were also prominent – all of which were in the US. A proposal at Newell Brands Inc requesting the shareholder right to take action by written consent was successful.

Regarding Board-related resolutions, Board Composition (12 of the instances of shareholder proposed resolutions), Director Elections (11) and Election Rules (9) feature prominently. Board Composition resolutions were requests in the US market to adopt a policy of the Chairman being an independent director, which continues to be a significant area of debate in US corporate governance. Election Rules proposals either concerned proxy access provisions (i.e. the right for shareholders to nominate directors) or the voting standard used on director elections. A proxy access proposal at NetApp Inc was successful.

A range of topics were covered in the Remuneration category with a notable focus on clawback provisions, the introduction of ESG performance metrics, and amendments to termination provisions. No proposals in the category were successful.

6.2 Board

Board related resolutions constituted just under a half of all the resolutions voted during the year. This is almost completely down to the high number of director election resolutions on a typical AGM agenda, as can be seen from Table 6 below.

The election of directors, and the governance structures which they constitute on the board, is the lifeblood of accountability between boards and owners. It is the (non-executive) individuals on the board whose job it is to protect and look out for the interests of shareholders and other stakeholders vital to the success of the company. It therefore follows that they are held accountable and that a wide number of considerations are taken into account.

Table 6: Board Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE FOR MANAGEMENT	OXFORDSHIRE VOTED WITH MGT	OVERALL S/HOLDER VOTES WITH MGT
Directors - Elect	3,464	80.67%	93.69%	96.24%
Directors - Discharge	67	100.00%	100.00%	97.88%
Board Committee	22	90.91%	86.36%	96.78%
Election Rules	12	0.00%	81.82%	81.34%
Board Composition	12	9.09%	16.67%	67.51%
Board Size & Structure	6	100.00%	100.00%	97.40%
Other Board/Director related	4	50.00%	50.00%	70.82%
Directors - Remove	2	50.00%	100.00%	89.42%
Insurance & Indemnification	1	100.00%	100.00%	99.96%
Total	**3,590**	**80.59%**	**93.44%**	**96.11%**

** "Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available. Resolutions where Management provided no recommendation have not been included in the calculations of fund manager and general shareholder support.*

The largest differences between the proportion of resolutions where the template identified concerns and the proportion of votes against management involved Director Elections, Election Rules and Board Composition. The Board Committee was the only subcategory where managers opposed management more often than the template.

In the case of the "Election Rules" resolutions six of the 12 resolutions related to allowing proxy access for shareholders, one of which was proposed by the Board of Kroger Inc. Four of the other resolutions related to director voting standards, all proposed by shareholders, and two Board-proposed resolutions relating to director election frequency. All resolutions in the Board Composition category were proposed by shareholders and related to proposals requesting the adoption of a policy requiring the Chairman be an independent director.

Table 7: Fund Manager Voting on Director Elections

FUND MANAGER	RESOLUTIONS	VOTED WITH MGT
L&G Investment Management	1,741	92.88%
UBS	741	90.45%
Wellington	680	96.62%
Baillie Gifford	302	99.67%
Total	**3,464**	**93.69%**

Due to their number, Director Elections merit some comparative commentary of their own. L&G and UBS opposed management on director elections more than shareholders in general. This was also the case for both managers in the prior reporting year. The level of support by L&G Investment Management has again dropped, this year from 97.39% to 92.88%. Baillie Gifford and Wellington again recorded higher levels of support on director elections, although Wellington's level of support has fallen by 3.18% compared to last year.

Of those resolutions where the fund managers opposed management on Director Elections (218 resolutions out of the 235 Board resolutions where management was opposed) the most frequent governance issues Minerva identified were:

Table 8: Common Concerns Identified on Director Elections opposed by Fund Managers

ISSUE	INSTANCES
1 Remuneration Committee composition concerns	34
2 Audit Committee composition concerns	33
3 Nomination Committee composition concerns	24
4 The Company has not disclosed a gender diversity target (large/mid cap only)	13
5 Over-boarding concerns	12

On many occasions, there were multiple concerns with each resolution, and it is likely that the quantum of governance concerns, rather than the substance of each individual concern per se, is what makes the fund managers more likely to register opposition to their re-election. For example, where an individual is not independent and they are the reason why the audit committee is not compliant with the corporate governance code.

The number of resolutions where management was opposed with the template suggesting a vote in favour of management (104 out of the 235 instances where management was opposed on Board-related resolutions) would suggest that fund managers can and do apply their own (investment) judgement on these issues.

6.3 Capital

Resolutions relating to the capital structure of a company frequently pertain to investment specific considerations. For that reason, governance good practice considerations are less frequently relevant, other than the extent to which proposals directly affect shareholders rights, where often the rules are well defined and relatively infrequently breached (such as the UK Pre-Emption Guidelines).

Perhaps unsurprisingly, dividend approvals are supported a very large percentage of the time by both fund managers and shareholders in general. One investment consideration on this issue is the balance between short and long-term investment return. Capital returned to shareholders in the short term through dividends cannot then be used by the company for potential revenue-enhancing investment in the future business. Furthermore, especially in the case of "income" stocks, the reliability of the dividend is a factor in the stock valuation which could therefore fluctuate if the situation changed. Other means of returning capital to shareholders is through share buy-backs.

Table 9: Capital Resolutions Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
Issue of Shares & Pre-emption Rights	769	87.39%	91.03%	95.65%
Share Buybacks & Return of Capital	296	86.15%	99.32%	98.55%
Dividends	247	95.95%	100.00%	99.59%
Treasury Shares	12	58.33%	83.33%	96.38%
Capital Structure	7	0.00%	100.00%	99.64%
Bonds & Debt	6	0.00%	100.00%	97.72%
Authorised Share Capital	5	80.00%	100.00%	92.91%
Equity Fundraising	2	50.00%	100.00%	94.78%
Total	**1,344**	**87.50%**	**94.57%**	**97.05%**

** "Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available. Resolutions where Management provided no recommendation have not been included in the calculations of fund manager and general shareholder support.*

Similar to previous years, over half of the resolutions in this category related to the issue of shares and pre-emption rights, which often form part of routine business at company AGMs, giving them the on-going permission to issue new shares up to a certain agreed level for the forthcoming year. Resolutions in this category also accounted for 94.52% of Oxfordshire's fund managers dissenting votes in the Capital category. The most frequent issues identified on capital related resolutions were as follows:

Table 10: Common Concerns Identified on Capital Resolutions

ISSUE	INSTANCES
1 A proposed share issue authority exceeds 5-50% of existing share capital.	88
2 Proposal to return capital to shareholders.	21
3 Maximum purchase price expressed as a percentage of the market price is more than 0-110%.	15
4 The authority sought (excluding any additional rights element exceeded 33%	11
4 The duration of a proposed capital authority exceeded 15 months	11

6.4 Audit & Reporting

The results data we collected shows that resolutions related to audit and reporting were the least contentious resolution category of all. However, because it includes resolutions which pertain to questions which are routine AGM business in many countries (including the UK), it nevertheless merits some analysis. The resolution relating to Report and Accounts includes the consideration of the sustainability reporting a company makes to its shareholders.

Table 11: Audit & Reporting Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
Auditor - Election	386	95.08%	98.96%	98.03%
Report & Accounts	308	50.32%	98.70%	99.12%
Auditor - Remuneration	245	100.00%	95.92%	99.14%
Appropriate Profits	22	100.00%	100.00%	98.44%
Other A&R related	2	100.00%	100.00%	99.33%
Special Audit	1	100.00%	100.00%	99.87%
Auditor - Discharge	1	100.00%	100.00%	99.73%
Total	**965**	**82.18%**	**98.13%**	**98.68%**

"Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available. Resolutions where Management provided no recommendation have not been included in the calculations of fund manager and general shareholder support.

172 resolutions had contrary policy guidance generated by the Oxfordshire template. Some of the most common concerns that Minerva identified are indicated in the table below. Oxfordshire's fund managers have voted with management 98.13% of the time on resolutions of this type; this is a strong indicator that these are not governance concerns over which the fund managers wish to oppose management with their votes.

Table 12: Common Concerns Identified on Audit & Reporting Resolutions

ISSUE	INSTANCES
1 There is no independent verification of the Company's ESG reporting	64
2 No meetings held by the non-executives without the executives present	46
3 The Company has paid a dividend, yet no resolution to approve the distribution has been proposed	38
4 The auditor has been in place for more than seven years and there is no evidence that a recent tender (last 3 years) has been undertaken or is planned	18
5 There is no performance evaluation process in place for the Board, Board Committees, and individual directors	12

6.5 Remuneration

As noted earlier in the report, Remuneration related resolutions are amongst the most contentious, attracting the highest average level of dissent of all of the resolution types routinely proposed by management.

Table 13: Remuneration Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT*
Remuneration Report	356	100.00%	86.80%	91.54%
Remuneration Policy	114	98.25%	83.33%	93.09%
Long-term Incentives	92	53.26%	73.91%	90.22%
Non-executive Remuneration	47	100.00%	100.00%	98.17%
Remuneration - Other	37	40.54%	91.89%	89.48%
All-employee Share Plans	32	100.00%	100.00%	97.98%
Contracts	9	88.89%	100.00%	84.56%
Remuneration Amount (Total, Individual)	9	100.00%	100.00%	84.55%
Remuneration Amount (Total, Collective)	8	100.00%	87.50%	92.94%
Short-term Incentives	6	100.00%	100.00%	98.33%
Remuneration Amount (Component, Individual)	3	100.00%	100.00%	94.66%
Total	**713**	**90.46%**	**86.82%**	**92.10%**

"Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available. Resolutions where Management provided no recommendation have not been included in the calculations of fund manager and general shareholder support.

The most contentious remuneration votes in terms of Oxfordshire's managers were resolutions to approve the remuneration report, the remuneration policy and long-term incentives. The Remuneration – Other and Remuneration Amount (Total, Collective) were the only other subcategories to receive fund manager dissenting votes.

Resolutions within the "Remuneration - Other" were for the most part resolutions regarding the frequency at which a company will put forward its remuneration report, this occurred in the US, although occasionally resolutions of this type are put forward in Canada. In aggregate there were less remuneration-related resolutions this year on account of the lower the number of frequency votes, these resolutions operate in a cyclical nature with a vote held at least every three years.

Broken down by fund manager, the voting on remuneration resolutions does show some patterns with L&G and UBS opposing management to a higher degree than shareholders in general on remuneration issues and to Wellington and Ballie Gifford.

Table 14: Fund Manager Voting on Remuneration Resolutions

FUND MANAGER	RESOLUTIONS	VOTED WITH MGT
L&G Investment Management (Pooled Instrument)	385	85.19%
UBS (Pooled Instrument)	140	79.29%
Wellington	131	96.95%
Baillie Gifford	57	92.98%
Grand Total	**713**	**86.82%**

Table 15: Common Concerns Identified on Remuneration Resolutions

CONCERN	INSTANCES
1 No reference to performance when shares/options vest in the event of a change in control.	15
2 The minimum ranking required for vesting is less than median.	9
3 Large aggregate variable pay opportunity.	8
4 Large LTIP pay opportunity.	4
5 No upper limit disclosed for an LTIP	4

Table 15 shows the most common concerns from Oxfordshire's policy template associated with remuneration-related resolutions over the year. Many of these issues have been prevalent on a consistent basis over time.

Remuneration is, on average, the most contentious issue at a company's AGM. This is perhaps partly because the disclosure regime which applies to remuneration is so demanding that there is an abundance of information about how much the top Board members get paid. These figures therefore often grab the headlines and consequently attract a high level of shareholder scrutiny. Although, on the other hand, the disclosure regime in certain markets it is not as advanced, for example in Japan remuneration will usually be disclosed on an aggregated basis only rather than on an individual basis.

Typically, executive remuneration is composed of:

Salary; Annual Bonus; Long term incentives; Other benefits; Pension; and Contract termination provisions.

Remuneration packages are increasingly complex, with both fixed and variable elements. Variable pay performance is measured over annual and (typically) three-year periods with multiple performance metrics often utilised. Voting decisions are based on the absolute levels of pay for the past year, the size of any increases proposed for the coming year and the alignment between performance targets and company strategy.

The quantum of bonus and long-term incentive payments is possibly the most widely debated contentious issue in the corporate governance of public listed companies. A large proportion of companies were found to have a high proportion of incentive pay relative to salary - a possible indication of over-encouraging risk-taking.

The absence of performance conditions for the exercise of awards or options is also noteworthy, especially where the maximum potential pay is high. This may suggest an element of payment of high remunerative incentive pay without setting down sufficient substantive performance targets in order to obtain it. This means that not only is the remuneration structure suggesting the over-encouragement of risk-taking, investors are left in the dark as to what risks may be being over-encouraged.

Recent developments indicate that shareholders are 'picking' their battles, resulting in a small number of high-profile significant dissent resolutions, but low dissent overall. This suggests that shareholders are taking a more targeted approach in voting.

For example, the introduction of the vote on remuneration policy in the UK has influenced shareholder voting with many investors adopting a "wait and see" approach regarding policy proposals (preferring to see how the Regulations bed in). All but the most controversial policy proposals have received respectable levels of support. By contrast, where opposition was expressed, it was often at a very high level, demonstrating this focussed approach.

6.6 Shareholder Rights

The shareholder rights category covers resolutions which relate specifically to the ability of shareholders to exercise some element of their rights. They therefore encompass not only rules about shareholder voting, but also things such as the rules according to which a shareholder (or shareholders) may requisition a meeting, a resolution at a meeting, the way in which a shareholder meeting is conducted and shareholder rights in the event of a (hostile) takeover situation.

They are important because they essentially relate to the extent to which investors are able to mitigate themselves against the risk of third parties making decisions which affect their investment in the company.

Table 16: Shareholder Rights Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
General Meeting Procedures	226	93.36%	93.81%	92.31%
Other Articles of Association	85	85.88%	96.47%	97.59%
Meeting Formalities	19	100.00%	89.47%	95.84%
Takeover Governance	12	8.33%	50.00%	71.09%
Shareholder Rights	10	11.11%	77.78%	72.32%
Total	**352**	**86.89%**	**92.31%**	**92.57%**

"Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available. Resolutions where Management provided no recommendation have not been included in the calculations of fund manager and general shareholder support.

Frequently, many of the issues in this category are relatively straight forward and many of the resolutions where there is complexity it is down to the proposal being made by shareholders, therefore inevitably likely to introduce some question that is comparatively out of the ordinary.

For example, a large number of the 'General Meeting Procedures' resolutions relate to the requirement in the UK for companies to request a routine permission to retain the right to call a non-AGM General Meeting at less than 21 days' notice. For UK shareholders, calling EGMs on 14-days' notice is non-contentious, provided they are not used frivolously or for matters where a longer notice period would be warranted due to the nature of the business. However, such resolutions often receive above average shareholder dissent in the UK market.

The dissent can be explained as following; this being largely a UK practice; foreign shareholders and proxy advisors are not sympathetic towards approving such permissions. Overseas investors do not generally trust the cross-border voting system to get their vote across in time and focus this concern on the acceptance of such resolutions. With the increasing proportion of UK companies being held by foreign shareholders who often follow the voting advice their proxy advisors give them in markets foreign to them, an increasing proportion of companies are now finding significant levels of dissent on this issue. Notably, Wellington also opposed such resolutions.

The majority of the issues that Minerva research identified were therefore to do with the nature of the resolution, rather than the substance - for example that the resolution is proposed by shareholders, or that the board does not make a recommendation on the resolution.

Of the 27 resolutions where fund managers opposed management on Shareholder Rights related considerations, 10 were shareholder proposed resolutions. This suggests that, when it comes to shareholder rights protections, Oxfordshire's managers are very well motivated to protect their interests and those of their clients.

6.7 Corporate Actions

Whilst far less numerous, some statistical significance can be attributed to some of the Resolution Sub-Categories pertaining to Corporate Actions, which can be put to effect to explore why they number among the most contentious resolution sub-categories for Oxfordshire's fund managers.

Table 17: Corporate Actions Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
Transactions - Significant	33	84.85%	100.00%	97.36%
Transactions – Related Party	23	60.87%	82.61%	92.61%
Investment Trusts & Funds	9	33.33%	100.00%	97.87%
Other Corporate Action	6	83.33%	100.00%	98.70%
Total	**71**	**70.42%**	**94.37%**	**96.18%**

** "Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available. Resolutions where Management provided no recommendation have not been included in the calculations of fund manager and general shareholder support.*

The majority of Corporate Actions considerations are often investment or company-specific, such as disposals and acquisitions. Definitions of what might be 'good' or 'bad' decisions in this context becomes decidedly subjective, as do comparisons of fund manager voting. What can be observed is that Oxfordshire's fund managers are often supportive of corporate actions, with the exception of related-party transactions (commercial transactions between the company and related parties such as other companies for whom officers or directors of the company work). This is because related party transactions may entail potential conflicts of interest.

6.8 Sustainability

All Sustainability sub-categories apart from Political Activity were comprised solely of shareholder proposals. The proposals generally asked companies to either improve their reporting of, or performance on, specified sustainability issues. Because of this, meaningful routine categorisation of these issues is very challenging, because the specific content of a proposal is defined by the proponent and could be about anything, from asking the company to close specific operations to requesting a one-off or regular report on employee conditions.

It is also not uncommon for most investors to vote with management on such issues unless the issue at hand is either one for which the investor has a particular affinity for or was involved with the tabling of the resolution itself. Although, this year, relatively high levels of shareholder dissent have been recorded. All of Oxfordshire's managers dissenting votes in the Sustainability category came from the support of shareholder proposals.

Table 18: Sustainability Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
Political Activity	117	0.00%	98.29%	94.30%
Human Rights & Workforce	11	0.00%	72.73%	88.57%
Environmental Practices	9	0.00%	55.56%	73.34%
Other ESG	5	0.00%	100.00%	96.02%
Ethical Business Practices	3	0.00%	66.67%	91.92%
Animal Welfare	2	0.00%	100.00%	96.82%
Sustainability Reporting	1	0.00%	100.00%	40.14%
Total	**148**	0.00%	**93.24%**	**92.28%**

"Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available. Resolutions where Management provided no recommendation have not been included in the calculations of fund manager and general shareholder support.

7 Aggregate Analysis

Minerva has also assessed the aggregate voting patterns undertaken by the fund managers, the additional meetings to those considered in the detailed analysis pertain meetings in emerging or developing markets (including Far Eastern and African markets). Aggregate analysis does not drill down to identifying governance concerns on individual resolutions but does look at the aggregate patterns of voting decisions taken by the fund managers. This is largely due to the fact the disclosure practices in these markets is traditionally not as high as we are used to in Europe and the US in particular, thereby hindering the statistical reliability of detailed analysis.

7.1 Baillie Gifford

Table 19: Ballie Gifford Aggregate Resolutions Voting by Market

COUNTRY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Australia	7	100.00%
Canada	10	100.00%
France	26	84.62%
Germany	9	88.89%
Hong Kong	19	89.47%
Italy	8	100.00%
Japan	7	100.00%
Netherlands	15	93.33%
Singapore	7	100.00%
Sweden	54	100.00%
Switzerland	11	100.00%
United Kingdom	1,113	93.17%
United States	199	97.99%
Total	**1,485**	**94.07%**

Table 19 above shows the number of resolutions voted in each market by Baillie Gifford, as well as their average support of management on each. It shows a slightly higher level of support for management detailed in Section 5, 94.07% compared to 93.53%, which might not be a surprise given the large proportion of UK based companies Baillie Gifford were voting at. Due to the low count of resolutions outside of the United Kingdom meaningful analysis is not available for Baillie Gifford's voting outside of the UK.

Table 20: Baillie Gifford Voting by Category

CATEGORY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Audit & Reporting	210	100.00%
Board	741	99.73%
Capital	293	76.45%
Corporate Actions	9	100.00%
Remuneration	144	90.28%
Shareholder Rights	56	98.21%
Sustainability	32	93.75%
Total	**1,485**	**94.07%**

What is interesting is the breakdown of the average support of management by resolution category compared to that in Section 6. Baillie Gifford have notably supported management to a lesser degree on Capital resolutions, by 18.12%. Within the Capital category Baillie Gifford voted against resolutions pertaining to share issue authorities where the authority sought was deemed to not be in-line with Baillie Gifford's view on good practice.

Baillie also voted against 9.72% of remuneration related resolutions. This shows that Baillie Gifford take an active stance on voting on remuneration issues – this is within the context of the UK generally having better remuneration practices when situated in a global context.

7.2 UBS

Table 21: UBS Aggregate Resolutions Voting by Market

COUNTRY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Australia	5	100.00%
Austria	10 (9)	100.00%
Bermuda	12	91.67%
Canada	57	92.98%
Cayman Islands	4	75.00%
China	30	86.67%
France	45	66.67%
Germany	35	96.97%
Hong Kong	23	82.61%
Ireland	11	100.00%
Italy	25 (24)	93.33%
Japan	113	92.92%
Jersey	44	100.00%
Netherlands	70 (45)	97.78%
Russia	54	100.00%
South Africa	34	64.71%
South Korea	14	100.00%
Thailand	23 (22)	81.82%
United Kingdom	200	95.50%
United States	593 (591)	88.14%
Total	**1,402 (1,370)**	**89.88%**

Readers should note that there were 31 non-voting resolutions in the UBS portfolio and UBS issued one Do Not Vote instruction, the number of voted resolutions (meaning the total resolutions minus non-voting resolutions) are indicated in brackets.

Additionally, there were a further 36 resolutions where management provided no recommendation, 26 were in the Russian market, nine in the Italian market and one in the United States market. For the purposes of calculating the proportion of resolutions in which UBS supported management both the non-voting resolutions and resolutions with no management recommendation have been excluded from the calculation, meaning in total 1,334 resolutions were included in the calculation.

UBS's overall support level stands at 89.88%. Not dissimilar to Baillie Gifford, caution should be used regarding the statistical significance of this data when making inferences at the market level due to the varied count of resolutions between markets.

As discussed earlier in the report the global nature of UBS's holding may impact on voting patterns between markets due to a variety of governance standards– this is demonstrated by considering UBS's level of support in the UK market standing at 95.50% with UBS's overall support of 89.88%. Therefore, although one should be wary from making inferences the data does indicate that UBS has taken a progressively more active approach in markets where there is relatively lower levels of disclosure and governance standards. Notably UBS have opposed resolutions within the French market on a frequent basis

(33.33% of the time) – the French market is the seventh most populated market in terms of the number of resolutions voted by UBS.

Table 22: UBS Voting by Category

CATEGORY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Audit & Reporting	137 (126)	100.00%
Board	887 (880)	91.83%
Capital	122	88.52%
Corporate Actions	19	94.74%
Other	4 (3)	66.67%
Remuneration	149 (147)	79.59%
Shareholder Rights	64 (54)	75.47%
Sustainability	20 (19)	63.16%
Total	**1,402 (1,370)**	**89.88%**

Table 22 above shows the number of resolutions in each category type, as well as UBS's average support of management on each. UBS opposed resolutions in the Sustainability, Shareholder Rights, Remuneration and Capital categories on a consistent basis, i.e. above average. When considering the Sustainability and Shareholder Rights categories, UBS's level of dissent is explained by the large number of resolutions proposed by shareholders in the categories. For example, all of UBS's votes contrary to management recommendation on sustainability matters were on shareholder sponsored resolutions.

7.3 Wellington

Table 23: Wellington Aggregate Resolutions Voting by Market

COUNTRY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Bermuda	5	100.00%
Cayman Islands	5	0.00%
China	25	88.00%
Finland	10	100.00%
France	65	100.00%
Germany	27 (0)	-
India	9	100.00%
Ireland	50	98.00%
Italy	18	100.00%
Japan	71	97.18%
Luxembourg	27 (0)	-
Malaysia	12	83.33%
Netherlands	61	100.00%
Portugal	17 (0)	-
Sweden	21	95.24%
Switzerland	82 (33)	96.97%
Taiwan	4	100.00%
United Kingdom	127	94.49%
United States	554	97.83%

Total	**1190 (1070)**	**96.82%**

The majority of resolutions in the Wellington portfolio were in the United States market, the United Kingdom was the only other market to have more 100 resolutions. Wellington did not vote any resolutions in the Germany, Luxembourg and Portugal markets and the majority of resolutions in the Switzerland market.

Sweden, United Kingdom, China, Malaysia and Cayman Islands recorded lower average level of voting with management in comparison to Wellington's average support of 96.82% - the number of resolutions voted in these markets, excluding the United Kingdom, constituted a small number of the total, so readers should be careful in inferring a statistical pattern. By comparison with the data in the UBS section of the report, Wellington's dissent levels towards UK companies was higher while UBS's dissent at US companies was higher.

It could be considered unusual to see United Kingdom's comparatively high level of dissent, particularly compared to the United States market, however this may be an indication of voting playing an important part of shareholder engagement within this market for Wellington – it is also worth noting that all of Wellington's oppositional votes in the UK market were situated within the Shareholder Rights category and concerned a Board's request for an authority to set general meeting notice periods at 14 days.

Management provided no recommendation on one shareholder proposal each at Netapp Inc and Newell Brands Inc. The proposal at Netapp concerned proxy access and Wellington supported the proposal while the proposal at Newell Brands concerned the right to act by written consent and Wellington voted against the proposal.

Table 24: Wellington Aggregate Voting Patterns by Resolution Category

CATEGORY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Audit & Reporting	113 (101)	100.00%
Board	731 (670)	97.76%
Capital	111 (99)	96.97%
Corporate Actions	14 (11)	63.64%
Other	1	0.00%
Remuneration	134 (122)	96.72%
Shareholder Rights	67 (47)	86.96%
Sustainability	19	94.74%
Total	**1190 (1,070)**	**96.82%**

Table 24 shows the overall patterns of support for management shown by Wellington broken down by resolution category across all of the resolutions in the aggregate analysis.

Noteworthy in the data set is the change in the level of support for management on Shareholder Rights resolutions to that in Section 6. Conversely, there is a relatively higher level of support for n resolutions in the Remuneration category.

When considering the Corporate Actions resolution categories Wellington's level of support is explained largely because many of the resolutions relate to related party transactions. Such resolutions may not always be considered to be in shareholder's best interests.

7.4 Legal & General Investment Management

As Legal & General's mandate is limited to UK equities there was not any additional corporate meetings to analyse to those already considered in the detailed analysis.

8 Conclusions

This is the fourth annual report Minerva has produced for the Oxfordshire Pension Fund. There are patterns in common with the previous year's report. This is because, by and large, corporate governance risk-related issues change over the long term, rather than due to short term pressures. This means that the issues raised in this report are likely to remain similar in dynamic in the short term; though over the longer-term positive development should be observable. As is evidenced with the example of shareholder proposed resolutions in the US, specific themes can be and are raised with companies on a campaign/ strategic basis which, over time, contribute to positive progress such as campaigns to introduce proxy access for shareholders.

Whilst we expect to see overall trends of gradual improvement in corporate governance standards continuing, but this is mitigated by the fact that some companies may 'lapse' and new companies may enter the market carrying with them the legacy of private ownership governance practices which also may fall short of the standards expected of publicly listed companies.

Additionally, developments in the governance risk profile across equity asset allocation caused by changes to investment mandates from year to year may also have an effect upon the overall picture. Consequently, although we expect trends to improve over the long term, positively identifying them year on year is much harder to do and improvements can be mitigated by the fact that some companies may 'lapse' and new companies may enter the market carrying with them the legacy of private ownership governance practices which also may fall short of the standards expected of publicly listed companies Further the change in the size of the dataset and the composition of portfolios can have an impact on analysing year-on-year governance trends.

For this reason, readers should not expect to see a marked change in companies' governance standards from year to year. What is more important is to understand how the fund's managers respond and react to identified concerns, and fund manager vote monitoring plays a central role in understanding this question.

In terms of issues specific to this report, our analysis:

- Highlights the most common Board related policy issue was a shortfall in independent directors on boards and board committees;

- Shows a number of companies whose governance of sustainability as a corporate discipline could be potential cause for concern due to lack of independent verification. Companies that manage sustainability well tend to be better run;

- Illustrates that political donation authority requests in the UK are seldom a matter of concern for Oxfordshire's fund managers, however fund managers are supportive of shareholder proposals requesting enhanced disclosure on political expenditure and lobbying;

- Identifies that Remuneration and Shareholder Rights related resolutions are the resolution types Oxfordshire's fund managers oppose management on most often, followed by Sustainability and Board related resolutions;

- Identifies 266 instances where Oxfordshire's fund managers voted contrary to management recommendation on a resolution the template suggested a vote in support of management. The occurrence of resolutions where management was opposed without the identification of governance concerns suggests fund managers are also not afraid to apply their own investment judgement, even where this implies a vote against management.

- Identifies that Oxfordshire's fund managers in aggregate were more likely to oppose management by supporting a shareholder proposed resolution than by opposing a management proposed resolution. Fund managers voted contrary to management recommendation on 5.80% of resolutions proposed by management and 42.40% of resolutions proposed by shareholders.

Oxfordshire's fund managers were more active than the average shareholder in expressing concerns through their votes, as measured by the average level of shareholder dissent. Whereas general dissent stood at 4.02% (up from 3.75%), Oxfordshire's fund managers opposed management on 6.44% of resolutions (up from 5.55%). There are however some variances between the respective managers. Whereas Wellington has supported management more than most shareholders, L&G, Baillie Gifford and UBS on the other hand supported management to a lesser extent than most shareholders.

However, one should avoid falling into the trap of using voting records as a substitute for understanding whether a fund manager is an 'active' owner or not. Voting is but one (albeit important) tool in the ownership toolbox, which sits alongside regular monitoring of governance issues through research and engagement by the fund manager. To the extent that voting is not the only medium Oxfordshire's fund managers use to raise concerns with portfolio companies, this report enables Oxfordshire to further enquire of fund managers as to how these other issues are being identified, raised and resolved with portfolio companies, and whether resources are sufficient to adequately carry out this important work.

Oxfordshire fund managers supported five successful shareholder sponsored proposals, all of these were in the US. Two sustainability-related shareholder proposals at Kinder Morgan were successful, one requested an annual report on sustainability and the other an assessment of the long-term portfolio impacts of scenarios consistent with global climate change policies. A proposal at NetApp Inc requesting the Board allow shareholders to nominate directors (proxy access) received over 90% support. The two other successful proposals related to shareholder rights, namely the right to act by written consent and to call special shareholder meetings.

Oxfordshire's fund managers opposed 24 defeated management proposed resolutions. 16 of the resolutions were say-on-pay frequency votes in the US market. L&G opposed the defeated remuneration report at Royal Mail and both UBS and Wellington voted against the defeated remuneration report at Mondelēz International Inc. L&G opposed three share issue authorities in the UK which failed to receive sufficient majority, while UBS voted against three defeated director election resolutions

There are some key regulatory developments which come into play during 2017/18 that may have a bearing on next year's report. Further details on these developments may be found in the appendix, which covers:

- UK corporate governance reform including a new UK Corporate Governance Code;
- UK Diversity initiatives;
- Human Capital initiatives; and
- Updates to UK institutional investor guidelines.

The debate on corporate governance and the quality of governance scrutiny is on the increase. Additionally, with ever increasing pressure upon institutional investors and asset managers for transparency about ownership processes, ongoing monitoring of governance risk and voting activity remains a vital activity of any responsible investment-minded investor. It is up to asset owners like the Oxfordshire Pension Fund to ensure that the quality and focus of this scrutiny is maintained by professional investors.

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9 Hot Governance Topics

The following is largely a UK-focussed summary of governance developments.

9.1 UK Corporate Governance Reform

During 2018 there have been a number of UK governance reforms which will impact both companies and investors:

Who	Issue	Implementation Time-line
Companies	A revised QCA Corporate Governance Code.	Published 25 April 2018 to coincide with new AIM rules on governance code reporting.
	Amended Listing Rules creating a new premium listing category for Sovereign Issuers.	Effective on 1 July 2018.
	New requirements for AIM companies to adopt and report against a recognised governance code.	Reporting required by 28 September 2018.
	A new corporate governance code, the Wates Principles, for private companies.	Due to be published December 2018 to coincide with new secondary legislation disclosure requirements.
	A revised FRC Corporate Governance Code.	First applies to accounting periods beginning on or after 1 January 2019 (2020 annual reports).
	New secondary legislation introducing new disclosure requirements on stakeholder and employee engagement, pay ratios, the impact of share price on remuneration, and discretion applied to remuneration outcomes.	First applies to accounting periods beginning on or after 1 January 2019 (2020 annual reports).
	Amended EU Shareholder Rights Directive introducing new requirements for companies including holding an annual remuneration report and a remuneration policy vote every four years.	Member states will need to implement the regulations by 10 June 2019.
Investors	A revised European Fund and Asset Management Stewardship Code.	Published 31 May 2018.
	FRC Stewardship Code to go under consultation.	The FRC intends to undertake a more detailed review and revision of the Code in late 2018.
	New DWP regulations on Statement of Investment Principles requiring a policy on ESG including climate change and a policy on stewardship including voting and engagement.	Enters on a staggered basis with the first reporting requirements effective 1 October 2019.
	Amended EU shareholder Rights Directive introducing new requirements for investors including engagement policy disclosure.	Member states will need to implement the regulations by 10 June 2019.

Investors will need to familiarise themselves with the changes introduced and consider whether they need to review and update their policies and procedures in light of the new governance and stewardship recommendations.

9.1.1 UK Governance Code

In July 2018 the FRC published a new UK Corporate Governance Code. The Code will apply to all premium-listed UK companies with accounting periods beginning on or after 1 January 2019. Therefore, unless companies decide to adopt all or part of the new Code early, the first reporting will not be seen until 2020.

Key Code Changes	
Streamlining	The Code has been shortened and now consists of 17 principles and is around half the size of the previous Code. Supporting Principles have been removed with some being integrated elsewhere in the Code or added to the Guidance on Board Effectiveness. The Code has been reorganised into five sections; Leadership and purpose; Division of Responsibilities; Composition, succession and evaluation; Audit, risk and internal control; and Remuneration.
Stakeholder Engagement	The Code places greater emphasis on stakeholder engagement. The Code contains a provision on the need for boards to demonstrate in the annual report how they are applying section 172 of the Companies Act and a provision recommending employee engagement through one the following mechanisms: a director appointed from the workforce; a formal workforce advisory panel; a designated non-executive director; or an alternative mechanism if appropriate.
Shareholder Engagement	Enhanced disclosure requirements when there is a 20% vote against any resolution including an update to be provided within six months from the AGM and a summary of the impact of shareholder feedback in the next annual report.
Culture and Diversity	There are new provisions on the board's role in monitoring and assessing culture and promoting diversity and inclusion, not only of gender but also of social and ethnic backgrounds.
Chairman	A chair should generally not remain in post beyond nine years from the date of their first appointment to the board.
Small Company Exemptions	Small company exemptions on board independence and annual re-elections have been removed. Other exemptions, including triennial external board evaluations, are retained.
Remuneration	A remuneration committee chair must have served on a remuneration committee for at least 12 months (not necessarily the same committee of which they will become chair) and committees should review and take into account workforce pay, policies and incentives when setting executive pay. In addition, there are new recommendations on executive pay design including; share awards to be subject to a total vesting and holding period of five years or more; there should be a formal policy for post-employment shareholding requirements; remuneration schemes and policies should enable the use of discretion to override formulaic outcomes; a committee may wish to consider setting a limit in monetary terms for which is considered a reasonable reward for individual executives; and pension provisions for executives should be aligned with those available to the workforce.

9.2 UK Diversity Initiatives

In October 2017, the Parker Review Committee published its Final Report on Board ethnic diversity. The report set out set out objectives and timescales to encourage greater diversity:

- Increase the board ethnic diversity by proposing each FTSE 100 board to have at least one director from an ethnic minority background by 2021 and for each FTSE 250 board by 2024;
- Develop a pipeline of candidates and plan for succession through mentoring and sponsoring; and
- Enhance transparency and disclosure to record and track progress against the objectives.

Lloyds became the first FTSE 100 company to set a formal target to improve ethnic diversity among its top executives. The bank has committed to ensuring that 8% of senior management jobs are filled by people from a BAME background by 2020, an increase from the current proportion of 5.6%. Across the whole workforce, the target is 10%, up from 8.3% at present.

The Hampton-Alexander Review published its third annual report on 13 November 2018. The report found that a quarter of FTSE 350 companies have only one woman on their board, "one & done" boards, and there remain five all-male boards. The five companies are Millennium & Copthorne, Daejan Holdings, Amigo Holdings, Herald Investment, and JP Morgan Japanese Investment - although Amigo Holdings has appointed a woman to its board since the analysis was undertaken. This means half the appointments to board positions will have to be filled by women over the next two years to hit the target of 33% representation of women on boards by 2020. The report did however find that the FTSE 100 is on track to hit the target.

The UK Government's gender pay gap reporting regulations entered into force in April 2017. The regulations require employers in Great Britain with more than 250 staff to publish four types of figures annually on their website and on a government website:

- Gender pay gap (mean and median averages);
- Gender bonus gap (mean and median averages);
- Proportion of men and women receiving bonuses; and
- Proportion of men and women in each quartile of the organisation's pay structure.

To help employers, the Government Equalities Offce and Acas have produced guidance on managing gender pay reporting in the private and voluntary sector. Non-compliance with the regulations would constitute an 'unlawful act' and fall within the existing enforcement powers of the Equality and Human Rights Commission under the Equality Act 2006. While in October 2018 the Department for Business, Energy & Industrial Strategy launched a consultation on ethnicity pay reporting by employers.

9.3 Human Capital Initiatives

There is increasing evidence that the way companies address non-financial factors can significantly impact long-term value and an increasing number of shareholders are keen to understand how companies are addressing ESG issues in order to support investment and stewardship decisions. Human capital is one area of non-financial reporting that companies and investors have recognised to be of value, but currently there is inconsistent reporting and insufficient disclosure.

As part of the PLSA's ongoing human capital project the PLSA published a report in collaboration with the Lancaster University Management School in November 2017 examining FTSE 100 reporting on employment models and working practices. The report found that while 64% of FTSE 100 companies provide meaningful narrative commentary on the composition of their workforce, just 4% of companies provide a breakdown of their workforce by full time and part time workers.

In late 2016, ShareAction launched the Workforce Disclosure Initiative (WDI) which brings together institutional investors to request comparable workforce reporting from publicly listed companies on their global operations and supply chains. The survey asked participants to provide information about their governance of workforce issues, global workforce composition and stability, training and development of people, and worker engagement. ShareAction intends to conduct the survey annually.

The corporate sector also launched its own guidance during the year. The IA and ICSA: The Governance Institute published joint guidance on board engagement with stakeholders. The guidance outlines 10 core principles that companies should take into account when making decisions and engaging stakeholders, covering: identifying key stakeholders; the composition of the board and development of directors; the way in which boards receive and process information; designing appropriate engagement mechanisms; and reporting and feedback to shareholders and stakeholders.

The US-based Coalition for Workers Capital (CWC), an international labour union network focusing on the responsible investment of workers' retirement savings, published guidelines for the evaluation of workers' human rights and labour standards providing a comprehensive set of KPIs for investors to evaluate company social performance. The guidelines set out a number of indicators that the CWC believes should be incorporated into the investment chain grouped by 10 themes: workforce composition; social dialogue; workforce participation; supply chain; occupational health and safety; pay levels; grievance mechanisms; training and development; workplace diversity; and pension fund contributions for employees.

However, despite the growing number of industry guidelines a report published by the International Transport Workers' Federation examining the responsible investment policies of 100 of the largest funds in Europe found what while most are adopting policies that protect and promote workers' rights, almost a third make no reference to international standards. The analysis found the UK to be the clear outsider, accounting for two thirds of the funds in this group by number, and four fifths by assets. The report did however find that a number of pension funds take active steps to avoid companies that have been accused of not respecting workers' rights, the result of which can be a major 'capital strike'. Almost a quarter of the funds in the sample, representing just over €2 trillion, refuse to invest in Wal-Mart. Six funds, representing €287bn, have Ryanair on their exclusions list.

9.4 The Pension and Lifetime Savings Association Updates Guidelines

The Pension and Lifetime Savings Association's (PLSA) published its 2018 Corporate Governance policy and Voting Guidelines in January 2018. A new section on sustainability has been added to the guidelines. This follows guidance published by the PLSA in 2017 on the economic implications of climate change for pension funds.

- Shareholders should consider voting against the annual report and accounts or the re-election of the Chair where they believe that key stakeholder relationships are being neglected and the board is not adhering with the spirit of requirements to have for the concerns of stakeholder constituencies; and
- Where, after attempts by shareholders to engage on this issue, companies fail to provide a detailed risk assessment and response to the effect of climate change on their business, and incorporate appropriate expertise on the board, shareholders should not support the re-election of the Chair.

9.5 Investment Association Updates Guidelines

The Investment Association (IA) updated its Principles of Executive Remuneration and set an open letter to remuneration committee chairs of FTSE350 companies in November 2018.

The key changes made were:

- The pension contributions for current executive directors should be reduced over time to equal the rate received by the workforce and new executive directors and directors changing roles should be appointed on this pension contribution level;
- Companies should broaden the triggers under which malus and clawback provisions can be used to forfeit or recover remuneration beyond the current triggers of 'gross misconduct' and 'misstatement of results';
- Directors should be required to hold a proportion of their shares for a minimum of two years after their departure;
- Companies should have mitigation clauses in place for individuals retiring as a good leaver in case the individual hoes on to take further executive roles; and
- The section on restricted shares has been updated and reformatted with an expectation for remuneration committees to have the ability to exercise discretion on vesting outcomes and confirm they have reviewed whether vesting outcomes are considered appropriate.

The IA also called on companies to adopt new pay ratio reporting requirements early, to maximise transparency over pay and ensure that there is accountability for high levels of pay internally. The IA also reemphasised the importance for companies to justify to investors the level of remuneration paid and why remuneration pay-outs are supported.

In 2017 the IA published new guidance on long-term reporting. The guidance is aimed at companies whose shares have a premium listing on the London Stock Exchange, but other listed companies are also encouraged to adopt it as best practice. Companies are encouraged to adopt the guidance for annual reports covering year-ends on or after 30 September 2017.

The guidance sets out a range of recommendations across five areas:

- Business models and long-term reporting: companies should stop issuing quarterly reports and focus on long-term performance and strategic issues taking into account the FRC Lab's business model reporting recommendations;
- Productivity: companies should identify and report on the main drivers of productivity within their business including developing key performance indicators;
- Capital management: company disclosure should explain the approach taken to managing capital, provide assurance that it is allocating capital efficiently and demonstrate that it is acting in a manner consistent with shareholder's interest in sustainable long-term value creation;
- Material environmental and social risks: This set of recommendations is a modification on the IA's 2007 Guidelines on Responsible Investment Disclosure and calls for disclosure relating to board responsibilities and policies, procedures, and verification systems in place to manage material ESG risks; and
- Human capital and culture: companies should provide narrative discussion regarding investments, opportunities, and risks in relation to human capital management and metrics such as total headcount, annual turnover, investment, and employee engagement. In relation to culture, companies should take a holistic approach to disclosure using a range of sources and indicators.

In December 2017 the IA published a position statement on virtual-only AGMs stating its members will not support article amendments in relation to electronic meetings if they allow for virtual-only meetings. Members expect any amendments to confirm that a physical meeting will be held alongside an electronic meeting element – known as a "hybrid meeting".

Topical updates are available throughout the year via the Minerva Quarterly Governance Insights and the weekly blog.