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To: Members of the Local Pension Board

Notice of a Meeting of the Local Pension Board

Friday, 24 January 2020 at 10.30 am

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

Yvonne Rees
Chief Executive

January 2020

Committee Officer: ***Graham Warrington***
Tel: 07393 111211; Email: graham.warrington@oxfordshire.gov.uk

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Membership

Chairman – Mark Spilsbury

Scheme Members:

Alistair Bastin	Stephen Davis	Sarah Pritchard

Employer Members:

Lisa Hughes	Councillor Bob Johnston	Angela Priestley-Gibbins

Notes:

- ***Date of next meeting: 1 May 2020***

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

2. Welcome by Chairman

3. Declarations of Interest - see guidance note opposite

4. Petitions and Public Address

5. Minutes (Pages 1 - 4)

To approve the minutes of the meeting held on 25 October 2019 (**LPB5**) and to receive information arising from them.

6. Review of the Annual Business Plan (Pages 5 - 10)

The Board are invited to review the latest position against the Annual Business Plan for 2019/20 as considered by the Pension Fund Committee at their meeting on 6 December 2019.

7. Risk Register (Pages 11 - 16)

This is the latest risk register as considered by the Pension Fund Committee on 6 December 2019. The Board are invited to review the report and offer any further views back to the Committee.

8. Administration Report (Pages 17 - 36)

The Board are invited to review the latest Administration Report as presented to the Pension Fund Committee on 6 December 2019, including the latest performance statistics for the Service, and to offer any comments to the Pension Fund Committee.

9. Fund Valuation (Pages 37 - 88)

This report updates the Board on the latest position on the 2019 Valuation exercise including the current consultation on the draft Funding Strategy Statement and employer results. The Board are invited to offer any further comments to the Pension Fund Committee in advance of formal sign off of the Funding Strategy Statement at the March Committee.

The Board are RECOMMENDED to note the latest position on the 2019 Valuation and provide any comments back to the Pension Fund on the process or the latest version of the Funding Strategy Statement.

10. Exempt Item

In the event that any Member or Officer wishes to discuss the information set out in Annexes 2 and 3 to Item 11, the Board will be invited to resolve to exclude the public for the consideration of those Annexes by passing a resolution in relation to that item in the following terms:

"that the public be excluded during the consideration of the Annexes since it is likely that if they were present during that discussion there would be a disclosure of "exempt" information as described in Part I of Schedule 12A to the Local Government Act, 1972 and specified below the item in the Agenda".

NOTE: The report does not contain exempt information and is available to the public. The exempt information is contained in the confidential annexes.

THE ANNEXES TO THE ITEM NAMED HAVE NOT BEEN MADE PUBLIC AND SHOULD BE REGARDED AS 'CONFIDENTIAL' BY MEMBERS AND OFFICERS ENTITLED TO RECEIVE THEM.

THIS IS FOR REASONS OF COMMERCIAL SENSITIVITY.

THIS ALSO MEANS THAT THE CONTENTS SHOULD NOT BE DISCUSSED WITH OTHERS AND NO COPIES SHOULD BE MADE.

11. Cyber Security (Pages 89 - 108)

The information contained in annexes 2 and 3 is exempt in that it falls within the following prescribed category:

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

and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that disclosure would undermine the process to the detriment of the Council's ability properly to discharge its fiduciary and other duties as a public authority.

This report was requested at the last meeting of the Pension Board. It covers the risks associated with cyber security in respect of both the Fund's investments and in respect of the administration of the Fund itself and sets out the current approach to the mitigation of these risks. The Board is invited to consider the report and offer any comments to the Pension Fund Committee.

The Board are RECOMMENDED to note the latest position on cyber security and advise the Pension Fund Committee as appropriate.

12. The Pension Regulators Code of Practice 14 (Pages 109 - 120)

At the request of the last meeting of the Board, this report covers the Pension Regulators Code of Practice 14, setting out the key features of the Code, the guidance offered to Pension Board Members and the extent to which this guidance is currently followed. The Board are invited to comment on what changes if any they wish to make to the current arrangements.

The Board is RECOMMENDED to note the practical guidance set out in the Code of Practice 14 and determine whether they wish to make any changes to the current arrangements for this Board to ensure they are meeting the standards of conduct and practice expected.

13. Items to Include in Report to the Pension Fund Committee

Following the request from the Chairman of the Pension Fund Committee, there is now a standing item on the Committee agenda for this Board to report back to the Committee. The Board are invited to confirm the issues they wish to include in their latest report to the Committee.

14. Items to be Included in the Agenda for the next Board Meeting

Members are invited to identify any issues they wish to add to the agenda of the next meeting of this Board.

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LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 25 October 2019 commencing at 10.30 am and finishing at 12.10 pm

Present:

Voting Members:	Mark Spilsbury – in the Chair Stephen Davis Councillor Bob Johnston Sarah Pritchard

Officers:

Whole of meeting	G. Warington (Law & Governance); S. Fox (Pension Services Manager)

The Board 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.

43/19 WELCOME BY CHAIRMAN
(Agenda No. 1)

The Chairman welcomed members and Angela Priestley-Gibbins to her first meeting.

44/19 APOLOGIES FOR ABSENCE
(Agenda No. 2)

Apologies for absence were received from Alistair Bastin, Lisa Hughes and Sean Collins.

45/19 MINUTES
(Agenda No. 5)

The minutes of the meeting held on 12 July 2019 were approved and signed.

46/19 EMPLOYER MANAGEMENT - IMPROVEMENT PLAN
(Agenda No. 6)

The Board considered (LPB6) the latest in the series of reports to the Pension Fund Committee and this Board setting out the latest position against objectives and milestones set out in the improvement plan.

Councillor Johnston thanked officers for an excellent report although it would have also benefited from a colour printed Annex.

Sally Fox presented the report. Regarding annual allowances she confirmed that information was on the website and would also be covered in a report to the Pension Fund.

The Chairman agreed that current results were very positive when compared to a year ago.

RESOLVED: to note the latest position with regard to the implementation of the Improvement Plan.

47/19 REVIEW OF THE ANNUAL BUSINESS PLAN 2019-20
(Agenda No. 7)

The Board reviewed (LPB7) the latest position against the Annual Business Plan for 2019/20 as considered by the pension Fund Committee at their meeting on 6 September 2019.

Presenting the report Sally Fox reminded members about the Brunel Investment Day on 19 November.

Responding to Councillor Johnston the Chairman confirmed that Laura Chappell was now acting Chief Executive at Brunel but that an appointment process for a full time CEO was underway.

Sally Fox confirmed that potentially there was full access to viewing benefit statements on line but it was difficult to say how many were accessing or could access that. Currently about 30% were registered but it was hoped that after Christmas it would be possible to give a better indication of numbers. She confirmed that there would be consultation on a Fund Allocation Strategy.

RESOLVED: to note progress against key service priorities included within the 2019/20 Business plan.

48/19 RISK REGISTER
(Agenda No. 8)

The Board had before it (LPB8) the latest risk register as considered by the Pension Fund Committee on 6 September 2019 for review and to offer any further views back to the Committee.

Councillor Johnston was pleased that risks were now being addressed and that we were now moving in the right direction.

RESOLVED: to note the changes to the risk register.

49/19 FUND VALUATION

(Agenda No. 9)

The Board considered (LPB9) a report updating on work on the 2019 Valuation and discussed key changes included in the current draft of the Funding Strategy Statement to be presented to the December meeting of the Pension Fund Committee.

Presenting the report Sally Fox advised that this had been the first valuation for Oxfordshire completed by Hymans Robertson with data sent to them in July positively received. Pages 46, 49 and 50 were particularly relevant along with paragraph 12 of the report regarding modelling and outcomes. She confirmed that Hymans Robertson would be presenting to the Pension Fund Committee on Friday 6 December and on the following Thursday 12 December there would be a pension forum at Unipart for scheme employers.

The Chairman undertook to ask Hymans Robertson to provide an Executive Summary on future reports. If any members had any other comments they should forward those by 4 November 2019.

RESOLVED: to note the latest position with regard to the 2019 Valuation and the key changes planned for the Funding strategy.

50/19 EMPLOYER TRAINING

(Agenda No. 10)

The Board considered (LPB10) the current approach to employer training and the mechanisms for delivering that in order to maximise the effectiveness of the overall arrangements.

Presenting the report and responding to a question from Sarah Pritchard Sally Fox confirmed that the intention would be for employers to have a dedicated member of staff as a dedicated resource and to target larger employers separately from smaller ones. Online training by the software suppliers was scheduled to be available within the next 12 months and confirmed that an item would be placed on the next Agenda regarding Section 14 charges.

RESOLVED: to note the current position.

51/19 ITEMS TO BE INCLUDED IN THE AGENDA FOR THE NEXT BOARD MEETING

(Agenda No. 12)

To be added to the Agenda for the next meeting of the Board:

Update on valuation and Risk Register Strategy
Strategic asset review
Regulatory Code of Practice
Update on Training
Cyber Security

.... in the Chair

Date of signing ....

Division(s): N/A

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PENSION FUND COMMITTEE – 6 DECEMBER 2019

BUSINESS PLAN 2019/20

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the progress against the key service priorities included within the 2019/20 Business Plan.**

Introduction

2. This report sets out the progress against the key objectives within the business plan for the Pension Fund for 2019/20, as agreed by the Committee at their March meeting.

3. The key objectives for the Oxfordshire Pension Fund are set out on the first page of the Business Plan for 2019/20 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.

Service Priorities for 2019/20

5. Five key service priorities were included in Part B of the Business Plan for 2019/20. Each of these was an extension of the 2018/19 priorities, amended to reflect the progress during 2018/19. A summary of the progress against each of the 5 key priorities is as follows.

6. <u>Development of the Brunel Pension Partnership</u> – There were three key elements to the work within the Brunel Pension Partnership during 2019/20, being reporting and assurance, the transition of assets and the delivery against the business case. Each of these can be looked at in turn.

7. In respect of reporting and assurance, 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.

8. Brunel have developed the initial investment performance reports and these are currently made available to Officers. This Committee offered no comments on the format of the Fund specific report presented to their June meeting, and it is expected that this will become a standard agenda item as more assets transition to Brunel. A report covering all Brunel portfolios is also presented to the Client Group and to the Brunel Oversight Board.

9. The Client Group have also worked with Brunel to develop a series of reports to enable the Client Group and the Brunel Oversight Board to assess the performance of Brunel itself and gain assurance that Brunel has a series of robust policies and procedures and is acting in accordance with them. These reports have now become a standard agenda item for these meetings and will increasingly become the main focus as the transition to business as usual is completed.

10. In respect of asset transition, Brunel have concluded the transition of assets to the new Emerging Market Portfolio and at the time of writing this report were partway through the transition of assets to the Global High Alpha Portfolio. Oxfordshire participated in both these transitions, funded by a part redemption of the assets within the UBS global equity portfolio and the full redemption of the Wellington global equity portfolio.

11. As a consequence of the latest transitions, we now have just under half (47.7%) of the Fund's assets under the management of Brunel. We have made commitments to the private equity, infrastructure and secured income portfolios which when called would add a further 7% to the assets under management at Brunel. Further commitments will be made to the private market portfolios within Brunel as part of the second round of 2 year commitments from 1 April 2020 (subject to any amendments to the asset allocation at the March meeting of this Committee).

12. We are currently in discussions with Brunel and UBS about the transition of the management of the property portfolio which will take place during 2020. The remaining assets held within the UBS global equity portfolio will transition to the Brunel Global Core Portfolio during the latter part of 2020.

13. At the present time it is not planned to transition the assets held within the Insight Diversified Growth Fund (DGF) to the new Brunel DGF portfolio as the investment outcomes are not aligned. How we best meet the current investment objectives for our DGF allocation (equity like returns but with lower

volatility whilst retaining liquidity) will be considered as part of the asset allocation report to the March meeting of this Committee.

14. The final significant transition will involve the assets within the current fixed income portfolio managed by Legal & General. Within his last asset allocation report to this Committee, the Independent Financial Adviser identified some potential gaps in the draft portfolios being proposed by Brunel to meet the investment objectives set for the current allocation. Brunel are planning to re-visit these portfolio specifications as part of the planning for the transitions due in 2020/21, and a workshop is being organised for January 2020 as part of this process. An updated position will therefore be reported to this Committee as part of the asset allocation report to the March Committee meeting.

15. <u>2019 Valuation</u> – There is a full report elsewhere on today's agenda which covers progress on the 2019 Valuation including initial results for the Fund as a whole, as well as the revised Funding Strategy Statement which sets out the approach followed in producing the initial results. Subject to any comments of the Committee, next steps will be to formally consult with scheme employers on the revised Funding Strategy Statement and provide them their provisional results based on the draft Statement.

16. <u>Data Quality</u> - The third priority focusses on delivery of the Improvement Plan and ensuring all services are delivered to scheme members in accordance with our regulatory responsibilities and our service level agreements. As covered in the Administration report elsewhere on the agenda, we have recently reported improved data quality scores of 98% for common data and 96% for scheme specific data.

17. <u>Monitoring Compliance with the Fund's Policies</u> - This fourth priority centres around the need to make more transparent the work of the Fund in delivering its ESG Policy as included in the Investment Strategy Statement. One of the measures of success was the availability of benchmark data and regular quarterly reporting.

18. The Brunel Investment Performance report now includes a page on responsible investment issues for each of the Brunel listed portfolios. This includes information on the carbon intensity of each portfolio, an independent assessment of the wider ESG performance of the companies within the portfolio, and a short commentary from Brunel on key issues identified.

19. Over time, the presentation of this data will be an important step in developing greater transparency about the impact of the current ESG policy and provide a benchmark against which the Committee can track questions and identify issues for follow up with Brunel and the underlying Fund Managers. This information also needs to be considered alongside the voting and engagement reports being developed by Brunel to develop a full picture of the impact of the current policy.

20. Following on from the Climate Change workshop, the Working Group will be looking to develop future reporting requirements to ensure that we can monitor

compliance with our proposed climate change policy. This work will be undertaken in conjunction with Brunel and other partners to ensure criteria can be developed and reported on in a standard way across the investment industry.

21. Improving Scheme Member Communications - The final priority included in the 2019/20 Business Plan is the continued development of Member Self Service (MSS). This should allow scheme members access to their records to undertake amendments to their core data and view key information on their pension benefits.

22. In terms of progress, MSS is now the main means of distributing Annual Benefit Statements, pensioners P60's and their monthly payslips, letters to deferred members, retirement quotes and pension estimates. We continue to send out paper correspondence in these cases where the Member has elected to still receive all correspondence by post.

23. The next development will be the option for Members to log in and obtain estimates of their future pension benefits under a number of scenarios. This is currently being developed and tested before hopefully going live later this year.

Budget 2019/20

24. Annex 1 sets out the latest monitoring position against the budget agreed by the Committee at its March meeting. The main variation is on the staffing costs within the Pension Services Team where a £150,000 underspend is estimated, reflecting the levels of vacancies carried to date.

25. The other variations are an increase in investment management fees, reflecting the increase in total level of assets under management on which fees are payable. This is in part offset by the new rates obtained by Brunel from their tendering of the new portfolios. There is a small overspend in Actuary fees reflecting the more detailed work they have undertaken in respect of the major scheme employers, and a small underspend on the costs of the Committee and Local Pension Board.

Training Plan

26. A Training Plan for Committee Members was not included within the Business Plan. If the current proposal to Council to change the Constitution on the Committee to mandate compliance with the Training Policy is approved, then this element of the Business Plan report will include an assessment of compliance with the new policy.

LORNA BAXTER
Director of Finance

Contact Officer: Sean Collins - Tel: 07554 103465
November 2019

2019/20 Pension Fund Budget- Q2 Update

	Budget	YTD	%	Forecast Outturn	Variance
	2019/20	2019/20		2019/20	2019/20
	£'000	£'000		£'000	£'000
Administrative Expenses					
Administrative Employee Costs	1,576	54	3%	1,426	-150
Support Services Including ICT	634	0	0%	634	0
Printing & Stationary	72	0	0%	72	0
Advisory & Consultancy Fees	160	0	0%	160	0
Other	60	0	0%	60	0
Total Administrative Expenses	**2,502**	**54**	**2%**	**2,352**	**-150**
Investment Management Expenses					
Management Fees	8,484	1,952	23%	8,600	116
Brunel Contract Costs	1,043	0	0%	1,043	0
Total Investment Management Expenses	**9,527**	**1,952**	**20%**	**9,643**	**116**
Oversight & Governance					
Investment Employee Costs	254	-54	-21%	254	0
Support Services Including ICT	11	0	0%	15	4
Actuarial Fees	160	0	0%	180	20
External Audit Fees	35	0	0%	35	0
Internal Audit Fees	15	0	0%	15	0
Advisory & Consultancy Fees	95	0	0%	95	0
Committee and Board Costs	49	0	0%	40	-9
Subscriptions and Memberships	50	0	0%	50	0
Total Oversight & Governance Expenses	**669**	**-54**	**-8%**	**684**	**15**
Total Pension Fund Budget	**12,698**	**1,952**	**15%**	**12,679**	**-19**

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Division(s): N/A

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PENSION FUND COMMITTEE – 6 DECEMBER 2019

RISK REGISTER

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the changes to the risk register and offer any further comments.**

Introduction

2. At their 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.

3. 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.

4. A number of the mitigation plans are directly linked to the key service priorities identified in the Annual Business Plan for 2019/20. This report should therefore be considered in conjunction with the business plan report elsewhere on this agenda.

Comments from the Pension Board

5. At their meeting on 25 October 2019, the Pension Board welcomed the changes to the format to include the traffic light summary assessment. They also confirmed that they were content that the risks were being adequately monitored and appropriate action was being taken where required.

Latest Position on Existing Risks

6. As previously reported, the first three risks on the risk register reflect the long-term risks associated with a mismatch of assets and liabilities resulting in a risk of not closing the current funding deficit and having insufficient funds to meet pension liabilities as they fall due. In light of the progress with the 2019 Valuation, the likelihood scores for both risk 1 and 3 have been reduced, reflecting the improved funding level (99%), the new risk-based approach to

setting contribution rates, and the analysis of take up of the 50:50 scheme. The scores on risk 2 have not yet been updated but will be reviewed in March 2020 following further analysis of the liability profile and the setting of the revised asset allocation.

7. We have retained the assessment on Risk 6 as Amber reflecting the increased attention to ESG issues including Climate Change both locally and nationally. Whilst the Committee has held the very well received Climate Change workshop in November, further mitigation of the risk is still to be determined through the development of our Climate Change Policy. The risk scores can be reviewed again in March 2020.

8. Finally, the status of risk 13 has been amended to Green reflecting the decisions of this Committee at its last meeting to adopt a new Training Policy and seek Council approval to amend the Committee's Constitution to mandate compliance with the Policy for all voting members of the Committee. Whilst the Council has not yet considered the issue, it is noted that a number of Committee members have recently attended the LGA Fundamentals Training sessions in line with the proposed mandatory policy.

Lorna Baxter
Director of Finance

Contact Officer: Sean Collins
Tel: 07554 103465

November 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)

RAG Status/Direction of Travel

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

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
							Impact	Likelihood	Score				Impact	Likelihood	Score		
1	Investment Strategy not aligned with Pension Liability Profile	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	1	4	↓			4	1	4	Dec 2019	Risk likelihood reduced in light of latest Valuation results which show a funding level of 99%.
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 2020	4	1	4	Dec 2019	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	1	3	↓			3	1	3	Dec 2019	Risk likelihood reduced in light of review of past experience as part of 2019 Valuation exercise.
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	Dec 2019	At Target – Needs to be kept under review as responsibility for Fund Manager monitoring switches to Brunel.
5	Actual results vary 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	Dec 2019	At Target
6	Under performance of pension investments due to ESG factors, including climate change.	Financial	Failure to consider long term financial impact of ESG issues	Long Term - Pension deficit not closed.	Financial Manager	ESG Policy within Investment Strategy Statement requiring ESG factors to be considered in all investment decisions.	4	2	8	↔	Improve performance monitoring information on ESG scores within current investment portfolios, to identify any policy breaches by fund managers.	June 2019	4	1	4	Dec 2019	Climate Change Workshop held and looking to develop Climate Change Policy, including metrics and targets to feed into review of Investment Strategy Statement and Asset Allocation.

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
							Impact	Likelihood	Score				Impact	Likelihood	Score		
7	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	Dec 2019	At Target – Needs to be kept under review as responsibility for Fund Manager monitoring switches to Brunel.
8	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	↔			3	2	6	Dec 2019	At Target
9	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	3	1	3	↔			3	1	3	Dec 2019	At Target
10	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	↔			3	1	3	Dec 2019	At Target
11	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	1	4	↔			4	1	4	Dec 2019	At Target – but look for further improvement through implementation of iConnect.
12	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	1	4	↔			4	1	4	Dec 2019	At Target
13	Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Governance	Poor Training Programme	Breach of Regulation	Service Manager	Training Review	4	1	4	↔			4	1	4	Dec 2019	Committee agreed mandatory training (subject to Council approval). Number of Members attended LGA Fundamental Training Programme
14	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	Dec 2019	At Target
15	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	Dec 2019	At Target

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			RAG Status and Direction of Travel	Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
							Impact	Likelihood	Score				Impact	Likelihood	Score		
16	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	Dec 2019	At Target
17	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	Dec 2019	At Target
18	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	Dec 2019	At Target
19	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	Dec 2019	At Target – Need to Review in light of current Government consultation to switch HE and FE employers to Designating Bodies.

Division(s): N/A

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PENSION FUND COMMITTEE – 6 DECEMBER 2019

ADMINISTRATION REPORT

Report by the Director of Finance

RECOMMENDATIONS

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

   (a) note the report and changes to reporting for Fire Service Pensions;
   (b) agree the changes to the administration strategy;
   (c) note change of date for the Pension Fund Forum.

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Introduction

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

Staffing

3. The overall position remains unchanged from the previous report which reported an overall shortfall against establishment of 4.33 FTE.

4. As previously noted, recruitment is on hold until such time as the full effect of the i-connect implementation has been assessed.

Workloads and Performance

5. The statistics are attached at annex 1. Overall the team has brought completion of work back to standard more quickly than anticipated when the temporary SLA targets were agreed. However, there are still some areas where the SLA is not being met, which are currently being reviewed.

Complaints

6. One complaint has been received in the quarter bringing the total to 6 complaints in 2019:

Year	Number of Complaints	Percentage of Active Membership
2109	06	0.03%
2018	21	0.10%
2017	28	0.14%

7. Additionally, there are two open cases from 2018 with the Pension Ombudsman waiting for a decision.

Projects

8. Administration to Pay - Re- testing of the software set up has started again but has had to be taken back to the beginning so that all changes made so far can be fully tested. Once completed the software can then be further tested by recreating actual cases in a test environment. If successful, this will go live in Spring 2020.

9. GMP Reconciliation - ITM has recently sent through a project update stating that the project will go on pause again until February 2020 whilst they complete the comparison with HMRC's final data extract. The delay is a direct consequence of the revised timescale that HMRC are working to, to complete their element of the project.

10. I-Connect - This project is on track with 100 scheme employers now live on the system, which includes all Town and Parish Councils. From phase 1, the only employer not yet live is Oxford Brookes University who have completed the data matching exercise and will be submitting a test file in November.

11. Phase 2 is fully completed and from phase 3 the only outstanding queries are:

    - linked to larger employers *e.g. West Oxfordshire DC linked to Publica*
    - contacts being amended *e.g. Camden unsure of status*
    - Academy conversions. e*.g. Abbey Woods, John Mason.*
    - Admission agreements still being finalised e.g. Clean Genie

12. These are now being picked up in Phase 4 which covers all remaining employers, all of whom have been contacted. For larger employers testing is to be done between November 2019 and April 2020. Any employers of concern will be reported at next Pension Fund Committee meeting.

13. Key highlights from the current work include:

    - Oxford City Council are currently working on the CSV upload file. Payroll provider has been hired to write I-Connect report
    - Cherwell are changing their payroll provider with effect from Feb 2020, so once in place will be back in contact. Moved to phase 5
    - Access group – we have 5 schools LIVE, others will follow once larger schools has been tested.
    - Larger employer like OCC we aim to be live with effect from 01/04/2020.

14. The final phase 5 commencing on 31 March 2020 will be the tidy up phase as well as ensuring that any new scheme employers are live on i-connect.

15. In addition to contacting and working with scheme employers to review, upload and test data ahead of going live the team are:

    - Amending website pages – end of year information will be added to website for January 2020 – ensure website is user friendly
    - Prepare I-Connect end of year process

- Document I-Connect for team training – produce employer checklist
- Pick up new employers, train Employer team to deal with these.

16. Member Self-Service - In October activation code letters were sent out to any active members who had not signed up (or made the decision to opt out) and in November activation code letters were sent out to deferred scheme members. Given that member self-service is intended to become the Fund's primary method of communication this will be an annual exercise to encourage members to sign up.

17. At present all documents are uploaded to member records, except in cases where the member has chosen to continue receiving paper copies. Once signed up members will, not only be able to view documents online but also make changes to personal information.

18. The next changes to be tested for release in 2020 are the facility to enable members to run estimate calculations and to upload documents which will then create a task in Altair for which they can monitor progress.

Employers

19. The end of year review identified 45 scheme employers (contracts) with issues to be resolved. Of these 15 relate to the ongoing project with Edwards & Ward. Of the remaining 30 some are simply for the team to review and check information held on the member's record.

20. The tables at annex 2 details the employer returns received this year. As members will note the percentages of returns received on time and without queries are still high. Where appropriate, fines have been issued in line with the administration strategy.

21. Scheme employers where there are issues to be resolved are:

    - Order of St John – find that years prior 18/19 pay information may be incorrect and so need to review
    - Vale White Horse District Council – various outsourcing arrangements to be resolved.
    - SODC – final pay – after issuing the ABS we were informed that incorrect final pay figures had been provided (despite our previously querying these). The employer has been fined for providing incorrect information. However, we are still waiting for them to contact their employees and tell Pension Services if they wish us to reissue ABS. If so, the cost of this work will be recharged.
    - Publica – final pay– after issuing the ABS we were informed that incorrect final pay figures had been provided (despite our previously querying these). The employer has been fined for providing incorrect information. However, we are still waiting for them to contact their employees and tell Pension Services if they wish us to reissue ABS. If so, the cost of this work will be recharged.
    - Camden – no response to final pay queries - fined
    - GLF – no response to final pay queries - fined

- CSAT – final pay queries and data queries need to be checked as not sure information provided is right, officers think this is more of a training issue and will be arranging to visit scheme employer.

Data Quality

22. These measures are reported on the annual scheme return to the Pension Regulator. It was reported:

Common Data:	98%	(97% in 2018)
Scheme Specific Data:	96%	(95% in 2018)

Detailed results are expected in early December, and these will be analysed to see what action can be taken to further improve the scores.

Administration Strategy

23. Officers recently reviewed the 2019 end of year process to see what changes, if any, could be made ahead of the 2020 end of year. The changes identified were limited given that end of year 2020 will be a hybrid with scheme employers making submissions by both current method and i-connect.

24. One area where there are plans to make changes to the communications and process was around ensuring that the submissions received do balance to the contributions paid over. As Members will be aware in 2019 the high number of returns which didn't balance and so had to be sent back to scheme employers pushed the whole timetable out.

25. To help achieve this, officers have identified some changes to the administration strategy:

- To add a charge of £150 for the submission of incorrect data returns. This is to address the issue where some scheme employers submitted random information to meet deadlines and avoid charges for late submission.

- To amend the charge for re-do of work due to incorrect information being supplied by scheme employer from £75 per return to £50 per member record.

- To reduce the time period between chases, set out in the escalation process from 10 days to 5 days.

Write Off

26. In the last quarter a total of £155.35 has been written off in 16 cases where member has died and two cases where an error in Pension Services resulted in an overpayment of pension.

Pension Fund Forum

27. To avoid clashing with election date this has been re-arranged for Friday 17 January 2020.

Fire Pension Administration Report

28. At the recent Fire Pension Board meeting members requested that a separate administration report was written and submitted to this Committee. This is the first of these reports.

Governance:

29. The Fire Pension Board is currently one member short against SAB guidelines, which will be remedied when the current Chair hands over to the new Assistant Chief Fire Officer but remains a member of the Board.

30. National advice is for Boards to hold at least 4 meetings per year with a minimum of 3. All present agreed that the Fire Fighters Pension Board would meet 4 times per year and, where possible, these meetings will take place on the same day as the LGPS Pension Board meeting.

31. The Chair updated the Board on the information he has received providing detail on the basic level of information Services should have available on their Pension Advice website pages. The information available on the website should include

- Pension Board Terms of Reference
- Internal Dispute Resolution Procedures
- Pension Board Governance
- Training Plans for Board Members
- Risk Registers

32. Fire Service Pensions risk register has previously been included as part of the overall Pension Fund's risk register. As the Fire Service has a slightly different way of looking at risk the Board decided that the Fire Service Pensions specific risks should be shown in a separate document to be presented to this Committee each quarter.

33. Legal Challenge on Age Discrimination: The dates for the tribunals have been set so need to await the outcomes. All administration must be based on current regulations until remedy has been determined and implemented.

34. Officers advised that the O'Brien Case could affect the modified exercise which effectively extending the date to which service can be backdated to before 1st July 2000. Guidance will come from the LGA and, if this is the case, there will need to be a change of regulations.

Administration

35. The Board expressed some concern that knowledge of the Fire Service Pension Schemes administration is limited to two people within the Pension Services Team. One additional team member is currently being trained. It was agreed that officers would present an outline training plan for team members. However, as shown in the attached performance statistics, at annex 3, the number of cases available for training purposes are low.

36. Annual Benefits Statements - the annual exercise is complete and annual benefit statements were all issued by the deadline of 31st August 2019.

37. Pension Saving Statements – all pension saving statements were issued by the deadline of 6 October 2019.

38. The Pension Regulator annual returns have been submitted. These include the scheme data quality scores which were recorded as:

- Common Data: 94%
- Scheme Specific Data: 63%

39. It should be noted that the criteria for the assessment of scheme specific data for the Fire Schemes only has changed hence the lower score being recorded this time around. Detailed results are expected in early December, and these will be analysed to see what action can be taken to improve the scores going forward.

40. The Pension Regulator Governance Returns, to be completed by the Board are due in November 2019.

LORNA BAXTER
Director of Finance

Background papers: None
Contact Officer: Sally Fox - Tel: 01865 323854

November 2019

Benefit Adminisation Monthly SLA Statistics

Subject	Legal Deadline	SLA Deadline	SLA Target	Temporary SLA Target Apr - Aug	Temporary SLA Target Sep- Dec	Apr-19 Total Number Completed	Apr-19 % Achieved in SLA deadline	Apr-19 % Achieved in Legal deadline	May-19 Total Number Completed	May-19 % Achieved in SLA deadline	May-19 % Achieved in Legal deadline	Jun-19 Total Number Completed	Jun-19 % Achieved in SLA deadline	Jun-19 % Achieved in Legal deadline
APC			**90%**	**70%**	**80%**									
Deaths	Notify dependants of death benefits within 2 months from date of becoming aware of death	10 working days	**95%**	**75%**	**85%**	36	91.67%		91	79.12%	TBC	58	68.97%	TBC
Retirements	Notify amount of retirement benefits; within 1 months if on or after NPA; or 2 months from date of retirement if before NPA. Retirement Quote no more than 2 months from date of request unless already abother request has been made within 12 months	10 working days	**95%**	**75%**	**85%**	91	84.62%		122	84.43%	100.00%	144	92.36%	100.00%
Divorce	Provide a quotation 3 months	10 working days	**95%**	**75%**	**85%**	9	100.00%		24	100.00%		12	91.67%	
Interfund In	N/A	10 working days	**90%**	**70%**	**80%**	27	62.96%		38	50.00%		81	65.43%	
Transfer In	Obtain transfer information and provide a quotation within 2 months from date of request	10 working days	**90%**	**70%**	**80%**	19	78.95%		27	55.56%	100.00%	55	80.00%	94.74%
Interfund Out	N/A	10 working days	**95%**	**75%**	**85%**	30	90.00%		21	80.95%		24	87.50%	
Transfer out	Provide a quotation 3 months	10 working days	**95%**	**75%**	**85%**	37	94.59%		43	95.35%	100.00%	39	94.87%	100.00%
Member Estimate	Provide retirement quote no more than 2 months from date of request unless there has been a request already in last 12 months	10 working days	**90%**	**70%**	**80%**	73	79.45%		119	92.44%	100.00%	82	97.56%	100.00%
HR Estimate	N/A	10 working days	**90%**	**70%**	**80%**	8	87.50%		16	100.00%		13	92.31%	
Refunds	N/A	10 working days	**95%**	**75%**	**85%**	43	83.72%		59	62.71%		34	100.00%	
Leavers*	Inform members who left th scheme of their leaver rights and options no more than 2 months from date of notification	40 working days	**90%**	**70%**	**80%**	206	77.18%		492	87.80%	87.80%	580	91.55%	91.55%
Re-employments**	N/A	40 working days	**90%**	**70%**	**80%**	154	70.78%		125	80.00%		64	71.88%	
Assistants***	N/A	10 working days	**90%**	**70%**	**80%**	0	TBC	TBC	21	95.00%		191	100.00%	
Starters (PPF)	Send notification of joining	20 working days	**95%**	**75%**	**85%**	0	TBC	TBC	0	TBC	TBC	0	TBC	TBC
Totals / Average Overall						733	83.45%		1198	88.61%	97.56%	1377	87.24%	98.31%

Subject	Jul-19 Total Number Completed	Jul-19 % Achieved in SLA deadline	Jul-19 % Achieved in Legal deadline	Aug-19 Total Number Completed	Aug-19 % Achieved in SLA deadline	Aug-19 % Achieved in Legal deadline	Sep-19 Total Number Completed	Sep-19 % Achieved in SLA deadline	Sep-19 % Achieved in Legal deadline	Oct-19 Total Number Completed	Oct-19 % Achieved in SLA deadline	Oct-19 % Achieved in Legal deadline
APC										12	83.33%	
Deaths	38	78.95%	TBC	71	80.28%	TBC	60	93.33%	TBC	67	89.55%	TBC
Retirements	105	95.24%	100.00%	116	92.24%	100.00%	78	96.15%	100.00%	133	100.00%	100.00%
Divorce	15	100.00%		13	100.00%		8	100.00%		14	100.00%	
Interfund In	74	93.24%		40	100.00%		32	93.75%		63	79.37%	
Transfer In	46	71.74%	84.78%	60	96.67%	96.67%	36	100.00%	100.00%	45	91.11%	100.00%
Interfund Out	24	95.83%		53	90.57%		35	97.22%		45	100.00%	
Transfer out	24	95.83%	100.00%	43	95.35%	100.00%	36	100.00%	100.00%	44	97.73%	100.00%
Member Estimate	70	87.14%	100.00%	97	97.94%	100.00%	72	100.00%	100.00%	108	95.37%	100.00%
HR Estimate	15	100.00%		14	92.86%		9	100.00%		4	100.00%	
Refunds	50	100.00%		90	95.56%		62	96.77%		85	94.12%	
Leavers*	625	80.80%	80.80%	536	95.34%	95.34%	378	97.62%	97.62%	816	98.90%	98.90%
Re-employments**	245	81.22%		156	98.72%		143	90.91%		157	99.36%	
Assistants***	278	100.00%		263	98.48%		248	100.00%		357	100.00%	
Starters (PPF)	0	TBC	TBC		TBC	TBC		TBC	TBC		TBC	TBC
Totals / Average Overall	1609	90.77%	98.31%	1552	94.92%	98.40%	1197	97.37%	99.52%	1938	95.81%	99.52%

* Frozen, Deferred, Concurrent
** Elect to Separate, Re-emp quote, Re-emp Actual,
*** Address, Name, Nomination, IFA Requests

SLA not met
Temp SLA met
Standard SLA met

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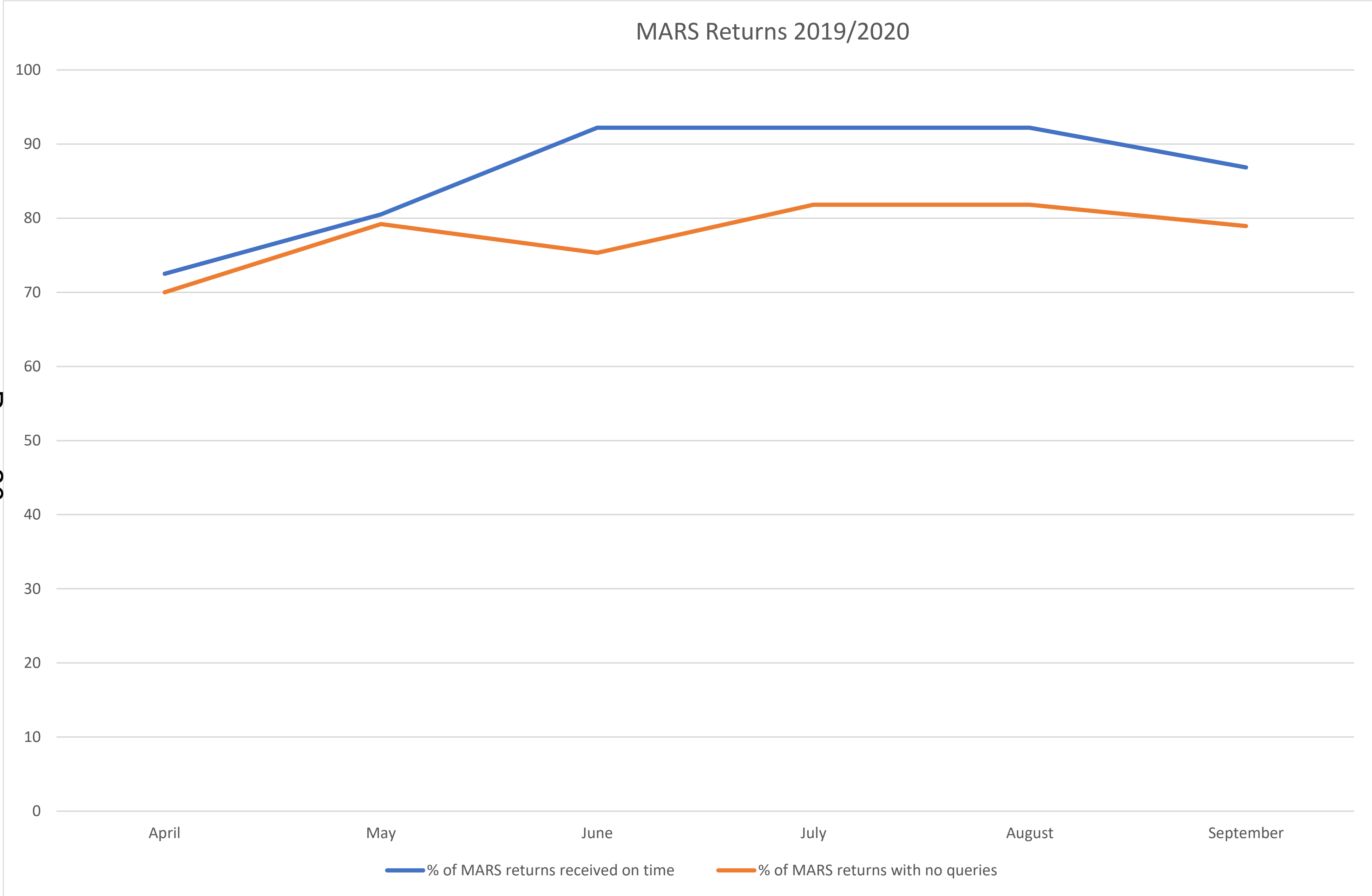
MARS 2019/2020	Number of employers submitting MARS returns	No. of MARS returns received on time	% of MARS returns received on time	No. of MARS returns with no queries	% of MARS returns with no queries
April	**80**	58	73	56	70
May	**77**	62	81	61	79
June	**77**	71	92	58	75
July	**77**	71	92	63	82
August	**77**	71	92	63	82
September	**76**	66	87	60	79

i-Connect 2019/2020	Number of employers submitting i-Connect returns	No. of i-Connect returns received on time	% of i-Connect returns received on time	No. of i-Connect returns with no queries	% of i-Connect returns with no queries
April	**84**	25	30	75	89
May	**87**	33	38	77	89
June	**89**	40	45	75	84
July	**91**	59	65	77	85
August	**95**	66	69	84	88
September	**103**	78	76	76	74


MARS Returns 2019/2020
100
90
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60
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20
10
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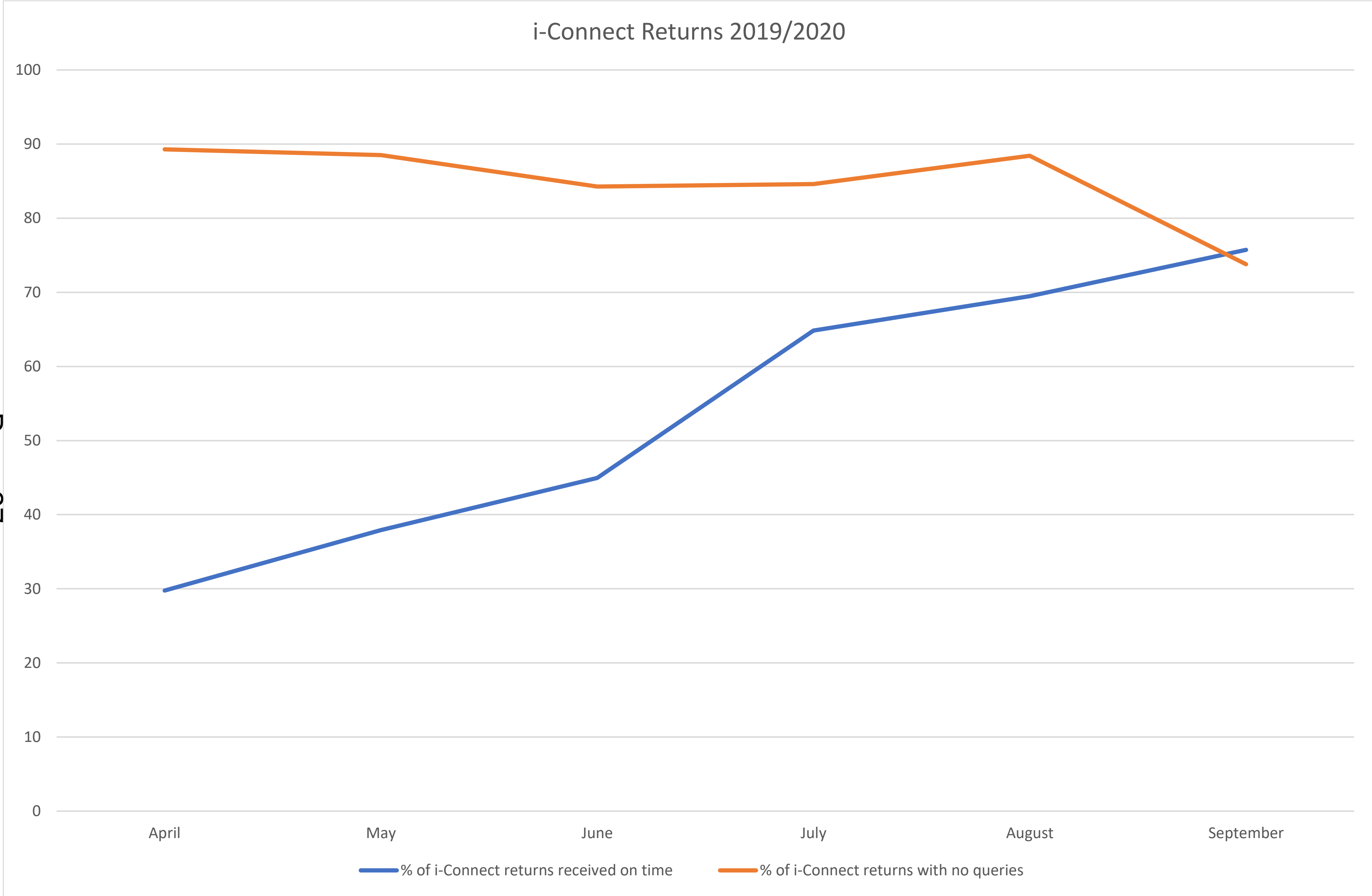
April
May
June
July
August
September
% of MARS returns received on time
% of MARS returns with no queries


i-Connect Returns 2019/2020
100
90
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40
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20
10
0
April
May
June
July
August
September
% of i-Connect returns received on time
% of i-Connect returns with no queries

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Monthly SLA Statistics					Apr-19		May-19		Jun-19		Jul-19		Aug-19		Sep-19		Oct-19	
Subject	Legal Deadline	SLA Deadline	SLA Target	Temporary SLA Target Apr - Dec	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline
Deaths	Notify dependants of death benefits within 2 months from date of becoming aware of death	10 working days	**95%**	**75%**	1	100.00%	0	100.00%	2	0.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%
Retirements	Notify amount of retirement benefits; within 1 months if on or after NPA; or 2 months from date of retirement if before NPA. Retirement Quote no more than 2 months from date of request unless already abother request has been made within 12 months	10 working days	**95%**	**75%**	1	100.00%	2	100.00%	1	100.00%	4	100.00%	3	100.00%	1	100.00%	3	100.00%
Divorce	Provide a quotation 3 months from date of reque	10 working days	**95%**	**75%**	0	100.00%	2	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%
After retirement adjustments	N/A	10 working days	**90%**	**70%**	3	0.00%	1	100.00%	2	50.00%	0	100.00%	3	75.00%	0	100.00%	1	100.00%
Transfer In	Obtain transfer information and provide a quotation within 2 months from date of request	10 working days	**90%**	**70%**	1	0.00%	0	100.00%	1	0.00%	0	100.00%	0	100.00%	2	0.00%	0	100.00%
Transfer out	N/A	10 working days	**95%**	**75%**	0	100.00%	0	100.00%	1	0.00%	2	0.00%	1	0.00%	0	100.00%	0	100.00%
Member Estimate	Provide a quotation 3 months from date of reque	10 working days	**95%**	**75%**	0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%	3	100.00%	2	100.00%
HR Estimate	Provide retriement quote no more than 2 months from date of request unless there has been a request already in last 12 months	10 working days	**90%**	**70%**	0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%
Refunds	N/A	10 working days	**90%**	**70%**	0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%
Leavers*	N/A	10 working days	**95%**	**75%**	4	50.00%	0	100.00%	4	75.00%	1	0.00%	5	80.00%	2	0.00%	1	100.00%
Member Queries	Inform members who left th scheme of their leaver rights and options no more than 2 months from date of notification	40 working days	**90%**	**70%**	12	75.00%	8	87.50%	3	100.00%	5	100.00%	8	87.50%	7	100.00%	15	100.00%
Member changes	N/A	40 working days	**90%**	**70%**	3	0.00%	3	33.00%	6	83.00%	1	100.00%	2	50.00%	0	100.00%	6	83.33%
Totals / Average Overall	N/A	10 working days			25	68.75%	16	93.38%	20	67.33%	13	83.33%	22	82.71%	15	83.33%	28	98.61%
	Send notification of joining the LGPS to member 2 months from date joining or 1 month of receiving information of being enrolled / auto-enrolled	20 working days																

* Frozen, Deferred, Concurrent

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

*** Address, Name, Nomination, IFA Requests

SLA not met
Temp SLA met
Standard SLA met

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PENSION FUND COMMITTEE – 6 DECEMBER 2019

ADDENDA

ADMINISTRATION REPORT - GENERAL DATA PROTECTION REGULATIONS

The Committee is RECOMMENDED to

- **(a) agree the policy for retention periods, subject to annual review;**
- **(b) note the communications to scheme employers setting out the Fund's expectations for retention of personal data.**

At the time of implementing GDPR there was much discussion around what the retention periods should be for the Pension Fund and this committee determined that the retention period should be 25 years.

The Local Government Association (LGA) has now sought legal advice on the data retention periods to be used in the Local Government Pension Scheme.

Their legal advisors have provided a template to enable administering authorities, in their capacity as data controller of personal data relating to the Local Government Pension Scheme fund for which they are responsible, to satisfy their obligation under the General Data Protection Regulations ("**GDPR**") in relation to the retention of personal data.

This template considers guidance issued by a number of bodies, as at the date of issue:

- Information and Records Management Society;
- The National Archives;
- HMRC compliance handbook manual CH15400;
- Lord Chancellor's Code of Practice on the Management of Records issued under Section 46 of the Freedom of Information Act 2000;
- ICO's retention policy;
- EU Article 29 Working Party guidance; and
- The Pension Regulator's code of practice 14 for public service pension schemes.

Some of that guidance is not specific to pension arrangements and there is an obvious tension between the requirements of GDPR and the need for funds to retain personal data for significant periods of time in order to be able to pay benefits correctly and respond to future queries. This should be kept under review as it is likely that best practice will continue to develop, and data retention polices should be reviewed regularly.

At present data retention is of a complete record as partial record deletion is not available; this option will need to be developed taking data quality requirements in to consideration.

The LGA has also produced a template document for scheme employers. This template enables administering authorities, in their capacity as data controller of personal data relating to the Local Government Pension Scheme fund for which they are responsible, to set their expectations of employers participating in their fund in relation to the retention of personal data that may need to be provided to the fund. The template includes a suggested form of data retention policy for adoption by individual employers in relation to their participation in the fund.

This documentation will be sent out to all scheme employers.

PERSONAL DATA RETENTION POLICY

The Oxfordshire Pension Fund (the "Fund")

This document has been prepared by Oxfordshire County Council Pension Fund (the "Administering Authority", or "we") in its capacity as the administering authority of the Fund and sets out the Fund's policy on the retention of personal data.

This policy document can also be accessed via the following link:
https://www.oxfordshire.gov.uk/business/pensions/pension-fund/admin-and-performance
and should be read in conjunction with the Fund's privacy notice, which can be accessed via the following link: https://www.oxfordshire.gov.uk/business/pensions/pension-fund/admin-and-performance

Introduction

As data controllers, we are required by legislation to comply with the principles of data minimisation and storage limitation. Personal data we process:

- must be adequate, relevant and limited to what is necessary in relation to the purposes for which it is processed; and

- must not be kept in a form which permits identification of a data subject for longer than is necessary for the purposes for which the personal data is processed.

- We are obliged to retain certain records (whether in hard copy or electronic form) for various periods of time because:

- we have a statutory obligation to do so; and/or

- the information contained in those records may be necessary for the future (for example, questions may arise about the calculation of benefits paid in the past, and data that may be relevant to a possible legal claim needs to be kept until the period within which that claim could be brought has expired).

This policy document sets out the measures adopted by the Fund to comply with the principles of data minimisation and storage limitation in relation to personal data that it holds.

Types of personal data we hold

We hold and process the following types of personal data in relation to Members of the Fund:

- Contact details, including name, address, telephone numbers and email address.
- Identifying details, including date of birth, national insurance number and employee and membership numbers.
- Information that is used to calculate and assess eligibility for benefits, for example, length of service or membership and salary information.
- Financial information relevant to the calculation or payment of benefits, for example, bank account and tax details.

- Information about the Member's family, dependents or personal circumstances, for example, marital status and information relevant to the distribution and allocation of benefits payable on death.
- Information about the Member's health, for example, to assess eligibility for benefits payable on ill health, or where the Member's health is relevant to a claim for benefits following the death of a Member of the Fund.
- Information about a criminal conviction if this has resulted in the Member owing money to the Member's employer or the Fund and the employer or Fund may be reimbursed from the Member's benefits.

Retention periods for personal data[1]

In compiling our policy on the retention of personal data, we have taken into account the guidelines on the retention of personal data as set out by / in:

- Information and Records Management Society;
- The National Archives;
- HMRC compliance handbook manual CH15400;
- Lord Chancellor's Code of Practice on the Management of Records issued under Section 46 of the Freedom of Information Act 2000;
- ICO's retention policy;
- EU Article 29 Working Party guidance; and
- The Pension Regulator's code of practice 14 for public service pension schemes.

Data protection legislation requires that we retain personal data for no longer than is necessary in order to fulfil the purpose(s) for which it is processed. Given the long-term nature of pensions, we need to ensure that personal data is retained to:

[1] The Article 29 Working Party guidelines on retention periods state that meaningful information about the likely period of retention should be provided to data subjects and a generic statement in the privacy notice is not appropriate. This retention policy should, therefore, set a defined period beyond which personal data will no longer be held (and, preferably, separate periods for different categories of data where this is appropriate). The GDPR does not prescribe a time period beyond which data must not be kept. Administering Authorities should be aware that if they do not attempt to give a defined period for which personal data will be held, strictly speaking this is unlikely to comply with GDPR. See Articles 5(1) and 5(2), and in particular Article 5(1)(c) - (e) of the GDPR. Please also see Recital 39 of the GDPR.

Therefore, whilst we note that:

- the Lord Chancellor's Code of Practice on the management of records issued under section 46 of the Freedom of Information Act 2000 refers to records being kept as long as they are needed by the authority: for reference or accountability purposes, to comply with regulatory requirements or to protect legal and other rights and interests (paragraph 12.2); and
- the Information and Records Management Society states that certain records will need to be retained indefinitely where they evidence pension or other benefit entitlements;

a suggested specific timeframe for the retention of personal data has been included in this policy in order to comply with the requirements of the GDPR. Administering Authorities will need to consider the extent to which the suggested wording matches their actual (or intended future) practice.

We are aware that the majority of pension funds have kept personal data indefinitely, either because they believe that is appropriate (e.g. because the data might need to be referred to in the future given the long term nature of pension liabilities), or because in practice it is not possible within the constraints of the administration system to implement a destruction policy for selected data relating to a particular individual. This is unlikely to comply with GDPR. Although we are not aware of the Information Commissioner having issued guidance in this area that is specific to pension schemes and we consider the risk of retrospective sanction by the ICO in this area to be low, we anticipate that this will be an area in which good practice will continue to develop. Consequently we recommend that pension funds consider proactively putting in place a policy with defined period(s) beyond which personal data will not be held (within the constraints of an acknowledged need to retain at least some personal data for a significant period of time, in order to administer benefits and deal with potential future queries). If there are certain categories of personal data that funds consider are not needed for as long a period (e.g. bank account details; underlying benefit calculation information for a Member who has transferred-out more than a specified number of years ago) then it would be advisable to adopt a shorter retention period for such categories.

- comply with our legal and regulatory obligations regarding the payment of pensions from the Fund; and
- deal with any questions or complaints that we may receive about our administration of the Fund.

- Personal data will be retained for **the greater of**:[2]
- such period as the Member (or any Beneficiary who receives benefits after the Member's death) are entitled to benefits from the Fund and for a period of 15 years[3] after those benefits stop being paid;
- 100 years from the Member's date of birth;[4]
- 100 years from the date of birth of any Beneficiary who received benefits from the Fund after the Member's death.

During any period when we retain personal data, we will keep that personal data up to date and take all reasonable steps to ensure that inaccurate data is either erased or rectified without delay. We will periodically review the personal data that we retain and consider whether it is still required; any personal data that we no longer require will be destroyed.[5]

Member's and Beneficiary's rights

Beneficiaries form a wider category of people who receive benefits from the Fund, for example the active/deferred/pensioner Member's spouse / child(ren) / dependants who may receive benefits from the Fund following a Member's death. Members of the Fund and Beneficiaries have a right to access and obtain a copy of the personal data that we hold about them and to ask us to correct personal data if there are any errors or it is out of date or incomplete.

[2] The greater of "100 years from date of birth" and "last payment of benefits to the Member/Beneficiary plus 15 years", is intended to ensure that Administering Authorities are acting in line with the Pensions Regulator's Code of Practice 14 (Public Service Pension Schemes) which notes that data will need to be held for long periods of time and schemes will need to retain some records for a Member even after that individual has retired, ensuring that pension benefits can be properly administered over the lifetime of the Member and their Beneficiaries (paragraph 135).
[3] The suggested period of "last payment of benefits plus 15 years" is based on the current maximum statutory limitation period, as any complaints about the payment of those benefits would usually need to be brought within that timeframe
[4] The suggested period of "100 years from date of birth" is based on the guidelines by the National Archives and the ICO's retention policy.
[5] The GDPR states that while the data is being retained, the data controller is also under an obligation to keep personal data up to date and to take every reasonable step to ensure that inaccurate data is either erased or rectified without delay. Consideration should also be given to "filleting" the data held, so that individual items are not retained for longer than actually required. For example, it may be appropriate to destroy bank account details within a shorter period of a benefit ceasing to be payable. We recommend that funds adopt shorter retention periods for particular categories of data (see note 4 above) and conduct a periodic audit of personal data held, with a view to destroying any that is no longer required in relation to a particular Member or Beneficiary.

In certain circumstances a Member / Beneficiary has the right to:

- object to the processing of their personal data
- restrict [6] the processing of their personal data until any errors are corrected;

- transfer their personal data; or
- erase [7] their personal data.

If the exercise of the Member's / Beneficiary's rights would prevent us from paying or continuing to pay a pension from the Fund, we will consider retaining a minimised version of that Member's / Beneficiary's personal data in order to fulfil our legal and regulatory obligations. [8]

Participating Employers

This policy applies to The Oxfordshire Pension Fund in its capacity as the administering authority of the Fund. We have produced separate guidance for other participating employers in the Fund about our expectations for the retention by them of personal data we may require to administer the Fund. That guidance includes a suggested data retention policy that employers can each adopt in relation to their participation in the Fund.

Review

This policy will be reviewed by The Pension Fund Committee on an annual basis

[6] See Article 18 of the GDPR. The Administering Authority should restrict the processing of the personal data (subject to certain exceptions e.g. storage or to defend a legal claim or for reasons of important public interest) where the individual has contested the accuracy of the personal data. The processing would also have to be restricted in this way where the individual has raised an objection for any reason, and the Administering Authority's justification is based on the necessity to: perform a task in the public interest or pursuant to an official authority; or (if applicable) in its legitimate interests. The restriction will last until the Administering Authority is able to verify the accuracy of the personal data or demonstrate the justification for its processing respectively. For reference, note: Article 21(1) contains the right of the data subject to object to the processing of personal data in circumstances relating to the individual, where the controller is relying on the justifications in Article 6(1)(e) or (f), which includes those mentioned immediately above. Under Article 21(2), the right to object also includes where personal data is used for direct marketing purposes and profiling for that purpose.

[7] See Articles 17(1) and 17(2) of the GDPR. This information should be included in the policy notwithstanding that in relation to the LGPS it is not anticipated that Members will in practice have a right of erasure (due to the legal basis for which personal data is collected and processed).

[8] See Article 17(3) of the GDPR. Article 18(2) and 18(3) provide exceptions to the right of the Member to restrict the processing of personal data in certain circumstances.

LOCAL PENSION BOARD – 24 JANUARY 2020

2019 FUND VALUATION

Report by the Director of Finance

RECOMMENDATION

1. **The Board are RECOMMENDED to note the latest position on the 2019 Valuation and provide any comments back to the Pension Fund on the process or the latest version of the Funding Strategy Statement.**

Valuation Update

2. The Fund's actuaries Hyman Robertson have now produced individual statements for scheme employers detailing the draft results of the 2019 valuation. These have been prepared on the basis of the draft Funding Strategy Statement which this Board reviewed at their last meeting.

3. For the majority of scheme employers these were emailed out during week commencing 06 January 2020. The email had four attachments:

    a. A letter giving further information on the valuation results and details of next steps. It was suggested this was read first.
    b. A personalised draft valuation results schedule
    c. The draft Funding Strategy Statement, for comment
    d. New employer contact details form.

4. A sample of the letter and the latest draft Funding Strategy Statement are attached as annexes to this report. The closing date for query and consultation responses is 31 January 2020.

5. Scheme employers will also have received an invitation to the Pension Fund Forum which was due to be held on Friday 17 January 2020, where they will have the opportunity to hear a presentation from the Fund Actuaries about the valuation process and results.

6. Scheme employers have also been asked if they would like to book a one to one session with the Actuaries in the afternoon to discuss their own results. Eleven employers have booked these sessions.

<u>Next Steps</u>

7. The Rates and Adjustment Certificate, detailing the contribution rates, has to be issued by 31 March 2020. Actions for the next six weeks include:

    - To have discussions with any scheme employers where questions have been raised to resolve these.

- To finalise any outstanding employer queries so that a rate is issued / updated
- To identify any post 2019 scheme employers to be included.
- To review any comments and feedback on Funding Strategy Statement.

8. The Pension Fund Committee at its meeting on 6 March 2020 will review all the consultation responses on the draft Funding Strategy Statement and approve the final version of the document. All the draft Valuation results will need to be reviewed in light of any changes agreed to the draft to ensure the final results are consistent with the agreed Strategy Statement.

LORNA BAXTER
Director of Finance

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

January 2020

Date: 07 January 2020
Our Ref: SAF/
Your Ref:

Pension Services
4640 Kingsgate
Cascade Way
Oxford Business Park South
Oxford
OX4 2SU

Sally Fox
Pensions Services Manager

Dear

2019 Valuation – Draft Results Schedule / Funding Strategy Statement Consultation

I am pleased to attach your draft 2019 valuation results schedules and proposed contribution rate from 1 April 2020. The attached results schedule provides you with details about your pension obligations in the Oxfordshire Pension Fund and is intended to help employers better understand their funding position. It also includes your proposed employer rates for the following three years from 1 April 2020.

Please also find attached the Fund's revised draft Funding Strategy Statement ("FSS") to be read alongside your valuation results. As part of the valuation results process and review of the FSS, we are inviting input or comment on the FSS from employers alongside your valuation results. This consultation is being ran until 31 January 2020 and includes the employer forum on 17th January.

We have provided some commentary on the results and the changes in your funding position and contribution rates.

Funding overview
The Oxfordshire Pension Fund's overall Funding Level has improved to 99% (from 91%). Many Fund employers will have experienced similar improvements in funding. However, results and contribution changes will vary by employer, depending on your own experience and circumstances.

The improved funding position is mainly due to strong investment returns over the period (c.35%). However, we would note that this level of investment performance is unlikely to be sustainable over the longer term. Indeed, the economic outlook and expected future investment returns from the Fund's assets, are more pessimistic (than 3 years ago) and this is reflected by the Fund adopting a lower future investment return assumption of 4.3% p.a.

Employer contribution rate approach
The Fund now adopts a three-step process to setting employer contribution rates (as detailed in section 2.1 of the FSS) as follows:

1 Calculate the **funding target** for each employer (i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits)

2 Determine the **time horizon** over which the employer should aim to achieve that funding target.

3 Calculate the employer contribution rate such that it has at least a given **likelihood of achieving** that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon.

By using the above approach, the Fund is able to treat every employer individually and fund them relative to their own circumstances and risk. Further detail of how this three-step approach has been applied for each employer type is detailed in section 3.3 of the FSS.

As required by the LGPS Regulations, employer contributions are made up of two elements (as per section 2.2 of FSS):

- *Primary Rate* - the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses.
- *Secondary Rate* - an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay (as calculated by the three-step process).

Employer contribution overview

Where possible the Fund tries to keep contribution rates stable for all employers to ensure affordability and to aid longer term budgeting. For the majority of employers, contribution rates are set using a long-term view which helps reduce contribution fluctuations resulting from the uncertainty in the financial markets (which directly impact on the Fund's investments and the expected cost of members pensions).

Overall, for the average employer, the more pessimistic future expected investment returns have increased Primary rates, whereas the improved funding positions, may have broadly offset this increase through a reduced Secondary rate.

However, total contribution rates payable (i.e. Primary plus Secondary rates) will vary across employers and will be dependent on a number of factors such as your circumstances as a LGPS employer and individual membership experience.

McCloud implications

In addition, the impact of the recent McCloud/Sergeant judicial review will likely lead to (as yet unknown) future benefit improves for some or all members, which in turn will increase the cost to employers. As required by the LGPS Scheme Advisory Board, the Fund has therefore taken into account this risk and uncertainty when reviewing employer contribution rates.

The contribution rates shown on your schedule includes an allowance to cover this potential impact. Further detail on this allowance is noted in section 2.7 of the FSS.

Stabilised employer

As a long term secure employer, the Fund now allows contribution rate increases and decreases to be limited per annum to increase stability and aid longer term budgeting. This "stabilisation mechanism" also aims to keep employer rates stable and affordable over the long term.

As discussion in various meeting with the Fund in the last year modelling has been carried out to ensure that the proposed employer rates are sufficient to meet the long term funding objectives. The contribution rates proposed are those discussed as part of the advice issued from this modelling. Details of the Fund's stabilisation policy is noted in section 3.3 note (b) of the FSS.

Pass-through contracts
The proposed contribution rates and funding position within the results schedule include any contractors which have been awarded a "pass-through" agreement for members outsourced from the Employer. The contribution rate payable by the pass-through employer should be detailed within the terms of the pass-through agreement. If you are unsure then please refer to the Fund for further guidance.

If you expect future changes to your membership as a result of transfers or service outsourcings, please highlight this to the Fund at the earliest occasion.

Employer forum / AGM
The Fund's Employer forum take place at Unipart House on 17 January 2020. All employers are invited, and the Fund Actuary is attending to talk in general terms about the valuation results. If you have any specific questions, please feel free to raise these with the Actuary at the employer forum. Time is also available for individual questions with the Actuary after the employer forums if you require this. If you would like to arrange a meeting, please get in touch with the Fund.

Yours sincerely

Sally

Sally Fox
Pension Services Manager

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www.oxfordshire.gov.uk/pensions

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Oxfordshire Pension Fund

Contents

Appendices

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Oxfordshire Pension Fund ("the Fund"), which is administered by Oxfordshire County Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from 31 March 2020.

1.2 What is the Oxfordshire Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the Oxfordshire Pension Fund, in effect the LGPS for the Oxfordshire area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Investment Strategy Statement (see Section 4)

1.4 How does the Fund and this FSS affect me?

This depends on who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Fund. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

If you have any other queries please contact Sean Collins, Service Manager, Pensions in the first instance at sean.collins@oxfordshire.gov.uk

2 Basic Funding Issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;

- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;

- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 What is each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – **community admission bodies** ("CAB") or those providing a service on behalf of a scheme employer – **transferee admission bodies** ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term 'admission bodies'; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers).

2.4 How does the calculated contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners' life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2. The **time horizon** required period over which the funding target is achieved. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8.

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2.5 How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's "deficit"; if it is more than 100% then the employer is said to be in "surplus". The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, funding levels and deficits are short term, high level risk measures, whereas contribution-setting is a longer term issue.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;

- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

2.7 What approach has the Fund taken to dealing with uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure?

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However it is expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

The LGPS Scheme Advisory Board (SAB) issued advice to LGPS funds in May 2019. As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

The Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates. As the benefit structure changes that will arise from the McCloud judgement are uncertain, the Fund has elected to make an approximate allowance for the potential impact in the assessment of employer contribution rates at the 2019 valuation: this will be achieved by building in a slightly higher required likelihood of reaching funding target, all other things being equal.

Once the outcome of the McCloud case is known, the Fund may revisit the contribution rates set to ensure they remain appropriate.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

2.8 When will the next actuarial valuation be?

On 8 May 2019 MHCLG issued a consultation seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

On 7 October 2019 MHCLG confirmed the next LGPS valuation cycle in England and Wales will be 31 March 2022, regardless of the ongoing consultation. The Fund therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?

2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.

3. What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future. Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority reserves the right to direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required likelihood of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms (see Section 3.3 note (b));
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will result in a lower level of future investment returns on the employer's asset share. Thus, deferring a certain amount of contribution may lead to higher total contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	**Scheduled Bodies**			**Community Admission Bodies and Designating Employers**		**Transferee Admission Bodies**	
Sub-type	**Local Authorities**	**Colleges & Universities**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**Traditional**	**Pass-through***
Funding Target Basis used	Ongoing participation basis, assumes long-term Fund participation (see Appendix E)			Ongoing participation basis, but may move to "gilts exit basis" - see Note (a)		Contractor exit basis, assumes fixed contract term in the Fund (see Appendix E)	Ongoing participation basis, as per respective letting employer.
Primary rate approach	(see Appendix D – D.2)						Contribution rate as agreed between contractor and letting authority
Stabilised contribution rate?	Yes - see Note (b)	Depends on covenant strength of employer	No	No	No	No	
Maximum time horizon – Note (c)	20 years	15 years	20 years	Up to 20 years	Average future working lifetime	As per the letting employer	
Secondary rate – Note (d)	Monetary amount	Monetary amount	% of payroll	Monetary amount	Monetary amount	Monetary amount or % of payroll	
Treatment of surplus	Covered by stabilisation arrangement	Reduce contributions by spreading the surplus over time horizon	Reduce contributions by spreading the surplus over the maximum time horizon	Preferred approach: contributions kept at Primary rate. Reductions may be permitted by the Administering Authority		Reduce contributions by spreading the surplus over the remaining contract term	N/A
Likelihood of achieving target – Note (e)	75%	75%	75%	75%	75%	75%	N/A
Phasing of contribution changes	Covered by stabilisation arrangement	3 years**	3 years**	3 years**	3 years**	None	N/A
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract	As per the terms of the admission agreement and contract with letting authority
New employer	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)	
Cessation of participation: exit debt/credit payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation calculation principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt/credit calculated on the contractor exit basis, unless the admission agreement is terminated early by the contractor in which case the low risk exit basis may apply. Letting employer will be liable for future deficits and contributions arising. See Note (j) for further details	Upon cessation the contractor's assets and liabilities will transfer back to the letting employer with no crystallisation of any deficit or surplus. Further detail on fixed contribution rate agreements is set out in Note (j).

* Where the Administering Authority recognises a fixed contribution rate agreement between a letting authority and a contractor, the certified employer contribution rate will be derived in line with the methodology specified in the risk sharing agreement. Additionally, in these cases, upon cessation the contractor's assets and liabilities will transfer back to the letting employer with no crystallisation of any deficit or surplus. Further detail on fixed contribution rate agreements is set out in note (i).

** In exceptional circumstances the Administering Authority has the discretion to extend phasing of contribution changes for up to 6 years.

Note (a) (Gilts exit basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. based on the return from long-term gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (i.e. Major Authorities and Universities) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

On the basis of extensive modelling carried out for the 2019 valuation exercise (see Section 4), the stabilised details are as follows:

Type of employer	Max cont increase p.a.	Max cont decrease p.a.
"Standard" Council (i.e. with no material changes to structure of membership)	+1% of pay	-1% of pay
"Closed" Council (i.e. structured where a material proportion of the overall Council Pool is closed to new entrants)	+2%	-2%
University	+1%	-1%

The stabilisation criteria and limits will be reviewed at the next formal valuation. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority would normally expect the same period to be used at successive valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Note (d) (Secondary rate)

For employers where stabilisation is not being applied, the Secondary contribution rate for each employer covering the period until the next formal valuation will often be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between formal valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large Secondary contribution rate (e.g. above 15% of payroll), or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants, or
- for smaller employers.

Note (e) (Likelihood of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

i. The new academy will be regarded as a separate employer in its own right. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but will be combined with those of the other academies in the MAT;

ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section 3.3 above;

v. However, if the academy has 50 or less members they are required to join the Academies Pool (this approach was arranged following a consultation exercise at the beginning of 2013). However, a small academy can seek the approval of the Administering Authority to permanently opt out of the Academies Pool where the Administering Authority is satisfied there is a suitable financial case, with all future pension liabilities appropriately underwritten.

vi. In addition, any new academy with over 50 members also has the right to opt to join the pool on a permanent basis.

vii. The Administering Authority will also consider applications from any academies under a single “Umbrella” MAT to operate a single pool for all academies within the Trust. (The Administering Authority will treat a MAT as a single employer with its own individual employer contribution applicable across all schools within the Trust – subject to total members exceeding 50 as per (v) above).

viii. It is possible for an academy to leave one MAT and join another. If this occurs, all active, deferred and pensioner members of the academy transfer to the new MAT. At the discretion of the Fund there maybe no requirement to recalculate the transferring and receiving MAT’s contribution rates as a result of the transfer (i.e. if both MATs have employer contributions certified as a percentage of pay, then it is assumed that the respective change in payroll as a result of the transfer, will broadly adjust each MATs total contributions adequately). However, the Fund reserves the right to revise both the transferring and receiving MAT’s contribution rate if the transfer is significant.

The Fund’s policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance (or removal of the formal guarantee currently provided to academies by the DfE). Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (iv) to (viii) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis. See also Note (i) below.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a “contractor”). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Employers which "outsource" have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular, there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

iii) Fixed contribution rate agreed

Under this option the contractor pays an agreed fixed contribution rate throughout its participation in the Fund (e.g. the same contribution rate as the letting employer) and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks "pass through" to the letting employer.

The Administering Authority's preferred approach is that a new TAB will participate in the Fund via a fixed contribution rate arrangement with the letting employer. The certified employer contribution rate will be set equal to the fixed contribution rate agreed between the letting authority and the contractor. The fixed rate that will be paid is at the discretion of the letting authority and contractor subject to a minimum of the letting authority's Primary Rate on the contract start date. Upon cessation the contractor's assets and liabilities will transfer back to the letting authority with no crystallisation of any deficit or surplus.

Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus, following the LGPS (Amendment) Regulations 2018 which came into effect on 14th May 2018, this will normally result in an exit credit payment to the Admission Body. If a risk-sharing agreement has been put in place (please see note (i) above) no cessation debt or exit credit may be payable, depending on the terms of the agreement.

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will apply an adjustment to the ceasing employer's post 2014 benefit accrual value, as an estimate of the possible impact of resulting benefit changes.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

(a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a "gilts exit basis", which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

(b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in Appendix E;

(c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

(d) At the absolute discretion of the Fund, a ceasing non-transferee admission body with no guarantor, may be permitted to leave the Fund with its final funding position calculated using the ongoing participation basis. In the case where no deficit exits the ceasing employer may exit the Fund without any cessation payment being requested. However, the employer would also not be entitled (either at the exit date or at any point in the future) to any cessation surplus which has been calculated using the ongoing participation basis.

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would request appropriate security to be provided and would carry out the cessation valuation on the ongoing participation basis. Secondary contributions would be derived from this cessation debt. This approach would be monitored as part of each formal valuation and secondary contributions would be reassessed as required. The Admission Body may terminate the agreement only via payment of the outstanding debt assessed on the gilts exit basis. Furthermore, the Fund reserves the right to revert to the "gilts exit basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Admission Body would have no contributing members.

3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. Currently the pools in place within the Fund are as follows:

- A Town and Parish Council Pool
- An Academies Pool (as noted under 3.3 note (g) above)
- A Small Admitted Bodies Pool
- Smaller Transferee Admission Bodies may also be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

It should also be noted that, if a pooled employer is considering ceasing from the Fund, while its required contributions would be based on the pool's funding position, when appropriate this position would be updated to reflect the cessation terms: see Note (j).

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

3.5 Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool. Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

3.7 Ill health early retirement costs

If a member retires early due to ill-health, an additional funding strain will usually arise, which can be very large. Such strain costs are the responsibility of the member's employer to pay.

To mitigate this risk, individual employers may elect to use external insurance, which has been made available by the Fund (see 3.8 below).

3.8 Ill health risk management

The Fund recognises ill health early retirement costs can have a significant impact on an employer's funding and contribution rate, which could ultimately jeopardise their continued operation.

Prior to 2020 this risk has been mitigated, for smaller scheme employers, by the pooling arrangements in place. However, to help manage ill-health retirement costs for all scheme employers the Fund would be prepared to establish new insurance arrangements if there was sufficient demand for such a provision. Employers who would wish to explore such an option should contact (Sally Fox) in the first instance.

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3.9 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt or receive an exit credit on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.

c) In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund (as detailed in note (j)). This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Policies on bulk transfers

The Fund has a separate written policy which covers bulk transfer payments into, out of and within the Fund. Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement, which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is followed for all employers. However, this is approach reviewed from time-to-time to ensure each employer's investment strategy is appropriate given their funding objective and current funding position.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pensions Committee meetings, and also to employers through Employers Forums.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each actuarial valuation, report to MHCLG on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds’ actuarial bases do not make comparisons straightforward.

Appendix

Appendix A – Regulatory framework

Why does the Fund need an FSS?

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

- *"to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;*
- *to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*
- *to take a **prudent longer-term view** of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund's actuary carries out valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate", and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers on 10 January 2020 for comment;

b) Comments were requested within [30] days;

c) There was an Employers Forum on 17 January 2020 at which questions regarding the FSS could be raised and answered;

d) Following the end of the consultation period the FSS was updated where required and then published, on 31 March 2020

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website, at www.oxfordshire.gov.uk/pensions
- A copy sent by [post/e-mail] to each participating employer in the Fund;
- A copy sent to [employee/pensioner] representatives;
- A summary issued to all Fund members;
- A full copy [included in/linked from] the annual report and accounts of the Fund;
- Copies sent to investment managers and independent advisers;
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed before the next scheduled review. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at www.oxfordshire.gov.uk/pensions

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should: -

1 operate the Fund as per the LGPS Regulations;

2 effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;

3 collect employer and employee contributions, and investment income and other amounts due to the Fund;

4 ensure that cash is available to meet benefit payments as and when they fall due;

5 pay from the Fund the relevant benefits and entitlements that are due;

6 invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;

7 communicate appropriately with employers so that they fully understand their obligations to the Fund;

8 take appropriate measures to safeguard the Fund against the consequences of employer default;

9 manage the valuation process in consultation with the Fund's actuary;

10 provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

11 prepare and maintain a FSS and a ISS, after consultation;

12 notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and

13 monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should: -

1 deduct contributions from employees' pay correctly;

2 pay all contributions, including their own as determined by the actuary, promptly by the due date;

3 have a policy and exercise discretions within the regulatory framework;

4 make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and

5 notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should: -

1 prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;

2 provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

3 provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);

4 prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;

5 assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;

6 advise on the termination of employers' participation in the Fund; and

7 fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties: -

1 investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;

2 investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;

3 auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;

4 governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;

5 legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;

6 MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance. Regularly consider the use of individual investment strategies to meet needs of a diverse employer group.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning.

Risk	Summary of Control Mechanisms
	Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).
Effect of possible asset underperformance as a result of climate change	The Fund invests its assets in line with Responsible Investment beliefs and guidelines. The impact of different climate change scenarios on future funding positions was modelled at the 2019 valuation, with the risk reflected via the use of prudence within each employer's "likelihood of achieving target" (see section 3).

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.

Risk	Summary of Control Mechanisms
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known. The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.

Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by:

Risk	Summary of Control Mechanisms
	Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).
An employer ceasing to exist resulting in an exit credit being payable	The Administering Authority regularly monitors admission bodies coming up to cessation The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,

2. within the determined time horizon (see note 3.3 Note (c) for further details),

3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer's funding target assumptions (see Appendix E).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

1 meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)

2 at the end of the determined time horizon (see 3.3 Note (c) for further details)

3 with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (~~by~~ at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;

2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);

3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;

4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

The Fund Actuary tracks employer assets on an annual basis. Starting with each employer's assets from the previous year end, cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the year are added to calculate an asset value at the year end. The approach has some simplifying assumptions in that all cashflows and investment returns are assumed to have occurred uniformly over the course of the year. As the actual timing of cashflows and investment returns are not allowed for, the sum of all employers' asset values will deviate from the whole fund asset total over time (the deviation is expected to be minor). The difference is split between employers in proportion to their asset shares at each valuation.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators or (from time-to-time) calculated in bulk by the Fund Actuary.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

These are expectations of future experience used to place a value on future benefit payments (“the liabilities”) and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

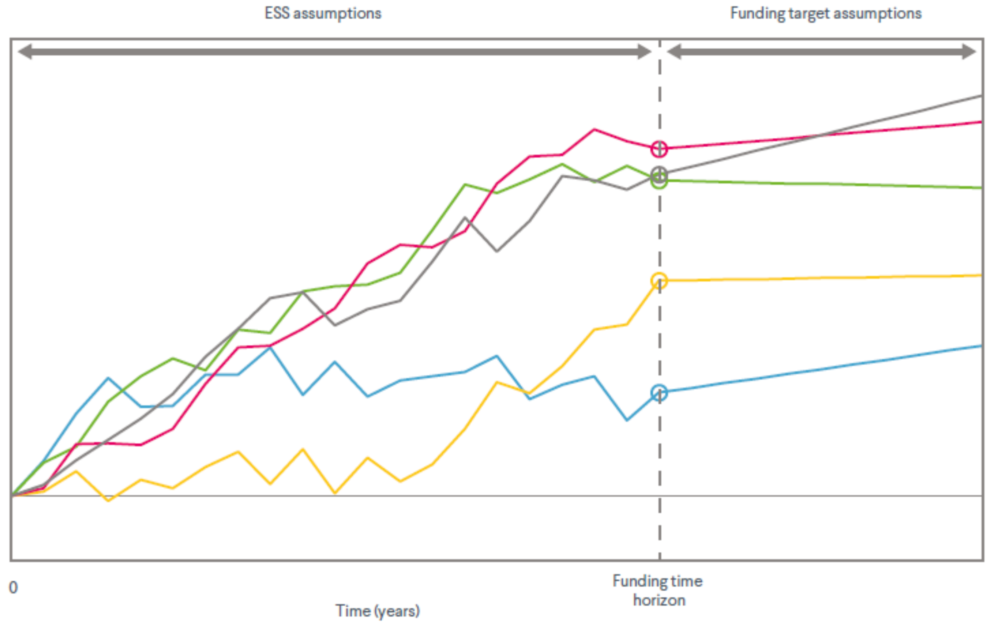
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary’s approach to calculating employer contribution rates involves the projection of each employer’s future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer’s assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer’s required likelihood) being successful at the end of the employer’s time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer’s assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson’s proprietary stochastic economic model - the Economic Scenario Service (“ESS”).

2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

		Annualised total returns									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)	RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Volatility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	Ongoing participation basis	Contractor exit basis	Low risk exit basis
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Typically applied to Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 2.8% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund's assets

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

After discussion with Fund officers, the salary increase assumption at the 2019 valuation has been set equal to Consumer Prices Index (CPI).

b) Pension increases

Since 2011 the CPI rather than Retail Prices Index (RPI), has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

(Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.

Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Secondary contribution rate	The difference between the employer's actual and Primary contribution rates. See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.
Valuation	**Primary and Secondary contribution rates**, and other statutory information for a Fund, and usually individual employers too.

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LOCAL PENSION BOARD – 24 JANUARY 2020

CYBER SECURITY

Report by the Director of Finance

RECOMMENDATION

1. **The Board are RECOMMENDED to note the latest position on cyber security and advise the Pension Fund Committee as appropriate.**

Introduction

2. At the last meeting of this Board, it was requested to bring a further report on cyber security to this meeting. This report sets out the risks associated with cyber security both in respect of pensions administration and pension investments and sets out the current approach to the mitigation of these risks.

Cyber Security in Administration

3. Cyber risk can be broadly defined as the risk of loss, disruption or damage to a scheme or its members as a result of failure of its information technology systems and processes. This also includes risks to information (data security); assets; internal risks (staff) and external risks (hacking).

<u>Assessing and Understanding the Risk</u>

4. As a pension administrator, the Fund holds large amounts of personal data for administering and managing the scheme. This data is collected, processed and shared with a large number of individuals and organisations, as detailed on the attached information asset register (see Annex 1).

5. Altair has long been the software used for holding and processing data, but this has changed over time to include:

   - Hosting – data is held and processed on Heywood servers which are remote from the Council.
   - I-connect is being rolled out to allow scheme employers to upload their data returns directly to Altair
   - Member self-service allows scheme members to update certain information directly to Altair and run “what if” calculations on the data we hold.

6. As detailed on the information asset register, the number of organisations with whom information is shared has also increased.

7. The risks to this data can be summarised as:

   - Cyber – malware or ransomware

- Loss or misuse of data (GDPR)
- Us! A Government survey found that 50% of information security breaches were caused by inadvertent human error.

Controlling the risks

8. The overall cyber security risks are managed by the OCC IT security protocols as detailed on intranet.

9. For Heywood Altair software, the documentation from Heywood attached as Annex 2 confirms the system accreditation and how the system is monitored and audited. The most recent audit started in November 2019 and will be finalised in February 2020. The most recent available Penetration Test Report is dated February 2019 and is attached to this report as Annex 3.

10. For all other third parties, data is shared either via a secure web portal, or by protected file. In all cases data sharing agreements are signed or included in the contract.

11. All staff are required to sign up to the Acceptable Use of Information Policy and to undertake Data Protection Essentials Training. All team meeting agenda include an item on GDPR. Additionally, a clear desk policy is operated, and all laptops are locked away each evening.

Monitoring and Reporting

12. OCC has a clear system for the reporting and investigating of any data breaches. All team members are aware of these requirements, how they report and record any breaches.

13. In line with data sharing protocols or contractual arrangements suppliers are required to report any breaches and actions taken.

Cyber Security in Investments

14. Cyber security is increasingly recognised as a key and growing issue for companies. The risks in this area are significant and include service interruptions, data access breaches, and data loss which can all have significant financial, operational, and reputational impacts for affected companies. Recent examples are included in Figure 1 below.

15. These risks are only likely to continue as the use of data and online functionality continues to become more embedded in companies' business models across all sectors, and at the same time expectations from regulators, and the fines they can issue, continue to rise.

Figure 1

<u>Example Cyber Security Incidents</u>

In 2018 seven UK banks were subject to a distributed denial-of-service attack that left customers with intermittent access to banking services over a two-day period. As well as the reputational impact direct financial costs were estimated to run into the millions.

In 2019 Facebook were issued with a $5bn fine by the US Federal Trade Commission in relation to the sharing of private user data with Cambridge Analytica. Highlighting the impact for investors, Facebook's market value fell by £119bn (19%) following an announcement of slowing user growth widely attributed to the fallout of the Cambridge Analytica scandal.

16. Recognising the importance of cyber security in investing, Brunel have included it as one of their six priority topics for responsible investment activity. In addition, cyber security is included in one of the 12 key engagement themes for 2019-21 by Hermes EOS, the voting and engagement provider appointed by Brunel. Brunel have also recently contributed to a paper from NEST and RPMI Railpen: *Why UK Pension Funds Should Consider Cyber and Data Security in Their Investment Approach* (https://www.rpmirailpen.co.uk/wp-content/uploads/2018/05/Railpen-Nest-Cyber-Security-Report.pdf)
As well as through engagement Brunel will also be using voting to promote good cyber security governance at companies.

17. Cyber security is increasingly being recognised as a key investment risk by LGPS funds and on behalf of its members the LAPFF undertakes engagements on this topic.

18. As well as the risk to investee companies the Pension Fund also has a strong interest in the cyber security of its fund managers. On an annual basis the Fund receives independently audited internal control reports from its fund managers. These reports include assessments of controls relating to data management, IT systems and infrastructure, and business recovery plans. Brunel are also cognisant of the importance of fund manager cyber security arrangements and so this forms a key part of their due diligence process, including questions on this topic in their tender documents, and their ongoing monitoring of the managers.

Lorna Baxter
Director of Finance

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January 2020

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Asset number or ID	Directorate	Service Area	Date	Name of asset	What does it do	Information	Personal or Sensitive Information	Legal Basis	Controller or Processor	Privacy Notice	Owner	Retention
	Resources	Pension Service	06/11/19	Archive pension records	Pension records from prior to Altair	This is old ledgers recording refunds and transfers. For microfiche this needs further work to batch and dispose.	Yes	N/A	Controller	Bespoke	Sally Fox	LGA Guidance (tbc): Fund will hold relevant information for the greater of 100 years after d.o.b. or 15 years after beneficiary's last payment.
	Resources	Pension Service	06/11/19	Altair Pension System, Aquila Heywood - includes benefits, payroll, workload, document and employer modules	Stores info to administer LGPS and Fire pension payments	Pensions Administration Case management system for 70,000 members from 250 organisations	Yes	Consent is obtained by employers at time employee joing the scheme. Some sharing is statutory.	Controller	Bespoke	Sally Fox	LGA Guidance (tbc): Fund will hold relevant information for the greater of 100 years after d.o.b. or 15 years after beneficiary's last payment.
	Resources	Pension Service	06/11/19	iConnect,	Automates receipt of employer information into the Fund.	Payroll details: name, NI number, d.o.b., date entering scheme, contributions, total	Yes	Consent obtained by employers at time employee joins scheme. Some sharing is statutory.	Controller	N/A	Sally Fox	N/A - personal data is not held or stored in iConnect
	Resources	Pension Service	06/11/19	Shared and One Drive	day to day management of pension service	Correspondence, processes and procedures, employer returns	Yes	N/A	Controller	N/A	Sally Fox	Since GDPR there is now minimal use of Shared and OneDrives for personal information. This will come under relevant retention schedule for financial, HR and where it is Scheme Data the LGA guidance above.

Access	Shared	Details of Sharing	Sharing Agreement or Contract	Supplier or Format	Type of Storage	Location	Country	DPIA/IMRA	Risks / impact	Key asset	Notes
Pension Services Team	N/A	Rarely shared on case by case basis, e.g. fraud or police investigation, each with lawful basis.	No	Hardcopy, CD's Fiche	Other Paper Storage	4640 Kingsgate	Uk	None	Retention being addressed	Yes	Guidance from LGA re retention, to be agreed PF Committee Dec2019.
Everyone in Pension Team, Aquila Heywood staff as required, Internal Audit when auditing, members (limited access to own records), External audit (EY), , OCC access requires an OCC network login plus a separate username and password for Altair itself.	Prudential, Employers, Local Government Association (anonymised), Scheme Advisory Board, fund employers, third party payroll, Advisory Board, National Fraud Initiative; HMRC; Pension Fund Committee, Pension Board, Fire Service pension baord, Government Actuaries department, Tell Us Once and National NI Database, fund actuaries, Pensions Advisory Service, Higher Education Funding Council, Motor tax, Pensions Ombudsman, contractors (e.g. ITM and Target to do backlog work or address chasing).	ISAs in place. Egress, SFTP, PSN secure e-mail, password protected if refuse to accept Egress.	Yes for some - copies requested	Aquila Heywood https://www.aquilauk.co.uk/	Externally hosted	UK	UK	Damian completing DPIA and IMRA - see website for ISO27001 and Cyber Essentials	Retention and sharing means to be addressed	Yes	SF to send list of share partners and of existing ISAs in place with them, and create a list of gaps. Also to send regs from relevant legislation for sharing without consent.
Pension Services Team; iConnect / Altair / Aquila Heywood maintenance.	Data captured through iConnect will subsequently be shared from Altair with partners listed above, but there is no direct sharing from iConnect as inbound portal only.	N/A	N/A	Aquila Heywood https://www.aquilauk.co.uk/	Externally hosted	Bedford	UK	Yes	N/A	Yes	
Pension Services Team, OCC maintenance	N/A	N/A	N/A	Various electronic data	OCC shared drives	OCC	UK	N/A	Procedural need to maintain data in folders, not to keep longer than necessary, and to manage and remove properly, housekeeping.	Yes	

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

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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

LOCAL PENSION BOARD – 24 JANUARY 2020

THE PENSION REGULATOR'S CODE OF PRACTICE 14

Report by the Director of Finance

RECOMMENDATION

1. The Board is RECOMMENDED to note the practical guidance set out in the Code of Practice 14 and determine whether they wish to make any changes to the current arrangements for this Board to ensure they are meeting the standards of conduct and practice expected.

Introduction

2. At their last meeting, the Board asked for a report on the Pension Regulator's Code of Practice 14. The Code of Practice, entitled "Governance and administration of public service pension schemes" was first issued by the Pension Regulator in April 2015. It provides practical guidance in exercising the regulatory functions of the Pension Scheme Committee and Pension Board and sets standards of conduct and practice expected by the Regulator.

3. Compliance with the Code of Practice is not a legal requirement. However, in examining a potential breach of the law, the courts and/or the Pension Regulator may take issues of non-compliance with the Code into account. Where deviating from the Code therefore, the Committee/Board should be clear how they are still effectively discharging their legal responsibilities under the relevant pension regulations.

4. Within the LGPS, the majority of legal responsibilities fall to the members of the Pension Fund Committee. However as noted in the Code, Board Members are responsible for assisting the Committee in securing compliance with the scheme regulations and ensuring all breaches of law are properly recorded and reported. As such, the Pension Regulator expects a high degree of knowledge of the Code amongst Board Members.

5. The Code sets out 4 key areas of scheme governance and administration that Committee and Board Members should focus on. These are governing the scheme, managing risks, administration and resolving issues. This report looks at each of these areas in turn.

Governing your scheme

6. The section within the Code on governing your scheme covers the knowledge and understanding required, conflicts of interest and publishing information

about the scheme. For each area, the Code sets out the legal requirements and provides practice guidance to support Committee and Board Members assess whether they understand their duties and obligations and are reasonably complying with them.

7. In respect of the knowledge and understanding required of Board Members, the Code states that Board Members must be conversant with the scheme rules, and policy documents, as well as knowledge and understanding of the wider laws relating to pensions. Conversant is defined as having a working knowledge so that a Board Member can effectively carry out their duties.

8. The Code states that all Schemes should develop a framework to support Board Members acquiring and retaining the knowledge and understanding required but underlines that it is the responsibility of the individual Board Member to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a Board member.

9. As well as the scheme regulations, the Code includes a number of policy documents that the Regulator considers particularly pertinent, and for which Board Members should have a working knowledge. These include:

   - Conflict of interest policy
   - Record keeping policy
   - Internal disputes policy
   - Policy on reporting breaches of law
   - Risk management Policy
   - Communications Policy
   - Terms of Reference for the Pension Fund Committee and Pension Board
   - Policy on exercise of discretionary functions
   - Administration strategy
   - Investment Strategy Statement
   - Funding Strategy Statement
   - Scheme Annual Report and Accounts
   - Audit reports

10. Working knowledge is seen as sufficient to understand where the relevant regulations apply and to enable Members to challenge any failure to comply with the Regulations and the associated guidance from the Pension Regulator.

11. The level of knowledge should be sufficient to understand fully and challenge any information and advice they are given, and how the information or advice impacts on any issue or decision relevant to their responsibilities. Board Members should invest sufficient time in their learning and development, supported by the Administering Authority.

12. Board Members should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps and weaknesses, using a personal training plan to document and address these.

The e-learning tools provided by the Pension Regulator will help meet the needs of Pension Board Members.

13. The Administering Authority should keep a central record of the learning activities of the individual Board Members as well as the Board as a whole.

14. In terms of conflicts of interest, the Code defines a conflict as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. This excludes any conflict solely arising from being a scheme member or employer of the scheme for which the Board is established.

15. The Scheme Manager is required under the Regulations to ensure that no person appointed to the Pension Board has a conflict of interest which would prevent them from carrying out their role. Board Members are required under the Regulations to provide the Scheme Manager with any information they may reasonably require in carrying out this assessment.

16. Members of the Pension Board should comply with the Seven Principles of Public Life (previously known as the Nolan Principles). Compliance with these Principles should ensure that Members operate with the highest standards of conduct.

17. The Regulations prohibit a Board Member having an Actual Conflict of Interest but allow for Potential Conflicts of Interest to be recorded and managed. These potential conflicts should be recorded in a separate register and policy and procedures agreed as to how these potential conflicts will be managed. The register of potential conflicts should be regularly reviewed and updated as necessary. The register of potential conflicts should be publicly available e.g. on the Scheme's website to ensure full transparency.

18. In managing conflicts of interests, Boards should ensure perceived conflicts of interest are also addressed, as these can be as damaging as actual conflicts, and lead to a loss in confidence in the ability of the Board to undertake its responsibilities.

19. The Code identifies possible conflicts of interest in situations involving:

- Discussions on increasing expenditure on the administration of the scheme, to be funded by scheme employers
- Discussions on potential outsourcing of activities in areas represented by scheme member representatives
- Representatives sticking to the narrow interests of their employer/union etc rather than the wider employer/scheme membership
- Third party contracts where a Board Member has a personal interest in a potential supplier
- Sharing of information provided confidentially in role as an employer/union representative with the Board.

20. The third aspect of Governing Your Scheme covers publishing information about your scheme. The legal requirements set out in the Code under this

section are in respect of the Scheme Manager's responsibilities to publish information about the Board, to include who are the members of the Board, which parties these members represent and the matters falling with the pension board's responsibility.

21. The Code suggests that the published information should also include information on the employment and job title of Board Members, the appointment process for new members of the Board, the terms of reference for the Board and any specific roles and responsibilities of individual Board Members.

22. Further suggestions within the Code are that the Scheme should publish the Board Papers and agendas alongside dates of meetings, as well as any further information which supports scheme member engagement and promotes a culture of transparency.

Managing Risks

23. The Pension Committee as Scheme Manager is responsible for establishing internal control arrangements to ensure the Scheme is managed and administered within the regulations. Internal control in this sense means the systems, arrangements and procedures in place for running the scheme and monitoring effective performance.

24. These arrangements should include clear separation of duties, clear escalation processes, and documented procedures for assessing and managing risk, reviewing breaches of the law, and manging contributions to the scheme. The level of internal control should be proportionate to the materiality of the risks.

25. Risks should be identified in the context of the objectives of the scheme and should be formally recorded in a risk register. Once recorded, all risks should be reviewed regularly, and actions taken to mitigate any risks appropriately recorded. The review process should also be looking to identify all new risks as circumstances change including changes in scheme personnel, the implementation of changes to the administration systems or where previous controls have been found to be inadequate.

26. Risks should be assessed both in terms of their likelihood and the impact if the risk materialises. Schemes should regular test their internal control arrangements to gain assurance about the effectiveness of the arrangements. These tests should look at both the arrangements themselves and the skills of those individuals tasked with operating the internal control. Appropriate tests should also be undertaken where part of the internal control processes are automated to ensure the system is performing as expected.

27. Schemes should ensure that the arrangements where an internal control detects an issue are sufficiently robust, and that the issues are resolved or properly escalated.

28. A persistent failure to put in place adequate internal controls is likely to lead to administrative breaches. The Pension Board should continuously review the

position and where they believe that the effect and wider implications of not having adequate internal control arrangements in place could be materially significant, they should report the matter to the Pension Regulator.

Administration

29. The Administration section of the Code of practice covers three areas, being scheme record keeping, maintaining contributions and providing information to members.

30. In respect of scheme record keeping, the Code covers member information, transactions and Pension Committee/Board meetings and decisions. Any failure to maintain complete and accurate records can affect the ability to meet the legal responsibilities of the Scheme, including the accurate and timely payment of pension benefits, and the requirement to effectively manage the schemes investments to ensure sufficient resources to meet the pension benefits as they fall due.

31. Ultimately, a failure to maintain proper records can lead to findings of mal-administration by the Pensions Ombudsman on individual scheme member cases, or wider breach of law reports to the Pension Regulator.

32. The requirements in respect of member information are set out in the Record Keeping Regulations. In summary, the requirements are to maintain sufficient data to uniquely identify each scheme member and to calculate their benefits correctly. Schemes have a legal responsibility to provide scheme members regular information on the current level of their benefits, as well as accurately pay these benefits to the right person at the right time.

33. The Scheme Manager should require all participating scheme employers to provide them with timely and accurate data in order for them to fulfil their legal obligations. This information must include data on new starters and leavers to the scheme, any changes in their rates of contributions, changes in name, address and salary, changes in member status and any transfers of employment.

34. The Board should assess whether the Scheme has appropriate arrangements in place for the collection of all required data, and for monitoring compliance with such arrangements. Where there are gaps in the arrangements or in the data, the Board should assess any failure to meet legal requirements and the materiality of such failures and report any breaches of law to the Pension Regulator as appropriate.

35. Scheme Managers should be able to demonstrate an audit trail associated with all transactions. Schemes should be able to trace the flow of funds into and out of the fund and reconcile these with the expected contributions and scheme costs.

36. Scheme Managers should operate appropriate data retention policies to ensure data is properly retained and maintained for as long as it is required to fulfil the legal obligations of the scheme.

37. Scheme Managers should have policies and procedures in place to ensure the on-going monitoring of scheme data to assess its completeness and accuracy. There should be a full review of data held at least annually.

38. Where issues with scheme data are identified, the Scheme Manager should put a data improvement plan in place to resolve these issues and strengthen the internal control arrangements to prevent re-occurance of the issues.

39. All member data must be managed in accordance with the requirements of the General Data Protection Regulations (GDPR). This includes ensuring the security of all data held and protecting the rights of the scheme member to review and correct their data.

40. The Regulations set out the legal requirements in respect of maintaining contributions, including the requirement on scheme employers to make the appropriate deductions from pay and pass them across to the Scheme on or before the due date each month, which is the 19th day of the month following the deduction. Failure to pay contributions over in line with the statutory timescales should be reviewed to determine whether it is likely to be of material significance and therefore reported to the Pension Regulator as a breach of law.

41. Scheme Managers should ensure they maintain adequate arrangements for recording all contributions due to the scheme, and for monitoring the timely receipt of these contributions. The Scheme Manager should also maintain a policy to cover the escalation process where contributions are not received or received late, and in what circumstances interest would be chargeable of late payments.

42. Where a Scheme Manager identifies a payment failure they should liaise with the relevant scheme employer to resolve the particular failure and to ensure the scheme employer puts in place arrangements to prevent further failures. The Scheme Manager should maintain a record of their investigation to demonstrate that they themselves have met their legal responsibilities in respect of establishing and maintaining adequate internal control arrangements. The record should also be reviewed in determining whether there is a requirement to report the payment failure as a breach of law to the Pension Regulator.

43. The Pension Regulator recognises within the Code that the Scheme Manager will not always be able to detect deliberate underpayment or non-payment of contributions by a scheme employer, where the Scheme Manager is also dependent on the scheme employer to provide the management information required to support the payment e.g. non declaration of new starters. Scheme Managers should review their arrangements to seek to identify situations where such fraud could have occurred.

44. In determining whether a payment failure is likely to be of material significance and therefore should reported to the Pension Regulator, the Code suggests the Scheme Manager should consider whether the scheme employer is unwilling or unable to pay over the contributions, where the failure is a result of dishonesty or misappropriation of the sums due by the scheme employer, whether there is evidence of fraud, whether the scheme employer has failed to put in place adequate internal control arrangements to ensure the timely payment and continues to address the issue, and whether any sums have been outstanding for longer than 90 days.

45. Infrequent, one-off payment failures which are addressed by the scheme employer should not normally be identified as of material significance. However, if there is a re-occuring pattern of failure which suggests a systemic problem, then the Scheme Manager should consider this as materially significant, and report to the Pension Regulator as appropriate.

46. Scheme Managers should also consider whether they report any materially significant breaches of law in regard to pension failures to the scheme members of the relevant employer.

47. The final area of this section of the Code relates to providing information to members. The requirements in this area are covered by a number of separate legal documents.

48. A key requirement is the provision of an annual benefit statement to all active scheme members. This Statement must cover the pensionable benefits earned by the member in the year, and the total benefits within the scheme. The basis of the calculation of these benefits must also be disclosed. For the LGPS, this statement must be provided by 31 August following the year to which the statement relates.

49. The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 set out a range of other data and the circumstances on which it must be provided to scheme members. This information covers that which is relevant to an individual's pension rights and entitlements under the scheme.

50. The Code specifies that information can be disclosed electronically to the scheme member, but that each member must retain the right to opt out of receiving information electronically. Where provided electronically, the Scheme Manager must be satisfied that the scheme member can access the information and print or store it for future reference. Where information is provided via publication to a website e.g. around the scheme rules, benefit entitlements etc, all members must receive an initial communication other than by the website to inform them of the website address, the information to be held there and how to access it.

Resolving Issues

51. The fourth key section of the code covers resolving issues, which in turn covers internal dispute resolution and reporting breaches of the law.

52. Within the LGPS, internal disputes resolution is through the adjudication of disputes procedure as set out in the Scheme Regulations and facilitates the resolution of disputes between a scheme member and their employer or the Administering Authority. The procedure is a two stage process with stage one heard by the specified person for the relevant scheme employer or the Administering Authority, and stage 2 by the individual specified by the Scheme Manager. The scheme member has the right to refer their dispute to the Pensions Ombudsman following completion of Stage 2.

53. The Regulations set out the timescales under which a dispute must be first raised and responded to at stage 1, and then again for any referral and response at stage 2. Disputes can be accepted outside these timeframes at the discretion of the scheme employer or Administering Authority as appropriate. Delays in resolving a dispute can be escalated to the next stage of the process, where the Pension Ombudsman can rule that unjustified delay amounts to mal-administration.

54. Scheme Managers must publish the disputes procedure and how scheme members can start the process. This must include the name and contact details of the person to contact to initiate the procedure. Scheme Members should also be informed of how to contact the Pension Advisory Service who can support the member in resolving their dispute. Contact details for the Pensions Ombudsman should also be provided at the completion of stage 2.

55. The last section of the Code covers the issue of reporting breaches of law to the Pension Regulator. The Code sets out that certain people are required to report breaches of the law to the Pension Regulator where they believe a legal duty has not been or is not being complied with, and the failure is likely to be materially significant to the Regulator in respect of their functions.

56. The code lists those people as subject to the reporting requirements as the Scheme Manager, members of the Pension Board, any person otherwise involved in the administration of a public sector scheme, scheme employers, professional advisers and anyone else involved in advising the Scheme Manager.

57. Any report must be made in writing, and as soon as reasonably practicable following the identification of the breach. Those responsible for reporting a breach should receive sufficient training on the legal requirements and the procedures and processes for reporting.

58. Procedures should set out the process for obtaining clarification around the law relating to a potential breach, the process for clarifying facts associated with the potential breach, the process for considering the materiality of the breach and for escalating the issue, the expected timescales involved in dealing with a potential breach, a system for recording all breaches even if they are not reported to the Regulator.

59. The Code provides guidance on determining whether a breach has occurred and whether it needs to be reported. It makes it clear that having reasonable cause to believe a breach has occurred cannot be based solely on unsubstantiated suspicion. Instead those charged with reporting the breach should undertaken sufficient investigation into the facts of the case to substantiate that a breach has in fact occurred. Where there is suspicion of theft, fraud or other similar offence where further investigation could alert the potential perpetrator or impede future police investigations, the breach should be reported to the Pension Regulator immediately, as an agreed exception to the normal guidance.

60. In determining whether the breach is of material significance to the Pension Regulator, the Code suggests a review of the cause, effect, reaction to and the wider implications of the breach.

61. The breach is likely to be of material significance if the cause of the breach was either dishonesty, poor governance or administration, slow or inappropriate decision-making practices, incomplete or inaccurate advice or an act in deliberate contravention of the law. It is unlikely to be deemed of material significance if it is an isolated issue.

62. In terms of effect of a breach, the Code suggests the following matters are likely to be of material significance to the Pension Regulator – a lack of skills and knowledge amongst Board Members, poor governance or administration of the Scheme, Board Members having a conflict of interest which leads to poor governance, a failure to establish adequate internal controls, a failure to provide accurate and timely information to scheme members which in turn limits their ability to make decisions about their retirement, inadequate records which results in errors in the calculation of member benefits and the misappropriation of scheme assets.

63. Where the reaction to the breach is prompt and addresses the immediate issue and its causes, the Pension Regulator would not normal regard the breach to be materially significant.

64. In terms of wider implications, the Code suggests that a breach would be seen as materially significant if there is evidence that further breaches are more likely to follow e.g. the incident was caused by a weakness in internal control which suggests the wider system of internal controls is likely to be inadequate.

65. Finally, the Code sets out the format for the reporting of any material breach, setting out the scheme details, the details of the breach and why it was determined that it would be materially significant to the Pension Regulator.

66. The Code makes it clear that the statutory duty to report a breach overrides other considerations including the disclosure of confidential information. It does not however override the legal privilege attached to professional legal advice, which therefore does not have to be disclosed.

Current Position

67. In respect of the guidance on governing the Scheme, it is considered by the Officers that Oxfordshire is broadly compliant with the Code. In terms of the skills and knowledge of Board Members, there is arrangements in place to provide training on the skills and knowledge required. However, Board Members have not been asked to complete a personal training needs assessment and no formal training plan has been produced for Board Members. Whilst training undertaken by Board Members is recorded, there is a lack of transparency as the training register is not published

68. There are also gaps relative to the guidance contained in the Code in respect of conflicts of interest. The Board does not have its own specific Conflict of Interest Policy relying on that agreed for the County Council as a whole. Nor do we publish a separate register of any conflicts of interests declared by Board Members.

69. Officers have not identified any material gaps against the guidance in respect of publishing information about the scheme, with all required information published on the Council's website.

70. It is also believed that we now have robust arrangements in place for the management of risks, with both the Pension Committee and the Pension Board reviewing the risk register at every quarterly meeting. The findings of any audit reports are made available to the Pension Fund Committee through the Administration Report, which will be a regular item on the future agendas of the Pension Board.

71. In respect of record keeping, the Pension Committee and Pension Board have been provided with an assessment of the quality of data within the scheme as measured by the Common Data and Scheme Specific data quality scores annually reported to the Pension Regulator. Where these reports identified weaknesses in the past, the Committee and Board were presented with a data improvement plan, and regular monitoring reports on the delivery of the plan.

72. There are gaps in the reporting of the position on the maintaining contributions. Whilst there is a full record kept monitoring the contributions received, there is no performance reporting from this record to either the Pension Fund Committee or the Pension Board.

73. In respect of the monitoring of the provision of information to Members, both the Committee and the Board receive reports setting out the numbers of Annual Benefit Statements sent out to scheme members. There is also performance information within the quarterly Administration Report on the key tasks undertaken by Pension Services including the provision of benefit information to scheme members and employers.

74. In respect of resolving issues, the Administration Report contains a record of the number and nature of disputes made to the Administering Authority. Whilst the information would allow the Committee and/or Board to identify any areas

of persistent dispute which in turn may suggest weaknesses in the internal controls and governance arrangements, the current numbers are small enough to indicate no specific trends.

75. Finally, the Pension Committee and the Pension Board annually review the Scheme's Policy on Reporting Breaches of Law to the Pension Regulator. They have also received reports on the occasions where breaches have been reported to the Pension Regulator having been determined to be materially significant. Neither the Committee of the Board have received a copy of the Register of Breach Reports setting out those breaches identified but not reported as they were not deemed to be materially significant.

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