Public Document Pack

To: **Members of the Local Pension Board**

Notice of a Meeting of the Local Pension Board

Friday, 8 July 2022 at 10.30 am

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AS THE PENSION BOARD WAS NOT SET UP UNDER THE LOCAL GOVERNMENT ACT BUT UNDER SEPARATE PENSION ACT PROVISIONS, IT IS NOT COVERED BY THE REGULATIONS REQUIRING FACE TO FACE MEETINGS. ALSO, AS THE BOARD IS NOT A DECISION-MAKING BODY BUT OFFERS ADVICE TO THE PENSION FUND COMMITTEE, THERE ARE NO MATTERS WHICH WOULD REQUIRE VOTING

Yvonne Rees
Chief Executive

30 June 2022

Committee Officer: ***Khalid Ahmed***
Tel: 07990 368048; Email: khalid.ahmed@oxfordshire.gov.uk

Membership

Chairman – Matthew Trebilcock

Scheme Members:

Alistair Bastin	Stephen Davis	Sarah Pritchard

Employer Members:

Marcia Slater	Elizabeth Griffiths	Angela Priestley-Gibbins

Notes:

- ***Date of next meeting: 21 October 2022***

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. Declarations of Interest - see guidance note opposite

3. Minutes (Pages 1 - 6)

To approve the minutes of the meeting held on 22 April 2022 and to receive information arising from them.

4. Unconfirmed Minutes of the Pension Fund Committee - 10 June 2022 (Pages 7 - 16)

To receive the unconfirmed Minutes of the Pension Fund Committee held on 10 June 2022.

5. Annual Report of the Local Pension Board (Pages 17 - 22)

This report sets out the work undertaken by the Board during 2021/22 for inclusion in the Annual Report and Accounts of the Pension Fund.

6. Review of the Annual Business Plan (Pages 23 - 30)

The Board is invited to review the position against the Annual Business Plan for 2022/23 as considered by the Pension Fund Committee at their meeting on 10 June 2022 and to offer any comments to the Committee.

7. Risk Register (Pages 31 - 40)

This is the latest risk register as considered by the Pension Fund Committee on 10 June 2022. The Board is invited to review the report and offer any further views back to the Committee.

8. Administration Report (Pages 41 - 54)

The Board is invited to review the latest Administration Report as presented to the Pension Fund Committee on 10 June 2022, including the latest performance statistics for the Service.

9. Actuarial Valuation (Pages 55 - 94)

The Board is invited to review the assumptions paper as agreed by the Pension Fund Committee at their meeting on 10 June 2022.

10. Investment Management Fees (Pages 95 - 98)

The Board is invited to review the latest report on the investment management fees paid in respect of the Fund's investment portfolios and the performance of these portfolios and offer any comments to the Pension Fund Committee for their consideration of the value for money obtained from active management in advance of the next Strategic asset review scheduled for March 2023.

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

The Board is invited to confirm the issues they wish to include in their latest report to the Committee.

12. 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.

13. Exempt Items

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

PART II

14. Provision of Additional Voluntary Contribution Scheme (Pages 99 - 104)

The Board is invited to review the exempt report on the provision of an Additional Voluntary Contribution (AVC) scheme and offer any comments to the Committee to consider as part of the further review scheduled for the September meeting of the Committee.

LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 22 April 2022 commencing at 10.30 am and finishing at 12.05 pm

Present:

Voting Members:	Matthew Trebilcock – in the Chair Alistair Bastin Stephen Davis Angela Priestley-Gibbins Marcia Slater
Officers:	Sean Collins (Service Manager Pensions Insurance and Money Management), Sally Fox (Pension Services Manager), and Khalid Ahmed (Law and Governance).

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.

9/21 APOLOGIES FOR ABSENCE
(Agenda No. 1)

Apologies for absence were received from Councillor Bob Johnston (Chair of the Pension Fund Committee) and Sarah Pritchard.

10/21 MINUTES
(Agenda No. 3)

The Minutes of the meeting held on 21 January 2022 were approved.

[In relation to Minute No. 8/22 - Items to be Included in the Agenda for the Next Board Meeting – the Service Manager for Pensions Insurance and Money Management reported that the look at costs and fees of assets to Brunel would be reported back on an annual basis and would be reported to the next meeting of the Board.]

11/21 UNCONFIRMED MINUTES OF THE PENSION FUND COMMITTEE - 4 MARCH 2022
(Agenda No. 4)

The meeting had before it the draft minutes of the last Pension Fund Committee meeting of 4 March 2022 for consideration. The draft Minutes were noted.

12/21 REVIEW OF THE ANNUAL BUSINESS PLAN
(Agenda No. 5)

The report set out the business plan and budget for the Pension Fund for 2022/23. It followed on from the Workshop held on 4 February 2022 to which all Members of the Pension Fund Committee and the Local Pension Board were invited.

The Plan detailed the key priorities for the Fund as agreed at the workshop, the key service activities for the year, and included the proposed budget and cash management strategy for the service.

The Board was provided with an update of the four key service priorities for 2020/21: -

- Delivering Key Progress on the Implementation of the Climate Change Policy - There had been a lot of progress in this area, and this would be carried forward to the 2022 Business Plan. Investing in climate solutions was the only area of shortfall and this would be picked up.
- Delivering further improvements to the governance arrangements of the Fund – The Board was informed that all key measures of success against this priority which had been recommended by the Hymans Robertson review had been delivered with the exception of the appointment of the new Governance and Communications Team Leader which was being progressed.
- Further improving the data management arrangements between the Fund and scheme employers and scheme members – The Board was informed the measure associated with improving customer satisfaction scores through the customer survey had been amended to Red reflecting the very low numbers of surveys returned, which meant there had been no meaningful feedback. Central guidance was still awaited on the implementation of the remedy to age discrimination identified in the McCloud case.
- On reviewing the reporting arrangements with Brunel following the transition of the majority of Fund assets to Brunel portfolios – Brunel were currently taking this forward to improve the quality of the quarterly performance reports.

Discussion took place on the low returns on the customer satisfaction survey and it was suggested the Board Members complete the survey. The Board was informed that next Year's Business Plan would include how communication could improve with scheme members. The impact of responses being made on-line was discussed and whether this was a reason for a poor response.

The Board was informed that there was a general lack of knowledge of pensions amongst some scheme members and this needed to be addressed to increase scheme member participation.

The Service Manager for Pensions Insurance and Money Management reported that as a result of the Workshop held on 4 February 2022, the priorities, resources and measures of success were agreed, and they have been incorporated into the draft Business Plan and Budget for 2022/23. The focus was on four key priorities:-

- Reviewing the scheme data

- Delivering a holistic approach to technology (including cyber security)
- Enhancing the delivery of the responsible investment priorities. This included the continuation of the current work on implementing the Climate Change Policy, but also looking to widen the focus to the rest of the environmental issues facing the Fund, alongside the key social and governance issues. ESG was wider than just climate, there was Biodiversity, Social and Governance issues, the war in Ukraine and the impact on investments in Russia and risks associated with emerging markets
- Improving the delivery of service performance to scheme members and ensuring service standards were consistently maintained. The objective of the Fund was to pay scheme members accurately. In 2021/22 performance levels dropped due to staffing shortages in the team. The Pension Fund Committee requested that service standards were consistently maintained throughout the year.

The Board was informed that the appointment of new staff required the new staff being trained, which put a burden on other team members. Update reports would be submitted to both the Board and the Pension Fund Committee on progress made.

Reference was made to the service priority of enhanced delivery of Responsible Investment responsibilities, and the appointment of the Responsible Investment (RI) Officer. The Board was informed that subject to the recruitment process, it was expected that reports from RI would be submitted to the Board.

The Board noted the report and the following decisions made by the Pension Fund Committee:

"(1) That the progress against the service priorities for 2021/22 be noted.

(2) That approval be given to the Business Plan and Budget for 2022/23 as set out in Annex 1 of the report.

(3) That approval be given to the Pension Fund Cash Management Strategy for 2022/23.

(4) That delegated authority be given to Director of Finance to make changes necessary to the Pension Fund Cash Management Strategy during the year, in line with changes to the County Council's Treasury Management Strategy.

(5) That delegated authority be given to the Director of Finance to open separate pension fund bank, deposit and investment accounts as appropriate.

(6) That delegated authority be given to the Director of Finance to borrow money for the pension fund in accordance with the regulations."

13/21 RISK REGISTER

(Agenda No. 6)

The Board was informed that the Pension Fund Committee agreed to add the two additional risks to the risk register, recommended by the Board at its last meeting:-

Cyber Security Policy as part of the mitigation for Risks 16 (Loss of Key systems) and Risk 17 (Breach of Data Security).

Discussion took place around the risk of skills and knowledge of both the Pension Fund Committee and the Board, and that this was less of an issue for Board Members.

Reference was made to the risk caused by the staffing shortages in the team, which impacted on the workload of the existing staff in the team.

The Board noted the Risk Register and expressed their thanks to the Pension Fund Committee for agreeing the recommendations of the Board to add the two additional risks to the Risk Register.

14/21 ADMINISTRATION REPORT

(Agenda No. 7)

The Board was provided with a report on the key administration issues including the iConnect project, service performance measurement and any write offs agreed in the last quarter.

An update was provided on staffing, with two out of the four administrators appointed, one of which was an internal candidate. There had been a high level of sickness in the team (both Covid and long term) and the Pension Fund Committee provided support by agreeing to additional resource for additional administrators.

Reference was made to the Pension Fund Committee who agreed that the team could continue working to a reduced SLA standard until March 2022, but that SLA should return to normal levels, thereafter.

An update was provided on the vetting of incoming returns and on the action being taken to both the outstanding vetting of returns and to vet the returns due to be made for the period November 2021 to March 2022.

In relation to complaints, the team had been asked to look at ways of engaging with customers to encourage feedback and advice had been sought from other funds on the most successful ways to engage.

Discussion took place on the Pension Dashboard and the Board was informed that no submission had been made to the DWP consultation on the draft Pensions Dashboard Regulations 2022. Fund scheme members still received paper statements if requested and officers were asked for data on those members who did not access the Pension Dashboard and did not receive paper statements.

The Board noted the report.

15/21 CLIMATE CHANGE ENGAGEMENT POLICY
(Agenda No. 8)

The Board was informed that at its December meeting, the Pension Fund Committee agreed an initial draft Climate Change Engagement Document which set out some of the key principles to be included in the final draft policy.

Officers were asked to continue working with the Climate Change Working Group to produce the final draft version of the Policy which was considered at the last Committee. Further consideration and views were taken at the Climate Change Working Group meeting in February 2022 where a number of changes / suggestions were made. This would be reconsidered at a further working group meeting to take place on 5 May 2022 and then submitted to both the Pension Fund Committee and this Board.

The Board noted the report.

16/21 ITEMS TO INCLUDE IN REPORT TO THE PENSION FUND COMMITTEE
(Agenda No. 9)

It was agreed that there were no significant issues to draw to the attention of the Pension Fund Committee. It was further agreed that the following item be submitted to the next meeting of the Board:

- Annual Report of the Local Pension Board

17/21 EXEMPT ITEMS
(Agenda No. 10)

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

18/21 CESSATION OF SCHEME EMPLOYER
(Agenda No. 11)

The Board noted the agreed approach by the Pension Fund Committee to the Cessation Debt in respect of the cessation employer detailed in the confidential report.

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

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

maintaining the exemption outweighed the public interest in disclosing the information , in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

19/21 PAYMENT OF DEATH GRANT
(Agenda No. 12)

The Board noted the decision of the Pension Fund Committee on the determination of payment of a death grant to a child.

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

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

.... in the Chair

Date of signing ....

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 10 June 2022 commencing at 10.30 am and finishing at 12.15 pm

Present:

Voting Members:	Councillor Bob Johnston – (in the Chair) Councillor Kevin Bulmer (Deputy Chair) Councillor Imade Edosomwan Councillor Sally Povolotsky (Remotely attended)
Non-Voting Members:	Sally Cook (Academy Sector Member) (Remotely attended) Alan Staniforth (Academy Sector Member) (Remotely attended) Steve Moran (Pension Scheme Member) (Remotely attended) District Councillor Jo Robb (District Councils) (Remotely attended)
By Invitation:	Philip Hebson (Independent Financial Adviser) Tom Hoare (Hymans Robertson) Catherine McFadyen (Hymans Robertson)
Local Pension Board Members:	Alistair Bastin (Remotely attended) Stephen Davis (Remotely attended) Elizabeth Griffiths (Remotely attended) Angela Priestley – Gibbins (Remotely attended) Marcia Slater (Remotely attended)
Officers:	Sean Collins (Service Manager Pensions Insurance and Money Management) Sally Fox (Pension Services Manager) (Remotely attended) Gregory Ley (Financial Manager- Pension Fund Investment) Khalid Ahmed (Law and Governance)

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

17/22 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 1)

An apology for absence was submitted by Councillor Eddie Reeves.

18/22 MINUTES
(Agenda No. 3)

The Minutes of the meeting held on 4 March 2022 were approved and signed.

19/22 MINUTES OF THE LOCAL PENSION BOARD
(Agenda No. 5)

The unconfirmed Minutes of the Local Pension Board, which met on 22 April 2022 were noted.

20/22 REPORT OF THE LOCAL PENSION BOARD
(Agenda No. 6)

The Committee was provided with a report of the Local Pension Board which was introduced by Alistair Bastin.

The Committee was informed that there had been no significant issues raised at the Board meeting. Alistair Bastin reported that he had been appointed to the Brunel Oversight Board as a Scheme Member representative.

The report was noted.

21/22 REVIEW OF THE ANNUAL BUSINESS PLAN 2022/23
(Agenda No. 7)

Consideration was given to a report which provided an update on progress against the key priorities set out in the Annual Business Plan for 2022/23.

Review and Improve the Scheme's Data

Members were informed that the two amber actions included completing verification of end of year data and putting together all data required for service KPIs.

Develop a holistic approach to technology across Pension Administration Services

The Committee was informed that there had been some work carried out to identify the additional resources for the project, however, the Project Lead had not been appointed.

A Member referred to the recent workshop where the preference had been to look holistically at a review of technology services. In addition, officers were asked what the implications would be if the appointment of a Project Lead was not made. The Service Manager for Pensions, Insurance and Money Management replied that there was uncertainty regarding what expertise was out there and someone with the required technical skills was required for the post.

The report on the review was needed in sufficient time to enable the Committee to consider whether they would want to re-tender. There was a risk that if an appointment was not made, the procurement process could not take place and the current contract would have to be extended.

Enhanced delivery of Responsible Investment opportunities

Most of this project was underway, however, the recruitment of the Responsible Officer would commence later in June.

Deliver improved and consistent service performance to scheme members

Reference was made to regular performance figures being received each month; however, SLA targets were not being met in a number of areas due to difficulties in recruiting additional staff and a backlog of work.

RESOLVED – That the Committee reviewed the progress against each of the key service priorities as set out in the report.

22/22 ACTUARIAL VALUATION 2022
(Agenda No. 8)

The Fund Actuary presented a report on the 2022 Valuation and sought the agreement of the Committee to the financial and demographic assumptions to be used within the Valuation process.

Reference was made to the key assumptions for the approach to be taken:

Financial Assumptions

The financial assumptions required to be set for the 2022 valuation were as follows:

- Future investment return - It was proposed to increase the prudence level associated with these assumptions from 67% used in the 2019 Valuation to 70%
- Consumer Price Inflation (CPI) - Inflation expectations were expected to be slightly higher (around 0.4% to 0.5% p.a.) than at the 2019 valuation due to the current high economic outlook for inflation in the short term.
- Inflationary salary increases – These were linked to the CPI inflation assumption reflecting sustained local government budgeting constraints over the longer term.
- Longevity assumptions – This was how long was it expected members to live based on death rates. Adjustments would be made to avoid the assumption being skewed by excess deaths due to Covid-19 in 2020 and 2021. Future improvements in longevity would be based on how death would change in the future.
- Other demographic assumptions - This affected the timing and size of the future benefit payments

RESOLVED - That the assumptions recommended by the Fund Officers and Fund Actuary for the 2022 triennial valuation of the Oxfordshire County Council Pension Fund, including the small increase in level of prudence be endorsed by the Committee.

23/22 REPORT FROM THE CLIMATE CHANGE WORKING GROUP

(Agenda No. 9)

This Committee was provided with a summary of the discussions held by the Climate Change Working Group at their meeting on 5 May 2022.

Members were informed that the working group had received a confidential version of the 2022 Global Investor Statement to Governments on the Climate Crisis. It had been agreed that the Statement was consistent with the Oxfordshire Policy and that officers be authorised to sign the Statement on behalf of the Pension Fund Committee under their delegated powers.

A full analysis of the latest carbon metrics report would be considered at the next meeting of this Committee. The Sustainable Equities portfolio had appointed a new Fund Manager who specifically targeted the energy transition, which resulted in higher short term carbon emission figures with the potential for significantly lower emissions in the longer term.

Reference was made to the last meeting of the Committee, where it was asked what the implications were of applying the current engagement policy to the current portfolios.

The Committee was informed that a key point noted by the working group was that the Fund only invested in 51 of the 166 Climate Action+ companies.

The working group was broadly content with the engagement policy as it would enable sufficient challenge to Brunel and the underlying Fund Managers to manage the engagement in a timely manner, consistent with meeting the targets under the current Policy.

Concerns were raised from the analysis that the Climate Action 100+ list did not cover the banks and financial companies associated with financing much of the on-going exploration and development of new fossil fuel reserves.

Members were also informed that the working group noted that the UK as a portfolio had significantly higher exposure to these companies on the Climate Action 100+ companies list.

District Councillor Jo Robb commented that there needed to be stringent criteria adopted to begin to exclude fossil fuel companies from the Fund investments. She expressed concern at the lack of timescales to exclude companies and argued that these should be brought forward to enable exclusion of companies at an earlier point of time. There were still oil companies investing in oil exploration.

Discussion took place on timescales and reference was made to the Engagement Policy which set out a procedure whereby the allocation policy was reviewed annually in March. The Pension Fund Committee had a fiduciary duty to have a good reason to exclude any company. Changes could not happen overnight but would take place over the next five years.

District Councillor Jo Rob asked that the assessment criteria be amended on capital allocation so that it specifically states that the company is aligned to the future capital expenditure with the Paris Agreement goal of limiting global temperature rises to 1.5 degrees centigrade. It was noted that this wording was taken directly from the Climate Action 100+ Assessment Model and any changes would need to go back to Climate Action 100+ for consideration. It was agreed that this would be discussed further by the working group.

RESOLVED – (1) That the progress made to date in the work of the Climate Change Working Group be noted.

(2) That approval be given to the Engagement Policy and Officers be asked to use this as the basis for negotiations with the Brunel company and the other 9 Funds within the Brunel Pension Partnership in developing an Engagement Policy for the Partnership as a whole.

24/22 RISK REGISTER

(Agenda No. 10)

The Committee was provided with a report on the latest position on the Fund's risk register.

Members were informed of progress on certain amber risks.

- Insufficient skills and knowledge on the Committee and Board – In the initial knowledge assessment, it had indicated there was a gap in current level of skills and knowledge
- Implementation of the McCloud remedy – The Government response to the consultation was still awaited. There was still the equivalent risk associated with the Fire Service.

Members discussed the skills and knowledge risk and officers were asked to inform the Audit and Governance Committee of the additional workload Pension Fund Committee and Local Pension Board Members had due to the level of training required. This was picked up as part of the subsequent discussions on the constitution of the Committee.

RESOLVED – That the latest risk register be noted and the Committee accepts that the risk register covers all key risks to the achievement of their statutory responsibilities, and that the mitigation plans, where required, are appropriate.

25/22 ADMINISTRATION REPORT

(Agenda No. 11)

The Committee was provided with a report which updated Members on the key administration issues including service performance measurement, the debt recovery process and any write offs agreed in the last quarter.

In relation to staffing, Members were informed that there had been a further resignation from the Team which meant there were now three vacancies. Six temporary administrative posts had been identified but these would be difficult to recruit to as recruitment was a challenge. Work had taken place with local recruitment agencies; however, they had failed to provide applicants. Also, the timing for recruitment was not ideal as the current contract framework was coming to an end.

The Committee was informed the staffing shortages had caused pressure on staff with a high level of sickness absence adding to the pressures. Progress was being made towards meeting SLA targets, however, statistics indicated that those target level of performance had not been met.

Members discussed the staffing issues, and it was asked that consideration be given to adding the implications of staff shortages to the Risk Register. The Chair said he would discuss this with officers.

An update was provided on complaints with 50 having been received for 2021/22, of which 5 were still open. The biggest area for complaints was members having to give three months' notice to take their pension benefits. This placed pressure on the Team in terms of updating details on IT systems.

Fire Service Pension Member queries had increased but SLA achieved for April was 97.78%.

Members noted that the findings from the Cyber Security workshop would be reported to the next meeting of the Committee.

For Debt Management, there had been little progress in recruiting a person to monitor and chase outstanding payments, although discussions had taken place with Oxfordshire County Council's debt management team on the possible use of their staff time to help.

RESOLVED – (1) That approval be given to the temporary increase to establishment of 6 temporary FTE.

(2) That the Committee agreed that current standards are moving towards an acceptable level, and that the additional staffing sought should address the shortfall in performance.

(3) That approval be given to the write off of £16.78.

(4) That the Committee place on record, their appreciation of the work of the Administration Team during this difficult period.

26/22 CHANGES TO THE CONSTITUTION OF THE PENSION FUND COMMITTEE

(Agenda No. 12)

Consideration was given to a report which set out a revised set of proposed changes to the Constitution of the Pension Fund Committee to those initially agreed in September 2019 and Members were invited to recommend the changes to Council via the Audit and Governance Committee for adoption.

The Service Manager for Pensions Insurance and Money Management outlined the proposed changes to the Committee.

It was proposed that named substitutes of the Committee be appointed to ensure meetings were quorate. These substitutes would have to attain the level of skills and knowledge consistent with the Committee's Training Policy.

Discussion took place on the training requirements for Committee and Local Pension Board Members. It was suggested that in addition to the introductory mandatory course for which all Members must attend, the Training Policy covered a minimum level of specialist or refresher training that each Member should attend. This could be set at 2 days, alongside internal training provided before the quarterly Committee meetings.

Presently, officers within the Pensions Investment Team would circulate suitable courses, including the PLSA Local Authority Conference and Seminar, and the Local Authority sessions run by the LGC. Members would also be free to select specific courses based on a specialist interest.

There was also on-line Learning Academy developed by Hymans Robertson which included a range of pension subjects.

The Committee acknowledged that Members of both the Pension Fund Committee and the Local Pension Board had to undertake an extensive training programme and this should be recognised.

RESOLVED – (1) That the contents of the report be noted.

(2) That approval be given to amend the Governance Policy to mandate all Members of the Committee to complete training in line with the Training Policy as set out in paragraph 18 of the report.

(3) That approval be given to only named substitutes of the Committee being allowed where they have completed training in line with the Training Policy.

(4) That Council be RECOMMENDED via the Audit and Governance Committee to make the appropriate changes to the Terms of Reference and Constitution of the Pension Fund Committee to formalise the new governance arrangements and

(5) That Audit and Governance Committee be asked to review the situation whereby Members of the Pension Fund Committee (and their trained substitute Members) and the Local Pension Board, be considered for an allowance due to the skills and expertise required in carrying out their roles.

27/22 REPORT OF THE INDEPENDENT FINANCIAL ADVISOR

(Agenda No. 13)

The Independent Financial Advisor submitted a report which covered an overview of the financial markets, the overall performance of the Funds' investments against the Investment Strategy Statement and commentary on any issues related to the specific investment portfolios. The report also included the standard quarterly investment performance monitoring reports.

Reference was made to the summary of the report and Members were informed that a number of Brunel funds were having a difficult time. The value of the Fund in the quarter fell to £3.26bn, a decrease of £117m compared to the end December value of £3.38bn.

The Fund produced a return of -3.5% over the quarter, which was -2.3% behind the benchmark. Purely on a single quarter basis performance against benchmark had been disastrous for the active equity portfolios, which have dragged down the 12-month positions with it.

Reference was made to the impact of the Russian invasion of Ukraine, global inflation, rising energy prices had on performance of investments. However, Private Equity had a really good quarter, but more importantly the one year and longer performance periods looked excellent.

Higher inflation would feed through to higher pension payments for next year (possibly 10%) which would need to be taken into consideration for cash flow management. Rising energy prices exacerbated by the Russian-Ukraine conflict impacted on commodities.

The Committee was provided with details of the low points in performance and that scrutiny would be made of Brunel to this effect. Members were informed that Pension Fund officers met with Brunel on a regular basis. It was agreed that Brunel meet with the Committee annually unless there were specific issues that Members wanted to discuss with Brunel.

Officers reported that Brunel's Portfolios were monitored, however, there was an issue about the appropriate level of involvement. It was noted that Brunel were looking at improving reporting to the Committee and it hoped this would occur at the December meeting of the Committee.

RESOLVED - (1) That the Independent Financial Adviser be thanked for the detailed report and the information contained therein be noted.

(2) That it be recommended that the Strategic Asset Allocation Group be asked whether commodities be included in their review.

28/22 EXEMPT ITEMS
(Agenda No. 14)

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

The meeting adjourned at 12.05pm and reconvened at 12.10pm.

29/22 REPORT FROM THE CLIMATE CHANGE WORKING GROUP - EXEMPT ANNEX
(Agenda No. 15)

The Committee received and noted a draft statement prepared by The Investor Agenda and is confidential at this stage until it has been agreed with all potential signatories and formally published

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

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

30/22 ADDITIONAL VOLUNTARY CONTRIBUTIONS - UPDATE
(Agenda No. 16)

The confidential report set out the latest review of the provision of Additional Voluntary Contribution services to the Pension Fund and sought the Committee's views of future arrangements.

RESOLVED – That approval be given to officers exploring the options for the provision of AVC services and a report be requested to the September Committee setting out a recommended course of action.

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

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

maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the Scheme Provider involved and would prejudice the Administering Authority in negotiating new commercial arrangements and therefore their ability to properly discharge their statutory duties and their fiduciary duty to scheme members.

.... in the Chair

Date of signing ....

The Oxfordshire Local Government Pension Scheme (LGPS) Pension Board

All Public Sector Pension schemes were required under the Public Service Pensions Act 2013 to set up a Pension Board with effect from 2015/16 to assist the administering authorities of their Pension Scheme in ensuring compliance with LGPS and other pension regulations.

The Oxfordshire Pension Fund Committee, acting as administering authority of the Oxfordshire LGPS, agreed the terms of reference of the Pension Board in March 2015. These terms of reference are available on the Board's website at https://www.oxfordshire.gov.uk/cms/content/lgps-local-pension-board .

Under the constitution of the Board, an annual report on the work of the Board should be produced by the Board for inclusion in the Fund's own annual report; and it should be presented to the Pension Fund Committee within 6 months following the end of the municipal year. This report meets that requirement for the 2021/22 financial year, covering the work from the July 2021 Board meeting to their meeting on 22 April 2022.

Board Membership

The Board started the year with a vacancy for one scheme employer representative following the resignation of Lisa Hughes immediately before the April 2021 meeting. A further vacancy was created following the County Council elections in May 2021 which led to Cllr Bob Johnston being appointed as Chairman of the Pension Fund Committee, which meant he was required to step down from the Board.

Following receipt of three expressions of interest, interviews were held with the Chair and Vice Chair of the Pension Fund Committee and the Head of Pensions and Elizabeth Griffiths from West Oxfordshire District Council and Marcia Slater from Vale of White Horse/South Oxfordshire District councils were appointed to serve on the Board. Attendance at Board meetings was as follows:

	Attended 9 July 2021 Meeting	Attended 22 October 2021 Meeting	Attended 21 January 2022 Meeting	Attended 22 April 2022 Meeting
Scheme Employer Representatives				
Elizabeth Griffiths (West Oxfordshire District Council)	N/A	Yes	Yes	No
Angela Priestley-Gibbins (The Thera Trust)	Yes	Yes	Yes	Yes
Marcia Slater (Vale of White Horse/South Oxfordshire District Councils)	N/A	Yes	Yes	Yes
Scheme Member Representatives				
Stephen Davis (Oxford City Council & Unite)	Yes	Yes	Yes	Yes

Alistair Bastin (Oxfordshire County Council & Unison)	Yes	No	Yes	Yes
Sarah Pritchard (Brookes University)	Yes	Yes	Yes	No

All meetings were chaired by the Independent Chairman, Matthew Trebilcock, the Head of Pensions from the Gloucestershire Pension Fund. Cllr Bob Johnston regularly attended the meetings of the Board in his capacity as Chairman of the Pension Fund Committee as part of the arrangements agreed within the Governance Review to improve communications between the Committee and Board. Angela Priestley-Gibbins, Elizabeth Griffiths, Marcia Slater, Alistair Bastin and Stephen Davis all regularly attended the Pension Fund Committee as observers, with one of them presenting the report of the Board to the Committee. Board Members were also regular attenders at the training events run through the year, to which all Committee and Board members were invited.

With the agreement of the Independent Chairman and members of the Board, all meetings of the Board during 2021/22 were held virtually. As the Board was set up under separate legal provision from the other County Council Committees, there is no legal requirement for meetings to be held in person.

Work Programme

At their July 2021 meeting, the Board agreed their annual report for the 2020/21 financial year. The agenda also included the standard items of the draft minutes of the most recent Pension Fund Committee, the Review of the Annual Business Plan, the Risk Register and the Administration Report. The Board continued to express their concerns about the levels of skills and knowledge on the Committee, reflecting the fact that there were 6 new members on the Committee, reflecting the new Constitution and the changes as a result of the May 2021 election results. The Board were keen to see the development of a comprehensive training programme for the new Committee. The July meeting also received a report on the investment management fees paid by the Fund over the last 3 years alongside information on investment performance during this period. The Board noted the complexity of the information presented and encouraged the Committee to review the information to ensure they were receiving value for money in respect of the fees paid to active managers.

The October Board meeting was the first attended by the new members Elizabeth Griffiths and Marcia Slater. The Board considered the actions agreed by the Pension Fund Committee in response to the Independent Governance Review. In particular, the Board asked for clarifications in respects of the new Fund specific Conflicts of Interest Policy, and how it related to their role as scheme member and scheme employer representatives. The Board again highlighted the importance of a comprehensive training programme and welcomed the proposal for robust arrangements to ensure adherence to the training policy.

The Board received the first report produced in line with the Taskforce for Climate-related Financial Disclosures (TCFD) template. The Board offered their congratulations to the Officers both for producing the report in advance of the statutory requirements and for the positive results set out in the report. As part of their review of the standard items on the annual Business Plan, Risk Register and Administration Report, the Board suggested amendments to the Risk Register to reflect the potential loss of skills and knowledge given the turnover of Board membership.

The January meeting of the Board focused on the standard items associated with the Annual Business Plan, Risk Register and Administration Report. The Board considered the initial priority areas identified as part of the initial planning for the workshop on the 2022/23 Business Plan and asked that cyber security be added to the list of priorities. The Board also suggested amendments to the Risk Register to ensure this properly reflected the risks related to cyber security.

The April meeting of the Board received the standard items in respect of the Annual Business Plan, Risk Register and Administration Report. The main concerns raised by the Board under these items were the on-going issues of recruiting sufficient skilled and experienced staff to work in the Pensions Administration Teams, particularly in light of the increasing pressures associated with McCloud.

The April meeting also considered the new Engagement Policy aimed to provide robust timelines around moving all investee companies to become Paris aligned, starting with the Climate Action 100+ companies who are responsible for around 80% of the current emissions. The Board noted the role played by Alistair Bastin as the Board's representative on the Climate Change Working Group.

Finally the April meeting reviewed two exempt reports received by the Committee relating to operational policy decisions to provide assurance that the Committee were acting in accordance with their statutory responsibilities.

Future Work Programme

A key area for the Board to consider during 2022/23 will be the tri-ennial valuation of the Fund as 31 March 2022. The Board will be invited to feed in comments into the review of the Funding Strategy Statement which will determine the principles to be followed in the valuation.

The Board will also maintain its focus on the standard administration report, review of the annual business plan and the risk register to ensure that the Committee is able to meet its statutory duties. A key element of this will be for the Board to review the long awaiting Government consultation on the future of the LGPS which is expected later in 2022, and due to cover the future direction of pooling, climate related reporting, McCloud and the levelling up agenda.

The Board will maintain its focus on the future Governance arrangements for the Fund and will work closely with the new Governance and Communications Team Leader to review the existing governance arrangements in light of best practice and the Government's response to the Good Governance Review undertaken by Hymans Robertson for the Scheme Advisory Board.

Finally the Board will continue to be involved in the implementation of the Fund’s Climate Policy and the Climate stocktake to be undertaken by the Brunel partnership.

Board Members Training 2021/22

Appendix

Alistair Bastin	Brunel Investor Day - Session 2	6th October 2021
Alistair Bastin	LAPFF Conference	8th to 10th December 2021
Alistair Bastin	LGPS Governance Conference	20th to 21st January 2022
Angela Priestley-Gibbins	Brunel Investor Day - Session 2	6th October 2021
Elizabeth Griffiths	Brunel Investor Day - Session 1	27th September 2021
Elizabeth Griffiths	Brunel Investor Day - Session 2	6th October 2021
Marcia Slater	Fundamentals training - Day 2	9th November 2021
Marcia Slater	Fundamentals training - Day 3	2nd December 2021
Marcia Slater	LGPS Governance Conference	20th to 21st January 2022
Stephen Davis	Brunel Investor Day - Session 2	6th October 2021
Stephen Davis	LAPFF Conference	8th to 10th December 2021

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Division(s): n/a

ITEM

PENSION FUND COMMITTEE – 10 JUNE 2022

REVIEW OF THE BUSINESS PLAN 2022/23

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to

a) review progress against each of the key service priorities as set out in the report; and

b) agree any further actions to be taken to address those areas not currently on target to deliver the required objectives.

Introduction

1. This report sets out the latest progress against the key service priorities set in the business plan for the Pension Fund for 2022/23 as agreed by the March meeting of this Committee.

2. The key objectives for the Oxfordshire Pension Fund as set out in the Business Plan for 2022/23 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.

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

Key Service Priorities – Progress to Date

4. There were 4 service priorities included in the 2022/23 Plan each with a number of key measures of success. The latest position on each is set out in the paragraphs below. The assessment criteria agreed by the previous Committee for each measure of success is as follows:

    - Green – measures of success met, or on target to be met

- Amber – progress made, but further actions required to ensure measures of success delivered, or degree of progress/future requirements unclear
- Red – insufficient progress or insufficient actions identified to deliver measures of success

5. <u>Review and Improve the Scheme's Data</u> The position against the 5 agreed measures of success are set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Data Quality scores submitted to the Pension Regulator within acceptable bounds and no follow up action. AMBER	Initial reports run from new Insights functionality. Queries on report referred to Supplier. Data is in the process of being checked as part of the end of year processes.	Complete verification of end of year data. Re-run provisional data quality reports. Identify any corrective actions before final submission.
Valuation completed with data signed off as fit for purpose and scheme employers raising no concerns with outcome. GREEN	End of Year Returns received from employers and in process of being verified.	End of year processes to be completed and data submitted to Actuary.
Data of a standard to support delivery of all service KPI's as reflected in quarterly performance reports. AMBER	Limited development of reports to date.	More extensive use of new Insights Reporting tool to deliver full suite of performance reports and enable data quality to be assessed.
No data security breaches reported. GREEN		
Cyber Security Policy is updated (where required) with clear information on roles and responsibilities. GREEN	Cyber Security Workshop held with attendees from Pensions, ICT and Information Management.	Report on Outcome of Workshop to be presented to the June Committee. Action Plan from Workshop to be delivered.

6. Whilst we are only 2 months into the year, a lot of work has already been completed in this area enabling the Green assessment to be given on 3 of the 5 measures of success. The two amber scores reflects a lack of information to assess the current position and the amount of outstanding work, rather than any real concerns at this time that the objectives will not be delivered.

7. As noted in the Business Planning Workshop, the data quality threshold for the Valuation submission is lower than that required for the Data Quality submissions and the calculation of the pension benefits for individual scheme members. There is no evidence from the end of year work to date to suggest that the data submission for the 2022 Valuation will not be of sufficient quality. However, we need to complete more of the end of year verifications and run provisional data quality reports to be assess the data against the higher standards expected by the Pension Regulator.

8. The issues around cyber risk and data quality are covered in more detail elsewhere on today's agenda as part of the Administration report.

9. <u>Develop a holistic approach to technology across Pension Administration Services.</u> There were 3 specific measures of success set out in the 2022/23 Business Plan in respect of this priority. The progress against these in set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Committee Decision on whether to extend current contract and tender for bolt on solutions as appropriate to deliver full specification, or to run full tender exercise for single holistic solution. AMBER	Initial discussions held to identify a project lead.	Project Lead appointed. Full system specification developed. Review of current offerings on the LGPS National Procurement Framework to assess value in running tender at this time.
Tender project plans agreed consistent with the end date of the current system contract. AMBER		Dependent on outcome of work above.
Clear targets established for increase in on-line completion of services. AMBER		

10. Whilst there has been some initial work to identify the additional resources needed to carry out the holistic review of our technology requirements, insufficient progress has been made to be able to confirm we are on track to meet the deadlines associated with the procurement requirements if the option to re-tender the service is selected. The project is therefore Amber at the present time.

11. Enhanced Delivery of Reponsible Investment responsibilities. There were 5 measures of success set for this service priority within the Business Plan, and progress against these measures is set out below.

Measure of Success	Key Progress Achieved	Outstanding Actions
RI Officer in post GREEN	Job Description agreed and role submitted for Job Evaluation	Recruitment Exercise and appointment.
Engagement Policy signed off and reflected in overall Engagement Policy agreed by Brunel Pension Partnership. GREEN	Policy and potential impact on existing investments presented to the Climate Change Working Group. Policy shared with colleagues within Brunel, and confirmation that broadly in line with Brunel's preferred approach.	Sign off Policy at June Committee. On-going discussions with Brunel and partner funds to develop single Brunel approach.
Improved quarterly reporting in place to both Committee and on Fund webpages, including wider ESG targets and performance measures, reflected in positive feedback from all stakeholders. GREEN	Initial presentation by Brunel of new reporting being developed for the Private Markets.	Need to work alongside Brunel to draft new reports to ensure they meet our requirements. Appointment of new RI and Communication resources to enable development of website reporting.
Successful application in respect of Stewardship Code. AMBER		Appointment of new Responsible Investment Officer. Full application completed and submitted
Revised Funding Strategy Statement and Investment Strategy Statement including revised Strategic Asset Allocation signed off at March 2023 Committee. GREEN		To be reviewed alongside 2022 Valuation.

12. Work has continued on a number of fronts against this objective. It is hoped that the recruitment for the new Responsible Officer will begin later in June,

following confirmation of the grade at the Job Evaluation Panel at the beginning of the month.

13. The Climate Change Working Group has met again and a report from their meeting is elsewhere on today's agenda, including the final version of the Engagement Policy with the recommendation that this forms the basis of our discussions with Brunel and the other 9 partnership Funds. As part of the recent Climate Stocktake session with Clients, Brunel presented their own initial thoughts on their future Engagement Policy which were broadly consistent with our proposed policy. The main area of difference was in respect of escalation timescales which were not included in the Brunel presentation, and are subject to further discussion.

14. At the same Stocktake session, Brunel also presented some initial draft reports on portfolios which provided a breakdown of current green revenues and positive impacts. Whilst more work needs to be completed to understand the basis of these reports, the early indications are that they will enhance the current responsible investment reporting and allow greater scrutiny of the extent that existing portfolios are aligned to our Investment Policies.

15. The one area shown as Amber against this objective relates to a successful application in respect of the Stewardship Code. This work does require the successful appointment of the additional resources, and it is clear from other Funds who have already completed the process there is a lot of work involved. At this stage therefore it is not possible to confirm the target can be met this financial year.

16. Deliver improved and consistent service performance to scheme members. Progress against the 3 measures of success for this service priority are set out below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Services delivered to SLA Standards consistently throughout the year. RED	April's performance figures below SLA targets in a number of cases.	Recruit additional staff. Clear remaining backlog of work.
All services delivered in line with regulatory guidance with scheme changes implemented in accordance with stipulated timescales. AMBER		Final guidance received from Government on TCFD, Pooling and McCloud. Review of current arrangements and data against new requirements. Action Plan developed, additional resources

		required and plan delivered.
Scheme Member Engagement Policy adopted and positive feedback collected from scheme members. AMBER		New communications Officer appointed. Review of what scheme member engagement has worked well elsewhere. Engagement Policy developed and implemented.

17. The Administration report elsewhere on today's agenda presents the latest performance information and shows that in April, performance remained below the Service Level Agreement (SLA) targets on a number of measures. As the objective for this year was to deliver consistent service at target or above every month, we have scored this indicator red. Going forward, if we are successful in recruiting the additional staffing as set out within the Administration report elsewhere on today's agenda, performance standards should be increased and brought back into line with the SLA.

18. The measure of success around successful management of scheme changes is currently amber as the Government have again delayed the publication of the long awaited consultation which includes guidance on pooling in general, the implementation of the Task Force on Climate related Financial Disclosures (TCFD) template, and the implementation of the McCloud remedy In the absence of the detailed guidance it is not possible to assess the level of work involved and whether we have sufficient staffing to complete it, and whether we have all the data we need from scheme employers, and other LGPS Funds where scheme members have transferred into Oxfordshire during the transition period of 2014 to 2022.

19. The measure of success against the engagement policy with scheme members is also amber reflecting the challenges experienced in this area to date, and the need to appoint to the additional communications officer post to take forward the work to review best practice elsewhere and develop a new Policy for Oxfordshire.

20. Part C of the Business Plan sets out the Fund's budget for 2022/23 which totals £17,720,000. It is too early into the financial year to identify and significant variations to the approved budget

21. Part D of the Business Plan sets out the Training Plan for Committee and Pension Board Members. Training sessions associated with the 2022 Valuation have been built into the timetable for this year including the pre-committee training this morning. We will be reviewing the attendance of members at training in future reports including compliance with the mandatory training requirements if these are approved as part of today's meeting.

Lorna Baxter
Director of Finance

Contact Officer
Sean Collins
Tel: 07554 103465

May 2022

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Division(s): n/a

ITEM

PENSION FUND COMMITTEE – 10 JUNE 2022

RISK REGISTER

Report by the Director of Finance

RECOMMENDATION

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

Introduction

2. Previously, the Committee has 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 sets out the current risk scores in terms of impact and likelihood, and a target level of risk and a mitigation action plan to address those risks that are currently not at their target score. 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. 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 22 April 2022, the Pension Board considered the latest risk register and considered that no further amendments were required at this time.

Latest Position on Existing Risks/New Risks

6. There remain four Amber risks on the current risk register. Three of the Amber risks relate to the skills and knowledge of the key groups involved in the administration of the Pension Fund, namely the members of the Committee, members of the Local Pension Board and the Pension Fund Officers.

7. In respect of the Pension Fund Committee, there is a report elsewhere on the agenda which seeks to re-affirm the previously agreed proposal to recommend

Council to amend the Constitution to require a minimum level of training to be undertaken by all members of the Committee and any potential substitutes. If adopted, this change would be supported by the annual knowledge and skills assessment using the Hymans Robertson framework, with any issues of non-engagement with the training programme and low assessment scores referred to the appropriate appointing person/body. Over time this should drive up the skills and knowledge of the Committee and bring the risk score to target.

8. The mitigation for the risks of insufficient skills and knowledge on the Local Pension Board is similar, although the requirement for all Board Members to have the appropriate skills and knowledge is set out in the legislation which established the Board.

9. As noted in the March report, the risk of insufficient skills and knowledge amongst the Pension Fund Officers was raised due to the increased demands on Officers from statutory changes to the scheme, and as reflected in the Funds Annual Busines Plan for 2022/23. Whilst the Committee has agreed budget provision for additional resources, including the use of staff from 3rd party agencies, as set out in the administration report elsewhere on the agenda, it remains challenging to recruit to all positions.

10. The final amber risk relates to the implementation of the McCloud remedy and whether the Fund will have sufficient resources to undertake the necessary work, and whether all employers will be able to provide the necessary data where not already held by the Fund. Until we receive the amendments to the LGPS Regulations and any appropriate guidance to deliver the remedy it is difficult to assess the full extent of this risk or put in pace a full mitigation plan

11. The risk score for the related risk regarding the implementation of the remedying legislation for the fire-fighters pension schemes was moved to green last quarter following the decision to implement the Immediate Detriment Framework as far as we are able. It should be noted that subsequent to that decision a further communication was received from the National Fire Chiefs Council which stated they could not support the implementation of the Immediate Detriment Framework given the legal risks associated with doing so, whilst acknowledging there were also legal risks of not doing so, and it was for each Fire Authority to make their own decision. The letter was discussed with the Chairman and Vice-Chairman of the Committee and it was noted that no new risks had been identified in the correspondence and that based on the balance of risk, the previous decision to implement the Framework remained appropriate for Oxfordshire.

12. The level of risk associated with this decision is difficult to assess until we have the final remedying legislation and is currently not fully reflected in the Risk Register. It should be noted though that a number of Fire Authorities are in a similar position to Oxfordshire, and any failure by the Government to address the issues caused by their delays in bringing forward the remedying legislation is likely to be subject to further challenge.

Lorna Baxter
Director of Finance

Contact Officer: Sean Collins
Tel: 07554 103465 May 2022

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Risk Register

Identification of Risks:

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

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

Key to Scoring

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

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 – Business as Usual	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	May 2022	At Target
2	Investment Strategy not aligned with Pension Liability Profile	Financial – Business as Usual	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	1	4	↔			4	1	4	May 2022	At Target
3	Investment Strategy not aligned with Pension Liability Profile	Financial – Business as Usual	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	May 2022	At Target
4	Under performance of asset managers or asset classes	Financial – Business as Usual	Loss of key staff and change of investment approach at Brunel or underlying Fund Managers.	Long Term - Pension deficit not closed.	Financial Manager	Quarterly assurance review with Brunel. Diversification of asset allocations.	3	2	6	↔			3	2	6	May 2022	At Target
5	Actual results vary to key financial assumptions in Valuation	Financial – Business as Usual	Market Forces	Long Term - Pension deficit not closed.	Service Manager	Actuarial model is based on 5,000 economic scenarios, rather than specific financial assumptions.	3	2	6	↔			3	2	6	May 2022	At Target
6	Under performance of pension investments due to ESG factors, including climate change.	Financial – Business Plan Objective	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	1	4	↔			4	1	4	May 2022	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		
7	Loss of Funds through fraud or misappropriation.	Financial – Business as Usual	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	May 2022	At Target
8	Employer Default - LGPS	Financial – Business as Usual	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	May 2022	At Target
9	Inaccurate or out of date pension liability data – LGPS and FSPS	Financial & Administrative – Business Plan Objective	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	May 2022	At Target
10	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative – Business Plan Objective	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	May 2022	At Target
11	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative – Business Plan Objective	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	May 2022	At Target
12	Insufficient resources to deliver responsibilities- – LGPS and FSPS	Administrative – Business as Usual	Budget Reductions	Breach of Regulation	Service Manager	Annual Budget Review as part of Business Plan.	4	1	4	↔			4	1	4	May 2022	At Target
13	Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Governance – Business Plan Objective	Poor Training Programme	Breach of Regulation. Loss of Professional Investor Status under MIFID II	Service Manager	Training Review	4	2	8	↔	Training Programme put in place on review of new Committee requirements.	September 2022	4	1	4	May 2022	Initial Knowledge Assessment score of 37.92 indicates significant gap in current level of skills and knowledge. Subsequent loss of experienced member.

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		
14	Insufficient Skills and Knowledge amongst Board Members	Governance – Business Plan Objective	Turnover of Board membership	Insufficient Scrutiny of work of Pension Fund Committee leading to Breach of Regulations	Service Manager	Training Policy	4	2	8	↔	Training Programme in place and targeted to gaps in skills and knowledge of Board		4	1	4	May 2022	Initial Knowledge Assessment score for Board 60.42 indicating gap in current level of skills and knowledge.
15	Insufficient Skills and Knowledge amongst – LGPS and FSPS Officers	Administrative – Business as Usual	Poor Training Programme and/or high staff turnover	Breach of Regulation and Errors in Payments	Service Manager	Training Plan. Control checklists. Use of staff from 3rd party agencies	3	2	6	↔			3	1	3	May 2022	Proposed Business Plan for 2022/23 depends on appointment of a number of new posts.
16	Key System Failure – LGPS and FSPS	Administrative – Business as Usual	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme, and Cyber Security Policy	4	1	4	↔			4	1	4	May 2022	At Target
17	Breach of Data Security – LGPS and FSPS	Administrative – Business as Usual	Poor Controls	Breach of Regulation, including GDPR	Pension Services Manager	Security Controls, passwords etc. GDPR Privacy Policy and Cyber Security Policy.	4	1	4	↔			4	1	4	May 2022	At Target
18	Failure to Meet Government Requirements on Pooling	Governance – Business Plan Objective	Inability to agree proposals with other administering authorities.	Direct Intervention by Secretary of State	Service Manager	Full engagement within Brunel Partnership	5	1	5	↔	Review once Government publish revised pooling guidance.	TBC	5	1	5	May 2022	At Target
19	Failure of Pooled Vehicle to meet local objectives	Financial – Business Plan Objective	Sub-Funds agreed not consistent with our liability profile.	Long Term - Pension deficit not closed	Service Manager	Full engagement within Brunel Partnership	4	1	4	↔		On-going	4	1	4	May 2022	At Target
20	Significant change in liability profile or cash flow as a consequence of Structural Changes	Financial – Business as Usual	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 key projects to ensure impacts fully understood	4	1	4	↔	Need to Review in light of current Government consultation to switch HE and FE employers to Designating Bodies.	TBC	4	1	4	May 2022	At Target
21	Insufficient Resource and/or Data to comply with consequences of McCloud Judgement	Administrative – Business Plan Objective	Significant requirement to retrospectively re-calculate member benefits	Breach of Regulation and Errors in Payments	Pension Services Manager	Engagement through SAB/LGA to understand potential implications and regular communications with scheme employers about potential retrospective data requirements.	4	3	12	↔	Establish project plan. Respond to consultation, and work with SAB to seek guidance on mitigating key risks where data not available. Look to bring in additional resources.	On-Going	2	2	4	May 2022	Awaiting Government response to consultation exercise on new Regulations to assess full impact.

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**		
22	Legal Challenge on basis of age discrimination in Firefighters Pension Schemes	Legal & Administrative – Business Plan Objective	Pressure from Fire Brigades Union to act in advance of new Regulations	Court Order to deliver remedy	Pension Services Manager	Seeking to follow consistent approach in line with Scheme Advisory Board guidance.	4	1	4	↔			4	1	4	May 2022	At Target.
23	Loss of strategic direction	Governance – Business Plan Objective	Loss of key person	Short term lack of direction on key strategic issues	Director of Finance		2	2	4	↔			2	2	4	May 2022	At Target.

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PENSION FUND COMMITTEE – 10 JUNE 2022

ADMINISTRATION REPORT

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to**

a) approve the temporary increase to establishment of 6 temporary FTE
b) agree that current standards are moving towards an acceptable level, and that the additional staffing sought should are reasonable to address the shortfall in performance.
c) agree the write off of £16.78

Executive Summary

2. This report updates the Committee on the key administration issues including the iConnect project, service performance measurement and any write offs agreed in the last quarter.

Administration

Staffing

3. As reported last quarter the previous recruitment process to appoint 4 new administrators was not wholly successful and so further recruitment needs to be undertaken. In addition to these vacant post officers have reviewed requirements to deliver the work set out in the business plan against current staffing levels and determined that the establishment will need to be temporarily increased by a further 6 FTE as follows:

- 2 FTE to deal with McCloud
- 1 FTE for AVC review
- 1 FTE to work in employer team
- 2 FTE to work in benefit administration team

4. Work has started on recruitment using traditional recruitment methods but given the lack of response to the last two advertisements officers have also looked at using a recruitment agency. Unfortunately, this was no more successful in that only one candidate was identified and having agreed arrangements decided, on the morning that they were due to start, that the job was not right for them.

5. The other option which is being explored is using a third-party provider. At the time we approached the framework it was just coming to an end and so there

was insufficient time left to procure staff through this method. Another framework is due to be launched, in May, and we are waiting for details of this framework to be published.

6. The team is also carrying two vacancies for administration assistants and advertisement of the roles has generated one response. An interview is currently being arranged so, again a similar situation to above.

7. It should also be noted that there are some individual issues of under performance in the team which are being actively managed.

8. On the plus side one of our senior administrators has been appointed to job share the team leader role.

Performance Statistics

9. The number of outstanding returns to be vetted for 2021/2022 stands at 19.80% as these must be completed ahead of the submission of the valuation data they are being picked up and cleared as part of the end of year process. In addition, 0.59% of returns are for scheme employers still in the admission process.

10. The number of tasks to do in the employer team has risen in the last month by a further 701 cases to 1726. This increase is attributable to the pay award in March and back dated to April 2021. All outstanding tasks are being cleared as part of the end of year process.

11. There are 27 admission agreements to be finalised of these the majority have stalled towards end of process when new employer is required to provide contact details and details of their discretionary policies. The team leader is looking at ways to remove any issues causing these admissions to stall.

12. At the last meeting of this committee members agreed that the benefit team could continue working to a reduced SLA standard until March 2022. However, this committee did not want to continue with reduced SLA standards after March 2022. This was confirmed at the recent strategic planning meeting in February, with the committee acknowledging that additional resources may well be required to meet normal SLA. The current statistics below are showing progress towards meeting SLA, but unfortunately indicate that we have not yet met our target level of performance:

	SLA Overall %	Statutory Overall %	Total Cases Completed
April	57.14	54.22	1365
May	67.83	64.01	1085
June	69.37	65.12	1536
July	74.88	62.91	2047
August	91.47	73.73	1804
September	86.97	68.81	1682
October	82.87	69.49	2064

November	84.79	79.75	1789
December	85.01	82.03	1316
January	85.54	90.75	1363
February	87.01	78.83	1490
March	88.67	94.69	1892
April	82.67	93.50	1274

Annex 1 gives full breakdown of the statistics.

13. Looking at the individual subjects there is an overall drop around estimates, transfers and leavers. There are several contributing factors to not meeting SLA including.

- There were a number of Administrators on annual leave for half term, which coincided with payroll deadline so most available administrators and senior administrators focused on payments being made on time, leaving other subjects behind. Changes within the team will limit numbers of people off at any one time.
- Managers have realigned teams moving some subjects around based on training and ensuring enough cover, meaning there are a lot of administrator training and further support for queries needed. Error rates are higher, so recalculations are necessary all of which contribute to the files taking longer to process and falling out of SLA. This is being addressed with senior administrators making more time to support administrators, and with practice and good support this will decrease meaning statistics will improve as administrators become more competent in their subject field.
- Managers are looking at the Altair system and team processes particularly around pending cases where further information is required as this has also been a contributing factor to cases falling out of specification. Focus is on areas where cases can be closed down thereby reducing administrator time on chasing information which is not essentially required but has been requested. This will give team more time to focus on cases which are required and have a clear escalation process so that cases keep moving and are completed as opposed to sitting as an outstanding task waiting for information or decisions. This is an ongoing process which will take some time but will contribute to the improvement to our performance.

14. Additionally, the inability to recruit staff, even on a temporary basis and the ongoing training to ensure that all subjects can be covered are also factors. The training plan is detailed at Annex 2, And, as noted above work is continuing to address the recruitment issue.

Complaints

15. For the year 2021/2022 the team received 50 informal complaints of which 5 remain open. The reasons for these complaints can be summarised as:

- Having to give 3 months' notice of intention to take pension (regulatory requirement)
- Not being regularly updated of progress with case
- Use of egress in sending emails
- Additional contributions

16. In addition, there are the formal complaints received by the fund. There is one outstanding case where a member feels that the information provided on fund's website was misleading and inconsistent with how the regulations are being applied to payment of pension benefits.

17. Fire Service

Immediate Detriment calculations were done in April, and member queries increased, leading to some cases falling out of specification. It is anticipated that team will be back in specification by end of the month.

	SLA Overall %	Statutory Overall %	Total Cases Completed
April	77.68		49
May	83.93		41
June	89.12		56
July	91.25		52
August	92.19		36
September	93.33		70
October	88.89		42
November	98.15		45
December	100.00		52
January	98.61		29
February	100.00		39
March	99.31		56
April	97.78		47

18. As at the end of April there are 29 open cases – these will be completed by 31 May at the latest. Member enquiries have increased due to the ongoing changes to the schemes and a future backdating exercise for on-call firefighters.

Data Quality

Common Data

Scheme	Total records tested	Records without a fail	Pass Rate	TPR Pass Rate
001 + 101	92260	84599	91.7%	94.3%

19. This compares to 2021 figures of 99% (91.7%) and TPR 95.6% (94.3)

Scheme Specific Data

Scheme	Total records tested	Records without a fail	Pass Rate	TPR Pass Rate
001 + 101	116814	78497	93.14%	97.87%

20. This compares to 2021 figures of 98.5% (93.14%) and TPR 97.8% (97.87). This is the first time of running these reports using Insights which has raised some queries which we are discussing with the system provider.

Contribution monitoring

21. This process sits within the Investment team who monitor incoming payments by scheme employers to ensure that the correct contributions are received by 19th month following payroll. There have been some late payments of contributions, mainly by smaller scheme employers. No fines have been issued.

22. As reported during the last two quarters APCOA was reported for being consistently late in making payment. Payment has now been received for both 2020/2021 and 2021/2022. A reminder has been sent for the payment due in April for 2022/2023.

Projects

23. The work that has, so far been identified as project work is:

- Historical death cases where there is outstanding information which is needed to enable files to be finalised. This work is being scheduled as a project.
- AVC – review of data held by Fund vs data held by Prudential
- A2P – review of processes to incorporate these changes
- Review of pension software. Discussions have taken place with Hymans who are able to help with the initial planning of the project and gap analysis. Officers are also looking to identify any alternative providers for this process.
- The I-connect project is in the final stages. Oxfordshire County Council has now submitted the first live data file. The data is being monitored as this file is processed given that this is our largest scheme employer.
- Cyber security review – Hymans have reviewed both the funds and county documents. And initial training session for the whole team was held in early May and this was followed up by a workshop late in May for fund officers; ICT and OCC data management to explore the fund's business continuity plan in the event of a cyber incident and to explore the policies and procedures in place which are designed to reduce the likelihood or impact of a cyber event occurring.

Cyber Security

24. The findings from the workshop were:

- The Fund has a business continuity plan which contains basic details of the key fund contacts who would be decision-makers if the business continuity plan was invoked. However, consideration should be given to updating the plan to provide more explicitly for cyber-attack. The current plan is focussed on more traditional continuity events, such as fire of flood.

- Many basic cyber controls are contained within the Council policies reviewed by Hymans Robertson. These policies were known to the participants from the Fund, but they were not always acknowledged as part of the Fund's cyber response approach.

- Additional protections are provided to the Fund by the Council Technology and Information Management Teams, but these are not always documented clearly or acknowledged as part of the Fund's cyber response.

- Additional assurance or reporting may be available to the Fund from the Council Technology and Information Management Teams in relation to the steps by them to safeguard systems and monitor suppliers.

- Additional actions should be considered within the Fund to improve restricted access to information and reduce key man risk in relation to systems knowledge.

25. The next actions are

    - Hymans Robertson are creating a document to consolidate the Fund's current approach to cyber risk which should assist with future training and assurance checking.

    - Regular meetings will be arranged with the Council Technology and Information Management teams to confirm the full suite of controls operated to the benefit of the Fund. Improved assurance information should then be made available to the Fund.

    - The Fund will review its own compliance with the relevant policies and take the self-identified steps in relation to information access management and systems training.

    - Regular review of the Fund's Risk Register should include consideration of the impact of the completion of these actions.

26. The document and update on actions taken will be brought to the next meeting of this committee.

<u>Debt Management</u>

27. Since last quarter there has been little progress in finding person to monitor and chase outstanding payments. Since it has not been possible to directly recruit discussions have taken place with OCC debt management team to see if pension services could use a proportion of their staff time to carry out this role. This has been agreed in principle, but OCC debt management team have yet to recruit.

28. The total of outstanding invoices amounts to £52,940.85, which is a reduction of £947.72.

29. There have been four deaths in the quarter where payroll adjustments cannot be recovered amount to a write off £16.78

Data breaches

30. The fund's AVC provider sent the monthly schedule of changes and new contributions to another fund. Officers were made aware of this due to being copied in to email correspondence from the other fund to our (shared) AVC provider.

31. The breach was reported internally, and officers questioned our AVC provider as to how and why this happened. The initial response, which took some 10 days to receive was insufficient and further questions have been raised but, at the time of writing this report, no reply has been received.

Scheme Member Services

Website

32. Visits to the website have increased steadily over the last 10 months, with a slight dip in April.

	Feb 22	Mar 22	April 22
Home page unique views	652	706	629
Member pages views	2011	2396	2307
Employer pages views	338	386	404
Overall	3001	3488	3349

33. Other work undertaken includes

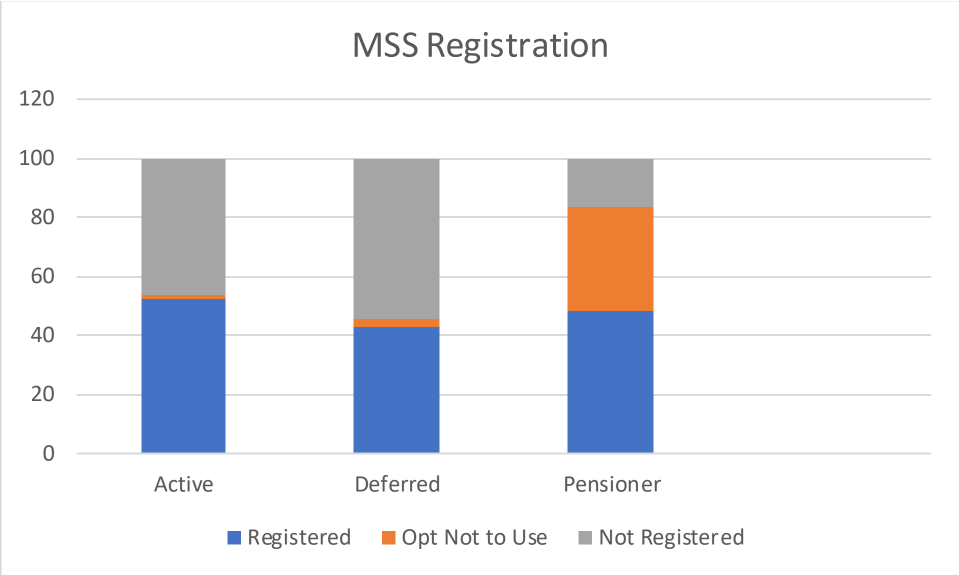
- Reporting Pensions – the Spring edition of Reporting Pensions is due to be published and circulated in the first half of May

- Member talks – Two member talks in February and April, both of which took place in person: St Nicholas Primary school Marston (approx. 20 attendees), and Mill Academy Trust (approx. 25 attendees)

- Customer survey – the customer survey has been suspended while we investigate an approach which may elicit better response levels.

- Bulk emails – 17,586 emails sent out to members via bulk email facility

- Member self-services sign up



Scheme Employer Services

- Introduction to the LGPS – we have held two Introduction to the LGPS training in the last three months February 2022 (3 attendees) and March 2022 (5 attendees) – from a cross section of employers

- Employer Meeting – the March 2022 employers' meeting was cancelled due to lack of compelling agenda items

- Talking Pensions – the monthly employer newsletter was sent out on 28 February, 31 March and 29 April to approximately 220 employer contacts.

- In line with the administration strategy fines have been issued to Activate Learning for late returns. A newly appointed payroll manager is now working with pension services to ensure there is no future recurrence of this issue. Two fines have also been issued to Macintyre Academy for late information. As a result are now reviewing their outsourcing contact with their payroll supplier.

Contact Officer: Sally Fox - Pension Services Manager - Tel: 01865 323854
Email: sally.fox@oxfordshire.gov.uk May 2022

Benefit Adminisation Monthly SLA

Subject	Standard SLA Target	April 2022						
		Total Number Completed	Total Completed Within Target	Total Completed Over Target	% Achieved in SLA deadline	Up / Down / Same against previous month	% Achieved in Legal deadline	Number of Open Cases
Annual Allowance	**90%**	4	4	0	100.00	Up		5
APC	**90%**	13	12	1	92.31	Down		7
Assistants* **	**90%**	171	169	2	98.83	Up		138
Concurrents	**90%**	33	21	12	63.64	Down		120
Deaths	**95%**	61	59	2	96.72	Up		311
Divorce	**95%**	12	12	0	100.00	Same		9
Enquiries	**90%**	266	239	27	89.85	Down		84
HR Estimate	**90%**	7	5	2	71.43	Down		7
Interfund In	**90%**	43	37	6	86.05	Down		78
Interfund Out	**95%**	46	36	10	78.26	Down		46
Leavers*	**90%**	283	203	80	71.73	Down	71.73	442
Member Estimate	**90%**	32	25	7	78.13	Down	100.00	33
Re-employments**	**90%**	81	58	23	71.60	Up		96
Refunds	**95%**	36	36	0	100.00	Same		16
Retirements	**95%**	127	111	16	87.40	Up	98.00	333
Transfer In	**90%**	26	19	7	73.08	Down	100.00	51
Transfer Out	**95%**	33	21	12	63.64	Down	100.00	24
Totals / Average Overall		1,274	1,067	207	82.67		93.95	1,800
% Split			83.75	16.25	7.75			

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

SLA not met
Temp SLA met
Standard SLA met

Monthly SLA Statistics

Subject	SLA Target	Apr-22		
			% Achieved in SLA deadline	Open cases
Deaths	**95%**	1	100.00%	3
Retirement Quote	**95%**	0	100.00%	2
Retirement Actual	**95%**	1	100.00%	
Divorce	**95%**	0	100.00%	2
After retirement adjustments	**90%**	4	100.00%	2
Payroll Input	**95%**	10	100.00%	
Transfer In	**90%**	0	100.00%	
Transfer out	**95%**	0	100.00%	1
Member Estimate	**95%**	0	100.00%	2
Additional Conts	**95%**	1	100.00%	1
HR Estimate	**90%**	0	100.00%	
Refunds	**90%**	0	100.00%	
Re-employments	**95%**	0	100.00%	3
Leavers	**95%**	5	80.00%	6
Member Queries	**90%**	15	80.00%	8
Pension Saving Statement / AA	**95%**	0	100.00%	
Remedy		9	100.00%	3
Member changes	**90%**	1	100.00%	1
Totals / Average Overall		47	97.78%	29

* Frozen, Deferred, Concurrent

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

*** Address, Name, Nomination, IFA Requests

SLA not met
Standard SLA met

Team 3

Subject	Frank	Yaw	Ryan	Bradley
Transfer in	Week commencing 02/05/2022 Delivered 09/05/2022		Week commencing 02/05/2022 Delivered 09/05/2022	Week commencing 02/05/2022 Delivered 09/05/2022
Refund Payment				Week commencing 02/05/2022 Delivered 04/05/2022
Aggregation (B, C and D Scenarios)		Week commencing 09/05/2022 Delivered 29/04/2022		
Member Estimate	Week commencing 16/05/2022	Week commencing 13/06/2022	Week commencing 16/05/2022	Week commencing 13/06/2022
Deferred Calculation				Week commencing 16/05/2022
APC		Week commencing 23/05/2022	Week commencing 23/05/2022	Week commencing 23/05/2022
Interfund Out		Week commencing 30/05/2022	Week commencing 30/05/2022	Week commencing 30/05/2022
Interfund In		Week commencing 27/06/2022	Week commencing 27/06/2022	Week commencing 27/06/2022

Team 2

Subject	**William**	**Memory**	**Cathy**	**Joe**
Retirement from Active			29/04/2022	29/04/2022
Death Condolence **Death Chase**		Week Commencing 09/05/2022 Delivered 10/05/2022	Week Commencing 09/05/2022 Delivered 10/05/2022	Week Commencing 09/05/2022 Delivered 10/05/2022
HR Estimate			Week Commencing 16/05/2022	Week Commencing 16/05/2022
Trivial Commutation		Week Commencing 30/05/2022	Week Commencing 30/05/2022	Week Commencing 30/05/2022
Transfer Out			Awaiting approval	Awaiting approval
Divorce	Week Commencing 20/06/2022	Week Commencing 20/06/2022	Week Commencing 20/06/2022	Week Commencing 20/06/2022
Aggregation				
Refund				
Deferred				

Purple - is the training we delivered in the last couple of weeks
Green - has been trained and completed
Red - is no training planned during these 2 months
White – is date of planned training

PENSION FUND COMMITTEE – 10 JUNE 2022

ACTUARIAL VALUATION 2022

Report by the Director of Finance

Recommendation

1. **The Committee is RECOMMENDED to endorse the assumptions recommended by the Fund Officers and Fund Actuary for the 2022 triennial valuation of the Oxfordshire County Council Pension Fund, including the small increase in level of prudence.**

Introduction

2. Every three years, each LGPS administering authority has a statutory obligation to carry out an actuarial valuation of the pension fund. The Oxfordshire County Council Pension Fund's assets and liabilities will be valued as at 31 March 2022 and the overall funding position calculated. Contribution requirements will also be set for all actively participating employers for the three-year period commencing one year after the valuation date (i.e. for the period from 1 April 2023 to 31 March 2026) in line with the Fund's funding strategy.

3. It is good practice at every formal valuation to review all of the assumptions about future experience on which these results are based. Setting financial and demographic assumptions for the 2022 valuation is a key part of setting the funding strategy. The chosen assumptions affect the value of the Fund's liabilities and future benefit payment projections, which form the basis of the decision making.

4. The chosen assumptions do not, however, impact the ultimate cost of making benefit payments to members. The chosen assumptions only affect the value of the Fund's liabilities as at the valuation date and the pace at which employers set monies aside to pay for their future obligations to the Fund.

5. Modelling has been carried out to inform the choice of assumptions for the 2022 valuation that meet the requirements of the LGPS guidance stating that the assumptions adopted contain an appropriate margin for prudence. All proposed assumptions have been set in line with the Actuary's best estimate of future experience, however a prudent discount rate has been set to meet the requirement for a prudent valuation.

6. The attached annex sets out in detail the approach to the Valuation and the key assumptions that are required as part of the Valuation process. The annex has been subject to discussion with the Fund Officers and reflects their preferred approach to be taken. A summary of the key assumptions is set out below.

Financial Assumptions

7. Financial assumptions are those that affect the projections of the value of the benefits required to be paid out in the future and therefore the money the Fund is aiming to hold in the future. The financial assumptions required to be set for the 2022 valuation are as follows:
   - Future investment return
   - Discount rate
   - CPI Inflation (benefit increases / CARE revaluation)
   - Salary increases

8. The future investment return and discount rate assumptions are set based on Hymans Robertson's ESS (Economic Scenario Service) model, updated to reflect the latest available market calibration as at the valuation date. It is proposed to increase the prudence level associated with these assumptions from 67% used in the 2019 Valuation to 70%. The high level of investment performance achieved over the last three years means that the level of prudence can be increased at this time with minimal impact on the contribution rates to be set for 2023/24 onwards. The higher level of prudence is in line with other LGPS Funds advised by Hymans Robertson, and allows for the increased uncertainty associated with impact of the pandemic, the Russian invasion of Ukraine and the on-going impacts of climate change.

9. CPI inflation (benefit increases / CARE revaluation) is set based on long-term projections of inflation expectations. Inflation expectations are expected to be slightly higher (around 0.4% to 0.5% p.a.) higher than at the 2019 valuation due to the current high economic outlook for inflation in the short term.

10. "Inflationary" salary increases will be set equal to the CPI inflation assumption reflecting sustained local government budgeting constraints over the longer term. An additional allowance will be made for promotional salary increases through the salary scale assumption.

Longevity assumptions

11. Longevity assumptions affect the length of time benefits are expected to be paid to members and their dependants. The longevity assumptions required to be set for the 2022 valuation are as follows:
    - Baseline longevity
    - Future improvements

12. Baseline longevity will be based upon the latest available member-specific Club Vita base tables which capture the most up-to-date experience (the same approach as at the 2019 valuation). An appropriate adjustment to recent data will be made to avoid the assumption being skewed by excess deaths due to Covid-19 in 2020 and 2021.

13. Future improvements in longevity will be set based on the latest version of the Actuarial Profession's CMI (Continuous Mortality Investigation) model, with the

parameters of the model updated to reflect the improved longevity for Fund members in comparison to the national population. We also recommend that no weighting is placed on the data from 2020 and 2021 which has been significantly affected by the Covid-19 pandemic.

Other demographic assumptions

14. Other demographic assumptions affect the timing and magnitude of the future benefit payments, however any changes to these assumptions only have a minor impact on the Fund's liabilities.

15. Following analysis of the Fund's other demographic assumptions, we propose to slightly increase the likelihood of withdrawal from active membership at each to reflect the Fund's own experience. We also propose to change the retirement age assumption to reflect the earliest age at which a member can retire with all benefits unreduced. All other demographic assumptions will remain unchanged from the 2019 valuation.

Lorna Baxter
Director of Finance

Contact Officer: Sean Collins
Tel: 07554 103465 May 2022

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Oxfordshire Pension Committee

Assumption Setting for the 2022 Actuarial Valuation

Catherine McFadyen FFA

Tom Hoare FFA

30 May 2022

Use the menu bar above to navigate to each section.

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A glossary of technical terms used in this report can be found in Appendix 4

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The valuation process: Pensions Committee

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2. Approve: Local Authority contribution rate modelling
   Q3 2022
3. Whole fund funding level report
   Q3 2022
4. Approve: Draft Funding Strategy Statement
   Q3 2022
5. Approve: Changes to employer funding strategies, final Funding Strategy Statement
   Q4 2022
6. Approve: Final valuation report and
   Q1 2023

Valuation basics

How the Fund works

Collect money (contributions)

Invest money (assets)

Pay money out (benefits)

Use the menu bar above to navigate to each section.

Outputs of the valuation

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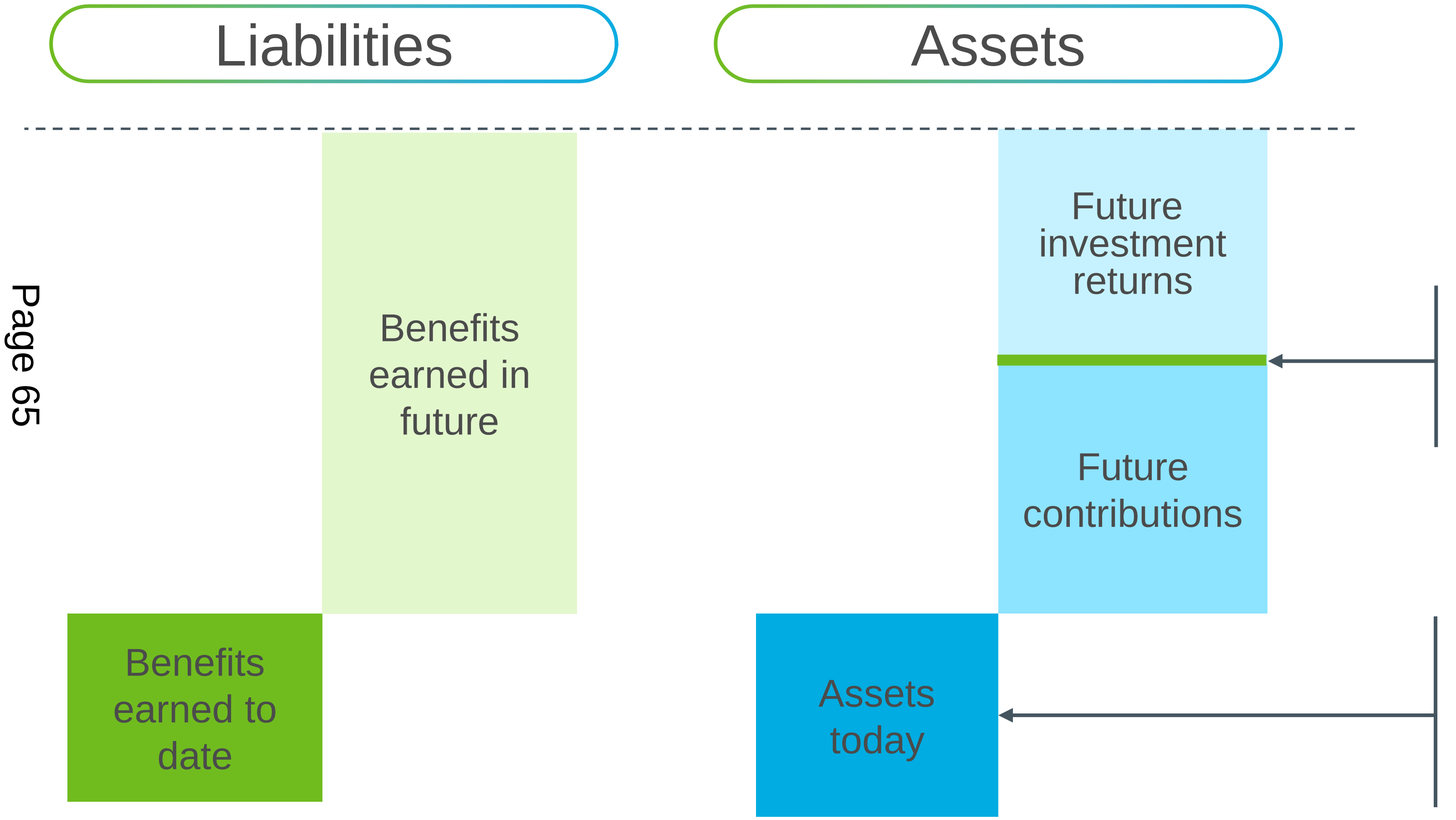

Contribution rates

Pay for benefits earned in future, allowing for funding position to date

Future investment returns vs Future contributions

Funding level

Comparison of ‘assets today’ vs. ‘benefits earned to date’

Balance sheet snapshot of Fund at valuation date

Benefits “Liabilities” valued using assumptions

Why and how we set assumptions

What assumptions are needed

Assumption	Description	Required for
	Financial assumptions	
Future investment return	Projected annual returns and volatility on asset classes invested by the Fund e.g. UK equities, property etc.	**Asset projection** – to project employers' asset shares to the end of the funding time horizon
Discount rate	Annual rate of future investment return that will be earned on the Fund's assets after the end of the funding time horizon	**Funding objective** – to place a present value at the end of the funding time horizon of the future benefit payments
CPI inflation (benefit increases / CARE revaluation)	Future Consumer Price Index inflation	**Benefit projection** – to determine the size of future benefit payments (LGPS benefits are index-linked to CPI inflation)
Salary increases	Future inflationary salary awards	**Benefit projection** – to determine the size of future benefit payments (the pre-2014 final salary and post-2014 Career Average Revalued Earnings benefits are linked to salary) **Asset projections** – to determine future payroll values (and hence contribution income)
	Demographic assumptions	
Baseline longevity	How long we expect members to live based on current observed death rates	**Benefit projection** – to determine how long each member's benefits are paid for
Future improvements in longevity	How death rates are expected to change in the future (historically life expectancy has improved over time)	**Benefit projection** – to determine how long each member's benefits are paid for
Other demographic events	Events such as retirement age, rate of ill health retirement, level of commutation and 50:50 take up	**Benefit projection** – to determine the size and timing of future benefit payments

How we review and set assumptions

Our approach

1. **Look at the assumptions from the last valuation**

2. **Review evidence and consider the landscape:**

    - Changes in financial/economic conditions
    - Regulation and guidance
    - Population and general pension scheme statistics
    - Fund specific data and experience, especially members' demographic characteristics
    - Future trends
    - Assessment of employers' financial strength
    - Investment strategy
    - Fund views – and employer views in some cases (e.g. salary increases)

3. **Propose, discuss and agree changes to set new assumptions**

Acknowledging uncertainty

There is no certainty about how the future may evolve and it is important to acknowledge this uncertainty during the valuation. Understanding the impact of the future deviating from the assumptions on funding levels and contribution rates is an important aspect of how the Fund manages risk.

Ways of understanding the impact:

- **Stress testing –** measures immediate changes in assumptions by testing alternatives at valuation date. We will stress test the longevity assumptions as part of the valuation.
- **Risk-based modelling –** risk-based approach involves projecting a wide range of possible future outcomes. There is no single figure for an assumption – instead, we work with a future range. We use a "risk-based" approach to calculate the benefit and asset projections and set the underlying financial assumptions.
- **Scenario projection –** considers future projections across different scenarios, bringing together relevant factors for a better understanding of overall impact. We will use different climate change scenarios at the valuation to help you understand this risk.

Most assumptions are a best estimate, set objectively without margins for adverse experience.
A prudent discount rate assumption meets the requirement (from LGPS guidance) for a 'prudent' valuation.

Assumptions matter – projecting future benefit payments and assets

To determine the level of employer contributions we carry out two projections.

The **benefit projection** estimates the future payments that will be made to members, allowing for future pension increases, death and other events.

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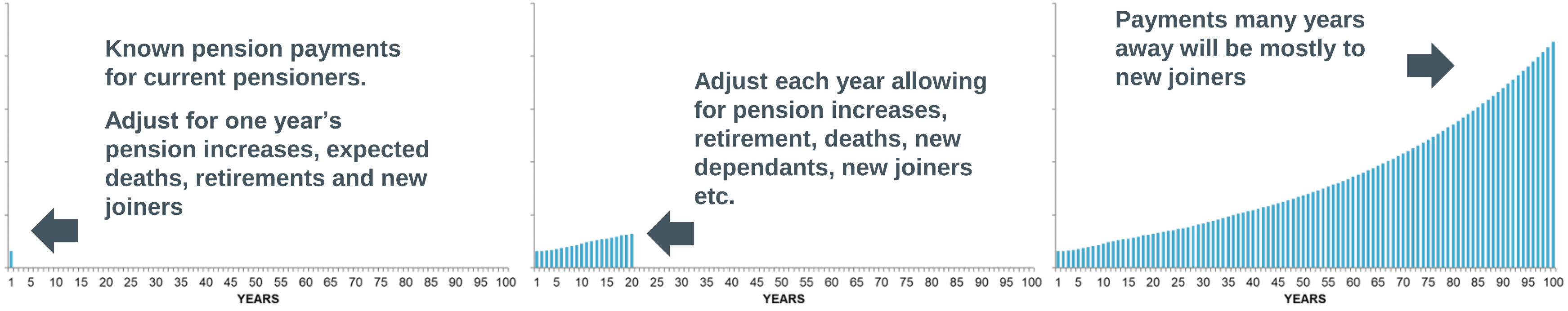
The **asset projection** takes into account future investment returns, contributions and benefits paid to members.

The contribution rates are set so at the funding time horizon, there are enough assets to meet future benefit payments in a sufficiently high number of future economic scenarios – the funding objective.

Because we can't see into the future, the projections mean working with uncertainty and require assumptions.

We review assumptions regularly to make sure they're relevant to the financial, demographic and regulatory environment.

Illustration: how we project benefit payments



Two types of assumptions:

1 **Financial** assumptions (like inflation) affect the amount of payments and asset values.

2 **Demographic** assumptions (like how long members live) affect the timing of payments.

Assumptions and our valuation approach

We use a “risk-based” approach to calculating the benefit and asset projections.

Under this approach, we use an economic scenario generator (Hymans Robertson’s proprietary generator is called the Economic Scenario Service – ESS) to produce 5,000 different simulations of future economic conditions and associated assumptions.

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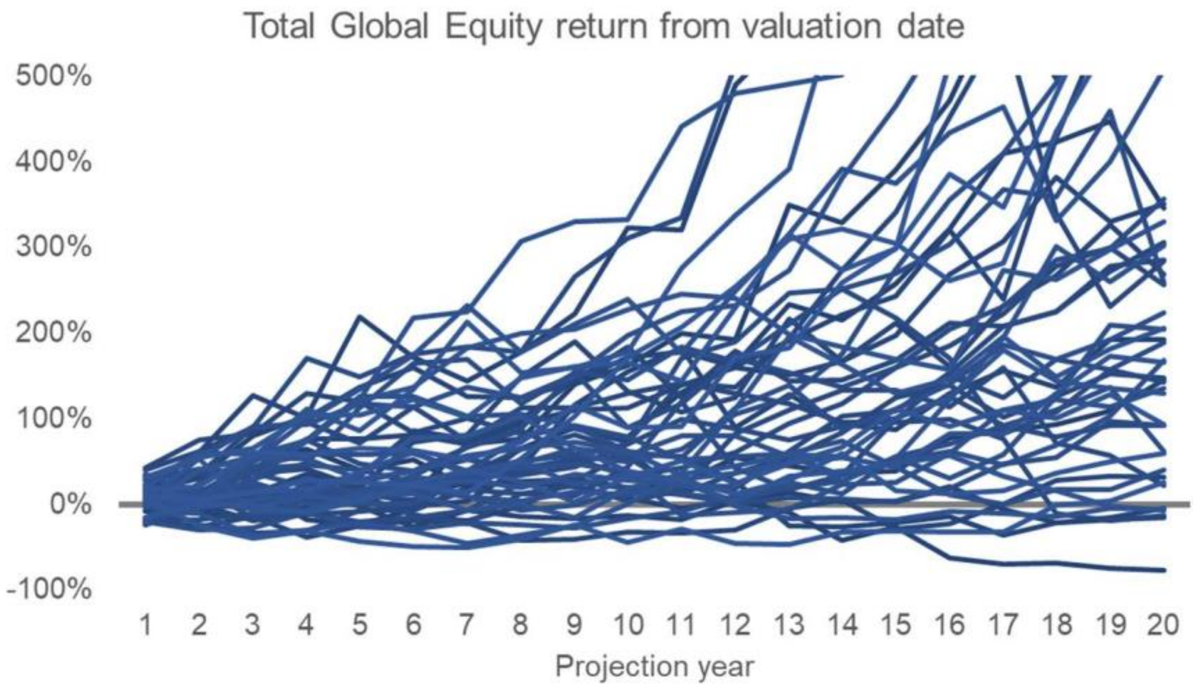
The assumptions in each scenario vary by year i.e. they are not ‘flat’, so they are a better representation of reality than a single, linear assumption.

The chart shows a sample of the 5,000 simulations for future cumulative total returns on global equities over the next 20 years.



This approach allows the generation of a distribution of future benefit and asset projections so all stakeholders in the Fund can better understand risk.

Other factors affecting assumptions at the 2022 valuation

Climate change

Climate change will affect many aspects of the Fund's assets and liabilities, for example the return on its assets, the inflation used to revalue benefits and the longevity of its members. The uncertainty around future climate pathways and their impact means that it is impossible to factor climate change considerations meaningfully into every assumption described in this paper.

We will however consider climate change scenarios when setting the long-term longevity improvements assumption, and the Fund will consider climate risk in its funding strategy by testing the resilience of the strategy in three climate scenarios.

Possible benefit changes

McCloud

Benefits accrued by certain members between 2014 and 2022 may be increased in future following the outcome of the McCloud case, which ruled that transitional protections introduced in 2014 to older members were discriminatory. We will make an allowance for the cost of these potential improvements in the 2022 valuation, based on the assumptions agreed here (in particular the salary increase and withdrawal assumptions). The impact is expected to be minimal for the majority of employers.

Cost sharing mechanism

Benefits could also change as a result of the 2016 and 2020 “cost cap” valuations, neither of whose outcome has been completely confirmed. If new assumptions are necessary to value any potential changes we will agree these separately.

Guaranteed Minimum Pension equalisation and revaluation

As per our approach for the 2019 valuation, we will assume that the Fund will fund all increases on GMP for members with a State Pension retirement date after 5 April 2016.

Other legal cases

Benefits could change as a result of other legal challenges (e.g. the “Goodwin” case affecting partner pensions), but at present we do not believe any additional assumptions are needed to value these.

Financial assumptions

Level of prudence

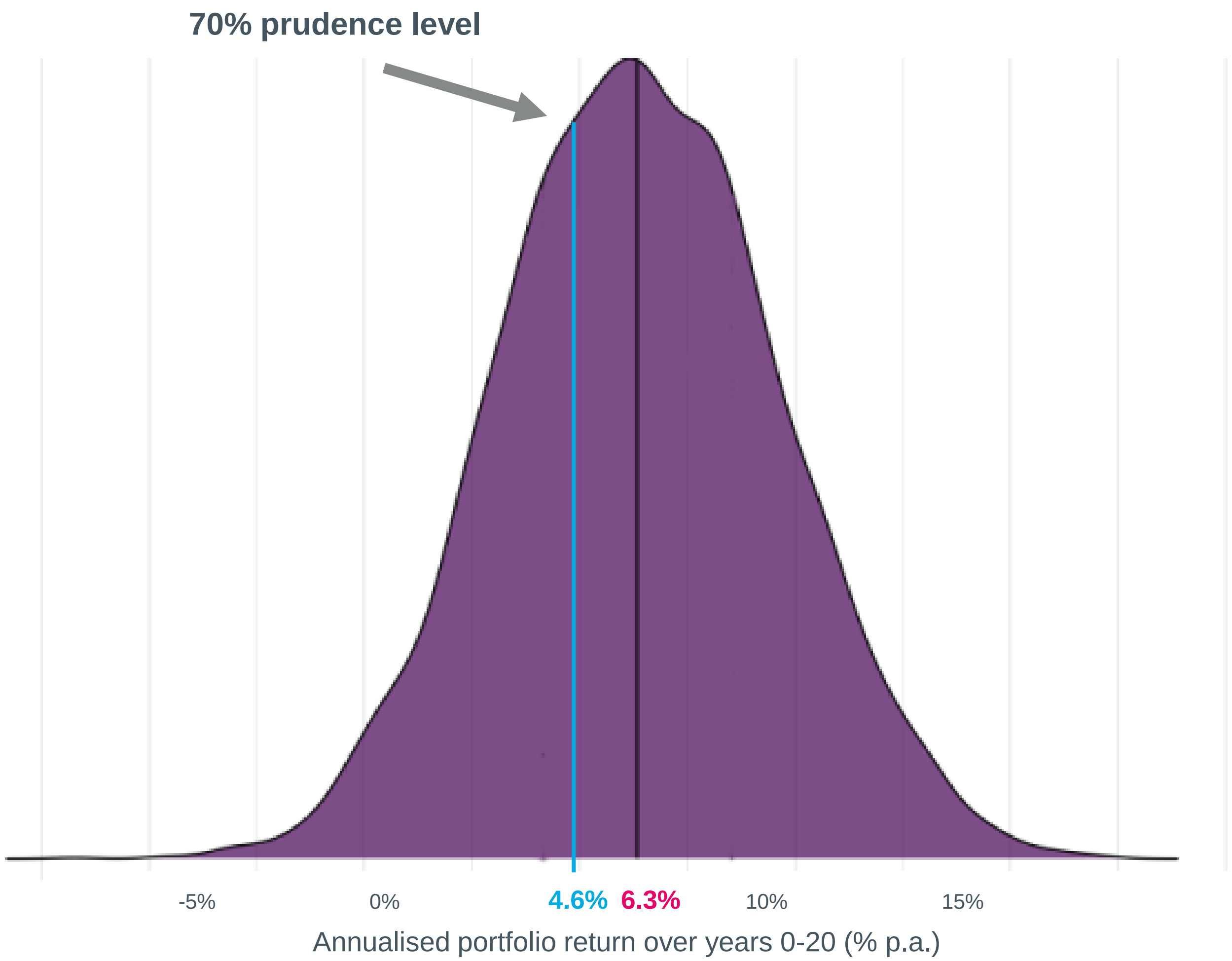
The prudence level in the future investment return (discount rate) assumption is the likelihood of the Fund's investment strategy achieving a given annualised return over the period.

Using the Fund's current investment strategy and running 5,000 simulations of our proprietary economic model (ESS), we have generated a distribution of possible future annual investment returns over the 20 years from the valuation date. From the chart we can derive that:

- There is a 50% (best estimate) likelihood of the Fund's investments achieving at least an annual return of **6.3%** p.a. over the next 20 years;
- There is a 70% likelihood of the Fund's investments achieving at least an annual return of **4.6%** p.a. over the next 20 years (ie 70% of outcomes in the chart opposite lie to the right of this prudence line)

For the purpose of reporting a funding level and funding surplus/deficit for the 2022 valuation, **we have proposed the investment return assumption which has an associated 70% likelihood, namely 4.6% p.a.**. (note this has been increased slightly from 67% adopted at 2019, to allow for the risk of increased volatility in markets, e.g. post-pandemic, Ukraine invasion, climate transition risks).

The same level of prudence (70%) is used for the following 20 years (years 20-40) and the discount rate is based on the underlying economic conditions in 20 years time.



The Fund's level of prudence helps to balance to the long term solvency of the Fund while seeking to maintain affordable contributions for employers.

Investment return / discount rate

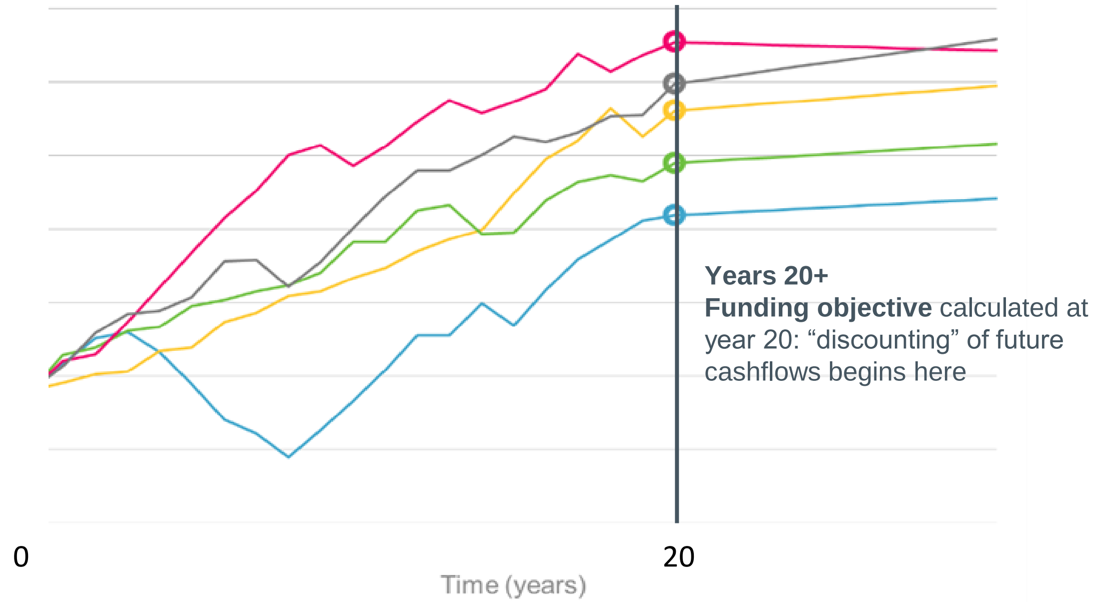
The approach to calculating the assumed future investment return differs over the projection period. However, the key decision for the Fund is to agree the level of prudence being adopted in setting the underlying assumptions within these approaches.

Years 0-20: Risk-based approach to generate future investment returns based on the Fund's investment strategy (using ESS).

Years 20+: projections further into the future lead to greater uncertainly. For this reason we adopt a 'straight line' approach to discounting the benefit cashflows. The Fund's discount rate is derived based on the underlying economic conditions in year 20, allowing for the Fund's level of prudence.

Same level of prudence (70% at the 2022 valuation) applies over both periods which drives the assumptions in line with the Fund's risk appetite.

Years 0-20:
Risk-based calculations over years 0-20 allowing for timing of cashflows and volatility of investment returns and inflation



Employer contribution strategies may be set using a different a time horizon (eg 17 years) however the above principle remains the same

Assumptions of future investment returns are generated in line with the Fund's proposed prudence level (70%)

Investment return and discount rate assumptions

2019 approach	• **Year 0-20: Investment return assumptions:** Risk-based approach to generate future investment returns, based on Fund's investment strategy. • **Year 20+: Discount rate assumption:** Assumed future investment returns are generated for each asset class and combined to estimate an overall portfolio return.
What's changed since the previous valuation?	• The outlook for returns on many asset classes is better compared to 2019 in years 0-20, however the expected returns from year 20 onwards are slightly lower compared to 2019 • Investment markets have experienced periods of disruption and increased volatility during the pandemic and the Ukraine invasion. . • The Fund's strategic asset allocation has been reviewed following the 2019 valuation.
Proposed approach for the 2022 valuation	• **Year 0-20: Investment return assumptions:** Same approach but updated for current market outlook and proposed level of prudence. Based on a 70% level of prudence, an assumed investment return of 4.6% p.a. at 31 March 2022 will be used for the purpose of reporting a funding level (note this was 4.3% p.a. at 2019, using a 67% level of prudence). • **Year 20+: Discount rate assumption:** use the same level of prudence (70%) in estimating the overall portfolio return based on the underlying economic conditions at year 20

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RECOMMENDATION:

Year 0-20: Continue to use modelling to generate future investment returns

Year 20+: Set discount rate assumption relative to Fund's proposed level of prudence (at 70%)

IMPACTS:

The money you are aiming to hold to meet benefit payments and the target for investment return

SIGNIFICANCE:

Increasing the assumed discount rate by 0.3% p.a. reduces the assets the Fund is aiming to hold by c6% (i.e. the funding target) placing more reliance on future investment returns to pay benefits

The investment strategy used in our analysis is set out in Appendix 2

Benefit revaluation and pension increases

2019 approach	• Benefit projections were assumed to be in line with CPI projections from the ESS model
What's changed since the previous valuation?	• Increased inflation expectations, perhaps due to government actions during Covid-19 pandemic and/or Brexit-related supply pressures
Proposed approach for the 2022 valuation	• No change in approach but update for current market outlook

RECOMMENDATION:

CPI inflation will be derived from the updated calibration of the ESS model

IMPACTS:

The increase applied to benefits each year

SIGNIFICANCE:

Increase in assumed future inflation will increase inflation linked liabilities

Salary increases

2019 approach	• At the 2019 valuation, the assumption for 'inflationary' increases was based on long-term increases in line with CPI inflation, reflecting sustained local government budgeting constraints over the longer term. • Salary scale allows for promotional salary increases.
Page 77 **What's changed since the previous valuation?**	**Run off of final salary liabilities:** it is expected that this will be more gradual than at previous valuations and therefore the impact of any short-term pay restraint is negated **McCloud remedy:** many members' benefits earned between 2014 and 2022 will retain a link to final salary, meaning a more gradual run off of these liabilities. This further dampens the impact of any short-term pay restraint on the longer term salary increase assumption. **Impact of Covid-19 on budgets:** the impact of the pandemic on public and private sector finances may mean lower future salary increases **National living wage increases:** recent years have seen an above inflation rise in the National Living Wage (NLW) and an increasing number of employers adopting this as their minimum wage. Although the NLW is aimed at the lowest paid, these recent increases will put pressure on salary rates across the whole workforce as employers may feel the need to keep the increments between staff consistent to adequately reward those with more responsibility or experience.
Proposed approach for the 2022 valuation	• Maintain increases in line with CPI inflation with inflation updated for current market outlook • Salary scale allows for promotional salary increases.

RECOMMENDATION:

No change from 2019 assumption
CPI pa (plus a promotional salary scale)

IMPACTS:

The benefits paid to members with service earned prior to 31 March 2014

Payroll projections used for contribution modelling

The estimated cost of the McCloud remedy

SIGNIFICANCE:

Less significant than in previous valuations

Reporting the funding level

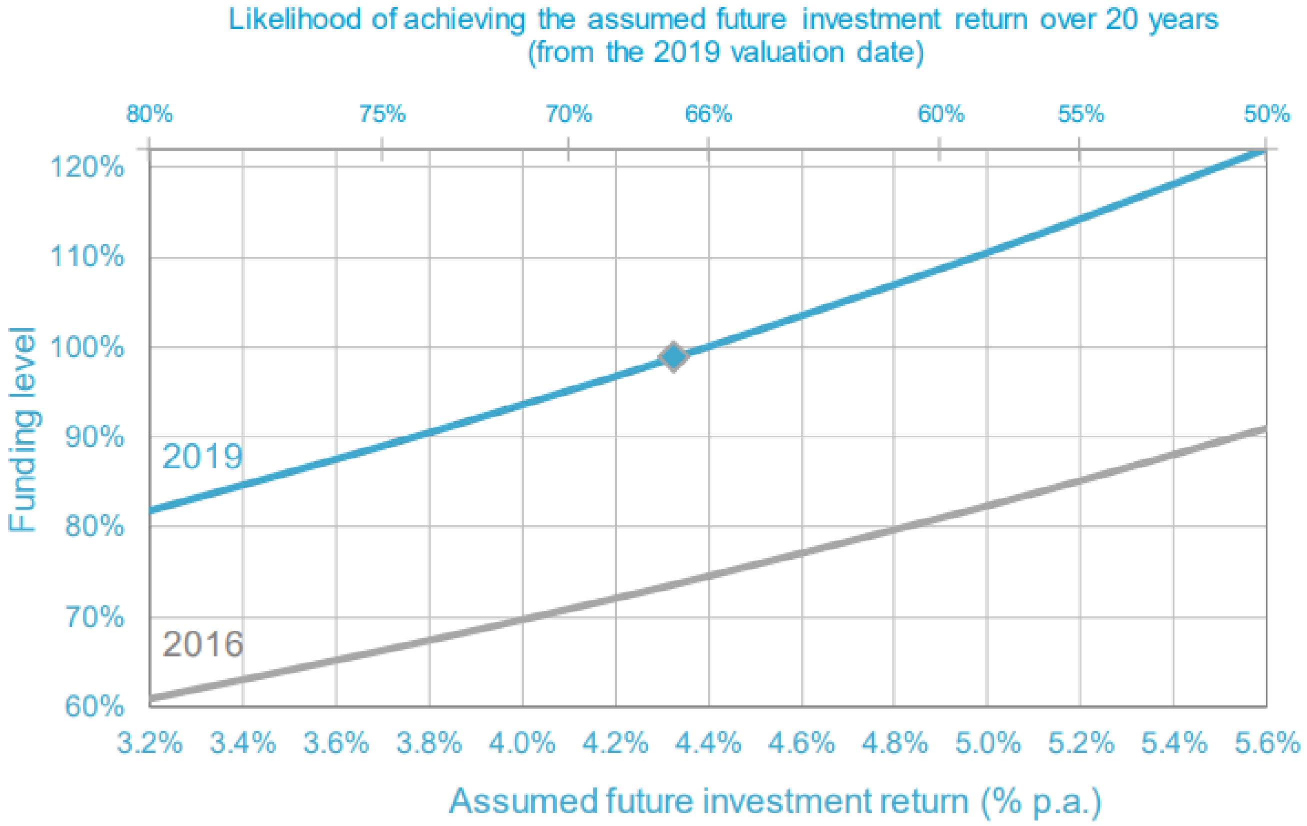
As well as setting contributions, a key output of the valuation is a measurement of past service liabilities at the valuation date itself to determine the funding level.

To report a funding level, we need to use a single value for each assumption (compared to the risk-based approach used for contribution rate setting).

To ensure consistency between the reported funding level and employer contribution rates, we still use the ESS to derive the assumptions used to report the funding level. These assumptions are summary statistics of the 5,000 individual simulations used to project forward assets and benefit payments when setting contributions.

At the 2019 valuation, we showed how the funding level at the valuation date varied with the choice of future investment return and the likelihood of the Fund’s assets yielding at least a given investment return (based on the ESS simulations).

This was all detailed in this chart. A similar chart will be shown in your 2022 valuation preliminary results report.



Assumptions for reporting the funding level

2019 approach	Funding level was reported using an assumed investment return assumption of 4.3% p.a., which had an associated prudence level of 67% Pension and salary increases were based on market-implied CPI inflation.
Proposed approach for the 2022 valuation	Same approach but updated for market conditions as at 31 March 2022 and proposed level of prudence at 2022 (at 70%). • **Assumed investment return - u**se the same approach as in 2019 with a slightly increased prudence level used for setting the discount rate at 70%. This gives an assumed investment return of 4.6% p.a. • **Pension increases -** use the median estimated CPI inflation over the next 20 years (equivalent to 2.7% p.a. as at 31 March 2022) • **Salary increases -** assume salary increases in line with CPI inflation

RECOMMENDATION:

Use prudence level of 70% for the assumed investment return, and assume pension and salary increases in line with the median estimated CPI inflation

IMPACTS:

Reported funding level.
Does not affect contributions.

SIGNIFICANCE:

For reporting and tracking the funding level only

Longevity assumptions

Breaking it down

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Your **longevity** assumptions

How long you expect to pay a pension to each member and their dependants.

=

Baseline

- A snapshot of how long people currently live
- Measured **objectively** based on recent mortality data
- Use Club Vita analytics for a **best estimate** based on members' characteristics
- Reflects that people with certain characteristics tend to live longer (women, non-ill-health retirees, higher affluence, non-manual workers)

+

Future improvements

- How life expectancy increases over time
- Shorter-term expectations reflecting recent trends
- Longer-term expectations reflecting historical trends **plus** evidence that improvements may be higher or lower than historical trend
- **Subjective** – wide range of possible outcomes

Evidence based baseline + informed future judgement

Baseline

2019 approach	Club Vita tables tailored to fit each individual member of the Fund
What's changed since the previous valuation?	Current assumptions capture the unique mix of people in your scheme using experience across the Club Vita database of similar individuals to identify a baseline longevity assumption for each member. But new evidence on longevity emerges yearly. Since your last valuation more data has been gathered and VitaCurves have been updated.
Proposed approach for the 2022 valuation	Adopt the latest member-specific Club Vita base tables – a consistent approach that captures a more up-to-date experience. We will make an appropriate adjustment to recent data to avoid the assumption being skewed by excess deaths due to Covid-19 in 2020 and 2021
Other comments…	The Covid-19 pandemic has unfortunately resulted in increased morbidity and death since 2020. It is likely that we will see higher than expected death experience since the 2019 valuation. This will result in a decrease in liabilities as the Fund will be paying out less pension than expected. However, our initial estimates for a typical LGPS fund suggest that the reduction in liabilities due to the higher number of deaths will only be a decrease of 0.1-0.2%

RECOMMENDATION:

Latest member-specific Club Vita mortality base tables, adjusted to avoid being skewed by Covid-19.

IMPACTS:

How long you expect to pay a pension to each member and their dependants.

SIGNIFICANCE:

Small change in base table to reflect up-to-date experience

Future improvements

2019 approach	The starting point is the Actuarial Profession's CMI model, which is updated annually with the latest observed mortality data. At the 2019 valuation we used CMI_2018 with default smoothing parameters, an initial addition of 0.25% for females/0.5% for males and long-term rate of improvement of 1.25% pa.
Proposed approach for the 2022 valuation	Use the latest available CMI model (CMI_2021) with adjustments as follows: **Weight placed on 2020 (and 2021) experience** Given that both 2020 and 2021 have been significantly affected by the Covid-19 pandemic, we would recommend that no weight is placed on data from these years. This will avoid overstating the impact of the pandemic on long-term rates of improvements, as we have little evidence of the long-term effects at this stage. **Adjustment to observed data to reflect scheme membership** Slightly positive reflection in the model for the difference between the population-wide data used in the model and the Fund's own membership. **Long-term improvement rate** Club Vita analysis suggests increasing the long-term rate of improvements to 1.5% p.a., offsetting the impact of lower starting improvements due to recent experience (even before Covid-19).

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RECOMMENDATION:

Updated to adjusted CMI 2021 model with no weight on 2020/21 data, reflection of slightly improved expectations vs national population, and long term improvement of 1.5%.

IMPACTS:

How long you expect to pay a pension to each of member and their dependants.

SIGNIFICANCE:

Increase liabilities by 1-2% vs 2019 assumption

Other demographic assumptions

Other demographic assumptions

Withdrawals (excluding ill-health)	Based on our LGPS experience analysis and Fund specific analysis for the period 2016-2019, we have increased the likelihood of withdrawals at each age.
Retirement age	Due to benefit changes in the LGPS, there are a complex set of rules determining the age a member can retire with unreduced benefits. These rules differ by member and the period in which the benefit was earned. However, by 2022, many of the members with complex retirement ages will have retired and therefore the assumptions can be simplified. At 2019 we assumed members retired in the years up to their state pension age, with a chance of retiring at each age from age 55 based on historical data. For 2022, the assumption will reflect the earliest age at which a member can retire with their benefits unreduced. We estimate the impact of this change to reduce liabilities by around 1%.

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Following analysis, all other demographic assumptions remain unchanged from 2019 valuation.

RECOMMENDATION:

Adopt proposed demographic assumptions based on LGPS wide analysis, adjusted for local experience where appropriate

IMPACTS:

Timing and magnitude of future cashflows.

SIGNIFICANCE:

Minor impact on liabilities

Summary of recommendations

Summary of recommendations

Assumption	Recommended approach	Comments
Future investment return assumption	Based on Hymans Robertson ESS model updated to latest market calibration (same as 2019)	**Asset class return expectations are generally higher than in 2019**
Discount rate	Set the discount rate in line with the proposed Fund's level of prudence for 2022 (at 70%)	**Propose to adopt a slightly higher level of prudence (than at 2019) to allow for increased market volatility risk and to bring the assumption more in line with similar LGPS funds**
CPI inflation (benefit increases / CARE revaluation)	Based on economic outlook (same as 2019)	**Inflation expectations are slightly higher (c.0.4-0.5% p.a.) than 2019 due to current economic outlook**
Salary increases	Equal to CPI inflation (same as 2019)	**2022 proposed assumption in line with 2019 long-term salary increase expectations.**
Baseline longevity	Based on Club Vita analysis updated to reflect non-Covid related experience	**Longevity assumptions are tailored to the Fund's experience and membership**
Future improvements in longevity	Updated to CMI 2021 model with no weight on 2020/21 data and long term improvement of 1.5%	**Latest version of CMI model is best practice but avoid projections being affected by short-term Covid-19 experience**
Demographic assumptions (excluding longevity)	Adopt Hymans proposed demographic assumptions	**All demographic assumptions have been reviewed against LGPS wide experience with some adjustment to reflect Fund's own experience**

Thank you

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Appendices

APPENDIX 1

Economic Scenario Service (ESS)

The ESS uses statistical models to generate a future distribution of year-on-year returns for each asset class e.g. UK equities. This approach is also used to generate future levels of inflation (both realised and expected). The ESS is also designed to reflect the correlations between different asset classes and wider economic variables (e.g. inflation).

In the short-term (first few years), the models in the ESS are fitted with current financial market expectations. Over the longer-term, the models are built around our long-term views of fundamental economic parameters e.g. equity risk premium, credit-spreads, long-term inflation etc.

The ESS is calibrated every month with updated current market expectations (a minor calibration). Every so often (annually at most), the ESS is updated to reflect any changes in the fundamental economic parameters as a result of change in macro-level long-term expectations (a major calibration). The following table shows the calibration at 31 December 2021.

		Annualised total returns														
		Index Linked Gilts (medium)	UK Equity	Private Equity	Property	UK Infrastructure Debt	Emerging Markets Equity	Multi Asset Credit (sub inv grade)	Global High Yield Debt	All World ex UK Equity in GBP Unhedged	Corporate Bonds (medium, A rated)	Inflation (RPI)	17 year real yield (RPI)	Inflation (CPI)	17 year real yield (CPI)	17 year yield
10 years	16th %'ile	-1.9%	-0.4%	-1.2%	-0.6%	-0.3%	-2.5%	1.7%	0.6%	-0.4%	-0.1%	2.4%	-1.7%	1.6%	-1.7%	1.1%
	50th %'ile	0.2%	5.7%	9.4%	4.4%	2.2%	5.8%	3.5%	3.4%	5.8%	1.6%	4.1%	-0.5%	3.3%	-0.5%	2.5%
	84th %'ile	2.4%	11.6%	20.1%	9.5%	4.3%	14.4%	5.2%	5.8%	11.9%	3.2%	5.7%	0.7%	4.9%	0.7%	4.3%
20 years	16th %'ile	-1.5%	1.7%	2.4%	1.4%	1.2%	0.1%	2.8%	2.1%	1.8%	1.1%	1.6%	-0.7%	1.2%	-0.7%	1.3%
	50th %'ile	0.1%	6.2%	10.0%	5.0%	2.7%	6.3%	4.4%	4.2%	6.3%	2.1%	3.1%	1.0%	2.7%	1.1%	3.2%
	84th %'ile	1.9%	10.6%	17.6%	8.9%	4.2%	12.8%	6.0%	6.4%	11.1%	3.2%	4.7%	2.7%	4.3%	2.7%	5.7%
40 years	16th %'ile	-0.3%	3.2%	4.7%	2.6%	2.3%	2.1%	3.6%	3.1%	3.4%	2.0%	1.1%	-0.6%	0.9%	-0.6%	1.1%
	50th %'ile	1.2%	6.7%	10.3%	5.5%	3.7%	6.8%	5.3%	5.1%	6.8%	3.1%	2.4%	1.3%	2.2%	1.3%	3.3%
	84th %'ile	3.1%	10.2%	16.1%	8.8%	5.1%	11.7%	7.1%	7.2%	10.4%	4.4%	3.9%	3.2%	3.7%	3.2%	6.1%
	Volatility (Disp) (1 yr)	7%	18%	30%	15%	8%	26%	6%	8%	18%	7%	3%		3%		

APPENDIX 2

The Fund’s asset allocation

The table sets out the long-term strategic asset allocation we have used for the analysis of the future expected investment returns for the Fund and the subsequent discount rate recommendations.

This asset allocation is as provided by the Fund for the purposes of carrying out analysis of the discount rate to be adopted as part of the 2022 formal valuation.

Asset class	Allocation
UK Equities	15.0%
Global Equities	32.0%
Emerging Market Equities	4.0%
Corporate Bonds	4.0%
Index-linked Bonds	7.0%
Property	8.0%
Private Equity	10.0%
Private Debt	5.0%
Multi-Asset	5.0%
Infrastructure Debt	5.0%
Secured Income	5.0%
Total	100.0%

APPENDIX 3

Reliances and limitations

This paper is addressed to Oxfordshire County Council as Administering Authority to the Oxfordshire County Council Pension Fund. It has been prepared in our capacity as actuaries to the Fund and is solely for the purpose of discussing the assumptions for the 2022 formal valuation and setting out our recommendations. It has not been prepared for any other purpose and should not be used for any other purpose.

The Administering Authority is the only user of this advice. Neither we nor Hymans Robertson LLP accept any liability to any party other than the Administering Authority unless we have expressly accepted such liability in writing. The advice or any part of it must not be disclosed or released in any medium to any other third party without our prior written consent. In circumstances where disclosure is permitted, the advice may only be released or otherwise disclosed in its entirety fully disclosing the basis upon which it has been produced (including any and all limitations, caveats or qualifications).

The results of the Fund specific demographic assumptions analysis are wholly dependent on the valuation data provided to us for the 2019 valuation and the assumptions that we use in our calculations.

The assumptions in this document are for the Fund’s ongoing employers. Different assumptions may be used for some employers (e.g. more prudent assumed investment return or more prudent longevity improvements assumptions) in particular circumstances. If required, these will be discussed and agreed as part of the 2022 valuation process and will be set out in the Funding Strategy Statement.

The following Technical Actuarial Standards are applicable in relation to this advice, and have been complied with where material and to a proportionate degree:
TAS100; and
TAS300.

APPENDIX 4

Glossary

Term	Explanation
50:50 option	An option for LGPS members to pay half contributions and earn half the retirement benefit (pre-retirement protection benefits are unreduced).
Baseline longevity	The rates of death (by age and sex) in a given group of people based on current observed data.
Club Vita	A firm of longevity experts who Hymans Robertson partner with for longevity analysis. They combine data from thousands of pension schemes and use it to create detailed baseline longevity assumptions at member-level, as well as insight on general longevity trends and future improvements.
Commutation	The option for members to exchange part of their annual pension for a one-off lump sum at retirement. In the LGPS, every £1 of pension exchanged gives the member £12 of lump sum. The amounts that members commute is heavily influenced by tax rules which set an upper limit on how much lump sum can be taken tax-free.
CPI inflation	The annual rate of change of the Consumer Prices Index (CPI). The CPI is the UK government's preferred measure of inflation and is the measure used to increase LGPS (and all other public sector pension scheme) benefits each year.
Demographic assumptions	Assumptions concerned with member and employer choices rather than macroeconomic or financial factors. E.g. retirement age, promotional salary scales etc. Demographic assumptions typically determine the timing of benefit payments.
Discount rate	A number used to place a single value on a stream of future payments, allowing for expected future investment returns. At the valuation the discount rate is used to calculate the value of remaining benefit payments at the end of a given time horizon (e.g. 20 years). It is expressed as a prudent margin above the risk-free rate.
ESS	Economic Scenario Service - Hymans Robertson's proprietary economic scenario generator used to create thousands of simulations of future inflation, asset class returns, interest rates etc

APPENDIX 4

Glossary

Term	Explanation
Inflation	The term for that prices in general tend to increase over time. It can be measured in different ways, with different measures using a different “basket” of goods and using different mathematical formulae.
Liability/ies	An employer’s liability value is the single value at a given point in time of all the benefit payments expected to be made in future to all members connected to that employer. The benefit payments are projected using demographic and financial assumptions and the liability is calculated using a discount rate.
Longevity improvements	An assumption about how rates of death will change in future. Typically we assume that death rates will fall and life expectancies will improve over time, continuing the long-running trend.
Prudence	To be prudent means to err on the side of caution in the overall set of assumptions. We build prudence into the choice of discount rate by choosing an assumption with a Prudence Level of more than 50%. All other assumptions aim to be best estimate.
Prudence Level	A percentage indicating the likelihood that a given discount rate assumption will be achieved in practice, based on the ESS model. The higher the Prudence Level, the more prudent the discount rate is.
RPI inflation	The annual rate of change of the Retail Prices Index. RPI is no longer linked to any LGPS benefits. It still has many legacy uses, notably to determine the payments to holders of index-linked government bonds.
Time horizon (or Horizon)	The period over which we require each employer in the Fund to reach full funding. The Time Horizon is typically long (up to 20 years) for employers who we expect to be in the Fund for the long-term (e.g. local authorities and academy schools) and shorter for employers who are expected to leave (e.g. contractors or employers who don’t admit new staff to the LGPS).
Withdrawal	Refers to members leaving the scheme before retirement. These members retain an entitlement to an LGPS pension when they retire, but are no longer earning new benefits.

OXFORDSHIRE LOCAL PENSION BOARD – 8 JULY 2022

INVESTMENT MANAGEMENT COSTS AND PERFORMANCE

Report by the Director Finance

Recommendation

1. **The Board are invited to discuss the contents of this report and consider what advice, if any, to send to the Pension Fund Committee.**

Introduction

2. This is the fifth in a series of reports considered by this Board in respect of the costs and performance of the investment management portfolios run on behalf of the Pension Fund Committee. The previous reports looked at annual performance in the years ending March 2018, 2019 and 2020 respectively, with the final report looking at three-year performance to 31 March 2021.

3. The previous reports have highlighted a number of complexities when considering investment management fees. These include:

- The majority of fees paid are on a fixed rate basis and vary in line with overall asset values rather than performance. In any one year therefore comparison of fees paid to performance against benchmark will be impacted by the position in the investment cycle with results likely to imply different conclusions for value and growth managers for example.
- Looking simply at fees and investment performance is too narrow a view of the overall performance of fund managers and fails to take into account the wider objectives of the Committee's investment strategy. In particular, there is a requirement to ensure the overall investment strategy provides for a sufficiently diversified set of investments to mitigate risk.
- In recent years there is also much greater attention paid to the management of the environmental, social and governance risks within the investment portfolios which may not necessarily be reflected in short-term investment performance. Indeed, many of those companies best placed to manage the transition to a low carbon economy may suffer poorer investment performance in the short term as they fund the transition.
- In many asset classes, particularly within the private markets, there is no alternative to paying the market fee rate if you want to remain invested in the asset class i.e. there is not a passive alternative where for a lower fee you can achieve the average return of the asset class without the additional risk of paying active fees
- The transition to Brunel as part of the Government's pooling agenda has destroyed all long term trends in the fee and investment performance data.

- In recent years, there has been a much greater level of transparency in the reporting of all investment fees. The increase in fee levels in recent years can be in part simply be explained by this greater transparency, with fees paid to under-lying fund managers now explicitly included in reported fee levels with a corresponding increase in the new performance of the portfolio.

4. Despite the number of concerns around the complexity of assessing investment manager fees though, it is important to undertake a regular review of the level of fees paid to ensure the Fund is obtaining value for money in respect of the fees paid to their active investment managers.

Current Data

5. The total management fees paid in 2021/22 amounted to £13.7m including the fees payable to Brunel to cover the operating costs of the company. This equates to 44bps when taken as a percentage of a simple average of the assets invested over the course of 2021/22. The equivalent figures for the previous financial year were £10.1m and 38bps. Further details are included in the annex to this report.

6. Over the course of 2021/22, the investments returned 10.3% of the value of the assets, which was 0.4% below the benchmark return. Over the longer periods of 3, 5 and 10 years the Fund performed better than its benchmark by 0.2%, 0.5% and 0.2% per annum respectively.

7. It is difficult to draw any conclusions from the investment management figures for 2021/22 due to the significant movements in the asset allocation across the last two years.

8. Even analysis of the investment fees paid to Brunel in respect of the equity funds is complex. 55% of the total Fund is currently invested in equities, although total fees payable in respect of the equity portfolios only amount to 34% of the total fees paid. The level of fees paid varies across the equity portfolios with the lowest fees paid to the passive fund manager, and higher fees paid to the Fund Managers in the Sustainable Equity and Emerging Market portfolios. The movement into the Sustainable Equity portfolio and the switch of the passive allocations to the Paris Aligned Portfolio will both have led to small increases in the total fees paid. It is too early to make any meaning analysis of whether these increased fees have been more than offset by improved long term performance, although it is clear that the new allocations are better aligned to the Funds Investment Strategy Statement and in particular the climate policy.

9. A significant element of the increase in total fees paid reflects the continued re-allocation of assets to the private markets. This impacts on total fees paid in three ways.

    - Firstly, the level of fees paid in the private markets is considerably higher than those paid in the listed markets. Fees for private equity for example are in the region of 4 times those paid to the listed equity Fund Managers, with total fees in excess of 1% of the Funds invested, compared to 27bps for a listed portfolio. It should be noted though that private equity remains the highest performing asset class within the Oxfordshire Fund with both Brunel and the legacy private equity managers returning performance significantly above the fees paid with both 5 and 10 year performance in excess of 10% a year.

- The majority of the private market portfolios include an element of performance related fees. In periods therefore of good performance, the total fees payable to the managers increases. The increase in property fees in 2021/22 includes a substantial performance element paid to Partners in respect of their Real Estate portfolio.
- The majority of fee arrangements in the private markets involve the payment of a fee based on money committed to a portfolio rather than the actual money invested. In the early years of a private market portfolio therefore fees when expressed as a percentage of money invested are inflated. This is most notable on the private debt portfolio where very little money was called by 31 March 2022. Indeed the Fund is paying fees both in respect of the commitment made to the private market portfolio and to the Fund Manager who is holding the investments until the commitments are actually called. In the long term, as the actual investments in the private market portfolios increases towards the committed level, we should see a reduction in both the fees expressed as bps for the individual portfolios and for the Fund as a whole.

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Director of Finance

June 2022

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Annex 1

Asset Class	Fees Paid 2020/21 £000	Fees Paid 2021/22 £000	Average Investment 2020/21 £m	Average Investment 2021/22 £m	Average Fees 2020/21 bps	Average Fees 2021/22 bps
Equity	3,366	4,624	1,495	1,712	23	27
Fixed Income	1,273	628	497	477	26	13
Diversified Growth Fund	597	650	147	159	41	41
Private Equity	2,862	3,134	217	305	132	103
Property	1,228	2,226	164	186	75	120
Infrastructure	718	1,261	27	48	266	263
Multi-Asset Credit	0	543	0	70	n/a	78
Secured Income	41	355	34	78	12	46
Private Debt	0	276	0	6	n/a	460
Cash	n/a	n/a	72	71	n/a	n/a
Total	10,085	13,697	2,653	3,112	38	44

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

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