



To: Members of the Local Pension Board

Notice of a Meeting of the Local Pension Board

Friday, 13 July 2018 at 10.30 am

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

A handwritten signature in black ink that reads "Peter G. Clark".

Peter G. Clark
Chief Executive

July 2018

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

Membership

Chairman – Mark Spilsbury

Scheme Members:

Alistair Bastin	Stephen Davis	Sarah Pritchard
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Employer Members:

Councillor Bob Johnston	David Locke FCA	District Councillor Sandy Lovatt
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Notes:

- **Date of next meeting: 26 October 2018**

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. **Welcome by Chairman**
2. **Apologies for Absence**
3. **Declarations of Interest - see guidance note opposite**
4. **Petitions and Public Address**
5. **Minutes (Pages 1 - 6)**

To approve the public minutes of the meeting held on 20 April 2018 (LPB5) and to receive information arising from them.

6. **Annual Report of the Pension Board (Pages 7 - 10)**

The Board will be asked to approve its Annual Report which sets out the key issues considered by the Board during 2017/18 and its key priorities for the 2018/19 financial year (LPB6).

The Board is **RECOMMENDED** to agree the Annual Report for 2018/19.

7. **Exempt Items**

The Board is RECOMMENDED that the public be excluded for the duration of items 8 and 9 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 item in the Agenda and since it is considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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

8. **Exempt Minute - 20 April 2018 (Pages 11 - 14)**

To approve the exempt Minute of the meeting held on 20 April 2018 (LPB8).

9. Employer Management (Pages 15 - 18)

This report (LPB9) is the latest in the series of reports to the Pension Fund Committee and this Board on the Fund's approach to employer management. It includes the latest update on the work programme to issue the 2017/18 Annual Benefit Statements, as well as the position on the work to clear the backlog of leaver records and to address the data quality scores required to be included in our Annual Report to the Pension Regulator.

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

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

READMISSION OF PRESS AND PUBLIC

10. Review of the Annual Business Plan (Pages 19 - 22)

The Board is invited to review the latest position against the Annual Business Plan for 2018/19, as considered by the Pension Fund Committee at their meeting on 8 June 2018, and to offer any views back to the Committee (**LPB10**).

11. Risk Register (Pages 23 - 30)

This is the latest Risk Register as presented to the Pension Fund Committee on 8 June 2018. The Board is invited to review the report and offer any further views back to the Committee (**LPB11**).

12. Brunel Pension Partnership

There will be an oral report on the latest position in respect of the development of the Brunel Pension Partnership, including the latest position on the development of the new investment portfolios and the programme to transition existing assets to these new portfolios.

13. Review of the Board's Constitution (Pages 31 - 42)

The Board is invited to consider whether it wishes to make any changes to its Constitution (attached at **LPB13**) in accordance with paragraph 68.

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

The Board is invited to confirm the issues it wishes to include in its latest report to the Pension Fund Committee.

15. Dates of Future Meetings 2018/19

Members of the Board are asked to note the following dates of future meetings:

(all to take place on a Friday, starting at 10.30am)

26 October 2018

18 January 2019

26 April 2019

19 July 2019

25 October 2019

24 January 2020

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LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 20 April 2018 commencing at 10.30 am and finishing at 12.25 pm

Present:

Voting Members: Mark Spilsbury – in the Chair

Alistair Bastin
Stephen Davis
Councillor Bob Johnston
David Locke FCA
District Councillor Sandy Lovatt
Sarah Pritchard

Officers:

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

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.

11/18 WELCOME BY CHAIRMAN

(Agenda No. 1)

The Chairman welcomed all to the meeting.

12/18 APOLOGIES FOR ABSENCE

(Agenda No. 2)

There were no apologies for absence.

13/18 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE OPPOSITE

(Agenda No. 3)

There were no declarations of interest submitted.

14/18 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

There were no requests to petition the Board or to make an address.

15/18 MINUTES

(Agenda No. 5)

The Minutes of the last meeting held on 19 January 2018 were approved and signed as a correct record.

Matters Arising

Sean Collins reported that the request from the Board for a robust statement regarding cyber security to be added to the Business Plan had been referred to the Pension Fund Committee as a part of the Risk Register report. The Committee had requested more information on the subject.

In relation to Minute 6/18 – ‘Brunel Pension Partnership’ - the Chairman agreed that some early draft consultation questions could be discussed at Agenda Item 8 ‘Review of the Annual Business Plan’.

16/18 EXEMPT ITEM

(Agenda No. 6)

The Board **RESOLVED** that the public be excluded for the duration of item 7 in the Agenda since it was likely that if they were present during this item there would be disclosure of exempt information as defined in Part 1 of Schedule 12 A to the Local Government Act 1972 (as amended) and specified in relation to the respective item in the Agenda and since it was considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

17/18 EMPLOYER MANAGEMENT

(Agenda No. 7)

The Board considered the latest in a series of reports to the Pension Fund Committee on the Fund’s approach to employer management.

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

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

READMISSION OF PRESS AND PUBLIC

18/18 REVIEW OF THE ANNUAL BUSINESS PLAN

(Agenda No. 8)

At its 9 March 2018 meeting, the Pension Fund Committee had approved the Annual Business Plan for 2018/19. The Board was invited to review the latest Plan and to offer any views back to the Committee (LPB8).

Mr Collins introduced the report.

Cllr Bob Johnston informed the Board that the Council had agreed, by 59 votes to 0 (with 1 abstention) to call upon the Pension Fund Committee to incorporate the latest and best advice available on ESG matters when reviewing and drawing up the next three - yearly Investment Strategy Statement (ISS), together with the other policies. Mr Collins reported that the Policies would be reviewed at the next Pension Fund Committee on 8 June 2017, with the full three - yearly review taking place in 2020.

Sally Fox confirmed that there was adequate staffing in the Team and sufficient money in the budget to implement iconnect.

When asked, Sean Collins explained that some of the Fund Manager fees would be offset during the year and there would be new costs as a consequence of the transition to Brunel Pension Partnership (BPP). Furthermore, it would be some years after transition before net savings would occur. The budget for BPP costs had been based on recent estimates which included transition, staffing, custodian and administration costs, together with the costs of having a company. He added that a full report on BPP had been considered at the December 2017 Committee and details of the BPP budget had been included on its website. The agreed Pricing Policy explained the costings over the ten funds which comprised BPP. Oxfordshire's share was £650k which included staffing, offices, consultancy and transition costs of assets.

In response to a question asking how much was spent on training, engagement and communication, Mr Collins stated that it had already been included, with much of it in conjunction with other funds, or nationally, then tailored for Oxfordshire. He added that a significant budgetary cost was for the communication manager's post in the Pensions Administration Team and her work included a responsibility for the development of the website and communication with the Local Government Association. The draft Communication Plan would also be included in the June Pension Fund Committee papers.

In relation to the ISS the Board discussed a set of draft consultation questions which had been produced by Scheme representative, Alistair Bastin, which he proposed could be sent to all scheme members in order to glean their views on particular issues, included in the ISS.

After a full discussion, the Chairman thanked Alistair Bastin for putting forward the consultation questions. In summary, the general feel of the Board was that it was an excellent concept, that information gathering surveys were very much a positive exercise, but the form of the actual questions put forward at this meeting needed to be viewed as an early preparation for consultation on the next ISS in 2020. It thus required more thought and expert opinion.

The Board therefore **AGREED** to inform the Pension Fund Committee that the Board supports a consultation with Fund members on the next ISS and would wish to provide its input into a planned consultation exercise, working with fund managers and specialist consultation officers from the County Council.

19/18 RISK REGISTER

(Agenda No. 9)

The Board was invited to review the report on the latest Risk Register, as presented to the Pension Fund Committee on 9 March 2018 and to offer any further views back to Committee (LPB9).

The Board requested the officers to update the Register regularly to include the dates of reviews and to include headers on each page.

20/18 BRUNEL PENSION PARTNERSHIP

(Agenda No. 10)

Sean Collins gave an update on the development of the Brunel Pension Partnership (BPP) stating the following:

- The first of the investment tenders had been run for passive mandates, the results of which had yet to be announced;
- The timetable for moving to passive tenders had been set for May/June time;
- It was thought that savings could be greater than otherwise assumed by the original business case;
- The Client Group had asked to prioritise the next set of tenders and to run two active equity mandates (including the UK mandates) in the first tranche (by the end of 2018), followed by global equities in early 2019; with the fixed income mandates by 2019;
- Currently BPP was looking at private markets and how to invest and redistribute new money; and
- There would be a significant amount of activity by the Client Group next year on the development and transition of active equity mandates.

The Board **AGREED** that a Gant chart showing the planned dates for key tasks would be very useful to the Board and the Committee when considering the time scales for the above.

21/18 ITEMS FOR INCLUSION IN THE REPORT TO PENSION FUND COMMITTEE

(Agenda No. 11)

The Board confirmed the following issues it wished to include in its latest report to the Pension Fund Committee:

- Committee be recommended to ask the Pensions Regulator to collect comparative data from all funds on Key Administration functions, in order to allow for meaningful comparison to be made between funds;
- Committee be recommended to receive historical data on performance;
- Committee to consider the urgent need for training and targeted written information for the Committee; and
- Committee to consider a consultation exercise with Fund members on the next Investment Strategy Statement for 2020.

..... in the Chair

Date of signing

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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 2017/18 financial year, covering the work from the July 2017 Board meeting to their meeting on 20 April 2018.

Board Membership

Cllr Roger Cox resigned from the Board at the beginning of the year as he was unable to commit to regular attendance at the Board meetings due to his Cabinet responsibilities at the Vale of White Horse DC. Following a request for expressions of interest, District Councillor Sandy Lovatt (Vale of White Horse District Council) was appointed as the new Scheme Employer representative. Cllr Lovatt had previously served on the Pension Fund Committee during his time as a County Councillor. Attendance at Board meetings was as follows:

Scheme Employer Representatives	Attended 21 July 2017 Meeting	Attended 20 October 2017 Meeting	Attended 19 January 2018 Meeting	Attended 20 April 2018 Meeting
Cllr Bob Johnston (Oxfordshire County Council)	Yes	Yes	Yes	Yes
Cllr Sandy Lovatt (Vale of White Horse District Council)	n/a	Yes	Yes	Yes
David Locke (Oxford Diocesan Schools Trust)	Yes	Yes	Yes	Yes
Scheme Member Representatives				
Stephen Davis (Oxford City Council & Unite)	Yes	Yes	Yes	Yes
Alistair Bastin (Oxfordshire County Council & Unison)	Yes	Yes	Yes	Yes
Sarah Pritchard (Brookes University)	Yes	Yes	Yes	Yes

All meetings were attended and chaired by Mark Spilsbury, the Head of Pensions for the Gloucestershire Pension Fund in line with his appointment as the Independent Chairman. Mark took over as Independent Chairman at the beginning of 2017/18 following the retirement of Graham Burrow from his role as Head of Pensions at Gloucestershire, and his subsequent resignation from the Oxfordshire Local Pension Board. Sean Collins, the Head of Pensions for the Oxfordshire Fund remains as Independent Chairman of the Gloucestershire Local Pension Board.

A number of the Board Members regularly attended the Pension Fund Committee as observers, with Cllr Bob Johnston 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.

Work Programme

The main area of focus for the Pension Board throughout 2017/18 was in respect of employer management, and in particular the timely and accurate submission of data from employers to the Pension Services team. The Board received up to date reports on the latest position on the submission of data, issuance of annual benefit statements, proposed changes to the process, the action plan for the 2017/18 statements and the on-going discussions with the Pension Regulator at each of their 4 meetings during the year. During the year, the Board raised a number of key issues back to the Pension Fund Committee for their further consideration including

- The need to keep scheme members fully informed of the position, and to write to each individual scheme member where it was not possible to produce their annual benefit statement, setting out an explanation for the position
- The opportunities in future to introduce greater standardisation and automation to the process, including the implementation of i-connect
- The need to build in sufficient time for scheme employers to amend their payroll systems and processes when considering changes to the monthly of end of year returns
- The need for national benchmark data on the key administration responsibilities to allow individual funds to consider their performance in comparison to other similar Funds.

At each of their meetings, the Board also reviewed the Risk Register papers presented to the meetings of the Pension Fund Committee, and offered a number of challenges to the risk scores as well as identifying areas which they did not believe were adequately covered in the risk register. The Board had a particular focus around the risks associated with cyber security and the introduction of the General Data Protection Regulations, as well as commenting on the risks associated with the lack of resources within the Pension Services Team, and the need for additional training for the new members of the Pension Fund Committee.

The third item which the Board considered at each of their four meetings during 2017/18 was the development of the Brunel Pension Partnership. The Board welcomed the progress made throughout the year. Key issues identified by the Board were a need to review the arrangements for shareholder decision making in light of the first year of operation, and a wish for a clear timetable of future milestones.

During the year, the Board also took an interest in the development and monitoring of the Annual Business Plan. The Board welcomes the introduction of a quarterly review of the Business Plan, and the links developed between the Business Plan and the Risk Register. The Board were keen to explore the mechanisms by which Scheme Members could be consulted in developing future iterations of the Investment Strategy Statement, with a focus on the ability to take non-financial factors into account where to do so would have no materially significant financial detriment, and where there is good reason to think that scheme members would support the decision.

Future Work Programme

The issues around data quality will continue to be a major item on the agenda of the Pension Board for 2018/19 as we look to ensure we fully comply with all statutory requirements including the timely issuance of all annual benefit statements, as well as ensuring we meet the target scores for both the Common and Scheme Specific Data Quality measures. This work will include the development of an appropriate performance management framework, as well as a review of current data collection processes to identify where these can be simplified, standardised and automated.

The Board will also be keen to review the new governance arrangements being developed to enable the Pension Fund Committee to hold the Brunel Company to account.

The Board will also maintain its focus on the risk register and annual business plan to ensure that the Committee is able to meet its statutory duties. This work will include a review of the resources in place as well as the skills and knowledge of both staff and the Pension Fund Committee. The Board Members will remain committed to completing their own training programmes to support them in their own activities.

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Division(s): N/A

PENSION FUND COMMITTEE – 8 JUNE 2018

REVIEW OF THE ANNUAL BUSINESS PLAN 2018/19

Report by the Director of Finance

Introduction

1. This report reviews progress to date against the key service priorities set out in the annual business plan for the Pension Fund for 2018/19. The report also contains details on the results of the recent training needs survey and the proposed training day, plus an update on the latest budget position.
2. The key objectives for the Oxfordshire Pension Fund are set out on the first page of the Business Plan for 2018/19, and remain consistent with those agreed for previous years. These are summarised as:
 - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pensions Regulator
 - To achieve a 100% funding level
 - To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
 - To maintain as near stable and affordable employer contribution rates as possible.

Key Service Priorities

3. The 2018/19 Business Plan contained 5 key service priorities. The first of these relates to the Brunel Pension Partnership and is to manage the successful transition of the initial asset classes which should include all equity assets, and potentially the investment of new money into the private markets.
4. At the time of writing this report, the process for transitioning the passive equity mandates is nearing completion with the assets from all 10 Funds due to transition across to Legal and General during June. For Oxfordshire, our passive equity Funds are already with Legal and General, though we are moving from a global fund excluding UK to a developed only fund including UK. This will therefore involve a degree of re-balancing to ensure the overall weight to the UK remains constant. In the short term, we will be underweight on our allocation to the Emerging Markets, until Brunel have established the active emerging market equity portfolio.
5. Once the transition to the passive portfolios has been completed, there will be a full report on the costs of the transition and the new fees payable, including a comparison to the estimates included in the Business Case. Initial indications are that there will be further savings to those initially assumed.

6. Brunel have also started the process to appoint Fund Managers to the first two of the active equity portfolios, being the UK mandate and the low volatility mandate. Brunel expects assets to transition towards the end of 2018. Oxfordshire will transition money to the UK portfolio (from the allocation currently managed by Baillie Gifford), but does not have an allocation to the low volatility portfolio.
7. The Private Markets Team at Brunel is also looking to identify initial investment opportunities across the five private market portfolios. Oxfordshire has indicated commitments to the Secured Income, Infrastructure and Private Equity portfolios in line with the Committee's previous asset allocation decisions.
8. The second key service priority focuses on the need to manage the risks associated with cash flow and employer covenants, and involves working with Hymans Robertson to develop the cash flow model to show the timing of payment of pension liabilities going forward. Delivery of this priority will also involve working with employers within the scheme to understand their strategic direction of travel, and their risk appetite, and developing the funding strategy statement and investment strategy statement to meet their requirements and the requirements of the Fund.
9. Initial discussions have taken place with Hymans Robertson to understand how their current tools will support this priority and a work programme is being put in place. It was always expected that there would be limited work on this priority during the first quarter of 2018/19 to allow resources to focus on the closure of the pension fund accounts.
10. The third priority focuses on data quality and the need to ensure the current issues with data quality are addressed and processes and reporting arrangements are put in place to improve the data collection arrangements going forward. A key element of the work in this area includes the preparation for the General Data Protection Regulations and dealing with the cyber security risks.
11. As discussed elsewhere on the agenda, the various project plans are proceeding well, and at this point it is expected that we will meet the regulatory requirements in respect of issuing the 2017/18 Annual Benefit Statements by the statutory deadline of 31 August 2018. Good progress is also being made in looking at the gaps identified in the recent data quality audits, with the aim of re-running the reports at the end of June and achieving the target levels of performance at that time.
12. The fourth priority addresses the growing importance of Environmental, Social and Governance (ESG) issues within investment decision making. The actions include building on the current work with the responsible investment team at Brunel to develop a suite of reports which demonstrate the effectiveness of the ESG policies and the impact of company engagement by our Fund Managers. The actions also include a review of the benefits of joining the Local Authority Pension Fund Forum.

13. Work continues to progress in this area alongside the team at Brunel, with Oxfordshire also now representing the client side at Brunel on the national cross pool collaboration sub-group on responsible investment. This work includes on-going discussions with State Street as Administrator for the Brunel Pension Partnership as to how ESG scores can be built into the standard reporting suites to be presented to all 10 Pension Fund Committees going forward.
14. In respect of the benefits of joining the Local Authority Pension Fund Forum, this is an item later on today's agenda recommending that this Committee does join the Forum, alongside 8 of the other 9 Funds within Brunel.
15. The final priority proposed in the 2018/19 Business Plan is the roll out of Member Self Service to deferred and active members. This should allow scheme members access to their records to undertake amendments to their core data and view key information on their pension benefits, so releasing pension administrator time to focus on the other priorities.
16. The invitation to deferred members to activate their on-line accounts went out at the end of April, and at the time of writing this report, around 13% of deferred members have activated their account. This number will be kept under review and updates provided to future meetings, along with numbers of those members wishing to opt out of the on-line service and continue to receive paper versions of all communications.
17. The invitation to active members will activate their on-line accounts will be sent out in June, with the aim to getting as many active members as possible signed up to be able to view their Annual Benefit Statement on-line by the end of August.
18. Pensioner and Deferred Members who have already activated their accounts have taken advantage of the on-line tools to amend their beneficiary nominations for death grants, and to submit on-line queries to Pension Services.

Budget 2018/19

19. At this early stage of the year it is difficult to make any meaningful forecasts of variations against the approved budget for the year, particularly given the dependence on the timescales for transitions to the new Brunel portfolios, and the movement in market values. A fuller review will be presented to the next Committee.

Training Plan

20. Following the last meeting of the Committee, Hymans Robertson were commissioned to undertake a training needs assessment of the Pension Fund and Pension Board members, and to develop a programme for a full days training workshop.

21. 7 of the 10 Pension Fund Committee members and 4 of the 6 Pension Board members completed the survey. The overall results were higher for the members of the Pension Board, though both groups showed areas of strengths and weakness.
22. The strongest scores were obtained in respect of the questions of pensions governance, followed by the questions on financial markets, investment performance, procurement and relationship management. Whilst the members of the Pension Board score well on the questions in respect of Pensions Administration, this was one of the weakest areas for the members of the Pension Committee. The weakest scores overall were in respect of pensions legislation, actuarial matters and issues relating to accounting and audit.
23. Following completion of the survey, Hymans Robertson have worked with officers to develop the outline of an initial day's training programme.
 - Introduction: context of day and training programme
 - Session 1: Governance overview including LGPS stakeholder role and their responsibilities (particularly the Committee's role and focus post-pooling)
 - Session 2: Pension administration focussing on their responsibilities, tPR role, data quality and improvement plans
 - Lunch
 - Session 3: Investment and Actuarial including basics but introducing more holistic thinking on strategy and Committee's role in this
24. Hymans Robertson are currently producing the detailed programme for the day, and all members of the Committee and the Board have been canvassed for a suitable date.

RECOMMENDATION

25. **The Committee is RECOMMENDED to:**
 - (a) note the progress against the key service priorities within the Business Plan 2018/19; and**
 - (b) agree the outline programme for the training day and confirm the date for the session.**

Lorna Baxter
Director of Finance

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

May 2018

Division(s): N/A

PENSION FUND COMMITTEE – 8 JUNE 2018

RISK REGISTER

Report by the Director of Finance

Introduction

1. At their meeting on 11 March 2016, the Committee agreed that the risk register should form a standard item for each quarterly meeting. A copy of the report also goes to each meeting of the Pension Board for their review. Any comments from the Pension Board are included in their report to this meeting.
2. The risk register presented to the March 2016 Committee meeting was the first produced in the new format, which introduced the concept of a target level of risk and the need to identify mitigation action plans to address those risks that were currently not at their target score. This report sets out any progress on the mitigation actions agreed for those risks not yet at target, and identifies any changes to the risks which have arisen since the register was last reviewed.
3. A number of the mitigation plans are directly linked to the key service priorities identified in the Annual Business Plan for 2018/19. This report should therefore be considered in conjunction with the business plan report elsewhere on this agenda.

Comments from the Pension Board

4. The Pension Board were generally happy with the risk register as presented to their meeting on 20 April 2018. They asked for some presentational changes including having the column headings repeated on each page and this has been done in this latest version. Review dates have also been updated in line with the comments from the Board.

Latest Position on Risks

5. There have been no changes to any of the risk scores since the March meeting of this Committee. As set out in the review of the Annual Business Plan, work has continued on reviewing the future cash flows of the Fund and on the implications for the asset allocation, as well as developing the training plan for Members of this Committee. At this stage though it is not felt that the work is sufficiently developed to mitigate the risks down to their target scores.
6. Risks 8 and 9 related to inaccurate and out of date pension liability data, with the risks split to show the impact on Fund Valuations and on the calculation of individual pension benefits. As covered elsewhere on this agenda, work has

continued to on the various aspects of the data improvement plans, and we are on target to issue the 2017/18 Annual Benefit statements by the Statutory deadline of 31 August 2018. At the present time though the risk scores have not been amended until the work to resolve the current backlog of work and the actions to address the issues identified in the data quality report has been completed.

7. At the request of the Committee, further work has been undertaken to review risk 15, and in particular, the risks associated with a cyber attack. The Pension Regulator has recently issued guidance on cyber security and re-affirmed the role of the scheme manager to ensure that cyber risks of loss, disruption or damage to the service or its members as a result of information technology system or processes failures are properly managed. This includes ensuring an appropriate system of internal controls, as well as appropriate procedures for recovering service and data in the event of a cyber incident.
8. Cyber risks include hacking, malware, ransomware, phishing attempts and attempts to deny service. A proper system of internal controls includes ensure appropriate systems for authentication and access, with access restricted to that data or parts of the system appropriate for each role and proper processes for the encryption of data to be transmitted.
9. The majority of pensions system data is hosted external on the Altair database hosted by Aquila Heywood, or the Fund Actuaries database hosted by Hymans Robertson. The data includes key personal and financial data about scheme members and their dependents, and as such is susceptible to cyber attack. We have worked with our system providers to ensure they have robust security arrangements in place and these are regularly tested, including penetration tests, and that disaster recovery exercises are also undertaken.
10. The Council's Insurance Team have confirmed that following presentations by Insurers to themselves and the Council's IT Section, it was determined that no specific cyber cover would be put in place. This decision is subject to regular review. There are some cyber risks covered under the Council's existing computer insurance cover, including risks associated with hacking and data breaches, but this cover does not provide for the financial loss associated with ransomware. It is also understood that you cannot purchase a policy to cover against the costs of fines under the General Data Protection Regulations.

RECOMMENDATION

11. **The Committee is RECOMMENDED to note the current risk register, and determine any changes they wish to see made.**

Lorna Baxter
Director of Finance

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

May 2018

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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)

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Comment
							Impact	Likelihood	Score			Impact	Likelihood	Score		
1	Investment Strategy not aligned with Pension Liability Profile	Financial	Pension Liabilities and asset attributes not understood and matched.	Long Term - Pension deficit not closed.	Service Manager	Triennial Asset allocation Review after Valuation.	4	2	8	Develop cash flow Model with Actuary. Gain greater understanding of employer changes. Review asset allocation.	March 2019	4	1	4	September 2018	Now working with new Actuary on aligning Investment and Funding Strategies
2	Investment Strategy not aligned with Pension Liability Profile	Financial	Pension Liabilities and asset attributes not understood and matched.	Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	4	2	8	Develop cash flow Model with Actuary. Gain greater understanding of employer changes. Review asset allocation.	March 2019	4	1	4	September 2018	Now working with new Actuary on aligning Investment and Funding Strategies
3	Investment Strategy not aligned with Pension Liability Profile	Financial	Poor understanding of Scheme Member choices.	Long Term - Pension deficit not closed. Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	3	2	6	Develop Improved Management Reports to benchmark, and monitor opt outs, 50:50 requests etc.	September 2018	3	1	3	September 2018	Working with new Actuary on Improved Reports
4	Under performance of asset managers or asset classes	Financial	Loss of key staff and change of investment approach.	Long Term - Pension deficit not closed.	Financial Manager	Quarterly review Meeting, and Diversification of asset allocations.	3	2	6			3	2	6		At Target
5	Actual results varies to key financial assumptions in valuation	Financial	Market Forces	Long Term - Pension deficit not closed.	Service Manager	Moderation of assumptions at point of valuation. Asset allocation to mirror risk. Sensitivity analysis included in Valuation report.	3	2	6			3	2	6		At Target
6	Loss of Funds through fraud or misappropriation.	Financial	Poor Control Processes within Fund Managers and/or Custodian	Long Term - Pension deficit not closed	Financial Manager	Review of Annual Internal Controls Report from each Fund Manager. Clear separation of duties.	3	1	3			3	1	3		At Target
7	Employer Default - LGPS	Financial	Market Forces, increased contribution rates, budget reductions.	Deficit Falls to be Met By Other Employers	Pension Services Manager	All new employers set up with ceding employing under-writing deficit, or bond put in place.	3	2	6		March 2018	3	2	6	March 2018	No further action subject to planned review of Funding Strategy Statement Key risks accepted as education sector.
8	Inaccurate or out of date pension liability	Financial & Administrative	Late or Incomplete Returns from	Errors in Pension Liability	Pension Services	Monitoring of Monthly returns	4	2	12	Delivery against data quality standards.	April 2018	3	1	3	June 2018	Improved monitoring in place.

	data – LGPS and FSPS		Employers	Profile impacting on Risks 1 and 2 above.	ces Manager											Escalation issues to ensure data issues are resolved at earliest point, including new charges, and improved training/guidance
9	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative	Late or Incomplete Returns from Employers	Late Payment of Pension Benefits.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	3	2	6	Completion of current review of backlog work.	June 2018	3	1	3	June 2018	Improved monitoring in place, new escalation process agreed as well as new charging structure.
10	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative	Late or Incomplete Returns from Employers	Improvement Notice and/or Fines issued by Pension Regulator.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	4	3	12	Improve process for monthly returns (iConnect)	March 2019	4	1	4	September 2018	
11	Insufficient resources to deliver responsibilities – LGPS and FSPS	Administrative	Budget Reductions	Breach of Regulation	Service Manager	Annual Budget Review as part of Business Plan.	4	3	12	Need to address backlog of work which is impacting on ability of staff to meet statutory deadlines. External resources employed.	June 2018	4	1	4	June 2018	Work under contract by external resource currently underway.
12	Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Governance	Poor Training Programme	Breach of Regulation	Service Manager	Training Review	4	2	8	Develop Needs Based Training Programme.	June 2018	4	1	4	March 2018	Training Day to be agreed.
13	Insufficient Skills and Knowledge amongst – LGPS and FSPS Officers	Administrative	Poor Training Programme and/or high staff turnover	Breach of Regulation and Errors in Payments	Service Manager	Training Plan. Control checklists.	3	1	3			3	1	3		At Target
14	Key System Failure – LGPS and FSPS	Administrative	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme	4	1	4			4	1	4		At Target
15	Breach of Data Security – LGPS and FSPS	Administrative	Poor Controls	Breach of Regulation	Pension Services Manager	Security Controls, passwords etc.	4	1	4			4	1	4		At Target
16	Failure to Meet Government	Governance	Inability to agree	Direct Intervention	Service	Full engagement	5	1	5			5	1	5		At Target

	Requirements on Pooling		proposals with other administering authorities.	by Secretary of State	Manager	in Project Brunel										
17	Failure of Pooled Vehicle to meet local objectives	Financial	Sub-Funds agreed not consistent with our liability profile.	Long Term - Pension deficit not closed	Service Manager	Full engagement in Project Brunel	4	1	4			4	1	4		At Target
18	Significant change in liability profile or cash flow as a consequence of Structural Changes	Financial	Significant Transfers Out from the Oxfordshire Fund, leading to loss of current contributions income.	In sufficient cash to pay pensions requiring a change to investment strategy and an increase in employer contributions	Service Manager	Engagement with One Oxfordshire project and with other key projects to ensure impacts fully understood	4	2	8	Work with Fund Actuary to Understand Potential Implications to feed into project and investigate potential changes to investment strategy that can be implemented within required timescales	June 2018	4	1	4	June 2018	Employer's engaged. Awaiting cash flow model from Actuary to fully understand implications.

LOCAL GOVERNMENT PENSION SCHEME - LOCAL PENSION BOARD OF OXFORDSHIRE PENSION FUND COMMITTEE CONSTITUTION

Introduction

1. This document sets out the terms of reference of the Local Government Pension Scheme Local Pension Board of Oxfordshire Pension Fund Committee (the 'Administering Authority') a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
2. The Board is established by the Administering Authority and operates independently of the Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
3. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.
4. Except where approval has been granted under regulation 106(2) of the Regulations the Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

Interpretation

5. The following terms have the meanings as outlined below:

'the Act'	The Public Service Pensions Act 2013.
'the Code'	means the Pension Regulator's Code of Practice No 14 governance and administration of public service pension schemes.
'the Committee'	means the committee who has delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972.
'the Fund'	means the Fund managed and administered by the Administering Authority.

'the Guidance'	means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.
'the Regulations'	means the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended from time to time).
'Relevant legislation'	means relevant overriding legislation as well as the Pension Regulator's Codes of Practice as they apply to the Administering Authority and the Board notwithstanding that the Codes of Practice are not legislation.
'the Scheme'	means the Local Government Pension Scheme in England and Wales.

Statement of purpose

6. The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:
 - (a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
 - (b) to ensure the effective and efficient governance and administration of the Scheme.

It should be noted that the role of the Board is to assist the Pension Fund Committee. It does not replace the Committee nor can it make decisions which are the responsibility of the Pension Fund Committee.

Duties of the Board

7. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the principles of public conduct contained in the Members' Code of Conduct which forms part of the County Council's Constitution. These principles are themselves based upon the Seven Principles of Public Conduct.

Establishment

8. The Board is established on 1 April 2015 subsequent to approval by the Oxfordshire Pension Fund Committee on 13 March 2015 and ratification by County Council on 14 April 2015.

Membership

9. The Board shall consist of 6 voting members, as follows:

3 Member Representatives; and

3 Employer Representatives.

10. There shall be an equal number of Member and Employer Representatives.
11. There shall also be 1 other representative who is not entitled to vote.

Member representatives

12. Member representatives shall either be scheme members¹ or have capacity to represent scheme members of the Fund.
13. Member representatives should be able to demonstrate their capacity² to attend and complete the necessary preparation for meetings and participate in training as required.
14. In light of the requirement for Board members to have the appropriate knowledge and understanding substitutes shall not be appointed.
15. The 3 Member representatives shall be appointed following a transparent recruitment process which should be open to all Fund members and be approved by the Administering Authority. This will comprise of a nomination, or self-nomination process followed by an interview conducted by the Chairman and Deputy Chairman of the Pension Fund Committee and one other member; and two representatives from the main trade unions.

Employer representatives

16. Employer representatives shall be elected members, office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.

¹ Active, deferred or pensioner members

² See paragraphs 5.16 to 5.20 of the Guidance which outlines what 'capacity' in this context means.

17. Employer representatives should be able to demonstrate their capacity³ to attend and complete the necessary preparation for meetings and participate in training as required.
18. In light of the requirement for Board members to have the appropriate knowledge and understanding substitutes shall not be appointed.
19. The 3 Employer representatives shall be appointed following a transparent recruitment process which should be open to all employers in the Fund and be approved by the Administering Authority. This will comprise of an interview conducted by the Chairmen and Deputy Chairman and 1 other member of the Pension Fund Committee. The Employers Forum shall also be given the opportunity to offer advice to the Administering Authority on all nominated candidates.

Other members

20. 1 other member, whose function will be that of independent chairman to the Board, shall be appointed to the Board by the agreement of both the Administering Authority and the Board.

Appointment of chairman

21. Subject to the meeting arrangements in paragraphs 33 to 35 below a chairman shall be appointed for the Board using the process listed below

An independent chairman to be appointed by the Administering Authority but shall count as an 'other' member under paragraphs 20 above. In this respect the term independent means having no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer in the Fund or not being a member of the Fund. The appointment of the chairman shall be subject to the passing of a motion to confirm by a majority of the employer and member representatives of the Board.

Duties of chairman

22. The chairman of the Board:
 - (a) Shall ensure the Board delivers its purpose as set out in these Terms of Reference,
 - (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered; and
 - (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

³ See paragraphs 5.16 to 5.20 of the Guidance which outlines what 'capacity' in this context means.

Notification of appointments

23. When appointments to the Board have been made the Administering Authority shall publish the name of Board members, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board.

Terms of Office

24. The term of office for Board members is 4 years.
25. In the interests of retaining relevant knowledge and understanding on the Board, all Board members can seek to be re-appointed for further terms of office, as long as they still meet the criteria necessary to be able to act as a representative of scheme employers or scheme members. Such extensions may be made by the Administering Authority with the agreement of the Board. For members appointed to the initial Board, the Pension Fund Committee can agree an extension of up to 2 years to enable the replacement of members on a phased basis, so that not all the knowledge and understanding is lost at the same time.
26. Board membership may be terminated prior to the end of the term of office due to:
- (a) A member representative appointed on the basis of their membership of the scheme no longer being a scheme member in the Fund.
 - (b) A member representative no longer being a scheme member or a representative of the body on which their appointment relied.
 - (c) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
 - (d) A Board member no longer being able to demonstrate to the Oxfordshire Pension Fund Committee their capacity to attend and prepare for 3 Board meetings in any 12 month period, or to participate in required training.
 - (e) The representative being withdrawn by the nominating body and a replacement identified.
 - (f) A Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.
 - (g) A Board member who is an elected member becomes a member of the Committee.
 - (h) A Board member who is an officer of the Administering Authority becomes responsible for the discharge of any function of the Administering Authority under the Regulations.
 - (i) A serious breach of the Code of Conduct in the opinion of the Monitoring Officer
 - (j) A serious failure to comply with the Knowledge and Understanding Policy in the opinion of the Monitoring Officer
 - (k) Resignation of the member concerned.

Conflicts of interest⁴

27. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.
28. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.
29. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Administering Authority shall ensure that any potential conflict is effectively managed in line with both the internal procedures of the Board's Conflicts of Interest policy and the requirements of the Code.

Knowledge and understanding (including Training)⁵

30. Knowledge and understanding must be considered in light of the role of the Board to assist the Administering Authority in line with the requirements outlined in paragraph 6 above. The Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Board members under the Act. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.
31. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's knowledge and understanding policy and framework.
32. Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board. Each Board Member must be satisfied that they have the appropriate degree of knowledge and understanding and be able to demonstrate this as required.

Meetings

33. The Board shall as a minimum meet 4 times each year
34. Meetings shall normally take place at County Hall, Oxford at a time to be agreed with the Chair of the Board which maximises the assistance to be provided to the Pension Fund Committee.

⁴ See section 7 of the Guidance for more information on Conflicts of Interest.

⁵ See section 6 of the Guidance for more information on Knowledge and Understanding.

35. The chairman of the Board, in consultation with the chairman of the Pension Fund Committee and Board members may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and e-mails.

Quorum

36. The quorum for a Board meeting will comprise the Chairman, one representative of scheme employers and one representative of scheme members.
37. A meeting that becomes inquorate may continue but any decisions will be non-binding.

Board administration

38. The Chairman shall agree an Agenda with the 'Board Secretary' prior to each Board meeting.
39. The agenda and supporting papers will be issued at least 5 clear working days (where practicable) in advance of the meeting except in the case of matters of urgency.
40. Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Board members within 15 working days after the meeting. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition where the Board was unable to reach a decision such occasions should also be noted in the minutes.
41. The minutes may with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.
42. The Board Secretary shall ensure that Board members meet and maintain the knowledge and understanding as determined in the Board's Knowledge and Understanding Policy and Framework and other guidance or legislation.
43. The Board Secretary shall arrange such advice as is required by the Board subject to such conditions as are listed in these Terms of Reference for the use of the budget set for the Board. The Board may be supported in its role and responsibilities through the appointment of advisors. To this end the Board should seek to establish a reciprocal arrangement with a neighbouring Local Pension Board, which allows it to obtain independent advice from the Officers and Advisors to the neighbouring Pension Fund Committee, to minimise the additional costs chargeable to the Pension Fund.

44. The Board Secretary shall ensure an attendance record is maintained along with advising the Administering Authority on allowances and expenses to be paid under these terms.
45. The Board Secretary shall liaise with the Administering Authority on the requirements of the Board, including advanced notice for officers to attend and arranging dates and times of Board meetings.

Public access to Board meetings and information

46. The Board meetings will be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).
47. The following will be entitled to attend Board meetings in an observer capacity:

- (a) *Members of the Committee,*
- (b) *Any person requested to attend by the Board.*

Any such attendees will be permitted to speak at the discretion of the Chairman.

48. In accordance with the Act the Administering Authority shall publish information about the Board to include:
 - (a) The names of Board members and their contact details.
 - (b) The representation of employers and members on the Board.
 - (c) The role of the Board.
 - (d) These Terms of Reference.

49. The Administering Authority shall also publish other information about the Board including:
 - (a) Agendas and minutes
 - (b) Training and attendance logs
 - (c) 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.

50. All or some of this information may be published using the following means or other means as considered appropriate from time to time:
 - (a) On the Fund's website.
 - (b) As part of the Fund's Annual Report.
 - (c) As part of the Governance Compliance Statement.

51. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A

of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

Expenses and allowances

52. The Administering Authority shall meet the travel, subsistence and carers expenses of Board members, in line with those payable under the County Council's Member's Allowance Scheme. These expenses will be paid in respect of attendance at Board meetings, and all training events deemed appropriate for meeting the knowledge and understanding requirements of Board members.
53. The Administering Authority shall pay a special responsibility allowance to the Independent Chairman of the Board in respect of the performance of their duties as the Chairman, including agenda planning, chairing Board meetings, and reporting to the Pension Fund Committee. This payment will be in line with the special responsibility allowance payable to co-opted Committee members as identified under the County Council's Member's Allowances Scheme. In addition to expenses paid under paragraph 52 above, the chairman is entitled to claim expenses when required to attend meetings of the Pension Fund Committee.

Budget

54. The Board is to be provided with adequate resources to fulfil its role. The Administering Authority will allocate an annual budget which is managed by and at the discretion of the Board. All costs of the Board will be chargeable to the Pension Fund. The budget will include cover for the costs of allowances and expenses for Board members, the costs of obtaining appropriate advice and support and the costs of all appropriate training programmes. Any expenditure on independent advisers outside of the budget provision will be subject to the prior approval of the Pension Fund Committee Chairman.

Core functions⁶

55. The first core function of the Board is to assist⁷ the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

a) Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.

⁶ In determining the role of the Board, further information can be found in paragraphs 3.27 to 3.29 of the Guidance.

⁷ Please see paragraph 3.28 of the Guidance for more information on what assisting the Administering Authority means.

- b) *Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code.*
- c) *Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.*
- d) *Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.*
- e) *Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.*
- f) *Monitor complaints and performance on the administration and governance of the scheme.*
- g) *Assist with the application of the Adjudication of Disagreements Process.*
- h) *Review the complete and proper exercise of Pensions Ombudsman cases.*
- i) *Review the implementation of revised policies and procedures following changes to the Scheme.*
- j) *Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.*
- k) *Review the complete and proper exercise of employer and administering authority discretions.*
- l) *Review the outcome of internal and external audit reports.*
- m) *Review draft accounts and Fund annual report.*
- n) *Review the compliance of particular cases, projects or process on request of the Committee.*
- o) *Any other area within the statement of purpose (i.e. assisting the Administering Authority) the Board deems appropriate.*

56. The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) *Assist with the development of improved customer services.*
- b) *Monitor performance of administration, governance and investments against key performance targets and indicators.*
- c) *Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.*
- d) *Monitor investment costs including custodian and transaction costs.*
- e) *Monitor internal and external audit reports.*
- f) *Review the risk register as it relates to the scheme manager function of the authority.*
- g) *Assist with the development of improved management, administration and governance structures and policies.*
- h) *Review the outcome of actuarial reporting and valuations.*

- i) *Assist in the development and monitoring of process improvements on request of Committee.*
 - j) *Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.*
 - k) *Any other area within the statement of purpose (i.e. ensuring effective and efficient governance of the scheme) the Board deems appropriate.*
57. In support of its core functions the Board may make a request for information to the Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.
58. In support of its core functions the Board may make recommendations to the Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Reporting⁸

59. The Board should in the first instance report its requests, recommendations or concerns to the Committee. In support of this any member of the Board may attend a Committee meeting as an observer
60. Requests and recommendations should be reported under the provisions of paragraphs 57 and 58 above.
61. The Board should report any concerns over a decision made by the Committee to the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.
62. On receipt of a report under paragraph 61 above the Committee should, within a reasonable period consider and respond to the Board. The response may be in the form of a written response directly to Board members for subsequent submission to the next meeting.
63. Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.
64. Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee under paragraph 61 and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.
65. The appropriate internal route for escalation is to the Monitoring Officer or/and the Section 151 Officer as appropriate.

⁸ See section 8 of the Guidance for more information on Reporting.

- 66. The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.
- 67. Board members are also subject to the requirements to report breaches of law under the Act and the Code [and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy].

Review of terms of reference

- 68. This Constitution shall be reviewed on each material change to those parts of the Regulations covering local pension boards and at least every 2 years.
- 69. These Terms of Reference were adopted on 13 March 2015.

.....
Signed on behalf of the Administering Authority

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Signed on behalf of the Board

Published 5 March 2015