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Martin Reeves
Chief Executive

Date: 7 June 2024

This matter is being dealt with by Sean Collins
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Dear Minister

Thank you for the letter of 15 May requesting us to set out our approach to achieving efficiencies in the management, governance and administration of the Oxfordshire LGPS Fund and Brunel, our investment pool. We have set out the response under the headings included in the letter, and the response has been shared with members of the Pension Fund Committee.

1. How will your Fund complete the process of pension asset pooling to deliver the benefits of scale?

a. What proportion of assets have been pooled in your chosen LGPS asset pool? Is your fund on track to pool all its listed assets by March 2025, and if not, what are the barriers to this?

Oxfordshire currently has 89% of its assets invested through the Brunel pool. All listed assets have been pooled with the exception of our 5.5% allocation to listed private equity companies for which Brunel do not have FCA approval to manage on our behalf. It is expected that this allocation will remain under the management of Officers at the Fund in consultation with their Independent Financial Adviser. The remaining 5.5% has been committed to the pool and will transfer across as and when the current private investments distribute funds back to the Fund over the next few years.

b. Is there scope for minimising waste and duplication by making use of your LGPS asset pool's services and expertise in reporting and development of the pension investment strategy? What is your expenditure on pensions investment consultancy?

Oxfordshire already makes use of Brunel's services for the majority of its investment reporting and continues to work with Brunel on further developments,



particularly around reporting on responsible investment and future requirements under TCFD reporting. We are committed to utilising Brunel resources wherever it makes sense to do so, to achieve economies of scale. Whilst we consult with Brunel on the development of the Fund's Strategic Asset Allocation, we are concerned about the conflicts of interest in extending this work further, as it is the Fund that has the statutory duty to determine the appropriate asset allocation to meet the pension liabilities as they fall due within the parameters determined in consultation with our scheme employers. This work is undertaken with the support of our Independent Financial Adviser, the total cost for the service estimated at £45,000 per annum.

c. Does your LGPS asset pool have an effective, modern governance structure in place, which is able to deliver timely decisions and ensure proper oversight? If not, what steps are you taking to make your pool's governance more effective?

Oxfordshire and its partner funds within Brunel have recently completed a fundamental review of the governance arrangements at the pool, including the agreement to reduce the number of matters which must be determined by a vote of the Funds, and reducing the threshold which needs to be reached for these matters to be passed. There will always be challenges in the governance arrangements of the pool which requires some compromise across the 10 partner funds, a challenge which would potentially be much greater in the event of a reduction in the number of pools, whilst maintaining the number of administering authorities.

2. How do you ensure your LGPS Fund is effectively run, including consideration of governance and the benefits of greater scale?

a. Does your LGPS Fund have effective and skilled governance in place, which is able to hold officers, service providers and the pool to account on performance and efficiency?

The Fund received a report from Hymans Robertson who undertook an independent review of its governance arrangements in March 2021, and has since implemented the recommendations from that review. Further assessment of our arrangements would significantly benefit from the implementation by Government of the recommendations which stemmed from the Good Governance review, also completed by Hymans Robertson, which would provide a benchmark against which the position of Oxfordshire could be better judged. The Fund has an agreed training policy in place, and members cannot sit on the Pension Fund Committee if they do not comply with the policy. The policy includes the annual assessment of the skills and knowledge of both the Committee and Board members utilising the National Knowledge Assessment tool operated by Hymans Robertson.

b. Would you be likely to achieve long-term savings and efficiencies if your LGPS Fund became part of a larger fund through merger or creation of a larger pensions' authority?

Oxfordshire undertook a detailed analysis of the benefits of merger alongside the Buckinghamshire and Berkshire Funds before the Government developed its pooling proposals. Whilst the pooling agenda has delivered, we believe there is merit in exploring this issue further for the benefits of the key stakeholders of the scheme (both scheme members and scheme employers). Any change though is likely to lead to significant transition costs, whether that be in consolidating current investments or in looking to standardise administration practices across the

country (differences in administration processes was seen as a major challenge in the work undertaken with Buckinghamshire and Berkshire). There are also significant governance challenges to be addressed, most notably who acts to underwrite all pension liabilities, and how the current democratic oversight would be maintained. It should also be noted that cost savings are not always in the best interests of the scheme members/employers if they are delivered at the expense of investment returns. It is also the case that a number of the private market investment options being promoted by the Government involve significantly higher fund management fees than the alternative listed market offerings, especially when managed on a passive basis.

We therefore believe considerably more research needs to be undertaken before we can arrive at a considered response to this question.

Yours sincerely,

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Martin Reeves
Chief Executive

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Lorna Baxter
Executive Director of Resources & Section
151 Officer