



To: Members of the Local Pension Board

Notice of a Meeting of the Local Pension Board

Friday, 23 April 2021 at 10.30 am

Virtual
[Link to Livestream](#)

A handwritten signature in blue ink, appearing to read 'Yvonne Rees'.

Yvonne Rees
Chief Executive

Date Not Specified

Committee Officer: **Sue Whitehead**
Tel: 07393 001213; Email: sue.whitehead@oxfordshire.gov.uk

Membership

Chairman – Matthew Trebilcock

Scheme Members:

Alistair Bastin	Stephen Davis	Sarah Pritchard
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Employer Members:

Lisa Hughes	Councillor Bob Johnston	Angela Priestley-Gibbins
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Notes:

- **Date of next meeting: 9 July 2021**

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 minutes of the meeting held on 22 January 2021 (**LPB5**) and to receive information arising from them.

6. **Unconfirmed Minutes of the Pension Fund Committee - 5 March 2021 (Pages 7 - 16)**
7. **Governance Review (Pages 17 - 66)**

The Board are invited to consider the Governance Review which was presented to the March meeting of the Pension Fund Committee. Council subsequently agreed to the proposed amendments to the Constitution of the Pension Fund Committee as set out in the proposal from Hymans Robertson.

The Board are invited to offer any comments on the process to fill the representative places on the new Pension Fund Committee, and to offer any comments in respect of the other recommendations of the Hymans Robertson report, so that these can be taken into account when the Committee further considers the findings at their June meeting.

8. **Review of the Annual Business Plan (Pages 67 - 88)**

The Board are invited to review the latest position against the Annual Business Plan for 2020/21 as considered by the Pension Fund Committee at their meeting on 5 March 2021, and to comment on the Business Plan agreed for 2021/22.

9. **Risk Register (Pages 89 - 96)**

This is the latest risk register as considered by the Pension Fund Committee on 5 March 2021. The Board are invited to review the report and offer any further views back to the Committee.

10. Administration Report (Pages 97 - 106)

The Board are invited to review the latest Administration Report as presented to the Pension Fund Committee on 5 March 2021, including the latest performance statistics for the Service.

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

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

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.

LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 22 January 2021 commencing at 10.30 am and finishing at 12.10 pm

Present:

Voting Members: Matthew Trebilcock – in the Chair

Alistair Bastin
Stephen Davis
Lisa Hughes
Councillor Bob Johnston
Angela Priestley-Gibbins
Sarah Pritchard

By Invitation: Ian Colvin, Hymans Robertson
Andrew McKerns, Hymans Robertson
Claire McDines, Hymans Robertson

Officers:

Whole of meeting Sean Collins, Service Manager Pensions; Sally Fox, Pension Services Manager and Sue Whitehead, Law & 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.

1/21 WELCOME BY CHAIRMAN

(Agenda No. 1)

Sean Collins, Service Manager Pensions, introduced Matthew Trebilcock, Head of Pensions at Gloucestershire County Council as the new Independent Chairman of the Oxfordshire Local Pensions Board.

Sean Collins also reminded the meeting that representatives of Hyman's were observing the meeting as part of their Governance Review.

The Chairman welcomed all to the meeting.

2/21 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE OPPOSITE

(Agenda No. 3)

There were no declarations of interest made.

3/21 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

There were none.

4/21 MINUTES

(Agenda No. 5)

The Minutes of the meeting held on 23 October 2020 were approved and signed as a correct record.

An Employers Side representative expressed his continuing concern over risk 13/14 relating to the risk of intervention from the Pension Regulator in respect of the skills and knowledge of the Committee.

5/21 UNCONFIRMED MINUTES OF THE PENSION FUND COMMITTEE - 4 DECEMBER 2020

(Agenda No. 6)

The Local Pension Board received the draft Minutes of the meeting of the Pension Fund Committee held on 4 December 2020 for information. A member of the Board who had attended the meeting noted that the Minutes represented a fair account of what he considered had been a useful meeting.

6/21 REVIEW OF THE ANNUAL BUSINESS PLAN

(Agenda No. 7)

The Board reviewed the latest position against the Annual Business Plan for 2020/21 as considered by the Pension Fund Committee at their meeting on 4 December 2020. In particular, they were invited to comment on the changes to the format of the report, following their comments at the last meeting of the Board.

In generally welcoming the changes to the format of the report members recognised that further changes might be needed in order to get the right balance between detail and accessibility of the information. It was suggested that:

- It would be helpful to see the addition of a direction of travel indicator to the RAG rating. The RAG rating could be made clearer by the use of an additional column or the use of words as it was difficult to read in paper copy as that was only black and white and it was difficult to judge the shades of grey.
- It would be helpful to have some narrative at the end of each of the 4 blocks of information.
- Going forward the next steps column would be improved by being sharpened to include SMART information such as what, when by and who by.

- Further work was needed to map business development and the annual business plan against risk.

Sean Collins, Service Manager Pensions, welcomed the comments and agreed that it was an iterative process. The Pensions Fund Committee had also welcomed the changes in format.

Members commented on the content of the report and Sean Collins in response to a query indicate that there were no Next Steps against the Governance Section as the Review was still ongoing.

7/21 RISK REGISTER

(Agenda No. 8)

The Local Pension Board considered the latest risk register as considered by the Pension Fund Committee on 4 December 2020. The Board were invited to review the report and offer any further views back to the Committee.

Sean Collins, Service Manager Pensions, advised the Board that the Committee had accepted the comments made by the Board at their last meeting. Discussion at the Committee had centred around the new Risk 21 and the Committee had endorsed the short-term policy relating to the £95,000 exit cap.

During discussion members:

- Highlighted concern over Risk 13 given the local elections scheduled for May 2021. There was a query on the level of scenario planning being undertaken to respond to the situation after May. The Chairman referred to his experience with a new Unitary Council where the entire membership of the Pensions Committee had been new. What was important was the robust training plans in place as part of the induction of new councillors. A further protection for the Committee was the requirement to take appropriate advice; from officers and from the Committee's pensions advisor. Sean Collins added that there was an induction pack ready for new members should that be the case. Also, there was a policy that new members in their first year on the Committee must complete the LGA Fundamentals three-day training or the online training from the Pensions Regulator. If there was an item at a particular meeting that members were not aware of there would be pre-Committee training. Sean added that it was not yet known what the Hyman's report would say about the governance arrangements and what the future shape of the Committee might look like. Whatever the final make-up of the Committee, with the training plan in place and advisors to provide support we were well prepared.
- Queried, in relation to paragraph 13 of the report, on Risk 8 concerning the risk of employer default whether the risk should be amended to reflect a worsening situation with the country in a third lockdown creating additional financial pressures. Sean Collins responded that there was no feedback or evidence of financial problems for the FE/HE employers in the scheme. An Scheme Member added that it was her understanding that enrolment at Brookes was at 116% and there were no worries currently.

- Suggested that the risk of default from outsourced contractors such as cleaners and caterers was a growing concern. Sean replied setting out the reasons why there was less impact from the risk from outsourced contractors compared to FE/HE colleges. The amounts involved in outsourced contractors was smaller than the FE/HE sector and generally underwritten by the employers who had outsourced the work. The impact was less on the Pension Fund as a whole.
- Noted the importance of a read across between the risk register and the business development plan.
- Referred to Risk 18 and the work in hand by the Climate Change Working Group to understand how the portfolios offered by Brunel can be aligned to the Paris Agreement.
- Discussed the risks around the McCloud Judgement. It was suggested by a Scheme member that in the light of research by Unison that indicated that the numbers involved and thus the impact would be small, the impact of 4 as set out in the register was unlikely. Sean Collins advised that the score reflected the reputational and work impact risks as much as the finance aspect.
- Heard that the risk register for Gloucestershire was predominantly the same in terms of the risks covered, mitigations and the presentation of the information.

8/21 **ADMINISTRATION REPORT**

(Agenda No. 9)

The Board was invited to review the latest Administration Report as presented to the Pension Fund Committee on 4 December 2020, including the latest performance statistics for the Service. The Board was invited to discuss the proposed amendments to the Funding Strategy Statement reflecting the new flexibilities in respect of the dealings between the Administering Authority and Scheme Employer and to offer any comments back to the Pension Fund Committee as part of the current consultation process.

Members generally welcomed the report as encouraging noting that recruitment seemed to be getting a little easier.

There was some discussion around the amount of detailed information provided and whether all of the detail was necessary. For example, it was queried whether all of the annexes around late payments were necessary. Rather it was suggested that what was needed was information on persistent late payers and what was being done about it. Sally Fox, Pension Services Manager, commented that the information provided had increased over time and was that required for the Pension Fund Committee. They were looking at the presentation of the information with a view to refining it going forward. The reporting of statistics was under review and officers were currently looking at how reporting could be improved. Responding to comments from an individual Employer Member Sean Collins undertook to discuss with them labelling outside of the meeting. The Board noted that the level of detail required was ultimately for the Pension Fund Committee and suggested that they be asked to consider the level of detail needed.

Sally Fox responded to individual queries on complaints, McCloud/Sargeant and pension benefit statements. In light of the discussion on McCloud/Sargeant Councillor Bob Johnston noted that he was a member of the Fire Pensions Board.

Responding to a query, the Employer members on the Board confirmed that they received invitations to the Employer Meetings.

Sean Collins, Service Manager Pensions introduced the second part of the report relating to changes to the Funding Strategy Statement, currently out for consultation. He highlighted for the Board the two key areas and noted that Annex 4 did not contain the track changes that set out notes on those areas. The track change version would be circulated to members of the Board.

9/21 GOVERNANCE REVIEW

(Agenda No. 10)

The Board had requested that this item be added to the agenda in order to receive an update from representatives of Hymans Robertson on their independent review of the governance arrangements of the Fund as well as to give an opportunity for the Board to feed any further comments into the review on the governance arrangements in general, and the role of the Pension Board within these arrangements in particular.

Ian Colvin, Andrew McKenna and Claire McDines were in attendance from Hymans Robertson. Ian Colvin noted that they were at the end of the information gathering and that attendance today was the last part of the jigsaw and they had heard interesting discussion. He thanked all those involved in the Review so far and although noting that it was too early to speak about recommendations it was possible to highlight some of the areas that had come up. This included: the roles and responsibilities of the Committee and Board; training, knowledge and understanding; recruitment of key personnel; and structure and organisation, for example committee size. It was hoped that they would report to the Pension Fund Committee in March.

10/21 INVESTMENT MANAGEMENT COSTS AND PERFORMANCE

(Agenda No. 11)

At the request of The Board a report was before them for consideration setting out the costs and performance of the individual investment portfolios over the most recent 12-month period. The Board was invited to discuss the contents of this report and consider what advice, if any, to send to the Pension Fund Committee.

Sean Collins, Service Manager Pensions, referred to Annex 1 explaining that the figures were up to March 2020 in order to provide accurate information. He referred to the issues and concerns of officers, highlighted in the report, of looking at the figures in this way, particularly as so many of the portfolios are transitioning across to Brunel.

Responding to a query when the March 2021 figures would be available Sean Collins replied that they would be available for the July meeting.

During discussion:

- A Scheme Member thanked officers for the report and the clarity of the information. They looked forward to the next report and the opportunity to look at

the figures over time and in particular to looking at the passive versus active fund management debate.

- Responding to a query Sean Collins indicated that the Diversified Growth Fund was not in the longer-term asset allocation It was an area the Committee would be looking to move the money from when proposals were brought forward by Brunel.
- It was suggested that the report be forwarded to the Pension Fund Committee.

RESOLVED: To refer the report to the Pension Fund Committee.

11/21 ITEMS TO INCLUDE IN REPORT TO THE PENSION FUND COMMITTEE

(Agenda No. 12)

- Review of the Annual Business Plan
 - Board would like to see the business plan mapped to/from the risk register.
- Risk Register
 - Discussed Risks 8 (Risk of Employer default) and Risk 18 in detail. Risk 18 to be addressed by Climate Change Working Group
 - Discussion about Risk 13 (knowledge & skills) in light of forthcoming elections was discussed. Board request that Committee ensure they have an appropriate training/induction strategy for new Committee members post elections.
- Administration Report
 - Board request Committee look at reporting by exception. (e.g. no need to see all Employers list on contribution payment schedule, only those who have paid late and what actions have been taken)
- Governance Review
 - Board is looking forward to the outcome of the review.
- Investment Management Costs and Performance
 - Board wish to send paper to Committee for their information. Also advise Committee that a further report will be brought to the LPB in July 2021 with the 2020/21 data to compare.

12/21 ITEMS TO BE INCLUDED IN THE AGENDA FOR THE NEXT BOARD MEETING

(Agenda No. 13)

It was requested that the next performance and costs report be submitted to the July meeting of the Local Pension Board.

..... in the Chair

Date of signing 2021

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 5 March 2021 commencing at 10.10 am and finishing at 1.30 pm

Present:

Voting Members: Councillor Kevin Bulmer – in the Chair

Councillor Nicholas Field-Johnson (Deputy Chairman)
Councillor Ian Corkin
Councillor Mark Lygo
Councillor Charles Mathew
Councillor John Sanders
Councillor Roz Smith
Councillor Alan Thompson
District Councillor Alaa Al-Yousuf
District Councillor Jo Robb

Other Members in Attendance: Councillor Bob Johnston (Local Pension Board)

By Invitation: Catherine Dix and David Vickers (Brunel)
Ian Colvin (Hymans Robertson)
Peter Davies (Independent Financial Adviser)

Officers: Lorna Baxter, Sean Collins, Sally Fox, Gregory Ley (all Finance) and Khalid Ahmed (Law and Governance)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with an addenda tabled before 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 [agenda, reports and schedule/additional documents], copies of which are attached to the signed Minutes.

1/21 **APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS**

(Agenda No. 1)

An apology for absence was submitted by Councillor Lawrie Stratford.

2/21 **MINUTES**

(Agenda No. 3)

The Minutes of the meeting held on 4 December 2020 were approved and signed as an accurate record, subject to the inclusion of Peter Davies in the list of those in attendance.

Matters Arising

Sean Collins, Service Manager for Pensions reported that in relation to Minute No. 137/20 – Provision of the Independent Financial Advice, contact had been made with colleagues at other Pension Funds regarding exploring the option of appointing a single source of independent financial advice for all Funds within the Brunel Pension Partnerships and after discussion it had been decided not to take this forward.

3/21 MINUTES OF THE LOCAL PENSION BOARD

(Agenda No. 5)

The unconfirmed Minutes of the Local Pension Board which met on 22 January 2021 were noted.

4/21 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 6)

The Independent Financial Adviser provided the Committee with an overview of the current and future investment scene and market developments across various regions and sectors.

Reference was made to page 19 of the agenda which provided details of the overall valuation of the Pension Fund as at 31 December 2020. Members were informed that there was appreciation of £200m which was attributable to equity markets being up by 8-10%. As of 31 December 2020, the highest value of assets was £2.9 billion, despite a rocky first period.

The Fund was overweight both listed equities and fixed income whilst waiting on Brunel to call down on the funds committed to Brunel on private equities, infrastructure, secured income and private debt.

The cash being held was £76m which needed to be high to meet potential calls.

Regarding the performance of the Fund; over the 12 month period performance had out-performed the benchmark by 1%, and similar out-performance of 0.7% over a three year period. However, there was a slight underperformance against the target by 1.1% in the most recent quarter.

There had been a notable performance from Brunel's Global High Alpha Equities, which was 15.4% above benchmark over the last 12 months.

A Member referred to page 24 under Private Equity and the benchmark figure of 24.2 and asked why this figure was high. The Independent Financial Adviser replied that this related to the FTSE small cap sector which had been very strong in that quarter period.

RESOLVED – That the Committee received the oral update provided, together with the tables and graphs submitted.

5/21 BRUNEL
(Agenda No. 7)

David Vickers, the recently appointed Chief Investment Officer from the Brunel Company attended the meeting and gave the Committee a presentation on the latest position on the investments through Brunel and gave his vision for future developments, with reference to the Investment Performance Reports.

Brunel's strategic objectives included:

- Offering a client driven range of products and services to ensure clients remained at the forefront of pension fund investment
- Outperforming benchmarks in long term (min 3-5 years listed, longer PM)
- Providing additional benefits (beyond financials) not available pre pooling including stewardship, responsible investment, diversification and risk analysis
- Taking a prudential approach, managing risk wherever possible through robust governance and controls
- Making fee savings, whilst maintaining performance, of £27.8m (8.9bp) by 2025
- Managing transition and operational costs to achieve breakeven by 2023 and cumulative net savings of £550m to 2036

Members were informed that Brunel currently managed c. £20 billion of assets and transitions had occurred largely in a linear fashion. Progression was good and was made at good speed. Most of the £20 billion of assets were in equity portfolios.

A Member referred to heavy investment exposure in organisations such as Apple, Microsoft, Alphabet and Google who were being investigated for the amount of tax they paid, and he questioned the ethics of this investment policy. It was suggested that Healthcare should be more prominent in the portfolio, particularly in relation to Covid 19 and the vaccines and reference was made to Tesla as another area where investment should be.

In response to a question on crypto-currency and block-change technology, the Chief Investment Officer of Brunel commented that bitcoins were presently unregulated which was why money was not put into this area. However, some central banks had been in talks about using their own digital currency, so there may be developments in the future. Currently bitcoins were unregulated and were not favoured by the Government.

In relation to block-change technology, this was an interesting sector as this was technology which removed intermediaries and had the potential to revolutionise how business was carried out.

Regarding emerging markets, the Committee was informed of the following:

- Balance of investment styles across managers
- Alpha drivers based on quality and stock selection
- Country skew U/W China, positive smaller economies

- Limited exposure to Frontier Markets and Smaller Caps
- Positive sector bias to consumer, low energy weighting
- Carbon intensity is below benchmark
- Fund was ESG integrated

U/W China (Many of China's companies were state owned and were primarily run for the benefit of the Chinese Government). The Chinese economy had not suffered as a result of Covid 19 as most other world economies had.

Regarding Active UK Equity - Targeted 2% excess return, targets 0.9 - 1.1 beta. Combined quant and fundamental approaches were style neutral but with a quality tilt. The fund was underweight oil & gas sectors. As a result of Brexit and the falling exchange rate, investment in UK from overseas decreased, particularly from US investors. 80% of the FTSE revenues were from outside the UK. The portfolio was less carbon intensive than the benchmark.

Global Sustainable Equity - There were three managers which deeply integrated ESG metrics throughout the process. Exposure to "positive pursuit" companies was maximised, were primarily growth focussed and carbon intensity was well below benchmark.

Investments were taking place in people who were providing solutions.

Discussion took place on the situation in China and around the use of fossil fuels and China being the world's biggest emitter of carbon. Members were informed that one should look to divorce Chinese companies from the Chinese Government and their policies, albeit this was difficult. However, a reference was made to the commitment made by the Chinese to be carbon neutral by 2060. Also, that use of fossil fuels was not just a Chinese problem, it was also a Western problem with the USA and Europe also being large emitters. China today equated to approximately 40% of the whole emerging market index and so in this context, was impossible to ignore.

Reference was made to duplication in portfolios (10% - £126m) invested in the energy market and high equity and the Committee was informed that managers were given restrictions, but it was not unusual to see duplications.

The Committee was provided with the private market assets under management (AUM) progress highlights:-

- £3,760 million of 'new money' commitments to new investments as part of Brunel PM Portfolio offerings (cycles 1 + 2 combined). The money would be invested over the next 4-5 years
- £1,300 million of clients' existing (legacy) property assets by January 2021 (c.£135m Oxfordshire)
- PM Team and partners now responsible for stewardship of > £5,000 million of client money
- To come there was an opportunity for clients that made commitments to Cycle 2 to 'top up' their commitments in April 2021
- Cycle 3 planning would commence in early Summer 2021, to launch in 2022.

Details of Cycle 1 and 2 priorities were reported.

Discussion took place on the time it took Brunel to invest in private equities and Members were informed that Oxfordshire Pension Fund had started from a standing position in relation to this. It would take 4-5 years to get this up and running.

The Committee was informed that in cycle 2 there were total commitments of £220m with several parties engaged (Aksia, Stepstone, Neuberger/Berman). In response to a question regarding there being a greater focus on carbon metrics than eco metrics, the Committee was informed that metrics were developing all the time.

To deliver the Business Plan there would be

- Enhanced Client Reporting to develop overall presentation, content and value of these reports
- Private Market Resilience through increasing headcount and lower key person dependency
- Development of Responsible Investment (RI) Tools & Data/ Net Zero portfolios
- Reviewing passive benchmarks and creating Net Zero portfolios

RESOLVED – That the presentation given by Brunel be noted and received and David Vickers be thanked for the excellent information provided in the presentation.

6/21 EXEMPT ITEMS

(Agenda No. 8)

RESOLVED - That the public be excluded for the duration of items 9, 10 and 11 in the Agenda since it is likely that if they were present during those items there would be disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) .

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

7/21 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 9)

Consideration was given to a confidential report of the Independent Financial Adviser which provided an overview of the current and future investment scene and market developments across various regions and sectors.

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

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

RESOLVED – That the Committee received the report, tables and graphs.

8/21 REPORT ON LEGACY FUND MANAGERS

(Agenda No. 10)

The Independent Financial Adviser provided a confidential report on the recent meetings held with Legal and General, the Partners Group and Insight.

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

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

RESOLVED – That the confidential report be noted.

9/21 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 11)

The Independent Financial Adviser, Peter Davies informed the Committee he would be standing down from his role. Members placed on record their thanks to Peter for the work he carried out on behalf of the Pension Fund and wished him all the best in the future.

10/21 REPORT OF THE LOCAL PENSION BOARD

(Agenda No. 12)

Consideration was given to the latest report by the Independent Chairman of the Local Pension Board. Councillor Bob Johnston, Local Pension Board Member, spoke to the report on the Board's behalf, which invited the Committee to respond to the key issues contained within it.

Reference was made to the impending County Council elections in May 2021 and the need for a robust training and induction programme for new Committee Members after the elections. Assurance was given that induction training, specifically for new Committee Members was to take place.

RESOLVED – That the comments of the Board detailed in the report be noted and be taken into account when discussing the relevant items on this agenda.

11/21 GOVERNANCE REVIEW

(Agenda No. 13)

The Committee was provided with a report which highlighted the key findings from the recent governance review of the Fund undertaken by Hymans Robertson which set out proposed issues to include in a future improvement plan.

Ian Colvin from Hymans Robertson attended the meeting and provided a summary of the findings. Members were informed that no significant weaknesses had been identified with the current governance arrangements, however, there were ten recommendations which covered good governance.

Discussion took place on the recommendation relating to the future constitution of this Committee and Members were informed that this recommendation reflected the guidance from the Scheme Advisory Board and the significant changes to the Pension Scheme membership since the current Committee constitution was agreed.

The proposal was to widen scheme employer representation on the Committee to reflect active scheme membership but that this needed to be considered alongside the legal context of the Committee:

- Oxfordshire County Council was the Administering Authority of the Fund and was responsible for its management and performance
- The Committee was established under local government regulations and its membership should reflect the political composition of the Council as a whole, with the majority party on the Council, holding majority seats on the Committee.

The Committee discussed the potential model of the Committee which reduced the size of the Committee from the current 12 to 10, whilst increasing the representation of the scheme employers to reflect the scheme membership. It was noted that whilst the proposal was for County Council Members to have 5 voting members and the remaining 5 members to be non-voting, the Committee operated by consensus rather than formal voting.

Councillor Jo Robb referred to the recommendation which proposed consideration being given to the creation of a Governance Officer role at the Fund and Members were informed that this would be explored with Hymans Robertson and the Director of Finance to fully understand the requirement for this.

RESOLVED – (1) That the findings of the report from Hymans Robertson be noted.

(2) That Officers in consultation with Hymans Robertson be asked to provide a report to the first meeting of the new Pension Fund Committee in June 2021 on the proposals to take forward recommendations 1, 3-10 from the report.

(3) That this Committee recommends to Council, consideration of any changes to the Constitution of the Pension Fund Committee in light of recommendation 2 (below) of the Hymans Robertson report, such that these can be taken into account in establishing the new Pension Fund Committee after the May 2021 elections.

[5 voting members of the County Council, 2 non-voting members of the Academy sector, 1 non-voting scheme member representative, 1 non-voting member of Oxford Brookes University and 1 non-voting member of District Council.]

12/21 ANNUAL BUSINESS PLAN

(Agenda No. 14)

Sean Collins, Service Manager Pensions introduced the report which set out the strategic priorities and the budget for the Pension Fund for the 2021/22 financial year.

Reference was made to the four service priorities included with the plan, together with a number of key measures of success.

Discussion took place on performance fees for Brunel and the Service Manager Pensions reported that the majority of Funds did not use performance fees as it would result in higher fees. It was agreed that for the next meeting of the Committee a report be considered on the use of performance fees.

RESOLVED – (1) That the progress against the service priorities for 2020/21 be noted and approval be given to the setting of benchmarks for carbon emissions for the equity and fixed income portfolios based on December 2019, and Brunel be commissioned to undertake the work necessary to establish figures for the legacy portfolios held at that time.

(2) That approval be given to the Business Plan and Budget for 2021/22 as set out at Annex 1.

(3) That approval be given to the Pension Fund Cash Management Strategy for 2021/22.

(4) That delegated authority be given to the Director of Finance, in consultation with the Chairman of the Committee, 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 and that these be reported back to the Committee.

(5) That delegated authority be given to the Director of Finance, in consultation with the Chairman of the Committee, to open separate pension fund bank, deposit and investment accounts as appropriate, and that these be reported back to the Committee.

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

13/21 RISK REGISTER

(Agenda No. 15)

Consideration was given to a report which updated the Committee on the Fund's Risk Register, including any new risks identified since the report to the last meeting.

Discussion took place on the latest position on existing risks and new risks detailed in paragraphs 7 – 14 in the report and Councillor Jo Robb referred to the risks which had been identified in the Hymans Robertson Governance Review and the Committee was informed that these would be incorporated into the next Risk Report which would be submitted to the June meeting of the Committee.

RESOLVED – That the changes and update provided on the Risk Register be noted.

14/21 ADMINISTRATION REPORT

(Agenda No. 16)

The Committee was provided with a report which provided an update on the key administration issues including the iConnect project, service performance measurement and any write offs agreed in the last quarter. In addition, the Committee was asked to approve amendments to the Funding Strategy Statement following the recent consultation on amendments reflecting the changes in Regulations in respect of employer exits from the Fund.

The Committee was provided with details of the staffing position, particularly relating to the three administrator vacancies. The Chairman referred to the possibility of resource sharing with other Pension Funds aligned to Brunel. It was agreed that this be explored with a report submitted to the next meeting of the Committee.

Reference was made to the Service Level Agreement (SLA) where five subjects had not been met last month, based on a combination of factors, but being mainly due to inexperienced team members. The Committee was asked for a temporary reduction in SLA targets to 75%, to be reviewed at the next Committee meeting.

Members were also provided with an addendum to the report which sought consideration to amending the Scheme Pays Policy which allowed members to make backdated applications, for voluntary scheme pays elections, to the Fund, providing the Fund has the legal authority to accept these.

Discussion took place on the proposal and concern was expressed at the potential financial implications of this if there were further requests. Members agreed that the Scheme Pays Policy should not be amended to allow members to make backdated applications, for voluntary scheme pays elections, to the Fund. Councillors Jo Robb and Roz Smith abstained from voting on this decision.

RESOLVED – (1) That the report be noted.

(2) That approval be given to a temporary reduction in service level agreement targets (down to 75%) and this be reviewed at the next meeting of the Committee.

(3) That a report be submitted to the next meeting of the Committee on possible resource sharing with other Pension Funds aligned to Brunel.

(4) That approval be given to confirming the changes to the Funding Strategy Statement as detailed in the report.

(5) That approval not be given to the request to amend the Scheme Pays Policy which would allow members to make backdated applications, for voluntary scheme pays elections, to the Fund.

15/21 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT
(Agenda No. 17)

There was nothing to report.

16/21 REVIEW OF THE COMMITTEE'S ACHIEVEMENTS
(Agenda No. 18)

The Chairman of the Committee introduced a report which outlined the achievements of the Committee in the last four years.

Particular reference was made to the achievements in relation to the climate change agenda, which included a successful Climate Change Workshop which had been attended by a number of key stakeholders from all parties, including academic research, the investment industry, the Committee and Board, scheme member representatives and Fossil Free Oxfordshire. The Committee noted that there would be a communications release next week regarding the work on Climate Change.

The Chairman thanked Members and officers for the work which had been carried out.

RESOLVED – That the achievements of the Committee over the last 4 years be noted.

..... in the Chair

Date of signing

Division(s): n/a

PENSION FUND COMMITTEE – 5 MARCH 2021

INDEPENDENT GOVERNANCE REVIEW

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to**
 - a. **Provide any feedback on the findings of the report from Hymans Robertson,**
 - b. **Ask the Officers in consultation with Hymans Robertson to provide a report to the first meeting of the new Pension Fund Committee in June 2021 on proposals to take forward recommendations 1, 3-10 from the report, subject to any comments in a. above, and**
 - c. **Recommend Council to consider any changes to the Constitution of the Pension Fund Committee in light of recommendation 2 of the Hymans Robertson report, such that these can be taken into account in establishing the new Pension Fund Committee after the May 2021 elections.**

Introduction

2. At their meeting on 11 September 2020, the Committee agreed to request Hymans Robertson to undertake an independent review into the governance arrangements of the Fund. The request was made in the context of the increased scrutiny being given to governance arrangements in the LGPS by the Pension Regulator and the Scheme Advisory Board. The latter had also commissioned Hymans Robertson to undertake the Good Governance Review of the overall arrangements within the LGPS.
3. The review was carried out over a number of months and included the observation of this Committee's meeting in December as well as the meeting of the Pension Board in January. The final report from Hymans Robertson is set out as an annex to this report and representatives from Hymans Robertson are in attendance to present their findings.

Next Steps

4. Whilst the report finds that there are no significant weaknesses with the current governance arrangements, it does include 10 recommendations which are summarised at Appendix 1 to the report. These recommendations cover good practice and respond to the draft proposals agreed by the Scheme Advisory Board from the Good Governance Review which are currently with the Ministry of Housing, Communities and Local Government for consideration.

5. Subject to any comments from the Committee it is recommended that Officers continue to work with Hymans Robertson to draw up proposals to implement the report's recommendations and present these to the first meeting of the new Committee in June. This would enable the new Committee to start its term on the front foot, with robust governance arrangements in place.
6. There is arguably one recommendation which is more appropriately dealt with by this Committee at its meeting today. This relates to the future constitution of this Committee. Consideration of this recommendation today will allow a recommendation to be made to full Council and any changes implemented in time for the establishment of the new Committee following the May elections. Any delay in the consideration of this recommendation would then mean that the first decision of the new Committee would be to recommend changes to its constitution and the removal of newly appointed members and/or the removal of their voting rights.
7. The recommendations from Hymans Robertson reflect the guidance from the Scheme Advisory Board and the significant changes to Scheme membership since the current Committee constitution was agreed. Historically, the vast majority of scheme members were employed by the County, City and District Councils, with the voting membership of the Committee reflecting the scheme membership.
8. With the growth of the academy movement this is no longer the position. The latest figures for active members indicate that the County Council still remains the largest employer with around 40% of active members, but the academy sector now makes up over 30% of the active membership. Brookes University is the second largest single employer within the Fund with around 10% of the total membership, whilst the City and District Councils alongside their out-sourced partners make up just over 10%. The remaining membership is spread across multiple employers including housing associations, charitable bodies, and the FE colleges.
9. Any proposal to widen scheme employer representation on the Committee to better reflect active scheme membership needs to be considered alongside the legal context for the Committee. First and foremost is the fact that the County Council is recognised within the relevant legislation as the Administering Authority for the Oxfordshire Pension Fund and is ultimately responsible for the management and performance of the Fund. Secondly, as a Committee established under the local government regulations, membership must reflect the political make up of the Council as a whole, with any majority party on the Council holding the majority of voting seats on the Committee.
10. It was as a result of this last point that the last amendment was made to the size of the Committee to increase membership from 9 to 11 voting members, to ensure the Conservative/Independent majority group on the Council had the majority on the Committee when allowing for the 2 District Council representatives.

11. The other key issues to consider in terms of determining the constitution of the new Committee is the extent that size determines the effectiveness of the Committee, and the need to ensure that all Committee Members can fully engage in the training necessary to meet the skills and knowledge requirements to be a member of the Committee and to fully engage in the decisions made by the Committee.
12. Finally it should be noted that the 12th member of the current Committee is the Scheme Member representative, who is the only non-voting member of the Committee. The reason this position has always been non-voting is that providing voting rights would exclude any current employee of the County Council from fulfilling the role under the local government regulations under which the Committee is established.
13. Whilst the Hymans Robertson report has not made a specific proposal for the constitution of the new Committee, they have included a potential model to guide the discussion. This proposal reduces the size of the Committee from the current 12 to 10, whilst increasing the representation of the scheme employers to better reflect the scheme membership. Whilst under the proposal, only the County Council members would have the right to vote, it is noted that the majority of decisions made by this and previous Committee's have not required a formal vote, and have been developed through consensus based on the best interests of the scheme stakeholders.

Lorna Baxter
Director of Finance

Contact Officer: Sean Collins
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February 2021

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Oxfordshire Pension Fund

Governance review

February 2021



Ian Colvin
Head of Public Sector Benefit Consultancy & Governance

Andrew McKerns
Benefit and Governance Consultant

For and on behalf of Hymans Robertson LLP

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Appendices

- Appendix 1 - Summary of recommendations
- Appendix 2 - Effectiveness questionnaire responses
- Appendix 3 - Recommendations of the Scheme Advisory Boards Good Governance Review
- Appendix 4 - Review of key policies & documents

1 Executive Summary

The purpose of this governance review is to provide Oxfordshire Pension Fund with an assessment of where it stands in relation to its legal requirements in respect of the LGPS, as well as the expectations of The Pensions Regulator and the themes emerging from the LGPS Scheme Advisory Board's Good Governance project.

Our governance review considers the following areas:

Objectives and Strategy - key to the success of the Authority, covering all the elements of management and administration of the Fund, providing clarity in terms of the Authority's direction, ensuring a greater focus to the business of the Fund and managing risks appropriately.

Business Planning - setting out all the planned activities for the short and medium term, forming the focus for Authority and Board meetings and supporting the delivery of the Fund's objectives, which is all part of a cycle of good governance.

Excellent Delivery - ensuring the Authority has appropriate staffing resource to achieve its objectives, be that in relation to investment, funding, administration or governance, meeting the steady increase in the number of overriding legislative requirements on pension administration teams and other officers charged with managing the Fund.

Risk Management - having a proper risk management framework in place allowing those responsible for the management of the Fund to understand the types of issues that might adversely impact it and assist in preventing issues arising or helping to reduce their impact where they do arise.

Decision Making - having clear objectives in place ensuring each decision being taken is linked to a stated objective and helping keep the Authority on track in achieving its strategic aims.

Findings

Our conclusions are that the Oxfordshire Pension Fund is generally very well run and that the key governance framework expected of an LGPS Fund is in place. However, there are areas where we have recommended changes and further review take place to continue to enhance the Fund's governance.

Evidence gathered during the review indicates that there is good officer engagement within the Committee and Pension Board. However, there appears to be poorer engagement between the groups themselves. The main cause of tension is a difference in interpretation of the role of the Pension Board and, in particular, what issues should be raised by Board members at Committee. Respectful and critical engagement between the main decision making and the oversight function is a key characteristic of a well-run LGPS fund. This governance review has indicated that improvement and clarity in these areas will be key to enhancing the governance arrangements at the Fund.

Fund leadership is strong, with the Head of Fund role provided by the Services Manager (Pensions). There is a clear vision of how the organisation should be run in order to be ready for the challenges of the future. The Services Manager (Pensions) is supported by a good team of officers, including an experienced Administration manager and Investment manager. The Fund's leadership team display a culture of improvement and, following Pension Board suggestions, we have recently seen positive changes to business plan reporting and clarity of business objectives. These changes have resulted in stronger engagement between Officers and Board/Committee. Ultimately, this type of internal scrutiny will continue to benefit the Fund, its members and scheme employers.

Key recommendations

We have recommended the following key proposals:

1. Role and responsibilities to be clearly defined to the Committee and Pension Board.
2. Committee and Board engagement to be reviewed.
3. Key person risk to be mitigated via a Governance officer support for the Fund.
4. Training plan outcomes to be supplemented by mandating engagement for Committee and Board members

2 Introduction

This report is addressed to Oxfordshire County Council as the Administering Authority for the Oxfordshire Pension Fund (“The Fund”). The Pension Committee of the Oxfordshire Pension Fund commissioned Hymans Robertson to undertake a Governance review of the Fund to provide an assessment of where it stands in relation to its legal requirements. Furthermore, the Committee require analysis of the Fund’s Governance as set against the expectations of the Pensions Regulator and the current Scheme Advisory Board (“SAB”) Good Governance project. Our review measures the Fund against the following specific criteria:

- Clarity of function. Are functions clearly delineated and areas of responsibility well understood and clearly communicated at both individual and team level?
- Knowledge and skills. Is the training offering and uptake robust enough to enable the Committee to function effectively and challenge external advice when required?
- Appropriate resource. Does the team have the right number of individuals required to effectively deliver all the functions required of it?
- Resilience of structure. Does the structure of the organisation provide protection against key person risk? Are steps taken to avoid too much expertise residing in too few individuals, which can result in knowledge gaps in the organisation?
- Future Proofing. Is the structure appropriate for the current challenges facing the LGPS and the likely future direction of travel, for example the Scheme Advisory Board’s Good Governance Review?

In **section 5** we have set out the approach we have taken with the Governance review for the Fund.

This review began in October 2020 with the collation of Oxfordshire Pension Fund policies for a high-level assessment. Through November 2020 Hymans sought views from Committee members, Board members and Officers via an effectiveness review (see **Section 7**). In the later part of November and early December 2020 this information was supplemented by one to one interview’s with Committee, Board and Officer representation. The review then progressed through to the analysis of the practical Governance of the Fund. In order to gain that practical evidence, Hymans attended a Pension Committee meeting (December 2020) and Pension Board meeting (January 2021). Following the collation of this information, Hymans analysed and compared this information based on 3 key characteristics:

1. Expectations and requirements of the SAB and Pension Regulations (LGPS Regulations and wider pension legislation)
2. Expectations and requirements of the Pension Regulator (“TPR”)
3. Hymans experience and knowledge of governance best practice within the LGPS and wider pension trustee landscape

This report therefore provides the Oxfordshire Pension Fund with the conclusions we have reached based on the evidence received. We have provided our analysis of the present governance position of the Fund and, where appropriate, our recommendations for improvements.

Where we have included comments on legal elements of the Oxfordshire Pension Fund, this has been completed in our capacity as Governance consultants. We are not legal experts and therefore our comments should not be taken as legal advice. Furthermore, we would advise that this report does not include:

- Assessment of Fund investment matters, other than the high-level review of where responsibilities should lie within the Council constitution and within the Funds investment pool;
- Detailed assessment of the Fund's administration performance and administration accuracy
- Detailed assessment of the previous and current work of the Committee and Pension Board. Though we have used the Board's terms of reference¹ to aid conclusions reached within this review
- A review of the funds business plan and risk management, other than the reporting elements of both these areas and specific comments provided by participants in both the effectiveness review, one to one interviews and observation meetings

¹ [BIR_EMP\1940749\1 \(oxfordshire.gov.uk\)](https://www.oxfordshire.gov.uk)

3 Background and current situation of the Oxfordshire Pension Fund

In recent years we have seen governance gain greater prominence as part of LGPS Pension Committee business. This is mainly as a result of the increased scrutiny of public service pension schemes. Furthermore, the context in which LGPS funds operate has changed considerably in terms of complexity and sheer volume of work. In preparing this report we considered the current challenges faced by Oxfordshire, and many other funds. These include but are not limited to:

LGPS background

- The additional resource strain on LGPS administration due to the career average benefits structure, various historical protections, annual and lifetime allowance requirements, and most recently the exit cap reforms. The impact of such changes on administration teams is significant;
- The fact that the volume of work has increased as a result of an increase in the number of employers in the Fund;
- New governance arrangements, effective from April 2015, in the shape of local pension boards and a central role for The Pensions Regulator. The TPR in particular is focusing on the LGPS and funds face increased compliance and reporting duties.
- Expectations from employers have changed (e.g. employers have increasingly technical questions). Similarly, there are greater expectations in terms of what employers must provide in respect of data. Both factors increase the importance of good employer engagement, which in turn requires greater Fund resource;
- Expectations from members have changed – similar to employers, members are increasingly asking more technical questions (e.g. tax implication questions) and members are expecting both a clearly understood and quicker return of information to them than seen in years past.
- The move to pooled investments and an increased focus on ESG investment targets putting extra strain on senior officers and Committee members.
- Increasingly, legal cases or changes of government policy result in large scale projects and greater workload. The most current example of this is the McCloud ruling.
- Changes to accounting rules mean that year end accounts are more detailed and must be produced earlier than previously required.

Current and recent Oxfordshire PF situation

- There are 11 members of the Oxfordshire Pension Fund Committee appointed according to political balance requirements. The ruling Conservative Party currently provide over half of the members. In addition, there are two voting co-opted members from district councils.
- There are 7 members of the Oxfordshire Pension Fund Board including its current independent Chair Matthew Trebilcock (Head of Pensions for the Gloucestershire Pension Fund)
- The Fund has recently increased the size of its Committee due to the need to maintain political proportionality. The current membership is eleven. Following the statutory requirement for pooled

investment vehicles to be created for LGPS funds, the Oxfordshire Pension Fund is a founding member of the Brunel Pension Partnership (“BPP”). BPP is one of the 8 national LGPS pools

- The Fund has had recent first-hand experience with TPR following self-reporting a breach as a result of some member annual benefit statements not being distributed by the statutory date.
- In order to improve data transfer and data record keeping, the Fund has recently purchased from their pension system provider (Heywood) the iConnect functionality. This middleware product allows the uploading of monthly data reports from Scheme employers.
- Local elections are scheduled to be held during May 2021. There is the prospect, as with many other LGPS funds that there will be change in the personal on the Pension Committee after this period.

4 Additional context

Good Governance

In January 2019 the LGPS Scheme Advisory Board (“SAB”) commissioned Hymans Robertson to assist in delivering a review of governance across the LGPS.

The purpose of the review was to consider existing governance arrangements and consider ways in which gaps could be identified and addressed, good practice shared more widely, and greater transparency provided. In particular the project was required to consider how conflicts of interest within current LGPS models are addressed and managed and that the LGPS remains appropriately resourced and able to deliver its statutory functions. The SAB was clear that only recommendations that retain a link with local democratic accountability were to be considered.

As part of the considerations, the SAB specifically asked that four different models of LGPS delivery be consulted upon, with each model providing progressively greater autonomy for the LGPS function from the host council. After widespread consultation throughout the industry, the Good Governance Review concluded that no single form of structure should be imposed on LGPS funds and the Review focused on an outcomes-based approach to governance standards. Throughout this paper we consider how the principles outlined within the Good Governance Review are being met by the Fund and suggest any areas where improvements can be made.

At time of writing the SAB’s Good Governance recommendations have been submitted to MHCLG for them to take forward. However, it is our view that although not formally adopted the Good Governance Review provides a suitable framework against which to consider LGPS funds’ governance. Our general observations on the Oxfordshire Pension Fund are set out below;

LGPS Senior Officer

In order to ensure the accountability for fund governance, the Good Governance Review proposed that each administering authority must have a single named officer who is responsible for the delivery of the pension function. (“the LGPS senior officer”). It was acknowledged that there may be different ways to achieve this but that the Senior Officer should be suitably qualified and experienced and have the capacity to assume the role. It should be a person close enough to the running of the Fund that they have sight of all aspects of the fund’s business.

Although the formal designation of the LGPS Senior Officer does not yet exist, in our view the functions of that role are currently carried out by the Service Manager (Pensions).

Conflicts of Interest Policy

Administering authorities must evidence that conflicts, and in particular, potential and perceived conflicts, as well as actual conflicts are being identified, monitored and managed.

The intention of the Good Governance Review was to go further than simply relying on the local authority’s register of interests and code of conduct. Instead administering authorities should publish a specific LGPS conflicts of interest policy that relates to the management of monies for paying pensions to scheme members. In addition, the policy should state how the administering authority identifies, monitors and manages conflicts.

It is our understating that the Oxfordshire Pension Fund does not have a fund-specific conflicts of interest policy.

Recommendations 1

Develop a fund-specific conflicts of interest policy.

Representation

Each fund should produce and publish a policy on the representation of scheme members and non-administering authority employers on its Committees, explaining its approach to representation and voting rights for each party. The SAB's view is that it would expect Scheme managers to involve employers and member representatives on any relevant Committees:

- The Oxfordshire Pension Fund Committee does have one non-voting scheme member representative.
- It is our understanding that the Oxfordshire Pension Committee has representation from District Councils, but not the wider employer base. Based on data from the 2019 Actuarial Valuation², the Fund active membership is made up of approximately 30% from the Academy sector and over 10% from Oxford Brookes University. While both groups hold nearly half of the Fund membership, they are not represented on the Committee. In terms of active membership representation, the District Council have around 10-15% of the Funds membership. Given the increasing prominence of the education sector in the Fund, we believe that consideration should be given to providing representation for the academy and college sector on the committee.
- However, we do recognise that simply adding additional posts to the Oxfordshire Pension Committee could mean that it becomes unwieldy. This is particularly so because of the need to retain a voting majority for largest party of Oxfordshire CC. For example if the number of voting members was increased by 3 then the number of Oxfordshire County Councillors would need to increase by more than 3 in order to maintain both political proportionality among the Oxfordshire CC members and retain an overall majority for the largest party among all voting members.
- One option to resolve this issue might be to make only members of the County Council full voting members and the other members would become non-voting members. Non-voting members would be expected to participate fully in meetings and be able to ask questions and raise points on exactly the same terms as voting members. They would also have access to the same papers, training and advice and have the same obligations regarding attendance as a voting member.
- It should be noted that the Pension Committee operates on a consensus basis and in reality there would be little practical difference by introducing more non-voting members, however, the approach allows for exceptional situations and provides a safeguard to Oxfordshire County Council, which as administering authority is ultimately responsible for the management of the Fund.
- Limiting voting to members of the County Council, would allow for the addition of new members to the Committee without the need to expand it to an impractical degree. The addition of new members to the committee would better reflect the Fund's current employer profile and would be consistent with the Scheme Advisory Board's expectations.

² [ValuationReport \(oxfordshire.gov.uk\)](https://www.oxfordshire.gov.uk/valuation-report)

Recommendations 2

Oxfordshire CC to consider whether the composition of the pension Committee should include wider scheme employer representation and/or scheme member representation in line with the SAB's recommendations.

Below is an example of a possible committee structure for consideration, although we recognise that the numbers and composition of County Council members will need to change over time to reflect changes in the overall Council's political make-up.

- 5 voting members of the County Council
- 2 non-voting members of the Academy sector
- 1 non-voting scheme member representative
- 1 non-voting member of Oxford Brookes University
- 1 non-voting member of District Council

Knowledge and Skills

The Good Governance Review noted the need for enhanced levels of training for key LGPS individuals. While there exists a statutory duty on members of local pension boards to maintain an appropriate level of knowledge and understanding to carry out their role effectively, no such statutory duty applies to those sitting on s101 Committees (although there are certain other requirements and expectations),

The Oxfordshire Pension Fund participated in the 2020 National Knowledge Assessment, which itself indicates a commitment to knowledge and skills. Although, the results of the assessment were mixed, the Fund has put in place a training plan and is committed to addressing any areas where knowledge is lacking.

We discuss training in more detail in **section 10**.

Service delivery for the LGPS function

The Good Governance Review proposed that LGPS funds should be able to evidence that their administration and other resource (quantity and competency) is sufficient to meet regulatory requirements and that their budget is appropriate to deliver this. In this context administration refers to all of the tasks and processes required to deliver the Scheme and is not limited to the calculation and payment of benefits.

The Oxfordshire Pension Fund already has in place an administration strategy, which was one of the recommendations of the Review.

Furthermore, the members of the Pension Committee have a role in agreeing the Fund's business plan, ensuring that they have input into the priorities and workplan of the pension team.

A full breakdown of the Good Governance Review's recommendations can be found in **Appendix 3**.

MHCLG (DCLG) Statutory guidance on Governance compliance

Existing statutory guidance³ for LGPS funds Governance compliance statements details the following key principles:

- The management of the administration of benefits and strategic management of fund assets clearly rests with the main Committee established by the appointing council
- Given the not insignificant costs involved in running funds, LGPS Committees and panels need to receive regular reports on their scheme administration to ensure that best practice standards are targeted and met and furthermore, to satisfy themselves and to justify to their stakeholders that the Fund is being run on an effective basis.
- Certain administration issues under the scheme's regulations "*are key decisions which should be subject to the rigorous supervision and oversight of the main Committee*". This highlights the importance of good reporting to the Committee and of their role as a Decision-making body as it pertains to their fund's administration.

The role and powers of the Pensions Regulator

The Pensions Regulator is charged with regulating work-based pension schemes in the UK. It works with trustees, employers, pension specialists and business advisers, giving guidance on what is expected of them. Until 2015 the only real interaction between the Pensions Regulator and public service pension schemes like the LGPS was limited to the payment of employer and employee pension contributions.

However, since the introduction of the 2013 Public Service Pension Act, the remit of the Pensions Regulator in relation to public service pension schemes has been greatly extended. As a result, it has an important part to play in ensuring all those with an interest in the LGPS fulfil their obligations. As such the Pensions Regulator is seeking to ensure that all statutory objectives that are set out in legislation are met, as well as promoting and improving understanding of the good administration and governance of the scheme to protect member benefits.

In addition to the code of practice the Pensions Regulator can also undertake surveys of public service pension schemes, to measure performance against the standards expected. Where serious failings are identified it can, in certain circumstances, levy fines or issue improvement notices.

More and more LGPS funds are recognising that in order to meet the Regulator's standards they must make the investment in terms of recruitment, training and delivery.

³

https://lgpsregs.org/timelineregs/Statutory%20Guidance%20and%20circulars/Governance_Statutory_Guidance.doc

5 Approach

In undertaking this review we have gathered information from the following sources:

- Completion of an effectiveness questionnaire issued to all Pension Committee and Pension Board members, seeking their views on a variety of governance related issues (structure & culture, management of meetings, knowledge & training, risks & conflicts, advisers, documents and policies) – responses received are summarised in **Appendix 2**;
- A desk top review of key documents, reports, policies and statements, including:
 - Funding strategy statement;
 - Investment strategy statement;
 - Administration strategy;
 - Breaches of Law policy;
 - Communication policy;
 - Administering Authority discretions;
 - Pension Fund Annual Report 2019/20; and
 - Governance Policy and Compliance Statement

Our comments on these documents is set out in **Appendix 4**

- Conversations with key members of the Fund throughout December 2020. A full list of these individuals can be found in **section 6**.

In order to provide a context for these conversations we relied upon the following:

- Personal experience of managing teams within an LGPS fund.
- The collective experience of the Hymans Robertson Governance Team which includes colleagues with direct experience of large and medium sized LGPS funds.
- Direct experience of previous governance assessments conducted by Hymans Robertson, with a specific emphasis on team structures and officer responsibilities.
- Attendance at the Pension Committee on 4 December 2020 and the Pension Fund Board on 22 January 2021.

We would like to thank all officers, elected members and Pension Board members for their assistance during our review.

6 Key findings: Officer, Committee and Board interviews

As part of the Governance review process, we interviewed a number of key people from the Fund to ensure a variety of perspectives. The following were kind enough to provide their opinions;

- Chairman of the Committee - Kevin Bulmer
- Board member – Bob Johnston
- Board member – Alistair Bastin
- Board member – Lisa Hughes
- S151 Officer – Lorna Baxter
- Service Manager (Pensions) – Sean Collins
- Administration manager - Sally Fox
- Investment manager – Greg Ley

Questions posed

The interviews conducted were of an informal nature to encourage free flowing conversation and capture any areas of concern that interviewees may have had. However, we included the following questions in each interview for reasons of consistency.

1. **What standard of service do you think the Oxfordshire Pension Fund provides for scheme members and for employers?**
2. **Are the roles of the Committee, board and officers clearly defined and understood? Is there accountability for those roles?**
3. **Is the Committee/board well supported by officers?**
4. **How comfortable are you that the Fund meets all of the expectations of The Pensions Regulator?**
5. **Does the Fund have clear objectives which are supported by a business plan?**

Summary findings

We have summarised the key findings from those conversations below. The comments are not necessarily direct quotes but do reflect the opinions of the interviewees. The comments reflect personal views and are not entirely consistent between respondents.

Area	Feedback
Service Delivery	<p>To Scheme Members</p> <ul style="list-style-type: none"> • Service impacted by staffing issues over the past few years, particularly in relation to annual benefit statement. Self-reported to TPR and Fund issued an improvement notice. As a result, officer core has been strengthened and backlog reduced. • Committee are very conscious of service delivery to members. • Currently having discussions about issuing an online survey to members in order to gain feedback. This will further the Funds understanding of its current service standards and areas where it may look to concentrate efforts to improve. • Level of complaints from members is low – around 7 complaints last year but mostly relating to Ill Health decisions. <p>To Employers</p> <ul style="list-style-type: none"> • Team do a good job delivering to employers and Fund – regular newsletters and engagement. • There is an effort to engage employers, but it can be difficult – for example there was very little response to the consultation on the Investment Strategy Statement • Employer forums are good, particularly when they bring in actuaries. This demonstrates the efforts made by Fund officers to inform and raise engagement with Scheme employers.
Clarity of roles	<ul style="list-style-type: none"> • Roles in the Committee and Board don't always seem to be understood. • Committee should be driving and Board keeping them accountable, this doesn't seem to be happening in practice. • The Board's purpose is not always clear. • Some responders felt that the Committee doesn't take the Board's role seriously.
Strengths	<ul style="list-style-type: none"> • Service Manager (Pensions) seems to have a strong understanding of all roles and aspects of Fund. • Fund is taking TPR's opinion seriously and is more stable. • Responders were mainly comfortable that the Fund is up to date with administration issues such as annual benefit statements and wouldn't face any problems with the Pensions Regulator. • Committee and Board members feel fully supported by officers. • Officers have a wide range of technical and legislative expertise. • Clear engagement of S151 officer with Committee.

Area	Feedback
Weaknesses	<ul style="list-style-type: none"> • Concern about lack of training and knowledge on Committee. • Strategy clear but struggle to achieve because of administration resource. However, recent evidence is that administration resource may be easier to fill. The challenge will be finding the appropriate quality and knowledge. • Not seeing any challenge from Committee on progress against business plan. • Could do more to improve Governance. • Sense that volume of work is overwhelming for officers. • Time pressure often overrides decision making at meetings. • Aware of key person risk, particularly senior officers.

Hymans comments

Key themes that were observed from the interviews –

- Roles and responsibilities are not always clearly understood, and the Board feel that the feedback they provide isn't always considered by the Committee. At every Board meeting the Board agrees any issues or comments it wishes to take to the Committee. This is done in the form of a Board report. However, there are occasions where members of the Board wish to raise additional points at Committee and the process for this is unclear.
- Required knowledge to be on Committee has escalated considerably over the last few years. A robust training plan should be put in place including a way to evidence training with the goal of increasing and mandating engagement.
- Officers are highly effective in their roles, but they can be under-resourced and sometimes limited by the technology available. This issue has previously impacted service delivery and the Fund are keen to avoid this happening again.
- Succession planning and spreading knowledge is of key importance. There is a feeling that the Fund is currently facing a key person risk. Furthermore, with the increased focus on governance arrangements as a result of the SAB Good Governance work and TPR's ongoing wider LGPS scrutiny, there is a risk senior fund officers will be spread too thin when dealing with additional governance requirements.
- At Committee meetings there is a strong focus on Investment, this has raised concerns about Governance and Administration being overlooked - in particular that the Risk register could be neglected, and less focus given to managing risks.
- Reporting could be improved to better track progress against the Business plan. Progress in this area has been acknowledged, however objectives and measurables could be further clarified.

Recommendations

Recommendations 3

Review the terms of reference for the Committee and Board and ensure that the roles and responsibilities of both groups are clearly documented and understood. There should be a clearly understood and agreed mechanism for Board members to take views to the Committee.

Recommendations 4

To reduce key person risk and the immediate governance responsibilities for the Fund with respect to the Good Governance project, we would recommend that consideration be given to a Governance officer role being created at the Fund. This role should be there to support the Service Manager (Pensions) and the service delivery of the Fund.

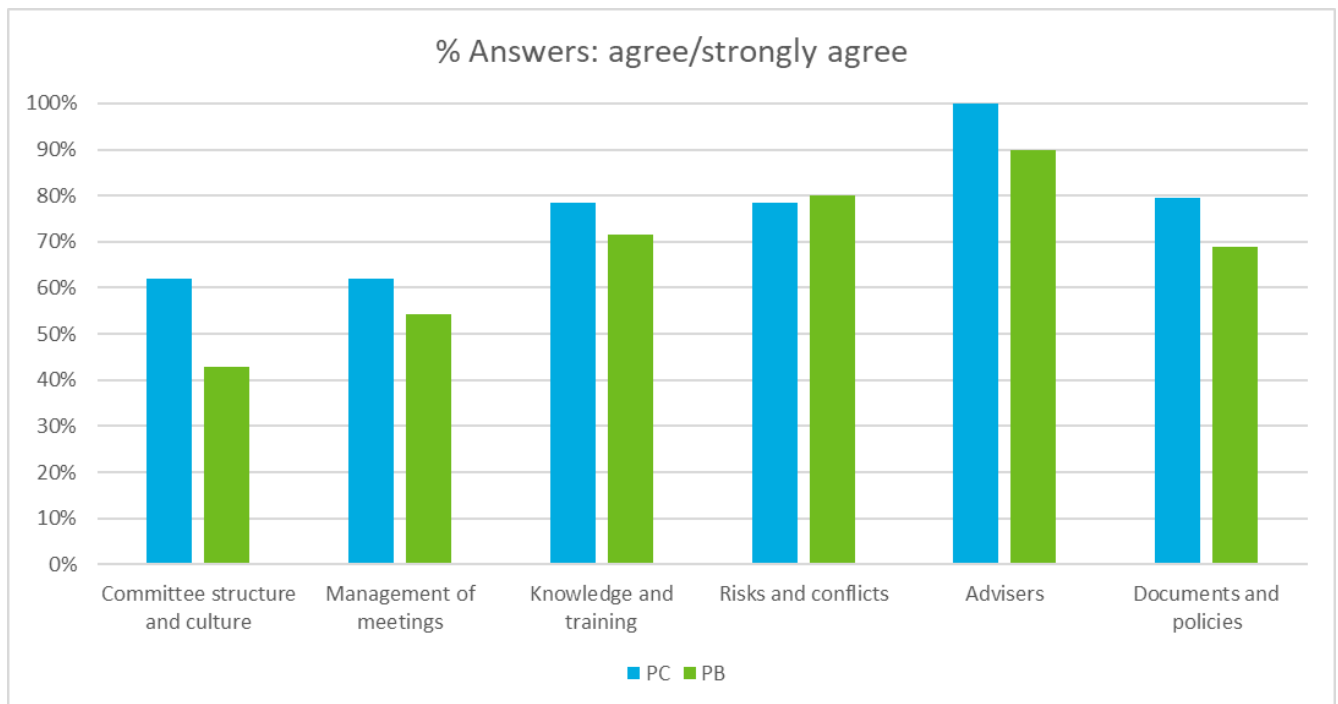
7 Effectiveness review survey

As part of our information gathering exercise we issued an effectiveness questionnaire to all Pension Committee (PC) and Pension Board (PB) members seeking their views on a variety of governance related issues (structure & culture, management of meetings, knowledge & training, risks & conflicts, advisers, documents and policies) – responses received are fully summarised in Appendix 2.

A total of **6 out of 11** PC members and **5 out of 6** PB members (NB at the time of the Effectiveness review, there were only 6 members on the PB) responded to the questionnaire. Members were presented with 41 statements, over the 6 subject areas and were given 5 optional answers based on the strength of agreement or disagreement with the statements provided.

High Level Summary

The following chart shows the percentage of responses in each section where members selected either “**agree**” or “**strongly agree**” within the statement.



Section 1 Committee Structure and Culture

Commentary / recommendation

This area had the lowest agreement within the 6 areas assessed. Responses to the statement on the Committee and Board working effectively as a team elicited the strongest disagreement. Comments received from participants indicated that there was little to no partnership between the groups. There was also evidence of frustration from Board respondents to the Committees acceptance of the Boards insight and knowledge on pension topics.

“There is a lack of willingness amongst the Committee to “receive” the local pension board’s knowledge and to allow them full input to do their role.”

Other areas of low agreement were on the distinction between roles of the Committee, Board and Officers and on the size of the Pension Committee.

There was however more agreement on members of both groups being clear on the Funds objective and on participants understanding their own roles and obligation under the LGPS Regulations and the Committee/Board terms of reference.

Recommendation 3 in section 6 of our report are applicable as a potential remedy to these frustrations.

Section 2 Management of meetings

Commentary

This was the second lowest area of agreement within the effectiveness review. Many responses in this section stated neither agree nor disagree with the statements used. This middling review was clearly demonstrated on the statement regarding whether a suitable structure exists to ensure any issues can be appropriately escalated.

The strongest area of disagreement was whether there was sufficient time at meetings to discuss all issues appropriately.

Further, some comments received within this section highlighted a frustration that the Boards views were not taken into account by the Committee.

There was also a view expressed that issues can be strongly pushed through by members when they are not necessarily qualified to reach the right conclusion.

There was however mostly good agreement that meeting frequency is appropriate and that meetings are productive. Majority of respondents also agreed that the Chair has the right qualities in order to perform the role.

Hymans Comment – Where stakeholders feel that agenda items are not appropriately considered by the Committee/Board as a whole or that individual members are pushing a specific agenda; this concern should be raised directly with the Chair and Service Manager (Pensions).

Recommendations 5

Fund officers to review options to expand discussion time for Committee/Board issues. Given respondents agreed that meeting frequency was appropriate, an innovative approach will have to be considered. We would recommend that a specific annual business meeting is arranged and implemented at the Fund.

Section 3 Knowledge and Training**Commentary**

There were significant positive responses from both the Committee and Board members regarding questions around availability of information and support from officers.

- *“Regulatory changes and the implications of these are clearly communicated to us in plain English.”*

Responses became less positive when commenting on completion of training and time available to complete training.

Statement 3.3 - There is sufficient time dedicated to gaining the appropriate knowledge and understanding?

- *“The Board have all completed training course, not all the Committee have and this is a cause for concern.”*
- *“It is easy to presume that members are fully au fait with financial and legal implications- in many cases they are not- this leads to innocent decisions”*

Hymans Comments – Section 10 of this report deals specifically with training and development of both the Committee and Board. It confirms that a training plan has been formalised at the Fund and of the increased focus and importance by Committee, Board and Fund officers.

Section 4 Risks and Conflicts

Commentary

Responses in this section were mostly 'strong agreement' or 'agreement'. Overall, this would indicate that the Fund is comfortable with the current position of risk management.

However, despite receiving only neutral or positive responses to the statement below, this was slightly contradicted by the **comments** received on statement 4.4 and responses within one to one interview conducted as part of this review.

Statement 4.4 The Committee/Board is given adequate opportunity to input into the development of and actions within the Fund's issues log

- *"Fund risk register should be sent round members in advance for suggestions/comments, which are then relayed/discussed at meeting."*
- *"I am not sure whether the Board has sufficient opportunity to input into the development of actions on the Risk Register"*

Hymans Comment – Given the mostly positive responses on issues of risks and conflicts, the individual stakeholder comments indicate that the Fund satisfies its statutory requirements but that the process of risk assessment should be reviewed.

Recommendations 6 and 7

6. Fund officers to review the current process used for risk review at the Fund, as a result of the Committee/Board comments.

7. In order to maintain the practical assessment of risks at the Fund we recommend that a standing item on the Committee agenda is to compare progress of business plan against risk register.

Section 5 Advisors

Commentary

This section received the most positive responses from members of both the Board and the Committee. This indicates that the Fund is well served by its advisors and that all members understand the roles of advisors.

- *"I feel the roles of our advisors, actuaries and Committee/Board are clear."*

There was slight concern raised about the Fund relying on one financial advisor.

Hymans comment – Good advisory support is essential for all LGPS and this is a very positive conclusion.

Section 6 Documents and Policies

Commentary

There were a lot of 'agreement' or 'strong agreement' responses to this section, particularly around the understanding of strategy and policies.

There was however some concern raised by the Board in relation to the following statement

Statement 6.9 - There are adequate processes and a structure in place to monitor performance against the Fund's objectives

- *"I think the quality of the reporting can still improve."*
- *"It is difficult to see how performance indicators have been managed"*
- *"I am not entirely sure where to find the Fund's key documents"*

Hymans Comment – The evidence of the January Pension Board meeting and interviews with Fund officers indicate that further improvements to reporting and measuring performance against set indicators is a high priority.

Recommendations 8 and 9

8 Sign off evidence should be provided by the Chair and the Committee to the Funds 2021/22 business plan.

9 The Fund should consider its current document storage and the accessibility of key documents for the Committee and Board. Communication should be sent to the Committee and Board advising where all key Fund documents are held

Overall commentary and Suggested Actions

While the majority of responses to the statements being considered were on the whole "agree" or "strongly agree", there did appear to be some concern in the following areas:

- Training and Knowledge – the results of the National Knowledge assessment and lack of attendance at training sessions has raised concerns about ability to make properly informed decisions and critique of information from the Committee.
- Effective governance – a lack of collaboration and trust could be negatively impacting Governance. Frustrations have been expressed by the Board about a lack of clarity on how they can escalate concerns whilst also promoting a better relationship.
- Meeting structure and discussion time - This is an area of challenge for most LGPS funds. Given most respondents felt that the frequency of meetings was sufficient, the Fund will have to be inventive in order to satisfy the available discussion time.
- Risk register – lack of clarity on how whether the Board has sufficient opportunity to input into the development of actions on the Risk Register.

Key themes and specific issues raised from both the comments and results suggest:

- Both Committee and Board appear very happy with the contribution made by Advisors and Fund officers;
- There is an acknowledgement that training needs to be strengthened and formalised for the Committee, especially given the potential for membership changes following 2021 elections.

8 Committee meeting observations

Following the completion of individual interviews and the effectiveness review survey, representatives from Hymans were invited to observe the Pension Committee meeting on 4 December 2020. The high-level aspects of the expected roles and responsibilities of a Pension Committee member and the Pension Committee Chair are set out below. When observing the Committee, we compared to these criteria and sought evidence of these principles being exhibited.

Pension Committee Chair

It is the role of the Chair of the Pension Committee to ensure that the Committee carries out its role effectively, in line with its terms of reference and in accordance with the relevant legislation and guidance.

Compliance with the Constitution

As an elected member of Oxfordshire County Council, the Chair of the Pension Committee must comply with the requirements of the constitution and should be satisfied that the Committee is run in accordance with the following codes and protocols;

- Members' Code of Conduct
- Code of Conduct and Conflict of Interest Policy
- Code on Member/Employee Relations
- Protocol on Decision Making
- Advice to Members Serving on Outside Bodies

Main Responsibilities of the Chair

- To Chair Pension Committee meetings and ensure their effectiveness
- To provide effective leadership in the development of the Fund's policy, strategy, business planning and budget setting.
- To provide effective leadership in the implementation of effective service delivery and the Fund's approved policies and strategies.
- To develop good working relationships with The Chair of the Pension Board, the Chief Finance Officer and the Service Manager (Pensions) in order to ensure that the Fund's interests are represented.
- To act as a spokesperson and represent the Fund at a local and national level.

Pension Committee member

It is the role of a member of the Pension Committee to participate fully and effectively in discharging the Committee's terms of reference.

Compliance with the Constitution

As an elected member of Oxfordshire County Council, a member of the Pension Committee must comply with the requirements of the constitution and should be satisfied that the Committee is run in accordance with the following codes and protocols;

- Members' Code of Conduct
- Conflict of Interest Policy

- Code on Member/Employee Relations
- Protocol on Decision Making
- Advice to Members Serving on Outside Bodies

Expectation on Committee members

As well as the general expectations of an elected member of Oxfordshire County Council, those individuals sitting on the pension Committee are expected to;

- Run the Fund for the benefit of all participating employers and members
- Contribute to the development and maintenance of effective governance and internal controls for the Fund
- Make decisions and set the Fund's objectives and strategy
- Approve Fund publications, e.g.
 - Investment strategy
 - Funding Strategy Statement
 - Governance & Compliance Statement and Communications Policy
 - Administering Authority discretions
- Effectively monitor and oversee advisers and those carrying out scheme activities
- Foster an open and constructive relationship with the Pension Board

Hymans observations

- Chair did a good job of keeping meeting on track and ensuring all voices were heard. When one member attempted to pursue their own view on an issue of investments, the Chair quickly took control and made clear it wasn't the view of the entire Committee.
- High levels of engagement with Investment sections of meeting. Lots of engagement and questions from investment advisor from Brunel.
- Some members didn't participate or contribute to any conversations. This is not an unusual situation at many LGPS funds. However, we would encourage the Chair and Officers to seek a solution for wider engagement within meetings.
- No questions or comments on the updates to Funding Strategy statement or to presentation on of Accounts. Low level of engagement on non-Investment sections of meeting. Chair did try to facilitate and draw out questions from members.
 - We would advise that areas of low-level engagement are monitored by officers and the Chair. It is essential that all areas of the Fund are critiqued by their decision makers to ensure that risk is mitigated, and governance standards kept at a high level.

9 Board meeting observations

The final piece of research and evidence gathering was the observation of the Pension Board meeting on 22 January 2021. The high-level aspects of the expected roles and responsibilities of a Pension Board member and the Pension Board Chair are set out below. When observing the Board, we compared to these criteria and sought evidence of these principles being exhibited.

Pension Board Chair

Role Summary

The role of the Chair is to provide leadership and direction to the pension board.

The Chair's aim is to enable the pension board to fulfil their responsibilities in respect of the governance of the Oxfordshire Pension Fund in accordance with the Public Service Pension Scheme Act 2013, legislation governing the Local Government Pension Scheme and the Code of Practice issued by The Pensions Regulator

The Chair will work closely in partnership with the Scheme Manager (Oxfordshire CC) in relation to the following matters:

- Securing compliance with LGPS Regulations and other legislation relating to the governance and administration of the Scheme and any statutory pension scheme that is connected with it;
- Securing compliance with requirements imposed in relation to the scheme and any connected scheme by The Pensions Regulator;
- Ensuring any breach of duty is considered and reported under the scheme's breaches procedure,
- Such other matters as the scheme regulations may specify.
- Assisting the Scheme Manager to ensure the effective and efficient governance and administration of the scheme.
- The Chair will be expected to use their skills, knowledge and experience to help the Pension Board reach sound conclusions and recommendations. This will involve scrutinising Board papers, leading discussions, focusing on key issues, and providing advice and guidance requested by the Board.
- In addition to the general responsibilities of a Pension Board member, the Chair has a number of tasks specific to their role.

Main Responsibilities of the Chair

- Providing leadership to Board members and developing the strategy and policy of the Pension Board
- Planning the annual cycle of board meetings and setting the agendas
- Chairing and facilitating the Pension Board meetings, ensuring that all voices and opinions are heard and judging when consensus is reached
- Monitoring that recommendations made at Local Pension Board meetings are considered and where necessary implemented
- Liaising with the Service Manager (Pensions) and the Chair of the Pension Committee to maintain an overview of the Fund's affairs and providing support as appropriate
- Reviewing and appraising the performance of the Local Pension Board
- To receive timely advice on new developments relevant to the LGPS and pensions in general and consider whether the Fund is complying with them

- Ensuring that the Pension Board's reporting requirements are met including, for example, to The Pensions Regulator and the Scheme Advisory Board
- Balancing the views and needs of the participating employers and the scheme members
- Ensuring that that the Pension Board complies with relevant policies, including but not limited to those on conflicts of interest, reporting breaches and Oxfordshire CC's code of conduct.

Pension Board member

Scheme member and employer representatives play an important part in the governance and administration of the Fund, by providing representation for scheme members and scheme employers. Those carrying out the role have a primary responsibility to assist the Scheme Manager (Oxfordshire County Council) to secure compliance with all relevant pensions law. The role of the Pension Board is of value to all stakeholders in the fund including participating employers, members of the Fund and Oxfordshire County Council, as the Administering Authority.

Role Summary

The role of a Pension Board member will be to ensure the Fund is complying with legislation relating to its governance and administration, its own rules and any requirements of The Pensions Regulator.

The aim is to enable the Pension Board to fulfil their responsibilities in respect of the governance of the Fund in accordance with the PSPA13, legislation governing the Local Government Pension Scheme ("LGPS") and relevant Codes of Practice issued by the Pension Regulator.

The role involves working closely in partnership with the Scheme Manager in order to assist in relation to the following matters:

- Securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
- Securing compliance with requirements imposed in relation to the scheme and any connected scheme by The Pensions Regulator;
- Ensuring any breach of the law is considered and the Fund's procedure for reporting to the Pensions Regulator is adhered to and such other matters as the scheme regulations may specify.
- Assisting the Scheme Manager to ensure the effective and efficient governance and administration of the scheme.
- Foster an open and constructive relationship with the Pension Committee

Responsibilities of the Scheme Member/Scheme Employer Representative

Scheme member and Scheme employer representatives must provide the Scheme Manager with any information required so that they can be satisfied that they do not have a conflict of interest. A member who becomes aware of a potential conflict of interest involving themselves or another pension board member or prospective member, must comply with the Fund's conflict of interest policy. Anyone with a conflict of interest may not be appointed to the pension board or, if already a member when the conflict arises, will be asked to resign.

A Pension Board member must have the capacity to represent all members and employers in the Fund and is expected to be available to attend all pension board meetings, unless apologies are sent in advance and accepted by the Board. In the event of persistent non-attendance, their tenure will be reviewed by the Chair to the pension board in liaison with the Scheme Manager.

Hymans observations

- The Fund are in the enviable position that their Pension Board Chair is the Head of another LGPS fund. Therefore, they are able to call upon his expertise and experience on specific LGPS and wider pension issues. Furthermore, the evidence of the meeting highlighted that the Chair allowed strong scrutiny to come from his fellow members on the board. On that basis we would therefore conclude that the Chair will not overpower Pension Board meetings with their own views or dismiss views of others on the Board.
- Chair did a good job of ensuring everyone had a chance to speak and was regularly checking if anyone's hand was up (virtually).
- Strong challenge on areas of reporting from members of the Pension Board to officers. It was described as a journey of improvement and our observation would be that this will lead to improvements in transparency with fund service performance.
- Clear engagement with governance was displayed – keen to ensure Business plan and risk register are consistent and being monitored.
- Service Manager (Pensions) was very receptive to feedback on reporting format and displayed a good working relationship with Board members.
- One main area of concern is that the conversation and critique was driven by 3 board members. We did not see evidence of participation from other members on areas being discussed.
 - We would encourage the Pension Board Chair and Service Manager (Pensions) to look at ways to increase engagement from all members of the Board.
 - It is essential that all members of the Pension Board actively engage in the work of the Pension Board and assessment of Fund service and Committee decisions.

10 Training and development

Oxfordshire Pension Fund – Knowledge and Understanding

As evidenced through the Fund's participation in the LGPS National Knowledge (NKA) assessment, there is concern at the level of knowledge and understanding within the Pension Committee. The NKA appears to have confirmed the concerns from members of the Pension Board on the ability of the Committee to assess, review and critique the wide array of pension information under their responsibility. This concern has also been reflected by Fund officers within the risk register, where Committee knowledge and understanding has been placed at high.

The Committee have acknowledged their low results within the NKA and have agreed that a strong focus should be placed on this issue for both the short and long term at the Fund⁴.

We have welcomed two key outcomes from the fund's participation in the NKA:

1. Pension Committee, Board and Officer critical review of this issue. This confirmed the importance the three key stakeholder groups within the Fund place on knowledge and understanding requirements.
2. Pension Committee confirmation that this area must remain a key area of Governance focus for the Fund. Officers have been tasked with progressing this issue and maintaining their focus on supporting training for Committee/Board and informing both groups on the most pertinent topics in order to complete their role.

Improvements already in place

The Fund have already taken steps to improve and support both its Committee and Board members attain the requisite knowledge to best fulfil their role.

- Scheduled monthly training meetings - supported by Hymans Robertson
 - Officers scheduled monthly meetings to track progress on Committee/Board training topics for upcoming meetings. This is recorded within a delivery overview document and monitored by staff.
 - Officers have been supported by Hymans Robertson to aid the planning and delivery of the training schedule
 - Officers are reviewing induction plans for new members of the Committee/Board
 - Officers are finalising the method of recording individual Committee/Board participation in training
- Monthly newsletter
 - In order to transfer information at a 'higher frequency' to Committee and Board members, Officers have provided monthly Governance newsletters from October 2020. These newsletters aim to provide the following key outcomes:
 - Communicate ongoing training material in written format
 - Advise Committee and Board on 'hot' topics

⁴ Chair and fellow Committee members response to this issue at the September Oxfordshire Pension Fund Committee meeting

- Provide regular updates on day to day Fund business

It is felt that this type of regular engagement will increase Committee and Boards knowledge levels while also reducing governance risk in this area.

We see good evidence that the Fund are taking stronger action in this area and increasing their focus to prioritise training and information transfer to the Committee and Board.

Recommendations 10

In order to mitigate concerns that engagement may not be forthcoming from members of either group, we believe that consideration should be given to a fund policy of mandatory training engagement. Where a member of either group does not fulfil their requirements to engage appropriately with the training plan, this should be raised with the Chairs of both groups and the Service Manager (Pensions). It is then for these individuals to take appropriate action to manage this issue and protect the Fund from low training engagement.

Further we recommend a change of wording within the Funds Governance statement from 'shall' to 'must':

"All members appointed to the Committee shall participate in a training programme to ensure that the Committee as a whole has the appropriate skills and knowledge to fully undertake its statutory responsibilities"

11 Conclusion

As we set out in our introduction, fundamentally our governance review considers the following areas:

Objectives and Strategy - key to the success of the Authority, covering all the elements of management and administration of the Fund, providing clarity in terms of the Authority's direction, ensuring a greater focus to the business of the Fund and managing risks appropriately.

Hymans observations

- Day to Day management and administration is strong at the Fund. Following discussions with officers and in our normal engagement with them, we are reassured that the issues identified through engagement with TPR have been resolved and actively monitored.
- As has been identified there have been issues with some recruitment but there may be some 'relief' with recent vacancies providing large amount of applicants
- The Fund have taken the decision to receive employer data on a monthly basis through their new iConnect system solution. This is a strong step to satisfying TPR requirements on record keeping.
- The evidence from the governance review – in particular the effectiveness review and interviews – indicate that strategy of the Fund appears to clear and understood by all stakeholders
- Risk management is satisfactory at the Fund. However, we believe that improvements in the process and engagement used to assess risk and the transparent link to the Funds business plan should be made

Business Planning - setting out all the planned activities for the short and medium term, forming the focus for Authority and Board meetings and supporting the delivery of the Fund's objectives, which is all part of a cycle of good governance.

Hymans observations

- The 2 Committee meetings Hymans have attended featured feedback from the Committee Chair on his participation on the Brunel Investment Pool. This was passed back to all Committee members.
- There are concerns on the reporting and metrics used for the Funds business plan. Furthermore, some participants in the Governance review felt that the Committee has not appropriately scrutinised the current business plan. We have not seen evidence which confirms that view. The review of the Funds Business plan and whether it is appropriate is beyond the scope of this Governance review. However, in order to transparently confirm that the business plan has been scrutinised and agreed by the Committee, we advise that a short review and confirmation is written by the Chair on behalf of the Committee confirming this position.

Excellent Delivery - ensuring the Authority has appropriate staffing resource to achieve its objectives, be that in relation to investment, funding, administration or governance, meeting the steady increase in the number of overriding legislative requirements on pension administration teams and other officers charged with managing the Fund.

Hymans observations

- Oxfordshire Pension Fund benefits from high level LGPS officer support. The Service Manager (Pensions) is a known expert in the LGPS and has spoken at many conferences and other communication events. Through their expertise and knowledge, the key areas of governance are

mitigated and managed. Furthermore, the Pension Administration manager has many years of experience and pension expertise. This combined high-level officer support protects the Fund from most governance risk exposures.

Our concern however is that this can lead to one or two officer roles been stretched too thinly in the organisation and an over reliance on that expertise. We have therefore recommended the creation of a Governance officer for the Fund to support these roles and to mitigate some key person risk.

Risk Management - having a proper risk management framework in place allowing those responsible for the management of the Fund to understand the types of issues that might adversely impact it and assist in preventing issues arising or helping to reduce their impact where they do arise.

Hymans observations

- The Fund benefits from strong insights on risk management from their Service Manager (Pensions). We are aware that critical assessment is used in order to assess the main risks faced by the Fund and the likely impacts of these risks.
- However, we encourage that a stronger focus is placed on the current and long-term risk faced by the Fund as identified within their risk register by the Committee and Board.
- The fund may benefit from a more interactive engagement on risk management and risks review. Particularly one that gains insight from all participants.

Decision Making - having clear objectives in place ensuring each decision being taken is linked to a stated objective and helping keep the Authority on track in achieving its strategic aims.

Hymans observations

- Decisions are taken by those with the appropriate authority having taken the appropriate advice
- **Recommendation 1** should ensure that decision making responsibilities are documented and widely understood.
- Better informed decision making should be an outcome from the strong focus placed on Committee and Pension Board knowledge and understanding via the Funds training plan.

In our assessment the Oxfordshire Pension Fund key governance arrangements are in place when set against both TPR expectations and the upcoming good governance legislation. The areas of improvement lie mainly with the functions of stakeholder roles and responsibilities, training and knowledge transfer and mitigating key person risk. Confirming each stakeholder role in the running of the Fund should be an immediate action. However, we recommend that further work is completed on a practical governance level. The apparent disconnect between Committee and Board engagement, though not impacting the successful running of the member service it provides, must be resolved to ensure effective governance scrutiny is achieved.

Through the process of this governance review, our observation is that the Fund have fully recognised the importance of knowledge and training – particularly for Committee members. We are happy with the plans and focus placed on this issue but have recommended the Fund move further with plans to implement mandatory training engagement.

Finally, the Fund are well served in the key officer roles, with strong leadership in particular from their Service Manager (Pensions), Administration manager and Investment manager. Officers displayed openness to challenge and change when scrutinised by both the Committee and Board, while also being able to use their wealth of knowledge to defend decisions that they have taken within the day to day running of the Fund. In order to manage the increase scope of the SAB Good Governance project and to mitigate key person risk we have recommended that the Fund appoint a governance officer to support these lead officers and to help the Fund achieve its governance ambitions.

Prepared by: -

Ian Colvin and Andrew McKerns



19 February 2021

For and on behalf of Hymans Robertson LLP

Appendix 1

Summary of recommendations

Recommendations 1

Develop a fund-specific conflicts of interest policy.

Recommendations 2

Oxfordshire CC to consider whether the composition of the pension Committee should include wider scheme employer representation and/or scheme member representation in line with the SAB's recommendations.

Below is an example of a possible committee structure for consideration, although we recognise that the numbers and composition of County Council members will need to change over time to reflect changes in the overall Council's political make-up.

- 5 voting members of the County Council
- 2 non-voting members of the Academy sector
- 1 non-voting scheme member representative
- 1 non-voting member of Oxford Brookes University
- 1 non-voting member of District Council

Recommendations 3

Review the terms of reference for the Committee and Board and ensure that the roles and responsibilities of both groups are clearly documented and understood. There should be a clearly understood and agreed mechanism for Board members to take views to the Committee.

Recommendations 4

To reduce key person risk and the immediate governance responsibilities for the Fund with respect to the Good Governance project, we would recommend that consideration be given to a Governance officer role being created at the Fund. This role should be there to support the Service Manager (Pensions) and the service delivery of the Fund.

Recommendations 5

Fund officers to review options to expand discussion time for Committee/Board issues. Given respondents agreed that meeting frequency was appropriate, an innovative approach will have to be considered. We would recommend that a specific annual business meeting is arranged and implemented at the Fund.

Recommendations 6

Fund officers to review the current process used for risk review at the Fund, as a result of the Committee/Board comments.

Recommendations 7

In order to maintain the practical assessment of risks at the Fund we recommend that a standing item on the Committee agenda is to compare progress of business plan against risk register.

Recommendations 8

Sign off evidence should be provided by the Chair and the Committee to the Funds 2021/22 business plan

Recommendations 9

The Fund should consider its current document storage and the accessibility of key documents for the Committee and Board. Communication should be sent to the Committee and Board advising where all key Fund documents are held.

Recommendations 10

In order to mitigate concerns that engagement may not be forthcoming from members of either group, we believe that consideration should be given to a fund policy of mandatory training engagement. Where a member of either group does not fulfil their requirements to engage appropriately with the training plan, this should be raised with the Chairs of both groups and the Service Manager (Pensions). It is then for these individuals to take appropriate action to manage this issue and protect the Fund from low training engagement.

Further we recommend a change of wording within the Funds Governance statement from 'shall' to 'must':

"All members appointed to the Committee shall participate in a training programme to ensure that the Committee as a whole has the appropriate skills and knowledge to fully undertake its statutory responsibilities"

Appendix 2

Effectiveness questionnaire responses

Question		No. of responses				
1		Committee structure and culture				
			Committee	Board	Total	
1.1	I understand my role and obligations under the LGPS Regulations and Committee's/Board's own terms of reference.	 Strongly Agree	1	0	1	
		 Agree	5	4	9	
		 Neither Agree nor Disagree	0	0	0	
		 Disagree	0	1	1	
		 Strongly Disagree	0	0	0	
			Committee	Board	Total	
1.2	The Committee/Board has sufficient time and resources available for the ongoing management of the Fund.	 Strongly Agree	0	0	0	
		 Agree	4	1	5	
		 Neither Agree nor Disagree	1	2	3	
		 Disagree	1	2	3	
		 Strongly Disagree	0	0	0	
			Committee	Board	Total	
1.3	I believe my colleagues on the Committee/Board are clear on the Fund's objectives.	 Strongly Agree	0	0	0	
		 Agree	2	4	6	
		 Neither Agree nor Disagree	4	1	5	
		 Disagree	0	0	0	
		 Strongly Disagree	0	0	0	
			Committee	Board	Total	
1.4	The current size of the Committee/Board is about right	 Strongly Agree	1	0	1	
		 Agree	2	3	5	
		 Neither Agree nor Disagree	2	2	4	
		 Disagree	0	0	0	
		 Strongly Disagree	1	0	1	
			Committee	Board	Total	
1.5	The distinction between the roles of elected members, Board members and officers is understood.	 Strongly Agree	2	0	2	
		 Agree	4	2	6	
		 Neither Agree nor Disagree	0	1	1	
		 Disagree	0	2	2	
		 Strongly Disagree	0	0	0	
			Committee	Board	Total	
1.6	Sufficient time is given to reviewing the Funds governance structure to ensure it remains appropriate	 Strongly Agree	1	0	1	
		 Agree	2	0	2	
		 Neither Agree nor Disagree	2	4	6	
		 Disagree	1	1	2	
		 Strongly Disagree	0	0	0	
			Committee	Board	Total	
1.7	The Committee and Board work effectively as a team	 Strongly Agree	0	0	0	
		 Agree	2	1	3	
		 Neither Agree nor Disagree	4	1	5	
		 Disagree	0	3	3	
		 Strongly Disagree	0	0	0	

Question		No. of responses				
2 Management of Meetings				Committee	Board	Total
2.1	The number of scheduled meetings is sufficient for the Committee/Board to conduct its business		Strongly Agree	2	0	2
			Agree	2	3	5
		3	Neither Agree nor Disagree	2	2	4
			Disagree	0	0	0
			Strongly Disagree	0	0	0
				Committee	Board	Total
2.2	The Committee's/Board's agendas focus on the right topics to allow me to carry out my role.		Strongly Agree	1	0	1
			Agree	3	2	5
		3	Neither Agree nor Disagree	2	2	4
			Disagree	0	1	1
			Strongly Disagree	0	0	0
				Committee	Board	Total
2.3	Meetings are run such that there is sufficient time to discuss all the issues properly		Strongly Agree	1	0	1
			Agree	2	3	5
		3	Neither Agree nor Disagree	1	1	2
			Disagree	2	1	3
			Strongly Disagree	0	0	0
				Committee	Board	Total
2.4	Committee/Board meetings are well managed and productive		Strongly Agree	1	1	2
			Agree	4	2	6
		3	Neither Agree nor Disagree	1	2	3
			Disagree	0	0	0
			Strongly Disagree	0	0	0
				Committee	Board	Total
2.5	A suitable structure exists to ensure any issues can be appropriately escalated		Strongly Agree	0	0	0
			Agree	3	1	4
		3	Neither Agree nor Disagree	3	3	6
			Disagree	0	1	1
			Strongly Disagree	0	0	0
				Committee	Board	Total
2.6	The Chair has the right qualities in order to perform the role		Strongly Agree	2	0	2
			Agree	1	3	4
		3	Neither Agree nor Disagree	3	2	5
			Disagree	0	0	0
			Strongly Disagree	0	0	0
				Committee	Board	Total
2.7	Meetings are chaired in an even-handed manner, with all opinions being heard and consensus being sought		Strongly Agree	2	0	2
			Agree	2	4	6
		3	Neither Agree nor Disagree	1	1	2
			Disagree	1	0	1
			Strongly Disagree	0	0	0

Question		No. of responses				
		Committee	Board	Total		
3	Knowledge and Training					
3.1	I have sufficient knowledge and understanding to enable me to properly discharge my duties as a Committee/Board member.	Strongly Agree	1	2	3	
		Agree	4	2	6	
		Neither Agree nor Disagree	1	0	1	3
		Disagree	0	1	1	
		Strongly Disagree	0	0	0	
		Committee	Board	Total		
3.2	I am familiar with the principles of the Fund's training strategy	Strongly Agree	2	0	2	
		Agree	2	4	6	
		Neither Agree nor Disagree	2	0	2	3
		Disagree	0	1	1	
		Strongly Disagree	0	0	0	
		Committee	Board	Total		
3.3	There is sufficient time dedicated to gaining the appropriate knowledge and understanding?	Strongly Agree	1	0	1	
		Agree	2	1	3	
		Neither Agree nor Disagree	2	2	4	3
		Disagree	1	2	3	
		Strongly Disagree	0	0	0	
		Committee	Board	Total		
3.4	The Committee/Board receives appropriate briefings from officers and advisers on current topics and new developments	Strongly Agree	1	0	1	
		Agree	4	4	8	
		Neither Agree nor Disagree	1	1	2	3
		Disagree	0	0	0	
		Strongly Disagree	0	0	0	
		Committee	Board	Total		
3.5	I am familiar with the objectives of the Fund	Strongly Agree	2	1	3	
		Agree	4	4	8	
		Neither Agree nor Disagree	0	0	0	3
		Disagree	0	0	0	
		Strongly Disagree	0	0	0	
		Committee	Board	Total		
3.6	I have completed the Pension Regulator's online Toolkit	Strongly Agree	1	1	2	
		Agree	4	1	5	
		Neither Agree nor Disagree	1	1	2	3
		Disagree	0	2	2	
		Strongly Disagree	0	0	0	
		Committee	Board	Total		
3.7	The Committee/Board is kept up to date with any legal or regulatory changes impacting the scheme	Strongly Agree	2	0	2	
		Agree	3	5	8	
		Neither Agree nor Disagree	1	0	1	3
		Disagree	0	0	0	
		Strongly Disagree	0	0	0	

Question		No. of responses				
4 Risks and Conflicts			Committee	Board	Total	
4.1	I am aware of the need to disclose any conflict of interest that arises	Strongly Agree	4	4	8	
		Agree	2	1	3	
		Neither Agree nor Disagree	0	0	0	
		Disagree	0	0	0	
		Strongly Disagree	0	0	0	
			Committee	Board	Total	
4.2	I have the opportunity to disclose conflicts of interest	Strongly Agree	3	4	7	
		Agree	3	1	4	
		Neither Agree nor Disagree	0	0	0	
		Disagree	0	0	0	
		Strongly Disagree	0	0	0	
			Committee	Board	Total	
4.3	The Committee/Board regularly sees the Fund's Risk Register	Strongly Agree	2	3	5	
		Agree	4	1	5	
		Neither Agree nor Disagree	0	1	1	
		Disagree	0	0	0	
		Strongly Disagree	0	0	0	
			Committee	Board	Total	
4.4	The Committee/Board is given adequate opportunity to input into the development of and actions within the Fund's issues log	Strongly Agree	2	1	3	
		Agree	2	3	5	
		Neither Agree nor Disagree	2	1	3	
		Disagree	0	0	0	
		Strongly Disagree	0	0	0	
			Committee	Board	Total	
4.5	In meetings the distinction between "Fund business" and "Employer business" is clearly understood.	Strongly Agree	2	0	2	
		Agree	1	3	4	
		Neither Agree nor Disagree	3	1	4	
		Disagree	0	0	0	
		Strongly Disagree	0	1	1	
			Committee	Board	Total	
4.6	I am confident that the Fund is managing risk appropriately	Strongly Agree	2	0	2	
		Agree	2	3	5	
		Neither Agree nor Disagree	2	2	4	
		Disagree	0	0	0	
		Strongly Disagree	0	0	0	
			Committee	Board	Total	
4.7	If I suspected a breach of the law, I would know the proper process to follow.	Strongly Agree	2	2	4	
		Agree	2	2	4	
		Neither Agree nor Disagree	2	1	3	
		Disagree	0	0	0	
		Strongly Disagree	0	0	0	

Question		No. of responses			
5 Advisors			Committee	Board	Total
5.1	Advisers make a useful contribution to the Committee/Board meetings	Strongly Agree	3	0	3
		Agree	3	5	8
		Neither Agree nor Disagree	0	0	0
		Disagree	0	0	0
		Strongly Disagree	0	0	0
			Committee	Board	Total
5.2	I understand the role of the Fund's actuary	Strongly Agree	3	4	7
		Agree	3	0	3
		Neither Agree nor Disagree	0	1	1
		Disagree	0	0	0
		Strongly Disagree	0	0	0
			Committee	Board	Total
5.3	I understand the role of the Fund's investment advisors	Strongly Agree	3	4	7
		Agree	3	1	4
		Neither Agree nor Disagree	0	0	0
		Disagree	0	0	0
		Strongly Disagree	0	0	0
			Committee	Board	Total
5.4	I understand the role of the Fund Committee/Pension Board	Strongly Agree	3	3	6
		Agree	3	1	4
		Neither Agree nor Disagree	0	1	1
		Disagree	0	0	0
		Strongly Disagree	0	0	0

Question		No. of responses				
		Committee	Board	Total		
6 Documents and Policies						
6.1	I know where to find up to date copies of the Fund's key documents		Strongly Agree	1	1	2
			Agree	1	3	4
		3	Neither Agree nor Disagree	3	1	4
			Disagree	1	0	1
			Strongly Disagree	0	0	0
			Committee	Board	Total	
6.2	I understand the purpose of the Fund's Funding Strategy Statement		Strongly Agree	2	0	2
			Agree	4	4	8
		3	Neither Agree nor Disagree	0	1	1
			Disagree	0	0	0
			Strongly Disagree	0	0	0
			Committee	Board	Total	
6.3	I understand the purpose of the Fund's Communications Policy		Strongly Agree	2	0	2
			Agree	4	4	8
		3	Neither Agree nor Disagree	0	1	1
			Disagree	0	0	0
			Strongly Disagree	0	0	0
			Committee	Board	Total	
6.4	I understand the purpose of the Fund's Administration Strategy		Strongly Agree	2	1	3
			Agree	3	3	6
		3	Neither Agree nor Disagree	1	1	2
			Disagree	0	0	0
			Strongly Disagree	0	0	0
			Committee	Board	Total	
6.5	I am satisfied that the Fund undertakes regular reviews of its member data, in line with Pensions Regulator guidelines		Strongly Agree	1	0	1
			Agree	4	3	7
		3	Neither Agree nor Disagree	1	1	2
			Disagree	0	1	1
			Strongly Disagree	0	0	0
			Committee	Board	Total	
6.6	A data improvement plan is in place, with progress against objectives reviewed regularly		Strongly Agree	2	0	2
			Agree	2	4	6
		3	Neither Agree nor Disagree	2	1	3
			Disagree	0	0	0
			Strongly Disagree	0	0	0
			Committee	Board	Total	
6.7	The Committee/Board is informed of changes to the Fund's key documents		Strongly Agree	2	0	2
			Agree	3	3	6
		3	Neither Agree nor Disagree	1	2	3
			Disagree	0	0	0
			Strongly Disagree	0	0	0
			Committee	Board	Total	
6.8	I am aware of the Fund's business plan, including its goals and objectives.		Strongly Agree	1	2	3
			Agree	5	1	6
		3	Neither Agree nor Disagree	0	1	1
			Disagree	0	1	1
			Strongly Disagree	0	0	0
			Committee	Board	Total	
6.9	There are adequate processes and a structure in place to monitor performance against the Fund's objectives		Strongly Agree	2	1	3
			Agree	2	1	3
		3	Neither Agree nor Disagree	2	2	4
			Disagree	0	1	1
			Strongly Disagree	0	0	0
			Committee	Board	Total	

Appendix 3

Recommendations of the Scheme Advisory Boards Good Governance Review

Area	Proposal
A. General	A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).
	A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. (“the LGPS senior officer”).
	A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be co-signed by the LGPS senior officer and S151.
B. Conflicts of interest	B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, with specific reference to key conflicts identified in the Guidance.
	B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making Committees, to the guide on statutory and fiduciary duty which will be produced by the SAB.
C. Representation	C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its Committees, explaining its approach to voting rights for each party.
D. Knowledge and understanding	D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions Committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
	D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.
	D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
	D.4 CIPFA should be asked to produce appropriate guidance and training modules for s151 officers.
E. Service Delivery for the LGPS Function	E.1 Each administering authority must document key roles and responsibilities relating to the LGPS and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority’s scheme of

	delegation and constitution and be consistent with role descriptions and business processes.
	E.2 Each administering authority must publish an administration strategy.
	E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.
	E.4 Each administering authority must ensure their Committee is included in the business planning process. Both the Committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.
F. Compliance and improvement	F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.
	F.2 LGA to consider establishing a peer review process for LGPS Funds.

Appendix 4

Review of key policies and documents

Strategy/policy	Effective date	Legal or Regulator requirement	Issues
Funding strategy statement	March 2020	LGPS Regulations	<p>Final FSS approved on 6 March 2020 (after consultation with employers).</p> <p>Clearly sets out the objective of the FSS.</p> <p>Good detail and transparency on different types of employers and how contribution rates are calculated for each.</p> <p>Helpful section explaining link to Investment strategy.</p> <p>Regulations cited throughout.</p> <p>Comprehensive appendices and glossary of terms.</p>
Investment Strategy Statement	March 2020	LGPS Regulations	<p>Reviewed February 2020 following the latest funding valuation. Overall - comprehensive and transparent.</p> <p>Complies with Regulation 7 (investment strategy statement) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.</p> <p>Investment objectives are clearly stated.</p> <p>Includes detailed section on risks and how they are managed.</p> <p>Sets out relationship with Brunel Pension Partnership.</p> <p>Comprehensive ESG section.</p> <p>Policy on Exercise of rights also covered.</p>
Communications Policy	May 2019	LGPS Regulations	<p>Clear detail on how/when communication happens with members, employers and other stakeholders.</p>

Strategy/policy	Effective date	Legal or Regulator requirement	Issues
			<p>Various forms of communication listed e.g. Email, telephone, website, newsletters.</p> <p>Annual review carried out.</p>
Administration Strategy	Dec 2019	LGPS Regulations – best practice	<p>Complies with legislation.</p> <p>Duties and responsibilities clearly detailed alongside performance targets.</p> <p>Quarterly performance reviews provided to Committee and board. Also made available online.</p> <p>Also covers Communications policy which is reviewed annually.</p>
Governance Compliance Policy & Statement	Policy – 2019	LGPS Regulations	<p>Relevant regulations have been cited and adhered to.</p> <p>All requirements covered - delegation, frequency of meetings, terms of reference, employer representation and voting rights.</p> <p>Role and responsibilities of Committee is clear.</p> <p>Reasonable explanations given where only part compliant.</p> <p>Recommendation – formalise the requirement to provide updates on the administration performance of the Fund and review of the risk register</p>
Pension Fund Accounts	31 March 2019	LGPS Regulations	<p>Complies with required legislation and guidance.</p> <p>Includes expected financial statements including asset and liability figures along with expenditure.</p> <p>Detailed investment review and pool information.</p> <p>Includes breakdown of contributions by employer.</p>

Strategy/policy	Effective date	Legal or Regulator requirement	Issues
			<p>Complies with required legislation and guidance.</p> <p>Robust document with additional sections on administration, Investment, Funding, Governance, communication conflicts, and risk</p>
Breaches of the Law	November 2019	Code of Practice 14	<p>Covers all points required by Code of Practice no 14 (the Code) Governance and administration of public service pension schemes.</p> <p>Useful examples to help determine if breach is material or not.</p> <p>Recommendation - Include link to in house spreadsheet mentioned in point 40?</p> <p>It might be useful to include contact details for regulator and solicitor to the fund.</p>
Discretions Policies	April 2019	LGPS Regulations	<p>The discretions policy contains all of the discretions for which there is a statutory requirement to have a written policy.</p> <p>'Exercised by' column is incomplete.</p>

Division(s): n/a

PENSION FUND COMMITTEE – 5 MARCH 2021

BUSINESS PLAN 2021/22

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to:**
 - a. **Note the progress against the service priorities for 2020/21 and agree to set benchmarks for carbon emissions for the equity and fixed income portfolios based on December 2019, and commission Brunel to undertake the work necessary to establish figures for the legacy portfolios held at that time;**
 - b. **approve the Business Plan and Budget for 2021/22 as set out at Annex 1;**
 - c. **approve the Pension Fund Cash Management Strategy for 2021/22.**
 - d. **delegate authority to the Director of Finance to make changes necessary to the Pension Fund Cash Management Strategy during the year, in line with changes to the County Council's Treasury Management Strategy;**
 - e. **delegate authority to the Director of Finance to open separate pension fund bank, deposit and investment accounts as appropriate;**
 - f. **delegate authority to the Director of Finance to borrow money for the pension fund in accordance with the regulations.**

Introduction

2. This report sets out the business plan for the Pension Fund for 2021/22. The Plan sets out the key objectives of the Fund, details the key service activities for the year, and includes the proposed budget and cash management strategy for the service.
3. The report also reviews the progress against the key service priorities included in the 2020/21 Plan as context for setting the key priorities going into the next financial year.
4. The key objectives for the Oxfordshire Pension Fund are set out on the first page of the Business Plan for 2021/22 (contained in annex 1) and remain consistent with those agreed for previous years. These are summarised as:
 - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the 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.
5. Part A of the plan sets out the broad service activity undertaken by the Fund. As with the key objectives, these are unchanged from previous years. The service priorities for the forthcoming financial year are then set out in more detail in Part B. These priorities do not include the business as usual activity which will continue alongside the activities included in Part B.

Key Service Priorities – A review of 2020/21

6. There were 4 service priorities included in the 2020/21 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 at the last 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
 - Red – insufficient progress or insufficient actions identified to deliver measures of success
7. The Successful Transition of Investments to Brunel. The position against the 3 agreed measures of success are set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Assurance Framework in Place	Key Performance Reports produced for Committee Draft Assurance Reports presented regularly to Client Group and Oversight Board	Review of all Reports currently on-going to ensure in line with Client Requirements. Review of current quality controls due to errors in latest published private market reports.
Transitions Completed	64% of assets already transitioned with plans underway to increase to 80% with transition of fixed income funds in April 2021.	Transition of the legacy private market funds, and re-allocate funds currently invested in DGF.
Business Plan Objectives Achieved	Transitions to date completed within budget. Fee savings achieved in line with business plan.	Continue to monitor as outstanding transitions completed.

8. The development of Brunel and the transition of the assets to Brunel investment portfolios has largely gone as planned. The measure of success against the assurance framework has been scored Amber in part because the clients as a whole have agreed to undertake a review of the reports and assurance process to ensure it is fit for purpose now the majority of assets have been transitioned, and there is greater evidence to assess the suitability of the current reports and process.
9. The Amber score also reflects the issue this quarter with the release of performance report to the Funds in respect of the Private Markets which subsequently were withdrawn. We need to understand the assurance processes within Brunel and its data suppliers to be able to confirm that we are happy with the data in the Assurance Reports received by Clients.
10. Implementation of the Climate Change Policy. There were 4 specific measures of success set out in the 2020/21 Business Plan in respect of this priority. The progress against these is set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Implementation Plan in Place	Draft Plan Agreed and being monitored by the Climate Change Working Group	Plan is a live document and will need to be constantly amended.
Metrics Agreed and Targets Set	Initial set of metrics, benchmarks and targets for Equity and Fixed Income Targets subject to recommendation below	Need to develop similar position for the remaining portfolios
Compliance with Policy Readily Demonstrated		Need to establish the benchmark scores for the key metrics and compare to the initial benchmark scores to demonstrate progress to date. Also need to develop further metrics on success of engagement policy
Portfolios Developed to meet Investment Strategy	Principles for the development of future portfolios agreed between Brunel and Client Funds, with target date later this year for availability of passive portfolios.	IIGCC framework to be extended to all asset classes. Prioritised programme for all asset classes to be agreed by client group.

	Suitable portfolios identified in the market.
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11. The implementation of the Climate Change Policy was always seen as more than a single year service priority, and the scoring commentary within the table above reflects this position. Whilst there has been steady progress across the year in this area, more work needs to be undertaken to ensure that ultimately the service priority is successfully delivered.
12. A key part of the delivery of this service priority is the work of the Climate Change Working Group. This Group met with Faith Ward from Brunel on 11 February 2021 and discussed a number of key elements of the implementation plan. The discussions included the latest developments following this Committee's previous decision to join the Institutional Investors Group on Climate Change (IIGCC), an update on which will be presented to the meeting.
13. Brunel provided a timeline for the identification of suitable Paris Aligned Benchmarks which could form the basis for the passive equity portfolios and which would provide a secondary benchmark against which to assess the active equity portfolios alongside their primary investment performance benchmarks. The timeline includes presentations to the Client Group in March/April with the intention to have investible passive portfolios available by the end of 2021. The Working Group felt that given this timescale, it was not cost effective to make any further short-term amendments to the current allocations to the passive portfolios.
14. As part of the discussion, Faith set out the differences between Paris Aligned benchmarks which seek an immediate 50% reduction in carbon emissions, normally through exclusions, and Paris Transition benchmarks, which have a 30% immediate reduction target. Both benchmarks aim to hit the same 2050 targets.
15. Brunel currently favours the Paris Transition benchmarks which are more closely aligned with the objectives of a Just Transition. Faith also pointed out the need to ensure any benchmarks are forward looking, rather than the traditional benchmarks which focus on a backwards view on carbon emissions. It was noted that the Sustainable Equities portfolio currently has a higher carbon intensity score than the Global High Alpha portfolio, partly reflecting the wider sustainable focus of that portfolio, and that some sustainable programmes show high short-term carbon emissions to deliver significant long-term reductions.
16. In terms of metrics and targets, Faith confirmed that Brunel has set its targets based on carbon emission figures as at December 2019. It was proposed that Oxfordshire follow suit and set the initial benchmark figures on carbon emissions as at December 2019. This would simplify all future administration in that all annual reports produced for Oxfordshire could be produced as part of the work already required for Brunel. Using December 2019 would also allow the Fund to take credit for the decisions already made since the development of the Climate Change Policy including the switch to the low carbon and sustainable portfolios.

- 17. Benchmark figures could be produced for all equity portfolios as well as corporate bonds element of the fixed income portfolio. As Brunel do not hold the information in respect of the legacy portfolios held by the Fund, there would be additional cost (estimated at no more than £10,000) to complete the benchmark work on the legacy portfolios. The Committee are recommended to agree to establish benchmark figures as at December 2019, and to note that budget provision for the required work has been included in the 2021/22 budget set out later in this report.

- 18. It was noted that the Committee have already set a target for a 7.6% reduction per annum in the absolute level of carbon emissions held across the Fund. Brunel operates a target of a 7% reduction target relative to benchmark for all its portfolios. More work was needed to reconcile the different approaches to setting the targets and what this might mean in terms of asset allocation for the Oxfordshire Fund. On this point, it was strongly noted that any asset allocation decisions taken by the Committee must reflect the Investment Strategy in its widest form, taking the full range of investment characteristics, fees etc into account.

- 19. Other areas discussed by the Working Group included the need to determine metrics, benchmarks and targets for the climate solutions aspect of the current policy, and ensure greater visibility of the current positive investments made as part of the Brunel Infrastructure Portfolio and the various Private Equity portfolios in particular. Faith stated that Brunel are looking at using the EU taxonomy in this regard, which had been developed to establish a list of environmentally sustainable economic activities.

- 20. There was a short discussion on the commitment to be net zero on the operational aspects of the Fund by 2030 in line with the County Council policy. Officers were continuing to work with their colleagues responsible for the delivery of the Council's climate action plan to ensure all aspects relating to the operations of the Pension Fund Committee were picked up.

- 21. There was also limited discussion on the decision at the last Committee not to set a target in terms of fossil fuel reserves, and it was noted that setting a net zero target should incorporate incremental reductions in reserves held. It was agreed that the level of reserves held should be a metric included in the regular reports to enable this assumption to be tested, and the question of setting a target could be returned to in the event of any future concerns.

- 22. Improve the Governance Arrangements of the Fund. There were 2 measures of success set for this service priority, and progress against these two measures is set out below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Annual Governance Statement identifying no significant weaknesses	Whilst the Good Governance Project has been delayed, the Hymans independent	

	governance review assessed our position against the proposals agreed by the Scheme Advisory Board and identified no significant weakness.	
Independent Governance Review identifying no significant weaknesses	As above	Implement the recommendations of the Hymans Review.

23. The outcome of the independent governance review is presented elsewhere on today's agenda. This review whilst identifying a number of recommendations for future improvements did not identify any areas of significant weakness.

24. Improve Scheme Member and Employer Engagement Arrangements. Progress against the three measures of success for this service priority are set out below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Improved Customer Satisfaction Results	Numbers of complaints remain at very low levels.	Formal arrangements to collect scheme member and employer feedback to be put in place.
Data Quality Scores Improved	iConnect roll out due to be complete by April 2021. Data Quality Scores of 95.5% and 97.8% for Common Data and Scheme Specific Data reported to the Pension Regulator.	Complete work to clear remaining data quality errors.
Increase Sign-Up and Use of Self-Service Tools	Numbers signed up still gradually increasing and now above 50% of active members.	

25. The new arrangements to assess customer satisfaction are not yet in place so delivery against this service priority is still showing amber although the very low numbers of complaint suggest that once formal arrangements are in place, the score can be switched to green.

26. The improvements in data quality reflect in part the continued rollout of iConnect and the automation of the transfer of scheme data from employers to the Fund. The main area of error remains the number of missing addresses impacting the common data score, and work on the address tracing project is on-going.

27. Work against the 2020/21 business plan has been undertaken largely in line with the agreed budget with four major exceptions as seen in the table below.

	Budget	YTD	%	Forecast Outturn	Variance
	2020/21	2020/21		2020/21	2020/21
	£'000	£'000		£'000	£'000
Administrative Expenses					
Administrative Employee Costs	1,391	839	60	1,191	-200
Support Services Including ICT	694	544	78	694	0
Printing & Stationary	72	53	74	72	0
Advisory & Consultancy Fees	165	56	34	165	0
Other	59	13	23	59	0
Total Administrative Expenses	2,381	1,505	63	2,181	-200
Investment Management Expenses					
Management Fees	10,374	7,511	72	9,800	-574
Custody Fees	25	19	78	25	0
Brunel Contract Costs	1,028	1,063	103	1,063	35
Total Investment Management Expenses	11,427	8,594	75	10,888	-539
Oversight & Governance					
Investment Employee Costs	259	189	73	261	2
Support Services Including ICT	11	8	72	16	5
Actuarial Fees	160	190	119	200	40
External Audit Fees	35	6	16	45	10
Internal Audit Fees	15	0	0	15	0
Advisory & Consultancy Fees	106	40	38	80	-26
Committee and Board Costs	50	0	0	40	-10
Subscriptions and Memberships	50	29	59	53	3
Total Oversight & Governance Expenses	686	462	67	710	24
Total Pension Fund Budget	14,494	10,561	73	13,779	-715

28. It is estimated that there will be underspend against pensions administration staffing costs of £200,000 due to the level of vacancies experienced during the year. As noted above this has not impacted on performance as a result of improved efficiency through automation and the clearance of the previous backlog of work.

29. There is an expected underspend of £574,000 against fund management fees reflecting the changes in asset values under management (especially in quarter one as a result of the initial financial shock of the pandemic) and the nature of the fee structures, and fee savings achieved by Brunel in developing the new investment portfolios.

30. There is a small overspend on the fees for Brunel of £35,000 reflecting changes in the approved Brunel budget through special reserve matters after the agreement of the initial budget for this Committee.
31. Finally there are small overspends of £40,000 and £10,000 in the cost so the Fund Actuary and External Audit associated with the increased workload resulting from the accounting requirements of the McCloud judgement and the increasing complexity of administering the Scheme.

Service Priorities for 2021/22

32. For 2020/21 it is proposed to focus on four key priorities building on the work from the current year and picking up nationally identified issues. The detail of the key actions and measures of success are set out in Part B of the Business Plan. A summary of each of the 4 key priorities is as follows.
33. Priority one is a continuation of the current priority relating to the implementation of our Climate Change Policy. In particular, the priorities for this year include establishing metrics and benchmarks for all portfolios to allow the Committee to assess performance against the average 7.6% per annum reduction in carbon emissions across the Fund as a whole, the monitoring of progress in increasing investments in climate solutions and the establishment of a robust framework to assess the effectiveness of the current approach to engagement and voting in advance of the 2022 stocktake.
34. The second priority responds to the independent governance review elsewhere on today's agenda and addressing the recommendations identified in the report. This will include looking to improve the working relationship between the Pension Fund Committee and Pension Board, ensuring a robust training and engagement programme including regular review of its effectiveness, and a review of the Committee and Board agenda's to ensure they have sufficient time to focus on their key responsibilities.
35. The third priority includes delivering on the major project associated with the McCloud judgement, and ensuring our data is updated to complete the additional calculations required by the Government's solution to the legal challenge. This will involve the Committee determining policy around the levels of risk they are happy to accept around data quality and the process to be followed where despite best efforts, data is not available to calculate potential benefits under the underpin arrangements. This priority area also includes improving the experience for individual scheme members by further improving the scope of the Members Self-Service offering.
36. The final priority reflects the next steps in the relationship with Brunel. By April 2021, 80% of the Funds assets will be invested through Brunel portfolios, so it seems appropriate to review the current reporting arrangements in place with Brunel to ensure the Committee has the information necessary to obtain assurance on the performance of Brunel, and that the investment portfolios are delivering in line with their specifications and the requirements of our investment

strategy. This work will also look to establish what are the appropriate arrangements for the Committee and Officers to meet with Brunel as part of this monitoring process.

Budget 2021/22

37. Part C of the Business Plan sets out the Fund's budget for 2021/22 and compares it with the budget for 2020/21. Overall there is an increase in the budget from £14,494,000 to £15,588,000. The main elements of this variation are explained in more detail below. A report comparing the Pension Fund budget for the full 2020/21 financial year against the actual expenditure will be produced for the June 2021 Committee meeting.
38. The administrative staffing budget has seen a reduction of £55,000 reflecting the improve efficiency of the service as a result of the recent improvements in automation, and the reality of the situation over recent years, where Pension Services have operated with a number of vacancies.
39. There has been an increase in the budget for support services and ICT to allow for the project costs associated with the implementation of the McCloud solution. This includes increased costs of reporting and system amendments.
40. The major variation in the budget is on Fund Management Fees which have increased from £10.4m to 11.3m, reflecting the increase in the overall assets of the Fund and the fact that management fees are charged as a fixed percentage of assets under management.
41. The only significant variation in the Oversight and Governance section of the budget is in the costs of the Fund Actuary and these have been increased from £160,000 to £190,000 reflecting the actual costs in 2020/21 and the increased complexity of providing advice to the Administering Authority and scheme employers. As noted above the budget includes provision for work on implementing the Climate Change Policy and in particular, obtaining benchmark carbon emission scores for the legacy portfolios. These costs though have been offset by reductions on other project costs including the falling out of costs associated with this year's GMP project.

Training Plan

42. Part D of the Business Plan sets out the broad Training Plan for Committee Members, based on the draft Policy previously agreed by the Committee. At the present time, the plan only includes the provision of a core training programme. We will add specific training subjects once we are clear on the skills and knowledge of the new Committee in June 2021, as well as adding additional subjects relevant to the Committee's work programme for the year.

Cash Management

43. The final section of the business plan, Part E, provides the annual cash management strategy for the Fund. The Strategy is based on the Treasury

Management Strategy for the Council, but has a significantly reduced number of counter-parties reflecting the lower sums of cash involved, and the wider set of alternative investment classes open to the Pension Fund.

Lorna Baxter
Director of Finance

Contact Officer
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February 2021

Oxfordshire Pension Fund: Business Plan 2021/22

Service Manager - Pensions: Sean Collins

Service Definition:

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

Our Customers:

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

Key Objectives:

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

Part A: Service Activities

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

Part B – Service Priorities

Objective	Actions	Measures of Success
<p>Deliver key progress on the implementation of the Climate Change Policy</p>	<p>Agree the benchmark carbon emission scores and targets for the equity and fixed income portfolios.</p> <p>Work with Brunel to identify suitable metrics and benchmarks for the remaining portfolios and set targets for improvements.</p> <p>Develop suitable metrics for the assessment of the engagement and voting programme.</p> <p>Agree and implement a suitable metric for assessing the amount of positive climate change investments undertaken within the Fund and agree a target for improvement.</p>	<p>Metrics, benchmarks and targets in place for all portfolios to assess progress against the 7.6% per annum reduction in carbon emissions.</p> <p>Metrics, benchmarks and targets in place to assess progress in investing in climate solutions.</p> <p>Robust arrangements in place to assess the effectiveness of the current engagement and voting process in advance of the 2022 stocktake.</p>
<p>Deliver further improvements to the governance arrangements of the Fund</p>	<p>Implement any changes to the Committee constitution.</p> <p>Develop clear and robust roles and responsibility guidance for the Committee and Pension Board including rules for engagement and escalation.</p> <p>Develop and implement a full training programme including mechanisms to assess the effectiveness of the training and the engagement of Committee and Board members.</p> <p>Review the future agendas of both the Pension Fund Committee and Pension Board to ensure these align with the key responsibilities of the respective Boards and allow sufficient time for discussion of all items</p>	<p>New Committee constitution in place.</p> <p>New ways of working for the Committee and Board in place and increased satisfaction scores reported by Committee and Board members.</p> <p>Full training programme in place, with levels of engagement and skills and knowledge scores increasing.</p>

<p>Further improve the data management arrangements between the Fund and both scheme employers and scheme members.</p>	<p>Develop a project plan for the collection of the data required as a result of the McCloud judgement, including decisions on risks and the approach where data is not easily accessible. Review the implementation of the iConnect to ensure it is working effectively for both scheme employers and the administering authority. Continue to roll out increased self-help functionality as part of Members Self-Service (MSS).</p>	<p>Improving customer scores recorded in satisfaction surveys. Increased take up of MSS Further improvements in Data Quality Scores. Clear policy in place for calculating benefits where underpin benefits cannot be established due to missing data.</p>
<p>Review the arrangements with Brunel to ensure these are aligned with the Committee's statutory duties following transition of the majority of the Funds assets to Brunel portfolios.</p>	<p>Work with colleague Funds within Brunel to review current reporting arrangements. Establish a timetable of regular performance monitoring meetings with Brunel and the Committee/Officers.</p>	<p>All investment portfolios deliver long term performance in line with their specifications. High confidence/satisfaction expressed by Committee members in next Client Survey.</p>

Part C. Budget:

	2021/22 Budget	2020/21 Budget
	£'000	£'000
Administrative Expenses		
Administrative Employee Costs	1,335	1,391
Support Services including ICT	812	694
Printing and Stationery	82	72
Advisory and Consultancy Fees	165	165
Other	59	59
	2,453	2,381
Investment Management Expenses		
Management Fees	11,316	10,374
Custody Fees	25	25
Brunel Contract Costs	1,065	1,028
	12,406	11,427
Oversight and Governance		
Investment Employee Costs	263	259
Support Services Including ICT	12	11
Actuarial Fees	190	160
External Audit Fees	40	35
Internal Audit Fees	16	15
Advisory and Consultancy Fees	89	106
Committee and Board Costs	61	50
Subscriptions and Membership	58	50
	729	686
Total Pension Fund Budget	15,588	14,494

Part D – Committee Training Plan

Mandatory Training

All Members to have completed either:

LGA Fundamentals 3 Day Training or
On-Line Pension Regulators Trustee ToolKit – 5 core modules and 4
modules specific to managing a defined benefit scheme,

within 1 year of joining the Committee

Plus

A minimum of 2 days external training or attendance at relevant pension
conferences (or equivalent) each year.

Specific Training for 2021/22

To be reviewed following results of May 2021 elections and the formation of the
new Committee.

Part E - Pension Fund Cash Management Strategy 2021/22

Introduction

1. The Oxfordshire Pension Fund maintains a balance of cash arising from the receipt of employer and employee contributions, and income from internally managed investments. This incoming cash currently exceeds the amount of payments made on behalf of the Fund. The situation is forecast to continue for the whole of 2021/22. Income generated in investment portfolios is generally reinvested, the exceptions being listed private equity and some private market investments. Were the Pension Fund's cashflow to turn negative the Fund could look to have income generated from its portfolios paid back to the Fund as required to make up any cash shortfall. At present a number of the Brunel portfolios do not have income share classes and so the fund would need to request these. The cash managed in-house by the Administering Authority, provides a working balance for the fund to meet its short-term commitments.
2. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 state that administering authorities must hold in a separate bank account all monies held on behalf of the Pension Fund. The regulations also state that the Administering Authority must formulate an investment strategy to govern how the authority invests any Pension Fund money that is not needed immediately to make payments from the fund. This document sets out the strategy for cash for the financial year 2021/22.

Management Arrangements

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

Rebalancing

5. The Oxfordshire County Council Pension Fund has a strategic asset allocation range of 0 - 5% for cash. The cash balance is regularly monitored and reviewed as part of a quarterly fund rebalancing exercise undertaken by officers and the Independent Financial Adviser.
6. Arrangements will be made for cash balances which are not required for cashflow purposes, to be transferred to the Pension Fund's Investment Managers in accordance with the decisions taken during the rebalancing exercise.
7. In general, a minimum cash balance of £40million will be retained following a fund rebalancing exercise, to meet cashflow requirements and private market investment transactions. This minimum level was increased from £10m in 2018/19 to accommodate the higher level of drawdowns anticipated to flow from

commitments made to private market portfolios with Brunel. The level of cash balances will fluctuate on a daily basis and may be considerably higher than the minimum balance dependent upon the timing of transactions and strategic asset allocation decisions.

Investment Strategy

8. The Pension Fund cash investment policies and procedures will be in line with those of the administering authority. Priorities for the investment of cash will be:-
 - (a) The security of capital
 - (b) The liquidity of investments
 - (c) Optimum return on investments commensurate with proper levels of security and liquidity

Investment of Pension Fund Cash

9. Management of the Pension Fund's cash balances will be in accordance with the Administering Authority's approved Treasury Management Strategy and policies and procedures.
10. The Pension Fund cash balances will be held predominantly in short-term instruments such as notice accounts, money market funds and short-term fixed deposits. Approved instruments for pension fund cash deposits will be the County Council's list of specified investments for maturities up to 1 year, excluding the Debt Management Account deposit facility which is not available to pension funds and UK Government Gilts which are managed by an external fund manager. The County Council's current approved list of specified investments is attached at appendix 1.
11. Pension Fund deposits will be restricted to a subset the County Council's approved counterparties at the time of deposit and will include the Fund's custodian bank. Approved counterparties as at 31st January 2021, and the respective limit of cash held with each counterparty are shown in annex 2.

Borrowing for Pension Fund

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

13. Pension Fund management arrangements presume no borrowing normally, but the possibility remains of unexpected pressures occurring and in these circumstances the power would enable the Pension Fund to avoid becoming forced sellers of fund assets due to cashflow requirements.
14. The Director of Finance (S.151 Officer) has delegated authority to borrow money for the Pension Fund in accordance with the regulations but only in exceptional circumstances. It is proposed that the authority to borrow on behalf of the Pension Fund continues to be delegated to the Director of Finance during 2021/22.

Lorna Baxter
Director of Finance

February 2021

**Oxfordshire County Council 2021/22 Approved Specified Investments for
Maturities up to one year**

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

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

Approved Counterparties

Current Account

Lloyds Bank

Custodian Account

State Street Bank and Trust Company

Call Accounts/Money Market Funds

Counterparty

Limit

Aberdeen Standard Sterling Liquidity Fund

£25m

Lloyds Bank Plc

£25m

Santander

£15m

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Division(s): n/a

PENSION FUND COMMITTEE – 5 MARCH 2021

RISK REGISTER

Report by the Director of Finance

RECOMMENDATION

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

Introduction

2. At their meeting on 11 March 2016, the Committee agreed that the risk register should form a standard item for each quarterly meeting. A copy of the report also goes to each meeting of the Pension Board for their review. Any comments from the Pension Board are included in their report to this meeting.
3. The risk register presented to the March 2016 Committee meeting was the first produced in the new format, which introduced the concept of a target level of risk and the need to identify mitigation action plans to address those risks that were currently not at their target score. This report sets out any progress on the mitigation actions agreed for those risks not yet at target, and identifies any changes to the risks which have arisen since the register was last reviewed.
4. A number of the mitigation plans are directly linked to the key service priorities identified in the Annual Business Plan. 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 January 2020, the Pension Board focussed their discussions on risk 8 (employer default), risk 18 (availability of suitable portfolios through the pool) and risk 13 (the skills and knowledge of the Committee). No proposals were made regarding the current risk scores, although the Board did recommend the Committee that they ensure a suitable training/induction strategy for the new members of the Committee post the May elections. This is already in hand.
6. The Board did also want to see greater mapping from the annual business plan to the risk register. For this cycle the risk register has been amended such that the third column indicating the risk category, also confirms whether the risk is related to the business as usual activities of the Fund or the areas covered within the current annual business plan.

Latest Position on Existing Risks/New Risks

7. Over the last quarter there has been little movement in the overall levels of risks faced by the Fund. All Funds are recorded at the same risk score as in December with the exception of risks 14 and 21. Five of the risks have been scored as Amber and therefore requiring regular review.
8. Risk 14 relates to the skills and knowledge of the Pension Services Team, where the risk of breach of regulations and/or errors in payment has been increased from unlikely to possible, and is now scored Amber. This reflects the number of new staff within the Team and the difficulties of providing a full training and induction programme under the current restrictions. It is also apparent that the longer the current restrictions are in place, the greater the pressure on all staff, but particularly those who are also seeking to home-school their children. Managers regularly check in with all staff, and individual actions plans developed as appropriate, but the risk of individuals going off sick is increasing, and so has been reflected in the overall risk score.
9. Risk 21 was the new risk added last quarter as a consequence of the legal uncertainties following the implementation of the Exit Cap Regulations. The Government has now issued Directions to dis-apply the key elements of these Regulations and announced that they plan to revoke the Regulations. They state that they have made this decision in light of unintended consequences of the initial Regulations. The specific risk which was scored Red in last quarter's register has therefore been eliminated and in line with the agreed practice, the risk will be removed from future registers.
10. The four risks which have retained an Amber rating are as follows. Risk 6 in respect of the risks associated with climate change remains Amber whilst more work is undertaken on developing the framework for monitoring compliance with the climate change policy, and for agreeing metrics and targets. The direction of travel on this risk is seen as improving in light of the discussions at the recent Climate Change Working Group and the proposal to Committee today to agree the process to set benchmarks for the Fund's Carbon Emissions as at December 2019.
11. Risk 8, the risk of employer default remains at Amber reflecting the on-going financial pressure on scheme employers as a result of the Covid-19 pandemic. The current uncertainty of the position going forward means it is not possible to determine the potential long term financial impact on employers and what further actions including seeking a legal charge against assets could be explored to mitigate the risks of default.
12. The third risk retaining its Amber status is the risk 13 around intervention from the Pension Regulator, or loss of professional investor status, in respect of the skills and knowledge of the Committee. This risk will be reviewed following the May elections and an assessment of the skills and knowledge of any new Committee.

13. The final risk scored Amber is risk 20 which covers the implications of the proposed new Regulations seeking to remedy the Court decisions in the age discrimination cases brought by McCloud and Sargeant. As reported last quarter, the risks associated with this issue will be better understood once the Government have responded to the consultation exercise and published the agreed changes to the scheme Regulations.
14. There are two other risks on the Register which are currently showing unchanged as Green, but which are subject to future review. Risk 17 relates to the risk of failing to meet Government requirements on pooling. We are currently awaiting revised guidance from the Government on pooling arrangements, and this risk will need to be reviewed against this guidance. Given the advanced state of the development of the pool, it is likely that this risk can be removed from the register following this future review. Finally, Risk 19 is currently scored Green but will need to be reviewed once the Government determines its response to last year's consultation on providing the HE/FE sector the option to opt out of the LGPS.

Lorna Baxter
Director of Finance

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February 2021

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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.

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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	Feb 2021	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	Feb 2021	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	Feb 2021	At Target
4	Under performance of asset managers or asset classes	Financial – Business as Usual	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	Feb 2021	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	Moderation of assumptions at point of valuation. Asset allocation to mirror risk. Sensitivity analysis included in Valuation report.	3	2	6	↔			3	2	6	Feb 2021	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	2	8	↓	Improve performance monitoring information on ESG scores within current investment portfolios, to identify any policy breaches by fund managers.	March 2021	4	1	4	Feb 2021	Proposals to Committee at March 2021 meeting on suite of metrics and exercise to set benchmark scores as at December 2019.

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	Feb 2021	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.	4	2	8	↔	On-going review of impact of Covid-19 on major employers, particularly HE/FE sector	On-Going	3	2	6	Feb 2021	Implementation of 2 nd lockdown means on-going risks remain.
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	Feb 2021	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	Feb 2021	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	Feb 2021	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	Feb 2021	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	↔	Independent Governance Review being completed by Hymans. Training Programme put in place on review of new Committee requirements.	June 2021	4	1	4	Feb 2021	Risk likelihood increased in light of recent NKA scores, where Committee ranked 18/18 Funds completing assessment, and potential loss of skills and knowledge following May 2021 elections.
14	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.	3	2	6	↑			3	1	3	Feb 2021	Likelihood score raised due to numbers of new staff and pressure from pandemic conditions.

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		
15	Key System Failure – LGPS and FSPS	Administrative – Business as Usual	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme	4	1	4	↔			4	1	4	Feb 2021	At Target
16	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.	4	1	4	↔			4	1	4	Feb 2021	At Target
17	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	Feb 2021	At Target
18	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	↔	Review in line of request for Paris Aligned Portfolios.	On-going	4	1	4	Feb 2021	At Target
19	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	Feb 2021	At Target
20	Insufficient Resource and/or Data to comply with consequences of McCloud Judgement	Administrative – Business as Usual	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	Feb 2021	Awaiting Government response to consultation exercise on new Regulations to assess full impact.
21	Legal Challenge on Calculation of Pension Benefits	Legal & Administrative – Business Plan Objective	Conflict between legal duties under Restriction of Public Sector Exit Payments Regulations and LGPS Regulations	Court Order to amend Policy	Pension Services Manager	Government has disapplied Exit Cap provisions and intends to revoke the Regulations.	4	1	4	↓			4	1	4	Feb 2021	

PENSION FUND COMMITTEE – 05 MARCH 2021

ADMINISTRATION REPORT

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to

- a) Note the report
- b) Agree to the temporary reduction in service level targets
- c) Agree the changes to the Funding Strategy Statement

Executive Summary

1. 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. The Committee will be asked to approve amendments to the Funding Strategy Statement following the recent consultation on amendments reflecting the changes in Regulations in respect of employer exits from the Fund.

Staffing

2. Overall, the team has three administrator vacancies. Two are as a result of internal promotions as reported last quarter and one due to a failed recruitment process. These vacancies are currently on hold until there is capacity to take on further training as five new team members have joined in the last six months.
3. To ensure that new team members receive a full training in all aspects of the work they have all been placed within the benefits administration to ensure that they gain full understanding of the LGPS. This coupled with the move of several of the more experienced team members because either because of promotion or moving to other areas has impacted on the work performance for both LGPS and Fire whilst training takes place.
4. Officers are also now starting to see the impact of the current lockdown, particularly, but not exclusively, on working parents who are trying to balance many conflicting demands without access to their normal support networks.
5. This combined effect has led to an increase in absence and is also starting to be reflected in the performance data.

Incoming Data

6. The number of late / missing data returns has reduced to 3.7% over the last two months. These outstanding returns have been chased and received except in

the case of one scheme employer where we have been unable to make contact. This is being followed up.

7. Vetting of incoming data returns was initially set up as all returns had to be cleared by the 18th of the month following receipt. This target is not being met and is under review by the team leader who is looking to improve this performance by:
 - Running more exception reports to make vetting process easier
 - Arranging for reports to be run overnight
 - Making sure that staff understand and follow processes
 - Training newer team members.
8. The Investment Team monitor late and missing contributions. The latest report shows that there are four employers who have, in most months between April and December missed the deadlines for submission. Two cases relate to newer scheme employers where there are some outstanding contractual issues, which are being followed up with officers and two cases are now resolved.

Workload and Performance

9. There are five subjects where the SLA has not been met in last month. In the first two instances this was caused by one case going out of specification:
 - HR Estimates SLA 90% achieved 86%
 - Refunds SLA 95% achieved 94%
10. For the remaining subjects there is a combination of factors contributing to the lower performance but is mainly due to inexperienced team members.
 - Retirements SLA 95% achieved 86%
 - Interfunds Outs SLA 95% achieved 83%
 - Transfer Outs SLA 95% achieved 90%
11. Linking this back to the staffing issues of training and experience the concern is that maintaining the current level of SLA percentages is not achievable in the short / medium term therefore officers are seeking a temporary reduction from 95%/90% in specification to 75% in specification from March 2021. This is to be reviewed at next meeting of this committee to determine if an extension is required.

Projects

12. The final stages of the GMP reconciliation project are now in process. This project has identified that there are 87 LGPS pension members who have been underpaid and this is being corrected in the February 2021 payroll. This will increase the annual payment of pension by £4,203.58. The arrears being paid in the February 2021 payroll amount to £37,568.55. There are no firefighter pensioners who have been underpaid.

13. As previously decided by this Committee pension members who had been overpaid would have their pension payment corrected but there would not be any recovery of the over payment. Letters have been sent out to 245 LGPS pensioners whose pension will be adjusted in April 2021. This will result in an annual reduction of pension amounting to £35,411.35. The total amount being written off in respect to these Members is £284,487.48. There are 6 firefighters who have been overpaid. The reduction in annual pension for these 6 members will be £1,235.35, with the written off amount being £4,018.
14. Implementation of i-connect – there are now 16 scheme employers left to transfer. The two largest employers Oxfordshire County Council and Oxford Brookes University are scheduled to transfer in April.
15. Except for three outsourced contracts to one company where there are ongoing contractual issues all other scheme employers are scheduled to transition by end of March 2021.
16. Administration to Pay has been the project with the most delays to timetable but the first process is now being used and further subjects are timetabled from March onwards as shown below:

Area of Work	Implementation date	Implemented (Y/N)
IFA out	February 2021	Y
TV out	February 2021	Y
Refunds (not including over 75s and post 14 leavers being paid more than 5 years after leaving) *	March 2021	
Retirements from active status (redundancy, efficiency, ill health, age retirement)	May 2021	
Retirements from deferred pension	July 2021	
Death **	September 2021	
Trivial Commutations	November 2021	
Fire	January 2022	

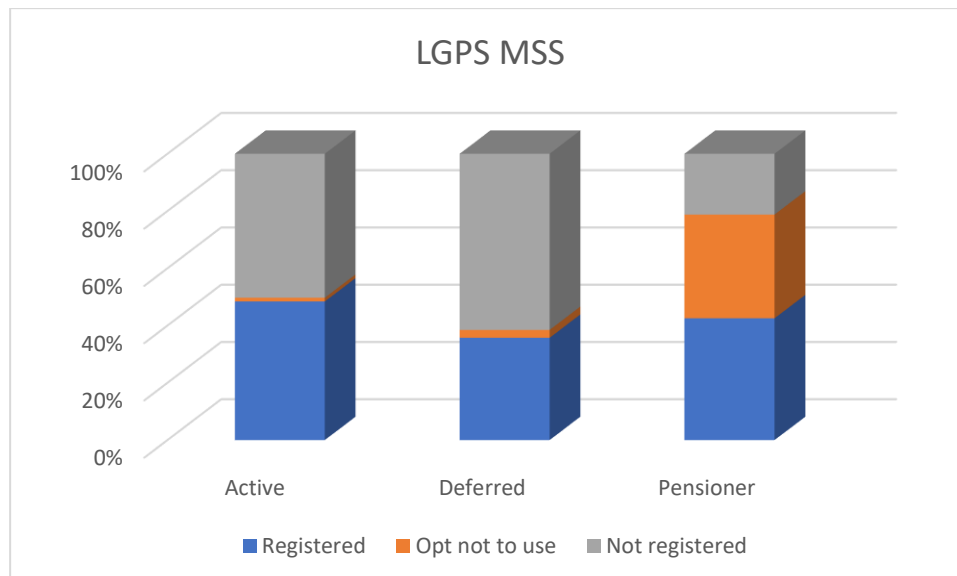
* Solution being sought with software suppliers to deal with post 75 and post 14 leavers being paid after 5 years as the tax implications are different and Altair does not calculate these at present

** Deaths. Further work needs to be done in cases where death grants are split between multiple beneficiaries.

17. The next major project for the team will be the “McCloud” project which due to its size and complexity has been included as a specific objective within the proposed annual business plan for 2021/22.
18. All other projects are on target.

Communications

19. Member engagement - Reporting Pensions is issued 4 times a year to ensure changes to regulations and procedures are disclosed within statutory timescales. In the latest edition an update nomination form plus accompanying guidance has been sent to all active members. Return rates are being monitored.
20. Site visits and member meetings have been on hold since March 2020, although there looks to be increased interest in moving these online. We have done one such meeting in January 2021 and been asked to prepare for a second.
21. The Governance Newsletter with information on training and current hot topics has been introduced to update members of this committee and the pension board.
22. Employer engagement - Talking Pensions is issued to Employers / PFC / Board and pension and investment teams monthly by email to known contacts, to introduce administration topics and regulation changes. Issued on last working day of every month, and earlier in December.
23. ‘New To the LGPS’ training enables the introduction of the LGPS to those new to the work area or new employers to the LGPS, offering outline of how the scheme works - costs and benefits and the employer responsibilities. The meeting is currently held online, 7 times a year.
24. Employer meetings are scheduled regularly to pick up on procedure changes, new regulations and encourage employers to bring topics for discussion. The meeting is currently held online, 4 times a year.
25. Member self-service numbers are gradually increasing with just under 50% active members now signed up.



Employers

26. Three scheme employers have let contracts to one cleaning company, who now wishes to move the service to a franchisee. As there is no contractual relationship between the scheme employer and the franchisee the admission agreement cannot remain in place.
27. Whilst one scheme employer has fully engaged in this process the others have not been so forthcoming and so discussions are continuing.

Complaints

28. In the last quarter, determinations have been issued in respect of three complaints made under the formal dispute procedure. All these complaints were made because the scheme employer had not granted ill-health retirement.
29. There is one case still outstanding which was referred to the scheme employer in August 2020
30. One case was reviewed by the scheme employer at stage 1. This complaint was not upheld and so the member now has the option of referring this to stage 2 for review.
31. In reviewing the other two cases at stage 2, the Adjudicator found that the scheme employers had not followed process and so upheld these complaints. Members can now refer their case to the Pension Ombudsman.
32. One internal complaint has also been received. Information has been sent to member, so no further action.

Write Off

33. Overpaid pension has not been recovered in ten cases where the pensioner has died, amounting to £47.34.

Funding Strategy Statement

34. At the December meeting of this Committee, Members accepted the recommendation to agree the draft changes to the Funding Strategy Statement as detailed in paragraph 40 as the basis for consultation with scheme employers.
35. This consultation was sent out to scheme employers on 15 December 2020 and articles were included in the December and January employer newsletter Talking Pensions.
36. The closing date for comments of 12 February has now passed and no employer comments have been received. Therefore, members are now asked to confirm these changes to the Funding Strategy Statement. These proposed changes are summarised below:
 - Contribution review - In general, the draft FSS updates consider an amendment to contribution rates between valuations only as a result of significant changes to the liabilities or covenant of an employer. While the Fund would consider requests from employers to review contributions, it is expected that the reason for the request is a material change in covenant or significant restructure which impacts their membership and consequently liabilities in the Fund.
 - Exit arrangements - despite the updates, for an employer ceasing with a deficit, the normal policy within the draft FSS remains the requirement to immediately pay any debt. Any variation away from this would be considered in the light of this benchmark and would primarily need to be in the interests of the Fund. However, the FSS updates allow the Fund to be mindful of the broader objectives and finances of the employer when considering a more flexible exit arrangement. For example, a flexible approach may in some cases still be appropriate where the employer covenant is weak as it may allow the employer to avoid building up further liabilities. When entering into any flexible exit arrangement, a continual but proportionate review of the conditional elements will be required to ensure it remains appropriate and in the best interests of all parties.

Fire

37. The administration report submitted to the Fire Pension Board in January reflected the same issues as those raised in this report for the LGPS.

38. Officers are due to have a meeting with the Chief Fire Officer to discuss service level agreements and performance reporting. The outcome of these discussions and the reports to the Fire Pension Board will be available to this committee next quarter.
39. In the age discrimination case "Sargeant" a consultation response has now been published by the Government and officers are waiting for clarification of the actions required and the time frames for these.

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March 2021

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PENSION FUND COMMITTEE
05 MARCH 2021

**ADDENDA – ADDITIONAL RECOMMENDATION AND ASSOCIATED
BACKGROUND TO AGENDA ITEM 16 – ADMINISTRATION REPORT**

New Recommendation

- d) **determine whether they wish to amend the Scheme Pays Policy to allow members to make backdated applications, for voluntary scheme pays elections, to the Fund, providing the Fund has the legal authority to accept these. All applications will be subject to the scheme member agreeing to meet all additional charges and costs, and Pension Services having the necessary resources to administer the late application.**

Background Information

1. In December 2017 this committee exercised their discretion to introduce a policy of voluntary scheme pays for scheme members with tapered annual allowances to elect for the Fund to pay their tax charge not covered by the mandatory scheme. The Fund would recover the cost through reductions to the member's future pension benefits.
2. The Policy stated that any voluntary scheme pays election should meet same criteria as applied to mandatory scheme pays:
 - (i) Tax charge must be in excess of £2,000
 - (ii) Election must be made by 30 November following tax year end
 - (iii) Payment of monies to HMRC by 31 January following tax year end.
3. A scheme member is now asking whether this committee would consider extending the scope of this policy so that retrospective voluntary scheme pays applications can be made where the deadlines for meeting a mandatory application have been missed.
4. This scheme member has exceeded their annual allowance for several years – 2016/2017, 2017/2018 and 2018/2019 and is asking if the Fund would accept a retrospective application for voluntary scheme pays. Under the current policy such an application cannot be accepted as it fails to meet the deadlines included within the Policy.
5. The scheme member has challenged the current policy. Therefore, officers have sought further advice which indicates that, providing the Fund is satisfied that they have the legal powers to do so, that they can pay the member's annual allowance charge on a voluntary basis.

6. Late payment of these monies will incur charges for both interest and late payments which should fall to the scheme member for payment. There is, however, some concern on the mechanics of how HMRC would process this and whether the charge would be made to the Fund rather than the individual, which could be an administrative challenge to resolve.

Legal Implications

7. Local Government Association guidance does not specifically cover this situation. However, paragraph 191 states “*Where a member does not meet the conditions for ‘mandatory scheme pays’ to apply or they do not make their nomination in time, the scheme administrator or, in the case of a Scheme such as the LGPS which is covered by the Registered Pension Schemes (Splitting of Schemes) Regulations 2006 [SI 2006/569], the sub-scheme administrator, may agree (if they have the vires to do so) to pay the member’s annual allowance charge on a voluntary basis.*”
8. The Fund therefore needs to be satisfied that it has the legal power to accept a backdated election – this has been referred to Legal for advice.

Staffing Implications

9. An initial assessment indicates that given the retrospective nature of the application, there would need to be manual intervention in the calculations; manual intervention to correct system records and it unclear whether what level of correspondence with HMRC will be needed to ensure that any fines and charges for late payment are sent to the scheme member rather than the Fund. Any additional administration resources should be chargeable to the scheme member.
10. As noted elsewhere in this report, there are insufficient trained resources in the team to meet the current service level targets, so any application would need to be determined in light of whether sufficient resources could be identified (e.g. through agreed overtime) to undertake the necessary administration