OXFORDSHIRE COUNTY COUNCIL

To: Members of the Local Pension Board

Notice of a Meeting of the Local Pension Board

Friday, 5 May 2023 at 10.30 am

County Hall, New Road, Oxford OX1 1ND

If you wish to view proceedings online, please click on this Live Stream Link.
However, that will not allow you to participate in the meeting.

Martin Reeves
Chief Executive

April 2023

Committee Officer: ***Committee Services***
Tel: committeesdemocraticservices@oxfordshire.gov.uk

Membership

Chair – Matthew Trebilcock

Scheme Members:

Alistair Bastin	Stephen Davis	Liz Hayden

Employer Members:

Angela Priestley-Gibbins	Elizabeth Griffiths	Marcia Slater

Notes:

- ***Date of next meeting: 7 July 2023***

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

To receive any apologies for absence and substitutions.

3. Declarations of Interest - see guidance note below

4. Minutes of the Meeting of 20 January 2023 (Pages 1 - 8)

To approve the minutes of the meeting held on 20th January 2023 as a correct record and to receive any information arising from them.

5. Unconfirmed Minutes of the Pension Fund Committee - 3 March 2023 (Pages 9 - 20)

To receive the unconfirmed minutes of the Pension Fund Committee held on 3 March 2023.

6. Scheme Member Engagement (Pages 21 - 24)

This report updates the Board on the Fund's Communication Policy and presents the draft Implementation Plan for the Member Engagement Policy as discussed at the last meeting of the Board.

The Board is invited to review the Implementation Plan and provide any further advice to the Pension Fund Committee.

7. Review of the Annual Business Plan (Pages 25 - 50)

The Board is invited to review the position against the Annual Business Plan for 2022/23 and the Annual Business Plan for 2023/24 as considered by the Pension Fund Committee at its meeting on 3 March 2023 and to offer any comments to the Committee.

8. Risk Register (Pages 51 - 58)

This is the latest risk register as considered by the Pension Fund Committee at its meeting on 3 March 2023. The Board is invited to review the report and offer any further views back to the Committee.

9. Administration Report (Pages 59 - 72)

The Board are invited to review the latest Administration Report as presented to the Pension Fund Committee at its meeting on 3 March 2023, including the latest performance statistics for the Service.

10. Cyber Security (Pages 73 - 76)

The Board are invited to review the first annual report on Cyber Security as presented to the Pension Fund Committee at its meeting on 3 March 2023 and offer any comments to the Committee.

11. Strategic Asset Allocation (Pages 77 - 94)

The Board is invited to review the report received by the Pension Fund Committee at its meeting on 3 March 2023 and offer any comments back to the Committee which will be further discussing the issues at its next meeting on 9 June 2023.

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

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

13. 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.

Apart from the standing items, the next meeting will receive the Annual Report on the work of the Board including the training undertaken by the Board Members, and the annual report on investment management fees.

Councillors declaring interests

General duty
You must declare any disclosable pecuniary interests when the meeting reaches the item on the agenda headed 'Declarations of Interest' or as soon as it becomes apparent to you.

What is a disclosable pecuniary interest?
Disclosable pecuniary interests relate to your employment; sponsorship (i.e. payment for expenses incurred by you in carrying out your duties as a councillor or towards your election expenses); contracts; land in the Council's area; licenses for land in the Council's area; corporate tenancies; and securities. These declarations must be recorded in each councillor's Register of Interests which is publicly available on the Council's website.

Disclosable pecuniary interests that must be declared are not only those of the member her or himself but also those member's spouse, civil partner or person they are living with as husband or wife or as if they were civil partners.

Declaring an interest
Where any matter disclosed in your Register of Interests is being considered at a meeting, you must declare that you have an interest. You should also disclose the nature as well as the existence of the interest. If you have a disclosable pecuniary interest, after having declared it at the meeting you must not participate in discussion or voting on the item and must withdraw from the meeting whilst the matter is discussed.

Members' Code of Conduct and public perception
Even if you do not have a disclosable pecuniary interest in a matter, the Members' Code of Conduct says that a member 'must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself' and that 'you must not place yourself in situations where your honesty and integrity may be questioned'.

Members Code – Other registrable interests
Where a matter arises at a meeting which directly relates to the financial interest or wellbeing of one of your other registerable interests then you must declare an interest. You must not participate in discussion or voting on the item and you must withdraw from the meeting whilst the matter is discussed.

Wellbeing can be described as a condition of contentedness, healthiness and happiness; anything that could be said to affect a person's quality of life, either positively or negatively, is likely to affect their wellbeing.
Other registrable interests include:

a) Any unpaid directorships
b) Any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority.

c) Any body (i) exercising functions of a public nature (ii) directed to charitable purposes or (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union) of which you are a member or in a position of general control or management.

Members Code – Non-registrable interests

Where a matter arises at a meeting which directly relates to your financial interest or wellbeing (and does not fall under disclosable pecuniary interests), or the financial interest or wellbeing of a relative or close associate, you must declare the interest.

Where a matter arises at a meeting which affects your own financial interest or wellbeing, a financial interest or wellbeing of a relative or close associate or a financial interest or wellbeing of a body included under other registrable interests, then you must declare the interest.

In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied:
Where a matter affects the financial interest or well-being:

a) to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
b) a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest.

You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

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LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 20 January 2023 commencing at 10.30 am and finishing at 12.30 pm

Present:

Voting Members:	Matthew Trebilcock – in the Chair Alistair Bastin Stephen Davis Elizabeth Griffiths Angela Priestley-Gibbins Marcia Slater
Members of Pension Fund Committee in Attendance:	Councillor Bob Johnston Steve Moran
Officers:	Sean Collins (Service Manager for Pensions, Insurance and Money Management), Sally Fox (Pension Services Manager), Mukhtar Master (Governance & Communications Manager), Rebecca O'Shea (Communications Manager and Khalid Ahmed (Law and Governance).

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

1/23 MINUTES
(Agenda No. 3/23)

The minutes of the meeting held on 21 October 2022 were agreed as a correct record.

[The Service Manager for Pensions, Insurance and Money Management reported that the vacancy for a Scheme Member representative on the Local Pension Board had been advertised and there had been a good response. Shortlisting and interviews would be taking place and it was hoped the vacancy would be filled.]

2/23 UNCONFIRMED MINUTES OF THE PENSION FUND COMMITTEE - 2 DECEMBER 2022
(Agenda No. 4)

The meeting had before it the draft minutes of the last Pension Fund Committee meeting of 2 December 2022 for consideration. The draft Minutes were noted.

3/23 SCHEME MEMBER ENGAGEMENT

(Agenda No. 5)

The Board was provided with a report which set out the current approach to scheme member engagement and the options for further improvements in the arrangements.

The Board was invited to consider the report and provide advice to the Pension Fund Committee on changes to the Communications Policy to improve scheme member engagement in the future.

The Governance & Communications Manager and the Communications Manager for the Pension Fund introduced the report.

The Board was informed that Member engagement was important for regulatory purpose. Details of what was currently in place was reported and included:-

- Reporting Pensions –quarterly newsletter
- Annual benefit statement plus notes
- Annual Deferred newsletter (in collaboration with other Funds)
- Deferred Annual Pensioner newsletter
- Member talks.
- My Oxfordshire Pension
- Use of Altair email tool
- Use of Gov.UK Notify email tool (Bulk Email)
- Annual activation codes mailing
- Partnership working with other funds – Oxfordshire is represented on: Communications working group (LGA) Joint communications working group
- Translation Services
- Oxfordshire Pension Fund Website

Paragraph 8 of the report contained new ideas to improve engagement.

In response to a question relating to how engagement was measured, the Board was informed that it was difficult to do so now as more training was required on analytics.

The Board was informed that the statistics of how many members were registered for the on-line portal was in line with other funds. There were 56.3% of Active Members registered and using the on-line portal; 49.5% Deferred Members registered and 91.1% of Pensioners who had registered. However, there were many members who had not made the decision to register for the on-line portal or to receive paper statements and communications.

The National and Local Engagement Group was looking at benchmarking.

Reference was made to many members who had not decided to register or receive paper notifications.

Discussion took place on the current methods of communication which relied on employers initiating communication with its employees. There was an issue with employee engagement in relation to how many within each Pension Fund employer had registered.

Reference was made to difficulty in getting new addresses, email addresses and telephone contact numbers for members that had changed their addresses. Annual address chasing exercises do take place.

There were ideas to improve engagement which included introducing QR codes which would take members directly to the correct Pensions page and on letters, newsletters, and leaflets. There would be Webinars on common subjects and improvements would be made to the website to improve access.

The Board agreed that Board Members would provide articles in the newsletter.

A Board Member referred to including information on the website on where the Pension Fund invested members' funds, which would increase engagement and interaction with members. The Service Manager for Pensions, Insurance and Money Management explained that such improvements were being introduced on the website and would be linked to the Fund's Climate policy.

The Board noted and reviewed the outcome of Member Engagement Review carried out by the Governance and Communications Team of the fund and that an amended Communications Policy would be submitted to the next Pension Fund Committee. Board Members would receive a draft of the Communications Policy by email prior to its submission to the Committee.

The Board noted the report.

4/23 REVIEW OF THE ANNUAL BUSINESS PLAN
(Agenda No. 6)

The Board was asked to review the position against the Annual Business Plan for 2022/23 as considered by the Pension Fund Committee at their meeting on 2 December 2022 and to offer any comments to the Committee.

The report also included the results of the National Knowledge Assessment, and the Board was invited to consider the results and priorities for future training.

Reference was made to data quality scores which were very good. It was hoped that the introduction of the national Pensions Dashboards would increase awareness of pension provision and make it easier for scheme members to keep track of all pension benefits and how to keep their details up to date.

In relation to cyber security, the score had remained as Amber in light of the breaches already reported this year, and the need to strengthen the monitoring arrangements in respect of the wider cyber risks.

Stewardship Code was on Red, in relation to the appointment of a new Responsible Investment Officer. The Board was informed that interviews would be taking place next week so this key measure of success would be carried over.

The Board was informed that Oxfordshire County Council's Staff Climate Action Group had submitted correspondence asking the Pension Fund Committee to consider climate change suggestions. The Board was informed that a response to this request would be reported to the next Pension Fund Committee.

In relation to Scheme Member Engagement Policy, as reported on an earlier agenda item, an Engagement Policy was being developed and implemented.

In relation to the Budget, there was an underspend with the delays in the recruitment of staff across the service being a contributory factor. The underspend will grow if there are any further delays in the recruitment process.

The Board was informed of the National Knowledge Assessment results which had Oxfordshire first out of the sixteen Funds in terms of having a top score of 62.5 and with 100% engagement. The overall score for the Board was higher than that for Pension Fund Committee Members.

Areas of weakness were Pension investment which was understandable for the Board as a regulatory body, and Accounting and Audit Standards which would be concentrated on in terms of training.

The Board asked that Members of both the Board and the Pension Fund Committee continue to be invited to seminars and conferences as there was a correlation between training and scores in the assessment.

Based on the results of this assessment and with individual Committee and Board results, a training plan would be developed which would be presented to the Pension Fund Committee at the March meeting.

The Board noted the report and that Pension Fund Committee had agreed the following:

(1) That the Committee reviewed progress against each of the key service priorities as set out in the report.

(2) That approval be given to the further actions to be taken to address those areas not currently on target to deliver the required objectives.

(3) That the provisional results from the National Knowledge Assessment be noted.

(4) That approval be given to holding a 2023/24 Business Planning session on the morning of Friday 3 February 2023.

5/23 RISK REGISTER

(Agenda No. 7)

The Board was provided with the latest risk register which had been considered by the Pension Fund Committee on 2 December 2022. The Board was invited to review the report and offer any further views back to the Committee.

Reference was made to Risk 15 in relation to Fund officers having sufficient skills and knowledge to carry out their roles effectively, work was taking place with HR as the Fund was struggling to get the roles adequately graded because of the nuances of working in local government.

It was hoped that there would be an appointment to the Responsible Investment post, but the process took time.

The Board noted the report and the change in risk status for Skills and Knowledge.

6/23 ADMINISTRATION REPORT

(Agenda No. 8)

The Board considered the latest Administration Report which was presented to the Pension Fund Committee on 2 December 2022, including the latest performance statistics for the Service.

The Board was informed that there were still a couple of vacancies in the Team with over 50% of administrators in training and only 25% of the Team fully trained.

In relation to performance statistics, the Team was in a better position, although the clearance of returns was down but there was confidence that this would be up by the end of the financial year. There was a backlog of a number of open tasks which was being managed.

The Benefits Team had been restructured the way it was organised to improve efficiency.

Reference was made to complaints and the Board was informed there was one complaint from a member, over a period of several years, which produced lengthy correspondence. Unfortunately, some of the responses had been incorrect and during 2020/2021 tax year those queries were either not answered or not answered in a reasonable time frame which resulted in the member losing the opportunity to make additional pension contributions and also losing the tax relief associated with this. This resulted in the complainant being awarded a compensatory payment of £1,400 for loss of tax relief and the distress caused by this matter.

In relation to debt management, in the last quarter one overpayment of £10,000 had been recovered by Debt Management.

There had been one data breach during the last quarter where national insurance numbers for four scheme members were sent to the wrong scheme employer. The scheme employer had confirmed that this information had been deleted.

The Director had agreed the release of an ill health pension under delegated powers.

There had been an improvement in Prudential’s performance in relation to Additional Voluntary Contributions (AVC).

The Board noted the report and the following recommendations which were agreed by the Pension Fund Committee:-

(1) That the compensatory payment made in line with Scheme of Delegation be noted.

(2) That the release of deferred benefits on grounds of ill-health in line with Scheme of Delegation be noted.

(3) That approval be given to the write off for the last quarter of £23.93.

7/23 EXEMPT ITEMS
(Agenda No. 9)

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

8/23 CYBER SECURITY
(Agenda No. 10)

The Board was provided with a report which had been considered by the Pension Fund Committee at its last meeting. The report contained details on the security of data held and used by third party providers to the fund.

The Pension Fund Committee had agreed that there would be an annual report submitted on cyber security.

The Board noted the confidential report.

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

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

9/23 PENSION ADMINISTRATION SYSTEM REVIEW
(Agenda No. 11)

The Board was provided with the final report on Review of Pension Administration System Technology which had been considered by the Pension Fund Committee at its last meeting.

Reference was made to the use of email addresses in relation to the Common Data exercise and the Board agreed that the Chair of the Board would write to the Pension Regulator on the legality of this.

The Board noted the report.

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

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

10/23 ITEMS TO INCLUDE IN THE REPORT TO THE PENSION FUND COMMITTEE
(Agenda No. 12)

It was agreed that the following be included in the report to the next Pension Fund Committee:

- Correspondence being sent to the Pension Regulator in relation to capturing email addresses as part of the Common Data exercise.
- Member Engagement Report – comments of the Board to be included in the report which will be submitted to the Pension Fund Committee.

11/23 ITEMS TO BE INCLUDED IN THE AGENDA FOR THE NEXT BOARD MEETING
(Agenda No. 13)

The Communication Policy report which will be considered by the Pension Fund Committee.

.... in the Chair

Date of signing ....

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PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 3 March 2023 commencing at 10.00 am and finishing at 12.40 pm

Present:

Voting Members:	Councillor Bob Johnston – in the Chair Councillor Imade Edosomwan Councillor John Howson
Non-Voting Members:	Steve Moran (Pension Scheme Member) District Councillor Jo Robb (District Councils) (Remotely attended)
Local Pension Board Members in Attendance:	Alistair Bastin (Remotely attended) Marcia Slater (Remotely attended) Stephen Davis (Remotely attended)
By Invitation:	Tim Dickson (Client Relations Manager – Brunel) Philip Hebson (Independent Investment Advisor) David Vickers (Chief Investment Officer – Brunel)
Officers:	Sean Collins (Service Manager Pensions, Insurance and Money Management) Sally Fox (Pension Services Manager) (Remotely attended) Gregory Ley (Financial Manager- Pension Fund Investment) Mukhtar Master (Governance & Communications Manager) (Remotely attended) Khalid Ahmed (Law and Governance)

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

1/23 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies for absence were submitted by Councillor Kevin Bulmer, Councillor Nick Field-Johnson and Alan Staniforth.

2/23 MINUTES
(Agenda No. 3)

The Minutes of the meeting held on 2 December 2022 were agreed as a correct record, subject to the inclusion of Marcia Slater (Member of the Local Pension Board) in attendance.

3/23 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 4)

Sam Thomas, a representative of Oxfordshire County Council Staff-Led Climate Action Group attended the meeting and addressed the Committee.

"The Oxfordshire County Council Staff Climate Action Group asks you to instruct Brunel to provide:

1. An Active United Kingdom Paris Aligned Benchmark portfolio, that would allow Brunel client funds to invest directly in UK equities while avoiding exposure to companies engaged in Fossil Fuel activities.

2. 'An Impact Fund', which would focus on investing in companies that are developing solutions to the climate emergency, for example by providing capital to smaller, growing 'green' companies by directly buying their bonds or providing loans (in primary markets), therefore providing them with capital and liquidity. Brunel's 'Cornwall Low Impact' Portfolio provides an encouraging local model along these lines.

Firstly, we would like to thank you for all the work you are doing to manage the Oxfordshire local government pension scheme and ensuring that investments are being made on behalf of scheme members to provide an adequate livelihood on retirement. We also appreciate and note that in last September's report 'Funding Strategy Statement and 2022 Fund Valuation' it states: "climate risk considerations (are) to be built directly into funding strategy decisions".

Further, we welcome the fact that you acknowledged the need to create a more ethical, sustainable pension fund and in 2021 you chose to move 15% of our money to the Passive Paris-Aligned Equities fund when that fund became available. The Staff Climate Action Group members feel this is a positive move in the right direction.

However, our members are becoming increasingly concerned about climate change and the actions that we must all make, collectively and at pace, to mitigate the rate of global heating for our world. Indeed, our employer, Oxfordshire County Council sets its key priority as "putting climate action at the heart of our work" and states an ambition of decarbonising the authority's estate and operations by 2030, and transitioning Oxfordshire as a county to net zero ahead of the national target of 2050.

Moreover, our organisation has signposted us to the 'Climate Action Oxfordshire' website https://www.climateactionoxfordshire.org.uk/ a website hosted on behalf of all of the Oxfordshire Councils agreeing collective action on this agenda, to inform us how to change our own personal behaviours - at home and at work. We are encouraged to insulate our homes, turn down our thermostats, use active travel methods to commute to work and change to a plant-based diet. Furthermore – and which the website shows having the maximum impact on our carbon footprint – we are advised to "choose ethical banking, pensions and investments", and it directs us to 'Bank.Green' for our personal banking, and 'Ethex' for a directory of investment opportunities in the sustainable sector. According to other sources eg a report by Make My Money Matter (MMMM), Aviva, and Route2, and widely reported by PensionsAge, the Guardian and the BBC, switching your pension to a 'green' investment portfolio has twenty one times the impact of other personal changes an individual can make; https://makemymoneymatter.co.uk/21x/#act-now;

Therefore, we feel it is hugely disappointing that the majority of our pension scheme continues to be invested in funds which include many companies, banks and products that do not have any positive environmental, ethical and sustainable credentials. We can see that at least four of the funds we hold include fossil fuel companies, who are involved in the active expansion and exploration of fossil fuels, including fracking. These funds are: Active UK, Active Global High Alpha, Active Emerging Market, Active Global Sustainable Equities and Multi-Asset Credit. Collectively; we invest about 35% of our Pension Fund into them.

If we focus on: 'Active UK Equity', where we invest about 15% of our members' money, these holdings include: Shell, Harbour Energy and BP. These are just a few of the many global companies in several of the Brunel holdings which are causing great harm to people and planet. This undermines the Brunel claim that; 'In collaboration with all our stakeholders we are forging better futures by investing for a world worth living in.' (Brunel Pension Partnership, 2021)

In line with the International Energy Agency's report (International Energy Agency, 2021) looking at suitable pathways to achieving net zero by 2050, one of the key policy recommendations is to stop investment into new fossil fuel exploration. It is clear that the companies referred to above, and many other oil and gas companies, are pursuing new and existing activities that are clearly not in line with achieving the representative Councils', the UK's and the Paris Commitments' net zero ambition. This is very evident from a recent report by Carbon Tracker on major oil and gas companies' future capital expenditure plans, and informs us that, 'regarding the expansion of their capex plans: 62% of investments approved in 2021/Q1 2022 (or $103bn) were inconsistent with a Paris-aligned pathway (the IEA's 1.7°C Announced Pledges Scenario), including $58bn that was outside even a 2.5°C outcome.' https://carbontracker.org/reports/paris-maligned/

We are also concerned about the Pension Funds' continued investments in oil and gas companies from the perspective of the potential negative impact on future value, with several large financial institutions now warning of massive write-downs due to stranded assets eg 'The rapidly-diminishing returns of oil production may result in investors suffering from stranded assets as a result of their inability to profit from depreciating energy reserves. Even the investment bank Goldman Sachs has acknowledged the scale of this problem, publishing a study in December 2015 finding that $1 trillion of future oil investments are unprofitable. Past research carried out by the Carbon Tracker Initiative has also shown that major fossil fuel companies risk wasting $2.2 trillion in investments which may turn out to be uneconomic.' https://bylinetimes.com/2023/01/05/energy-firms-fossil-fuel-investments-radically-at-odds-with-climate-change-obligations/

We warmly welcome Brunel's commitment to net zero, and the launch of a new series of Paris-aligned benchmarks that have been developed in coordination with FTSE Russell. We are also mindful of Brunel's moves in the right direction on climate related issues and the fact that this year Brunel has been awarded Europe's 'IPE Award' which focused on its launch of the 'Cornwall Low Impact Pension Portfolio'; a fund that invests in renewables and affordable housing in Cornwall: Brunel wins Europe-wide IPE Impact Investing award - Brunel Pension Partnership (Brunel Pension Partnership, 2022).

We appreciate the continued transparency, clear information and engagement we have had on this complex subject with Brunel through Sean Collins - Service Manager, Pensions, and Alistair Bastin - Pension Board member. We recommend that this dialogue with members continues and ensures that our members' voices are heard, as we urge Brunel to make further rapid changes to our investment holdings, including the development of new and climate appropriate funds.

Brunel is promising us 'better futures by investing for a world worth living in.' In bleak times with ever worsening news about the state of our planet, the Staff Climate Action Group desperately hopes that these aren't just empty words or, worse still, greenwashing. We hope that you will urge Brunel to consider an Active UK PAB zero fossil fuel companies fund and an Impact Fund that we are suggesting, such that the LGPS can be part of the solution to the climate emergency rather than an ongoing part of the problem."

4/23 REPORT OF THE INDEPENDENT INVESTMENT ADVISOR

(Agenda No. 5)

The Independent Investment Advisor submitted a report which provided an overview of the financial markets, the overall performance of the Fund's investments against the Investment Strategy Statement and commentary on any issues related to the specific investment portfolios.

The report included the quarterly investment performance monitoring reports, including the newly designed report from Brunel.

Members were informed that the Fund had not suffered unduly in absolute value terms from the challenges that have faced the markets over 2022. This had been helped by the diversified spread of assets. For Quarter 4, there was some stability, with public markets recovering whilst in private markets there was an element of catch up in valuations.

The UK property sector had fallen 22% in value terms last year with Europe by 5%.

Reference was made to Unlisted Private Equity valuations which had held up well during 2022, but during Quarter 4 valuations had started to fall which reflected the growing economic concerns. The Chair referred to the possible overvaluation of these.

In relation to the valuations of infrastructure assets, Members were informed that there were concerns around construction and in particular in relation to renewable energy which would overstretch the valuations.

District Councillor Jo Robb referred to some sectors in property which were flourishing such as the housing market and office space and it was asked that Brunel take into consideration that there were office blocks which met modern requirements and also those it was impossible to bring up to required standards in accordance with energy efficiency / building regulations.

The Independent Investment Advisor reported that companies in the developed world were in much healthier condition than had been expected, although it was expected that there would be a slowdown in activity.

In relation to energy prices, there had been a lower demand this winter and it was expected that there would be a fall in energy and oil prices.

The Committee noted the report.

5/23 PRESENTATION FROM THE CHIEF INVESTMENT OFFICER FROM BRUNEL

(Agenda No. 6)

David Vickers of Brunel attended the meeting provided Members with the main issues arising from the performance of the Brunel portfolios over the past year and highlighted the key issues for the forthcoming year.

The Committee was informed that all Brunel's funds were Paris aligned (supporting the goal of net zero greenhouse gas emission by 2050 or sooner).

Reference was made to the war in Ukraine, inflationary pressure, energy and oil costs and rising interest rates (4% rise in 6 months) which had all impacted on the market.. There would be performance issues because of the economic environment.

Members were informed that there were expectations that inflation and energy and oil prices would drop which would support a pick up in performance.

Reference was made to the expected recession with central banks raising interest rates to quell inflation and long-term central government debt and the need to reverse the buying of Government Bonds.

The Committee noted the information reported.

6/23 STRATEGIC ASSET ALLOCATION

(Agenda No. 7)

Consideration was given to a report of the Independent Investment Advisor which set out the direction of travel for the Fund's Strategic Asset Allocation for the next three years.

The Committee was reminded that the purpose of this Strategic Asset Allocation Review was to:

- to take stock on the performance and composition of the Fund's Asset Allocation;
- to recommend any changes required to the Fund's Asset Allocation to maintain targeted returns, including cashflow, whilst considering the Fund's appetite for volatility, liquidity risk and the need for diversification of risk;
- to consider the work that the Fund has undertaken in relation to Environmental, Social and Governance (ESG) issues, with a particular focus on climate change.

Members were informed that the asset review was a rolling process, looking at the asset allocation, and looking at all aspects of portfolios and what they were meant to be doing.

It was emphasised to the Committee that the recommendations were designed to shape the strategic direction of the Fund's investment strategy but it would involve further work and consideration before definitive recommendations are made to the Pensions Committee at the appropriate time.

Discussions took place on the suggested recommendations and the following comments were made:

- Action would need to review the impact of inflation and a discussion took place on the implications for a positive cash flow. Members were advised that currently all income on secured income and propertywas re-invested, and it maybe more appropriate to carry on with the existing strategy and convert these to distribute income back to the Fund when needed rather than to have more liquid assets.
- Consideration needed to be made to the impact of the rise in the minimum wage and an increase in wages.
- Hedging strategy provided an opportunity to protect funds. In relation to currency, the dollar had been strong for some time and Brunel had the means to put in place hedging arrangememts.
- Reduction of exposure to equities in the UK market – the current allocation to the UK market equated to 29% of the total equity investments which was 25% higher than the benchmark of 4% which the UK market formed of the global index.. It was also agreed that we should reduce exposure to FTS 100 and looking for exposure to FTSE 250.
- On emerging markets, China investments represented 35% of the index. Given concerns about the social and governance risks associated with investments in China, consideration should be given to asking Brunel to develop an emerging market portfolio excluding China.

RESOLVED - That approval be given to the following recommendations:

(1) Against a higher inflationary environment to work with Brunel to ensure that the Fund's assets continue to match the liability profile at the cashflow level, including if necessary, generating sufficient income to fund increased pension payments.

(2) To consider if the Fund should put in place a currency hedging strategy, utilising the resources available through Brunel and this be reviewed annually.

(3) To review the exposure to the UK equity market with the objectives of:

> **i. To explore further with Brunel, reducing the overweight position of UK Equities in comparison to the Global UK weighting over time. Consideration will be given to switching to either the Paris Aligned Global passive sub fund or to the active Global Sustainable Investment sub fund.**
>
> **ii. For the retained UK exposure to achieve better representation to UK plc in earnings terms and reducing carbon/ climate risk exposure, either on a passive or active basis.**

(4) To explore further with Brunel the option of creating a separate China sleeve from the emerging market mandate and deciding on relative weighting.

(5) In the absence of similar arrangements being offered by Brunel, to retain the listed Private Equity (PE) portfolio and return the management of that to a semi-active basis to ensure that an appropriate balance of investments is maintained.

(6) To continue to work with Brunel and independently to meet the Fund's evolving ESG and Climate policy requirements and to explore with Brunel the Oxfordshire local aspect.

(7) That no action be taken at this time on the DLUHC "Levelling Up" local investment proposals.

(8) To confirm that the Fund will continue to reinvest on a timely basis capital distributions made by legacy managers and Brunel as investments mature.

7/23 MINUTES OF THE LOCAL PENSION BOARD

(Agenda No. 8)

The unconfirmed Minutes of the Local Pension Board held on 20 January 2023 were noted.

8/23 REPORT OF THE LOCAL PENSION BOARD

(Agenda No. 9)

The report set out the items the Local Pension Board wished to draw to the attention of this Committee following their last meeting on 20 January 2023.

Alastair Bastin, a Local Pension Board Member presented the report and informed Members that the Board considered a report on Engagement with Scheme Members and the points raised by the Board were:

- the difficulty in measuring the level of engagement and for assessing the effectiveness of the various measures currently in place.
- the important role that scheme employers should play in supporting communications to their staff.
- the focus on home addresses within the current data quality framework set by the Pension Regulator was outdated, and scheme members should be encouraged to share personal email addresses and mobile phone numbers with the Pension Fund to increase the range of communications options open to the Fund. The Board recommended the Committee write to the Pension Regulator to seek an amendment to the current data quality framework to include email addresses as an alternative to the home address.
- Improvements to the website, particularly around investments should hopefully lead to improved engagement on investment issues.

Discussion took place on the use of email addresses and a Member commented that contact should be made with other Pension Funds on whether these were collected. The Service Manager for Pensions, Insurance and Money Management reported that the Pension Regulator specified home addresses as key information, but the use of WhatsApp was being looked at.

The Committee noted the report of the Local Pension Board.

9/23 ANNUAL BUSINESS PLAN 2023/24
(Agenda No. 10)

This Committee provided a report which included details on the Business Plan, Budget and Training Plan for the forthcoming financial year. The report also included a review on progress against the key priorities set out in the Annual Business Plan for 2022/23.

The Service Manager for Pensions, Insurance and Money Management provided details on the latest position on measure of success on service priorities.

<u>Review and improve the Scheme's Data</u> - On Data Quality scores, there continued to be a review of the issues with common data which was mainly missing member addresses.

<u>Enhanced Delivery of Responsible Investment responsibilities - </u>There had been positive progress on the appointment of the Responsible Investment officer with a candidate selected to take up the post.

<u>Improving performance to scheme members</u> - The Engagement Policy was on the agenda for this meeting.

In relation to the Budget, Members were informed that there was an underspend which was mainly due to vacancies.

For priorities for 2023/24, in relation to meeting all the requirements of regulatory change, Members were informed that the Government had delayed the implementation of the Pension Dashboard and therefore this measure of success would not be met.

RESOLVED – (1) That the progress against the service priorities for 2022/23 be noted.

(2) That approval be given to the Business Plan and Budget for 2023/24 as set out at Annex 1 of the report.

(3) That approval be given to the Pension Fund Cash Management Strategy for 2023/24.

(4) That delegated authority be given 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.

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

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

(8) That officers be thanked for providing such detailed information together in the report.

10/23 RISK REGISTER
(Agenda No. 11)

The Committee was provided with a report which outlined the latest position on the Fund's risk register, including any new risks identified since the report to the last meeting.

The Pension Fund's Governance and Communications manager introduced the report and reported that there had been very little change to the risk register this quarter.

Risk 15 was in relation to Fund officers having sufficient skills and knowledge to carry out their roles effectively. Members were informed that the Fund was still struggling to ensure that posts were adequately graded and were consistent with other LGPS funds. This negatively affected the recruitment and retention of good staff. Work was continuing in this area.

It was noted that Risk 15 should refer to officers in the Risk Register table.

In relation to Risk 17 Breach of Data Security, Members were informed that the Fund would be liable for any fine for a breach.

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

11/23 COMMUNICATIONS POLICY

(Agenda No. 12)

The report presented a review of the Communication Policy for the Fund and highlighted a number of new initiatives agreed with the Local Pension Board to seek improvement with scheme member engagement.

Reference was made to ensuring that communication was in understandable language which would encourage engagement.

The Committee noted that the review had identified a number of 'new' methods of engagement which may provide improved outcomes. If the outcome of the review was agreed, an implementation plan would be developed to deliver the recommended approach.

RESOLVED – (1) That approval be given to the revised Communications Policy.

(2) That the outcome of the Member Engagement Review carried out by the Governance and Communications Team be noted.

(3) That Officers be asked to develop an implementation plan based on the outcome of the Member Engagement Review.

12/23 ADMINISTRATION REPORT

(Agenda No. 13)

The Committee was provided with an update on the key administration issues including service performance measurement, the debt recovery process and any write offs agreed in the last quarter.

Members were updated on staffing, and it was noted that the team was seeking to approval to increase the establishment by one administrator post, and not by two as detailed in the report.

In relation to the performance statistics, it was agreed that preference would be statistics in chart format in future.

Reference was made to the team receiving 21 informal complaints for 2022/2023 and on the work taking place on reviewing the death process and on the death grant. There were proposed changes to the recovery of over payments to deceased pensioners.

RESOLVED – (1) That approval be given to the increase in establishment of one administrator post.

(2) That performance information be presented in a graphic format and without acronyms.

(3) That Members asked that a copy of the fire administration report be included with the fire pension board minutes with this report

(4) That approval be given to the proposed changes to the nomination process as detailed in the report.

(5) That the Committee confirmed that the proposed changes to the recovery of overpayments in cases where the pensioner has died, was acceptable.

13/23 CYBER SECURITY REPORT
(Agenda No. 14)

The Committee received the first annual report on cyber security and details on those issues identified during the review undertaken earlier in the year.

Reference was made to a key action since the review of the fund's supplier cyber security arrangements; information from the suppliers, which was reviewed by the Council's Information and Technology. Members were informed that at the time of writing the report, there was one supplier's information outstanding. This has now been received and is with Council's information and Technology for review.

Quarterly meetings have been set up with the Council's Information and Technology to ensure that the fund's processes were kept under review.

In relation to pension specific fund penetration testing, Members were informed that this would be at a cost of £3,000 to the Fund.

RESOLVED – (1) That the report be noted.

(2) That approval be given to this report being produced on an annual basis

(3) That approval be given to pension specific fund penetration testing being carried out.

14/23 EXEMPT ITEMS
(Agenda No. 16)

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

15/23 ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC) REVIEW
(Agenda No. 17)

The confidential report updated the Committee on the on-going review into the future Additional Voluntary Contributions (AVC) provision to scheme members. The Committee was recommended to agree in principle the arrangements for the future provision of the AVC service.

RESOLVED – That approval be given to the recommendation contained in the confidential report.

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

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

16/23 BRUNEL SPECIAL RESERVED MATTERS
(Agenda No. 18)

The confidential report set out the key issues associated with the current Special Reserved Matter issued by Brunel.

RESOLVED – That the Committee supported the approval of all three elements of the special reserved matter and advised the Director of Finance accordingly.

[Councillor John Howson abstained from voting].

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

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

Date of signing ....

Division(s): n/a

LOCAL PENSION BOARD – 5 MAY 2023

COMMUNICATIONS POLICY & MEMBER ENGAGEMENT PLAN

Report by the Director of Finance

RECOMMENDATION

1. **The Board is RECOMMENDED to:**
   - **a) note the revised Communications Policy agreed at the last Pension Fund Committee and**
   - **b) review the draft implementation plan for the Member Engagement Plan developed by the Governance and Communications Team of the fund.**

Introduction

2. Regulation 61 of the Local Government Pension Scheme Regulations 2013 sets out the administering authority's policy requirements concerning communications with members and Scheme employers. Specifically it states that 'an administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with members, representatives of members, prospective members and Scheme employers.

3. Furthermore, the policy must set out the following:

   i) the provision of information and publicity about the Scheme to members, representatives of members and Scheme employers;
   ii) the format, frequency and method of distributing such information or publicity; and
   iii) the promotion of the Scheme to prospective members and their employers.

4. A revised fund Communications Policy was approved at the last Pension Fund Committee on the 3rd March 2023. The revised policy can be found on the fund website (See link below).

   https://www.oxfordshire.gov.uk/sites/default/files/file/pension-policies/CommunicationPolicy.pdf

Member Engagement

5. Further to the findings of the Member Engagement Review which was presented to the last Board meeting, a draft implementation plan has been developed. This Member Engagement Plan can be found at Appendix A.:

Lorna Baxter
Director of Finance

Contact Officer: Mukhtar Master
Tel: 07732 826419

April 2023

	Plan to improve member engagement Objective	Work required	Tasks	Who is responsible	Current status	Deadline
1	Add QR Codes to communications to make it easy for readers to access web pages	minimal as already in use	•RO to monitor usage and report in monthly stats	RO	Complete	31/03/23
2	Website improvement	Ongoing project	•Evaluate options - to create new website or to improve existing •Talk to IT about what it would involve to create new website •MM to give feedback on direction of travel for web pages	RO / MM	In progress	30/09/23
3	Board representative contributing to member news	Board input will be requested for Spring / Summer editions of Reporting Pensions	•RO to approach member in question to write a piece	RO / MM	In progress	30/09/23
4	Segmenting and targeting groups of members with appropriate communications	Reports have been requested from Heywood and training on running new reports	•Await reports from Heywood and assess output	Heywood	Not started	30/09/23
5	Collecting email addresses and mobile nos.	To be implemented as soon as possible. May require work from employers and employer team. Probably a project.	•RO to alert employers in TP and at employer meeting •SF to take project forward	RO / SF	Not started	30/09/24
6	Collaborate with Unions		•Evaluate ways of liasing / collaborating with unions •Discuss with union rep on committee	RO / MM	Not started	30/09/23
7	Set up a member panel to test communications	Employers to be approached and appropriate panel identified	•RO to progress via employers	RO / MM	Not started	30/09/24
8	Improve how we use web analytics	Training required on getting more from the analytics we have. This could include read / opening stats for newsletters and ABS, google analytics for website and My Oxfordshire Pension and read stats for emails. Could look into using new software eg Issuu newsletter or Granicus email package	•RO to look at ISSUU newsletter software for costs etc •RO to look at Granicus email software for costs etc •RO to work with RS to get more useful stats on MSS usage •RO to investigate training on understanding google analytics	RO	Not started	30/09/23
9	Possibility of using Linkedin to broaden reach	To be discussed with Mukhtar	•RO to research with other authorities to assess benefits	RO / MM	Not started	30/09/23

	Objective	Work required	Tasks	Who is responsible	Current status	Deadline
10	Webinars	Training required	•RO to look into the technology	RO	In progress	30/09/23
11	Use Text messaging to contact members	Dependent on collecting mobile numbers in sufficient number plus communication campaign	•Dependent on email project.	SF	Not started	30/09/24
12	Run a member satisfaction survey	Report has been written and tested and Sally has asked that we launch a trial Jan to March 2023 to see what responses we get	•RO to review questions with SF •RO to run report and send out emails	RO	In progress	30/06/23

Division(s): n/a

ITEM

PENSION FUND COMMITTEE – 3 MARCH 2023

BUSINESS PLAN AND BUDGET 2023/24

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to:**
   a. **Note the progress against the service priorities for 2022/23;**
   b. **approve the Business Plan and Budget for 2023/24 as set out at Annex 1;**
   c. **approve the Pension Fund Cash Management Strategy for 2023/24.**
   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 and budget for the Pension Fund for 2023/24. It follows on from the Workshop held on 3 February 2023 to which all members of the Committee and the Local Pension Board were invited. The Plan sets out the key priorities for the Fund as agreed at the workshop, 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 2022/23 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 2023/24 (contained in annex 1) and remain consistent with those agreed for previous years. Following on from the discussion at the workshop, the overall Service Definition has been updated to make clear the underlying Fiduciary Duty of the Committee in administering the Fund.

5. The overall objectives are summarised as:

- Fulfil the Fiduciary Duty to all key stakeholders
- To administer pension benefits in accordance with the relevant regulations, and the guidance set out by the Pensons Regulator to a high service standard for our members
- 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.

6. Part A of the plan sets out the broad service activity undertaken by the Fund. 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 2022/23

7. There were 4 service priorities included in the 2022/23 Plan each with a number of key measures of success. The latest position on each is set out in the paragraphs below. The assessment criteria 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

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

Measure of Success	Key Progress Achieved	Outstanding Actions
Data Quality scores submitted to the Pension Regulator within acceptable bounds and no follow up action. GREEN	Scores now submitted to the Pension Regulator – common data score is 94.8%, which is slightly down on last year. Scheme specific score is 98.2% up on last year.	Continue to review issues with common data, largely missing member addresses.
Valuation completed with data signed off as fit for purpose and scheme employers raising no concerns with outcome. GREEN	Data File Submitted to Actuary. Initial Whole Fund Results Received Draft results issued to scheme employers.	

Data of a standard to support delivery of all service KPI's as reflected in quarterly performance reports. AMBER	Limited development of reports to date.	More extensive use of new Insights Reporting tool to deliver full suite of performance reports and enable data quality to be assessed.
No data security breaches reported. AMBER	One issue of a personal data breach by one of the Fund's third party suppliers.	Breaches Policy to be reviewed
Cyber Security Policy is updated (where required) with clear information on roles and responsibilities. AMBER	Report on approach to Cyber Security produced. Gap Analysis undertaken and Action Plan developed	

9. In respect of the gap in our data quality score in respect of scheme member addresses, the Pension Board has noted that this measure fails to reflect the modern digital communication word and recommend that the Committee follow up with the Pension Regulator with a proposal to extend this indicator to include email addresses and mobile phone numbers to facilitate the move to electronic communications.

10. We have not made any real progress on developing data for the standard service kpi's to be included in the quarterly performance reports, so the risk level against this outcome is still showing as Amber. Making better use of the Insight Reporting tool was identified as one of the key priorities in the recently held meeting with our software supplier in terms of quick wins within the technology development programme.

11. The issues around cyber risk and data security are covered elsewhere on today's agenda with the first of the annual reports on cyber security. The score has been retained as Amber in light of the breaches already reported this year, and the need to strengthen the monitoring arrangements in respect of the wider cyber risks.

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

Measure of Success	Key Progress Achieved	Outstanding Actions
Committee Decision on whether to extend current contract and tender for bolt on solutions as appropriate to deliver full	Key Requirements of system identified. Review completed of current offerings on the LGPS National	Set out a programme of work to maximise use of the current system software.

specification, or to run full tender exercise for single holistic solution. GREEN	Procurement Framework and decision to extend current contract agreed	
Tender project plans agreed consistent with the end date of the current system contract. GREEN	No longer applicable.	
Clear targets established for increase in on-line completion of services. AMBER		Review of current functionality of existing software, and re-design processes to maximise the potential for on-line submission of paperwork and benefit requests.

13. A full day's workshop with our current software supplier was held on 15 February 2023 which reviewed those elements of the current system which Oxfordshire are not currently using to the full potential and those areas where further system enhancements would improve the overall efficiency and effectiveness of the system. A number of short-term priorities were agreed to be delivered within the next three months, focusing on improved understanding of the reporting tool, and the use of on-line tools for certain member tasks. A full work programme is currently being prepared which will be kept under review throughout 2023/24.

14. <u>Enhanced Delivery of Responsible Investment responsibilities.</u> There were 5 measures of success set for this service priority within the Business Plan, and progress against these measures is set out below.

Measure of Success	Key Progress Achieved	Outstanding Actions
RI Officer in post GREEN	Job Description and grade agreed. Recruitment undertaken and appointment agreed.	Selected candidate to take up post.
Engagement Policy signed off and reflected in overall Engagement Policy agreed by Brunel Pension Partnership. GREEN	Policy signed off at the June committee. Policy shared with colleagues within Brunel, and confirmation that broadly in line with	On-going discussions with Brunel and partner funds to develop single Brunel approach.

	Brunel's preferred approach.	
Improved quarterly reporting in place to both Committee and on Fund webpages, including wider ESG targets and performance measures, reflected in positive feedback from all stakeholders. GREEN	Initial presentation by Brunel of new reporting being developed for the Private Markets. New Investment Webpages launched including links to relevant Brunel webpages, and data on current investments.	Need to work alongside Brunel to draft new reports to ensure they meet our requirements.
Successful application in respect of Stewardship Code. RED		To be carried forward to 2023/24 and taken forward by new Responsible Investment Officer once they have taken up post.
Revised Funding Strategy Statement and Investment Strategy Statement including revised Strategic Asset Allocation signed off at March 2023 Committee. GREEN		Approach to Strategic Asset Allocation on today's agenda.

15. Since the last meeting we have successfully completed the recruitment of a new Responsible Investment Officer, with the final contract issues including start date being finalised at the time of writing this report. Once in post, this appointment will strengthen our ability to deliver against the Fund's responsible investment objectives and in particular to take forward an application in respect of the Stewardship Code.

16. Other aspects of the work on responsible investment are on-going and will be taken forward alongside Brunel as part of the work on their recently updated Climate Change Policy.

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

Measure of Success	Key Progress Achieved	Outstanding Actions
Services delivered to SLA Standards consistently throughout the year. RED	Performance figures show a number of areas below SLA targets.	Recruit additional staff. Clear remaining backlog of work.

All services delivered in line with regulatory guidance with scheme changes implemented in accordance with stipulated timescales. AMBER		Final guidance received from Government on TCFD, Pooling and McCloud. Review of current arrangements and data against new requirements. Action Plan developed, additional resources required and plan delivered.
Scheme Member Engagement Policy adopted and positive feedback collected from scheme members. AMBER	The Pension Board has reviewed the current arrangements in respect of scheme member engagement and proposed changes going forward, and these are on today's agenda for approval.	New communications Officer appointed. Implementation Plan for new approach to scheme member engagement developed. .

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

19. The measure of success around successful management of scheme changes is currently amber as we are still awaiting the publication of the long-promised consultation papers from the Government. The outstanding publications includes guidance on pooling in general, and the implementation of the McCloud remedy. In the absence of the detailed guidance it is not possible to assess the level of work involved and whether we have sufficient staffing to complete it, and whether we have all the data we need from scheme employers, and other LGPS Funds where scheme members have transferred into Oxfordshire during the transition period of 2014 to 2022.

20. A report was taken to the local Pension Board in January on scheme member engagement and the outcome of this discussion has been fed into the review of the communications Policy elsewhere on today's agenda. At this stage we have left the rating for this objective as Amber, until the policy has been signed off and the implementation plan to deliver the proposed changes has been developed.

21. Delivery of the above priorities has been inside the administrative and oversight and governance budgets which in total are expected to underspend by £294,000. There is estimated to be a further £68,000 underspend on investment management fees, bringing the total underspend against the budget to £362,000.

	Budget	YTD	%	Forecast Outturn	Variance
	£'000	£'000		£'000	£'000
Administrative Expenses					
Employee Costs	1,402	1,000	71%	1,352	-50
Support Services Including ICT	886	553	62%	886	0
Printing & Stationary	82	45	55%	67	-15
Advisory & Consultancy Fees	315	13	4%	165	-150
Other	59	4	7%	59	0
Total Administrative Expenses	**2,744**	**1,615**	**59%**	**2,529**	**-215**
Investment Management Expenses					
Management Fees	12,836	6,005	47%	12,750	-86
Custody Fees	40	24	60%	40	0
Brunel Contract Costs	1,160	1,178	102%	1,178	18
Total Investment Management Expenses	**14,036**	**7,207**	**51%**	**13,968**	**-68**
Oversight & Governance					
Investment Employee Costs	405	219	54%	350	-55
Support Services Including ICT	12	0	0%	12	0
Actuarial Fees	190	199	105%	199	9
External Audit Fees	50	0	0%	50	0
Internal Audit Fees	16	0	0%	16	0
Advisory & Consultancy Fees	135	42	31%	135	0
Committee and Board Costs	63	14	23%	30	-33
Subscriptions and Memberships	69	11	16%	69	0
Total Oversight & Governance Expenses	**940**	**485**	**52%**	**861**	**-79**
Total Pension Fund Budget	**17,720**	**9,308**	**53%**	**17,358**	**-362**

22. The main cause of the underspend has been the continued issues in recruitment, both for permanent staffing and for the additional support agreed by the Committee last year to be appointed in a temporary basis from the National LGPS Procurement Frameworks.

Service Priorities for 2023/24

23. Following on from the successful workshop delivered last year under one of the recommendations of the Independent Governance Review undertaken during 2020/21, it was again agreed by the Committee to hold a separate business planning meeting to enable the Committee members to be fully engaged in setting the priorities for the Committee for the year ahead. This meeting was held in workshop form on 3 February 2023.

24. The Workshop was attended by 4 of the 5 voting members of the Committee, 2 of the non-voting members and 5 members of the Local Pension Board including the newest member, appointed earlier in that week. Also in attendance was the Independent Investment Adviser to the Fund. The Workshop was facilitated by Hymans Robertson and the Fund's Officers.

25. The workshop including two group sessions to enable those present to consider the priority areas for the Fund in light of the potential resources available and to determine the measures of success that they would want to see to assess whether the priorities had been delivered to the standard expected. It is proposed that the 2023/24 Business Plan should focus on four key priorities which are summarised as follows.

26. Priority one is to meet all the requirements of regulatory change as directed by the Government. It was accepted that at this point of time there was considerable uncertainty over what this would entail, with the long-promised Government guidance on pooling, climate change reporting, and McCloud amongst otherwise continually delayed. The measures of success for this priority therefore may need to be amended during the year as regulations are published.

27. In light of the uncertainty, it was agreed that the Committee should follow a pragmatic approach and focus on delivering against the minimum standard set by Government. For example it was agreed that best estimates should be used in place of missing data for McCloud calculations rather than spending considerable resources trying to ensure 100% of data is collected where payroll providers have changed etc and the data is not readily available. All estimates should be in favour of the scheme member.

28. It was accepted in some areas such as the Pension Dashboard, the Fund would have very little flexibility and would need to deliver to the standard set out by Government. In other areas where Government simply issued guidance, the consensus was that the Fund should focus on what they felt was in the best interests of the stakeholders e.g. unless there are specific regulatory requirements, investment decisions should be led by the Fiduciary Duty and our Strategic Asset Allocation rather than any focus on guidance on levelling up.

29. Wherever possible it was agreed that the Fund should work in partnership with other Funds and with the support and guidance from the Scheme Advisory Board.

30. A second priority was agreed to continue to strength the governance arrangements of the Fund. It was noted that following the implementation of the recommendations of the Independent Governance Review completed by Hymans Robertson, the Fund was in a good place governance wise, but this is an area that requires continuous review.

31. The key element of this priority was seen as the development of a Workforce Strategy as this would underpin the delivering of all remaining objectives, as well as ensuring the effective delivery of all business as usual activities.

32. It was also noted that a key development within this area would be the implementation of the Pension Regulators new Single Code of Practice. This was identified as an area meriting further training for the Committee and Board. It would also be important to ensure that measures of success included the development of a full suite of key performance indicators that would enable the Committee to assure itself that they were complying in full with the Code of Practice.

33. A final element of this priority was seen as ensuring that all scheme employers were meeting their responsibilities under the Regulations and Code of Practice and that the Pension Services Team were not being diverted to tasks which should properly fall to the scheme employers.

34. The continued development of technology was seen as a third priority area for the Fund during the forthcoming year. In particular, those present at the workshop were keen to priorities the developments in technology which would free up time for members of the Pension Services Team, enabling them to focus on the many challenges within the other priority areas and business as usual.

35. It was generally felt that developing technology would improve both operational efficiency (especially through self-service options for both scheme members and scheme employers) and communications. Improving the investment webpages was seen as important to both improve operational efficiency and scheme member engagement.

36. The fourth priority area was seen to be the continued development of our approach to responsible investment. Whilst it was noted that there was some overlap in this priority and the first three (e.g. TCFD reporting under the Regulatory priority), it was agreed that this priority was largely resourced out of the Investment Team rather than the Administration/Governance Teams and as such was not competing for resources in the same way that the first three priorities would need to be managed.

37. The full details of the four priority areas, action plans and measures of success are included in Part B of the draft Business Plan included at Annex 1.

Budget 2023/24

38. The proposed budget for 2023/24 is set out as Part C of the Business Plan and includes a comparison with the budget for 2022/23. Overall, there is a small decrease in the budget from £17,720,000 to £17,662,000. The main elements of this variation are explained in more detail below. A report comparing the Pension Fund budget for the full 2022/23 financial year against the actual expenditure will be produced for the June 2023 Committee meeting.

39. Other than inflationary increases, the two main increases in the budget are on Administration Staffing and Brunel Fees. The increase in the Administration Staffing budget reflects a hope that we will be able to operate for the majority of 2023/24 at full establishment. The increase in the Brunel costs is set out in the item on the Special Reserved Matter (SRM) elsewhere on today's agenda and assumes that the SRM is approved by all 10 Funds.

40. There are three areas where the budget has been reduced in comparison to the current financial year. The first of those is the budget for Investment Management Fees and reflects a lower assumed average asset value over the course of the next year on which fees are payable. The Investment employee costs has been reduced following the decision not to replace the Investment Officer who left during the year. Workloads have reduced in comparison to when the post was established due to the transition of responsibilities to Brunel. The position will be kept under review throughout the year. The final area of reduction is in Advisory and Consultancy Fees where the one-off costs agreed last year to cover the AVC review and the review of the strategic asset allocation have been deleted. The additional one-off allocation made for project work in last year's budget has been retained as it was not spent this year due to the difficulties of finding suitable resources through the LGPS National Procurement Framework.

Training Plan

41. Part D of the Business Plan sets out the broad Training Plan for Committee Members. This reflects the results of the National Knowledge Assessment and includes sessions on Audit and Accounting which was the weakest area under the Assessment as well as McCloud and the new Code of Practice issued by the Pension Regulator, identified by Members at the Business Planning workshop as key areas in light of the agreed objectives for 2023/24.

42. The Plan also includes reference to the on-line training offered by Hymans Robertson which all Members are encouraged to complete, a list of recommended external courses and conferences which Members are invited to consider as well as the offer of individual sessions with Officers and the development of a specific training plan to meet individual needs.

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
Sean Collins
Tel: 07554 103465

February 2023

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Annex 1

Oxfordshire Pension Fund: Business Plan 2023/24

Service Manager - Pensions: Sean Collins

Service Definition:

- To administer the Local Government Pension Scheme and the Fire Fighters Pension Schemes on behalf of Oxfordshire County Council in line with the Regulatory Framework and the Committee's Fiduciary Duty.

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
- Admission Bodies including charitable organisations with a community of interest, and bodies where services have been transferred on contract from other Scheme Employers
- Contributory Employees
- Pensioners and their Dependants
- Council Tax payers

Key Objectives:

- Fulfil the Fiduciary Duty to all key stakeholders
- Administer pension benefits in accordance with the relevant regulations and the guidance as set out by the Pension Regulator, to a high service standard for scheme members
- Achieve a 100% funding level (LGPS only)
- Ensure there are sufficient liquid resources available to meet the Fund's liabilities and commitments (LGPS only) and
- Maintain as nearly a constant employer contribution rate as is possible (LGPS only).

Part A: Service Activities

Service Activity	**Outputs**	**Outcomes**
Investment Management – LGPS Only		
Management of the Pension Fund Investments	The Fund is invested in assets in accordance with the Committee's wishes. The Fund's assets are kept securely. Quarterly reports to the Pension Fund Committee.	Sufficient resources available to pay all pension benefits as they fall due. Employer contribution rates maintained at a stable and affordable level. Investments achieved in line with the Fund's Climate Change Policy
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	Cash management strategy and outturn reports. Cash Managed in accordance with the strategy.	The Pension Fund cash is managed securely and effectively.
Scheme Administration		
Management of the Pension Fund Administration	The administration procedures are robust and in accordance with regulations and service standards, with particular focus on regular reviews to safeguard scheme members from Pension Scams. Changes to regulatory framework of the scheme	The workload is completed & checked in accordance with regulations and procedures. Work is completed within specified time scales No adverse comments from the Fund's auditors, the Pension Regulator and Scheme Members/Employers Implementation of actions arising from regulation changes

Part B – Service Priorities

Objective	Actions	Measures of Success
Deliver the Regulatory Changes as set out by the Government.	Identify new requirements arising from regulatory changes or court guidance, to include Goodwin, McCloud/Sargeant, Pensions Dashboard Collect any outstanding data to run McCloud calculations on a pragmatic basis (estimate missing data, with balance of risk in favour of scheme member). Review data quality in light of Pension Dashboard requirements and address any gaps. Put in place secure arrangements to link to Pension Dashboard.	No regulatory breaches that require reporting to the Pension Regulator. All Pension Benefit Calculations and Annual Benefit Statements issued with required information on McCloud remedy. Scheme Member records available via the Pension Dashboard.
Deliver further improvements to the governance arrangements of the Fund.	Appoint Governance Officer Deliver training session on Single Code of Practice Review level of current compliance with the Code of Practice and develop action plan to resolve any shortfalls. Review Administration Strategy and service agreements between Pension Services and Scheme employers Review Breaches Policy and reporting arrangements Develop full workforce strategy for the Fund in line with any Government guidance.	Governance Officer In post Annual Report on Compliance with the Code of Practice presented to Committee and no significant shortfalls identified. Revised Administration Strategy agreed by Committee with clear Service Level Agreement established with all scheme employers. Revised Breaches Policy agreed by Committee and Committee signed off quarterly key performance indicator report provides all information they require to gain assurance on compliance with Code of Practice and Regulatory Requirements.

		Full Workforce Strategy agreed by Committee. Increase in average scores for the National Knowledge Assessment.
Enhanced delivery of Responsible Investment responsibilities.	Continued delivery of current Climate Change Implementation Plan to include reporting across all asset classes and investments in climate change mitigations and solutions. Work with Brunel to improve current reporting to cover all asset classes and widen areas covered across full Environmental, Social and Governance issues. Improve reporting to scheme members and other key stakeholders through the Fund's webpages. Develop project plan to enable Fund to sign up to the Stewardship Code.	Improved quarterly reporting in place to both Committee and on Fund webpages, including wider ESG targets and performance measures, reflected in positive feedback from all stakeholders. Successful application in respect of Stewardship Code. Benchmark position established on investments in climate solutions/mitigations and target set for increased investment (with action plan to deliver). Continue to meet decarbonisation target, within a balanced suite of metrics to include % of Fund invested in Paris Aligned portfolios.
Deliver further improvements in efficiency and effectiveness of scheme operations through enhancements to technology.	Complete review of Best Practice use of the current System Software and develop action plan to address any gaps. Work with system supplier on system developments identified as outside current offering. Look to improve scheme member engagement via increase communications through personal emails and mobile phones. Review arrangement for assessing scheme member/employer satisfaction.	Increased operational effectiveness as measured through improved SLA performance scores. Improved scheme member/employer satisfaction, measured via positive assessment or a reduction in complaints. Increase take-up of Member Self Service Action plan in place with targets to collect an email address and/or mobile phone number for scheme members. Reduction in postage costs reflecting greater use of electronic communications.

Part C. Budget:

	2023/24 Budget £'000		2022/23 Budget £'000
Administrative Expenses			
Administrative Employee Costs	1,607		1,402
Support Services including ICT	930		886
Printing and Stationery	132		82
Advisory and Consultancy Fees	315		315
Other	59		59
	3,043		**2,744**
Investment Management Expenses			
Management Fees	12,450		12,836
Custody Fees	30		40
Brunel Contract Costs	1,258		1,160
	13,738		**14,036**
Oversight and Governance			
Investment Employee Costs	380		405
Support Services Including ICT	12		12
Actuarial Fees	190		190
External Audit Fees	50		50
Internal Audit Fees	17		16
Advisory and Consultancy Fees	98		135
Committee and Board Costs	64		63
Subscriptions and Membership	70		69
	881		**940**
Total Pension Fund Budget	**17,662**		**17,720**

Part E - Pension Fund Cash Management Strategy 2022/23

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 2022/23. 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 2022/23.

Management Arrangements

3. 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

4. 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.

5. 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 exercises.

6. 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. 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

7. 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

8. 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.

9. 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.

10. 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 2022 are shown in annex 2. There will be a limit of £30m for cash held with each counterparty.

Borrowing for Pension Fund

11. 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.

12. 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.

13. 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 2022/23.

Oxfordshire County Council 2022/23 Approved Specified Investments for Maturities up to one year

Investment Instrument	Minimum Credit Criteria
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-

[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

Aberdeen Standard Sterling Liquidity Fund

State Street Bank & Trust Company
Lloyds Bank Plc
Oversea-Chinese Banking Corp
Svenska Handelsbanken
Santander Plc

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Oxfordshire Pension Fund
Training Plan 2023/24

Regulatory Requirements

Pension Fund Committee and Local Pension Board Members face different requirements for gaining and maintaining knowledge and understanding. This reflects that their remit and responsibilities originate from different pieces of legislation. Knowledge requirements falling on Board members are defined statutorily under section 248a of the Public Service Pensions Act 2013 and are personal to each individual. Learning requirements for Committees have been less stringently defined in legislation and fall collegiately on Committees as collective bodies rather than on their members as individuals.

Though their learning obligations under legislation are different, Committee and Board members share significant common ground in terms of the sphere of knowledge and understanding they need to be conversant with. Across the range of Technical Knowledge and Skills Frameworks it has published to date, CIPFA has identified a syllabus of 8 core areas of knowledge under the CIPFA Knowledge and Skills Framework (2021) for LGPS Committee Members and LGPS Officers. These 8 core areas are as follows:

1. Pensions Legislation and Guidance;
2. Pensions Governance;
3. Fund Strategy and Actuarial Methods;
4. Pensions Administration and Communications;
5. Pensions Financial Strategy, Management Accounting, Report and Audit Standards;
6. Investment Strategy, Asset Allocation, Pooling, Performance and Risk Management;
7. Financial markets and product;
8. Pension Services Procurement, Contract Management and Relationship Management;

There is a separate technical knowledge and skills framework which is CIPFA Local Pension Boards (2015) with the following 8 core areas:

1. Pensions Legislation;
2. Pensions Governance;
3. Pensions Administration;
4. Pensions Accounting and Auditing Standards;
5. Pension Services Procurement and Relationship Management;
6. Investment Performance and Risk Management;
7. Financial Markets and Product Knowledge;
8. Actuarial Methods. Standards and Practices.

Training Needs Analysis 2022

To best meet the training needs of the Pension Fund Committee and Local Pension Board members a training needs analysis needs to be carried out. This was undertaken in November 22 using Hyman Robertson's '2022 LGPS National Knowledge Assessment'. The assessment consisted of 48 multiple choice questions across 8 key areas, with each question containing the option "I currently have no knowledge relating to this topic" to discourage individuals guessing answers and therefore potentially distorting the results. The 8 areas covered were:

- Committee Role and Pension Legislation
- Pensions Governance
- Pensions Administration
- Pensions Accounting and Audit Standards
- Procurement and Relationship Management
- Investment Performance and Risk Management
- Financial Markets and Product Knowledge
- Actuarial Methods, Standards and Practices

Key Findings of the Training Needs Analysis

- All the Pension Fund Committee and Local Pension Board members carried out the assessment. Oxfordshire was one of only 2 funds with 100% engagement from a total of 16 funds;
- The Board outscored the Committee in all 8 areas, reflecting the fact that the Board has a greater percentage of longer serving members, as well as the Independent Chair who is the Head of Pensions at the Gloucestershire Fund. The area of greatest divergence was in relation to 'Pensions Administration', where the Board scored 30% higher than the Committee. The overall scores for the Board and Committee were 74% and 56% respectively.
- The areas of 'Investment Performance and Risk Management' and 'Pensions Accounting and Audit Standards' were the lowest scoring for both the Committee;
- Each member of the Committee and Board was given an individual score and assessment, enabling better targeted training.

<u>Training Plan 2023-24</u>

Hymans Robertsons – LGPS Online Learning Academy (LOLA)

All members of the Pension Fund Committee and the Local Pension Board to undertake all 6 modules of the LGPS Online Learning Academy. The modules cover the following topics:

- An introduction to LGPS oversight bodies, governance, legislation and guidance;

- LGPS administration, including policies and procedures, pension fund auditing;
- LGPS valuations, funding strategy and LGPS employers;
- Investment strategy, pooling and responsible investment;
- Performance monitoring and procurement;
- Current issues in the LGPS.

This training is highly recommended for all Committee and Board Members.

Hymans are to release a new version of LOLA in February 2023 and Committee and Board members are recommended to complete all modules during the course of the year.

Business Plan and Current Issues Training

Additional planned training for the year will include:

- A training workshop on the Oxfordshire Pension Fund Accounts & Audit Standards – date to be confirmed;
- The Committee and the Local pension Board have also identified additional training needs regarding McCloud and the Pensions Regulator's new General Code of Practice (formerly Single Code of Practice).

Individual Training for Committee and Board Member

All members can arrange to meet with fund officers to discuss their individual training needs. Based on this meeting, an individualised training plan can be developed to best suit each individual member.

External Training

Training	Dates
CIPFA: 1. LGPS Local Pension Board Members Annual Event 2023 2. Introduction to the LGPS	 18th May 2023 September 2023(Exact date TBC)
Local Government Association: LGPS Fundamentals Training for newly Elected Members.	 TBC – 3 days

LGA Annual Conference (Bournemouth)	4-6 July 2023 Link: LGA Annual Conference 2023 | Local Government Association
PLSA Conference	26-28 June 2023 (Gloucestershire)
LAPF Strategic Investment Forum	4-6 July 2023 (Hertfordshire)
LAPFF Annual Conference	6-8 Dec 2023 (Bournemouth)
The Pensions Regulator's Public Service Toolkit	The Pensions Regulator offers online training consisting of seven separate modules which support the Code of Practice No 14 guidance. The toolkit can be accessed using the following link: https://education.thepensionsregulator.gov.uk/login/

Division(s): n/a

ITEM

PENSION FUND COMMITTEE – 3 MARCH 2023

RISK REGISTER

Report by the Director of Finance

RECOMMENDATION

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

Introduction

2. Previously, the Committee has agreed that the risk register should form a standard item for each quarterly meeting. A copy of the report also goes to each meeting of the Pension Board for their review. Any comments from the Pension Board are included in their report to this meeting.

3. The risk register sets out the current risk scores in terms of impact and likelihood, and a target level of risk and a mitigation action plan to address those risks that are currently not at their target score. This report sets out any progress on the mitigation actions agreed for those risks not yet at target and identifies any changes to the risks which have arisen since the register was last reviewed.

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

Comments from the Pension Board

5. At their meeting on 20 January 2023, the Pension Board considered the latest risk register and there were no comments to feedback.

Latest Position on Existing Risks/New Risks

6. Risk 15 is in relation to Fund officers having sufficient skills and knowledge to carry out their roles effectively. Unfortunately, the Fund are still struggling to ensure that posts are adequately graded and are consistent with other LGPS funds. The consequence of this is that it is negatively affecting the recruitment and retention of good staff. The Fund are working closely with HR, but are constrained by local authority practices. This problem is an industry-wide issue, which will require a particular focus, due to Central Governments requirement

for Funds to produce a Workforce Strategy as part of the 'Good Governance' Project, sometime during 2023. The risk rating remains a high-risk Red 12.

7. Five other risks on the current risk register remain at Amber. Two of the Amber risks relate to the skills and knowledge of the Pension Fund Committee and the Local Pension Board. Both the Committee and Board members have completed the National Knowledge Assessment and the results were presented to the last meeting of this Committee meeting, which noted that the Oxfordshire Fund combined score ranked first amongst the Fund's which completed the Assessment. Elsewhere on today's agenda the new training plan is presented which seeks to address the key gaps in the skills and knowledge of the Committee and Board members.

8. Actions are set out in the risk register for the other three risks which are still assessed as Amber, namely:

   a. Risk 16 – Key System Failure.
   b. Risk 17 – Breach of Data Security.
   c. Risk 21 - Insufficient Resource and/or Data to comply with consequences of McCloud Judgement

9. A new column has been added to the risk register to clearly identify which scheme the risk relates to, i.e., LGPS or the Fire Service Pension Scheme.

10. There has been very little change to the risk register this quarter.

Lorna Baxter
Director of Finance

Contact Officer: Mukhtar Master
Tel: 07732 826419

February 2023

Risk Register

Identification of Risks:

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

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

Key to Scoring

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

Likelihood

4	Very likely	This risk is very likely to occur (over 75% probability)
3	Likely	There is a distinct likelihood that this will happen (40%-75%)
2	Possible	There a possibility that this could happen (10% - 40%)
1	Unlikely	This is not likely to happen but it could (less than 10% probability)

RAG Status/Direction of Travel

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

Ref	Risk	Scheme	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	LGPS	Investment	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	March 2023	At Target
2	Investment Strategy not aligned with Pension Liability Profile	LGPS	Investment	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	March 2023	At Target
3	Investment Strategy not aligned with Pension Liability Profile	LGPS	Investment	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	March 2023	At Target
4	Under performance of asset managers or asset classes	LGPS	Investment	Loss of key staff and change of investment approach at Brunel or underlying Fund Managers.	Long Term - Pension deficit not closed.	Financial Manager	Quarterly assurance review with Brunel. Diversification of asset allocations.	3	2	6	↔			3	2	6	March 2023	At Target
5	Actual results vary to key financial assumptions in Valuation	LGPS	Funding	Market Forces	Long Term - Pension deficit not closed.	Service Manager	Actuarial model is based on 5,000 economic scenarios, rather than specific financial assumptions.	3	2	6	↔			3	2	6	March 2023	At Target
6	Under performance of pension investments due to ESG factors, including climate change.	LGPS	Investment	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. The Fund have a Climate Change Policy and implementation plan.	4	1	4	↔			4	1	4	March 2023	At Target.

Ref	Risk	Scheme	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.	LGPS	Investment	Poor Control Processes within Fund Managers and/or Custodian	Long Term - Pension deficit not closed	Financial Manager	Review of Annual Internal Controls Report from each Fund Manager. Clear separation of duties.	3	1	3	↔			3	1	3	March 2023	At Target
8	Employer Default – LGPS	LGPS	Funding	Market Forces, increased contribution rates, budget reductions.	Deficit Falls to be Met by Other Employers	Pension Services Manager	All new employers set up with ceding employing under-writing deficit, or bond put in place.	3	2	6	↔			3	2	6	March 2023	At Target
9	Inaccurate or out of date pension liability data	LGPS	Funding	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	March 2023	At Target
10	Inaccurate or out of date pension liability data from Employer	LGPS	Operational	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	March 2023	At Target
11	Inaccurate or out of date pension liability data from Employer	LGPS	Operational	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	March 2023	At Target
12	Insufficient resources from Committee to deliver responsibilities-	LGPS	Operational	Budget Reductions	Breach of Regulation	Service Manager	Annual Budget Review as part of Business Plan.	4	1	4	↔			4	1	4	March 2023	At Target
13	Insufficient Skills and Knowledge on Committee	LGPS	Operational	Poor Training Programme	Breach of Regulation. Loss of Professional Investor Status under MIFID II	Service Manager	Training Review	4	2	8	↔	Implement new training plan 23/24	April 2023	4	1	4	March 2023	Reviewed in light of second set of National Knowledge Assessment scores at December 2022 Committee.
14	Insufficient Skills and Knowledge amongst Board Members	LGPS	Operational	Turnover of Board membership	Insufficient Scrutiny of work of Pension Fund Committee leading to Breach of Regulations	Service Manager	Training Policy	4	2	8	↔	Implement new training plan 23/24	April 2023	4	1	4	March 2023	Reviewed in light of scores from second National Knowledge Assessment.

Ref	Risk	Scheme	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	Insufficient Skills and Knowledge amongst –	LGPS	Operational	Poor Training Programme and/or high staff turnover. Pay grades not reflecting market rates and affecting recruitment and retention.	Breach of Regulation,Errors in Payments and ineffective scheme member engagement. Inability to effectively meet RI and Climate related objectives.	Service Manager	Training Plan. Control checklists. Use of staff from 3rd party agencies	3	4	12	↔	Complete recruitment/procurement of additional staff. Urgent piece of work with HR to support payment of Market Supplements and ensuring appropriate pay grades for new posts – pending the Workforce Strategy required next year as part of the 'Good Governance' Project from Central Government.	April 2023	3	1	3	March 2023	Proposed Business Plan for 2023/24 depends on appointment of a number of new posts.
16	Key System Failure	LGPS	Operational	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme, and Cyber Security Policy	4	2	4	↔	Complete Actions identified in review of approach to Cyber Security	April 2023	4	1	4	March 2023	Review in light of first annual report presented to the March 2023 Committee.
17	Breach of Data Security	LGPS / FPS	Operational	Poor Controls	Breach of Regulation, including GDPR	Pension Services Manager	Security Controls, passwords etc. GDPR Privacy Policy and Cyber Security Policy.	4	2	4	↔	Complete actions identified in review of approach to Cyber Security. Review the Fund Breaches Policy.	April 2023	4	1	4	March 2023	Review in light of first annual report presented to the March 2023 Committee
18	Failure to Meet Government Requirements on Pooling	LGPS	Governance	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	March 2023	At Target
19	Failure of Pooled Vehicle to meet local objectives	LGPS	Investment	Sub-Funds agreed not consistent with our liability profile.	Long Term - Pension deficit not closed	Service Manager	Full engagement within Brunel Partnership	4	1	4	↔		On-going	4	1	4	March 2023	At Target

Ref	Risk	Scheme	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		
20	Significant change in liability profile or cash flow as a consequence of Structural Changes	LGPS	Funding	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, and potential reclassification and introduction of a Government guarantee.	TBC	4	1	4	March 2023	At Target
21	Insufficient Resource and/or Data to comply with consequences of McCloud Judgement & Sergeant.	LGPS / FPS	Operational	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	↔	Signed up with the LGPS Framework. Now in procurement process to get additional resource to support the McCloud Project. Review resources for FPS	On-Going	2	2	4	March 2023	Awaiting Government response to consultation exercise on new Regulations to assess full impact.
22	Legal Challenge on basis of age discrimination in Firefighters Pension Schemes - Sergeant	FPS	Governance (FPS)	Pressure from Fire Brigades Union to act in advance of new Regulations	Court Order to deliver remedy	Deputy Chief Fire Officer	Seeking to follow consistent approach in line with Scheme Advisory Board guidance.	4	1	4	↔			4	1	4	March 2023	At Target.
23	Loss of strategic direction		Governance	Loss of key person	Short term lack of direction on key strategic issues	Director of Finance	Governance & Communications Manager has started and as a consequence provides resilience to the team.	2	1	2	↔			2	1	2	March 2023	At Target.

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PENSION FUND COMMITTEE – 03 MARCH 2023

ADMINISTRATION REPORT

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to

a) Approve the increase in establishment of two administrator posts
b) Comment on changes to way in which performance information is presented and what other information should be included
c) Confirm whether this committee would like to receive a copy of the fire administration report to the fire pension board minutes with this report
d) Confirm if the proposed changes to the nomination process is acceptable
e) Confirm if the proposed changes to the recovery of overpayments in cases where the pensioner has died, is acceptable

Introduction

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.

Administration

<u>Staffing</u>

2. Members will be aware that the advertisement using the LGPS national framework failed to attract any response. An advertisement for temporary staff was immediately put out and to date has attracted several candidates with some pension experience. The first successful candidate has started working in the benefit administration team and interviews are taking place for two roles in the employer team to start work on the McCloud data.

3. As there has been some internal movements the overall staffing structure has been reviewed / tidied up. The employer team is seeking approval to increase the establishment by two administrator posts to strengthen the team ahead of OCC going live on i-connect and to support the current and pending changes to process to ensure that the incoming employer data is reviewed and managed in a proactive and timely way.

4. There is also on-going recruitment in the benefit administration team to fill the two remaining permanent posts of administrator and administration assistant.

5. In reviewing the overall team

- The overall fifth senior administrator post (benefit administration) is being held pending a review of the effect of the recent changes to team structure. 1 FTE.
- The communications manager has moved under governance structure. 0.54 FTE
- Administrator posts deleted from systems team. 0.50 FTE, and
- Office administrator post deleted 1 FTE

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

A copy of the establishment can be found at annex 1.

<u>Performance Statistics</u>

7. This quarter the information below has been updated to give a better overview of the current progress as information is received and vetted. The committee's comments on these changes would be appreciated.

8. The incoming returns for any given month are due in by the 19^{th} of the following month and then due to be cleared by the 19^{th} of the month after this. During the period November 2022 – January 2023 There were 21 returns made after deadline. Of these 19 have now been received. The two outstanding returns are for KGB Cleaning, which we understand was due to a change in their staffing (where we hadn't been notified) so that emails were not being received and Aspens who have not yet responded to any communications. In both cases fines have been levied and cases escalated.

9. The ongoing improvements in reporting now enable the team to identify which employers are consistently late in making their returns and by how many days which will mean that fines can made immediately, and the escalation process will be more proactively managed. This information will be provided to committee on a quarterly basis from April 2023.

10. As of January 2023 84.1%, of the incoming returns have been vetted in line with the SLA which leaves 15.9%* of the returns being vetted outside of that standard. This backlog continues to reduce, and the aim is that all will be in specification by 19 April 2023.

* for comparison the number of returns not vetted at January 2022 was 32.30%.

11. During the period 01 November 2022 to 31 January 2023, 2,009 cases were completed. Of these 30 % were completed out of specification as the team work through the backlog. There are currently 1,329 open cases of which 449 are out of SLA which equates to 33.78% (down from 64.4% in December 2022).

12. There are no outstanding admission cases.

13. Since March 2022 this committee expected that the standard SLA, for benefit administration, would be used for performance measurement, although it was acknowledged that additional resources may well be required to meet normal SLA. The current statistics below are showing the progress towards meeting SLA.

	SLA Overall %	Statutory Overall %	Total Cases Completed	Total of Open Cases
December	85.01	82.03	1316	
January	85.54	90.75	1363	
February	87.01	78.83	1490	
March	88.67	94.69	1892	
April	82.67	93.50	1274	1800
May	81.53	95.80	1795	1559
June	85.86	96.24	1559	1197
July	93.07	97.94	1508	1200
August	89.66	98.72	1374	2383
September	90.78	95.28	1313	2680
October	85.60	96.19	1531	3310
November	83.35	94.73	1898	3055
December	83.09	94.50	1721	2626
January	85.15	94.24	1723	2990

14. The fluctuation in completion rates, during the last quarter, is due to several factors: the team is still carrying vacancies; on-going training; individual performance; annual leave and sickness.

15. In terms of the number of open cases the sheer volume of leavers and re-employments to be processed is a constant challenge. There are currently 696 cases in backlog to be cleared ahead of the next annual benefit statements being issued.

16. The open cases include the number of cases in pending waiting further information. This information has not been able to be reported on previously but in January there were 451 cases where further information has been requested. This reporting is still being developed and the intention is to give more information as this happens.

<u>Complaints</u>

17. For the year 2022/2023 the team has received 21 informal complaints to date. Several of the complaints are on the same subject, detailed below, whereas the remainder are more specific individual queries.

- Having to give 3 months' notice of intention to take pension (regulatory requirement)
- Delay in payment as final pay information is not received until after member has left.

- Not being regularly updated of progress with case
- Trivial commutation of pensions
- Additional contributions
- Member didn't understand automatic aggregation and is unhappy with records being merged.

18. To address these issues the following actions have been taken:

    - Telling members about requirement to give 3 months' notice of intention to take benefits – making sure this is regularly and clearly communicated.
    - Introduction of a form to enable scheme employers to confirm final pay information ahead of the i-connect submission for people who are retiring.
    - Working with team members to improve customer service by updating members more regularly
    - Change to process for trivial commutation.

19. In addition, there are the formal complaints received by the fund. Depending on the nature of the complaint, and who made the original decision the stage 1 complaints will either be dealt with by the scheme employer, or the fund. However, all stage 2 complaints are dealt with by the Head of Pensions.

20. To date thirteen formal complaints have been received during current year. Three complaints related to release of benefits on grounds of ill-health, which the scheme employer reviewed at stage 1. Three complaints have been referred to stage 2 and in two cases the Adjudicator has referred back to the scheme employer to review their processes.

21. The remaining applications covered:

    - Retrospective decision to link pension records
    - Interpretation of regulation 10 and years used for pension calculation
    - Request to retrospectively apply for scheme pays
    - Requirement for 3 months' notice to bring benefits into payment
    - Poor level of service, provision of incorrect information and delays in replying leading to loss of tax relief.
    - Refund rather than transfer of benefits

<u>Fire Service</u>

22. Statistics for the Fire Service are as follows:

	SLA Overall %	Total Cases Completed
January	98.61	29
February	100.00	39
March	99.31	56
April	97.78	47

May	77.46	65
June	91.67	46
July	91.11	37
August	100.00	21
September	84.68	35
October	94.02	52
November	84.43	43
December	85.68	35
January	98.61	23

23. As at the end of January there are 17 open cases.

24. Further information on the administration of the Fire Service Pension Schemes is included in the administration report to the Fire Service Pension Board, a copy of which can be found at annex 2

Data Quality

25. The team is continuing to work on data cleansing but no figures have been produced to update the information held against the standards.

Contribution monitoring

26. As previously highlighted in this report the two scheme employers who have not made contributions on time are KGB Cleaning and Aspens. Colleagues in the investment team are working with the employer to ensure that this is included in the chases and fines.

Projects

27. The work that has, so far been identified as project work is detailed below.

- Work has started on reviewing the death process which will include the review of the historic death cases where there is outstanding information which is needed to enable files to be finalised. Target date for completion – 31 May 2023

- This review of the death process has identified two areas where officers are seeking committee views:

    - The fund asks members to make and maintain an expression of wish form so that payment of the death grant can be made to their named beneficiaries. Despite best attempts many of these are not updated regularly which given the changes in relationships and families can result in work for the fund to gather information and delays in payment to the beneficiaries. The proposal is that if the nomination form has been completed 5 years, or less, before the date of death the death grant would automatically be paid to the nominated beneficiary thereby preventing delays in making payments. If the nomination form is older than this, then the current process of identify and verifying those with an interest in the death grant would be applied. If this is approved by members, then fund communication will be sent out.

- The second request to amend the process is that of recovery of over payments to deceased pensioners. At present recovery is made in all cases where the value of the over payment is more than £10.00. The proposed changes are:

Request Number	Escalation Level	Communication	Overpayment Amount	Details
1	Pension Services	Overpayment Letter	Minimum £25	No recovery for overpayment under £25 due to cost effective level (Mirrors DWP and is less than other Local Authority limits)
2	Pension Services	Overpayment Chase	Under £100	Send one chase letter and write off if no response by deadline
3	Invoice / OCC debt collection	Debt Collector	£100 - £250	Refer to debt collection in OCC to follow up via invoice etc. Close down after 'x' chases as HMRC will not seek tax collection on amounts under £250 and you don't need to report this due to administration costs
4	Small Courts	Letter	Over £250	Anything over £250 is classed as unauthorised payment under HMRC rules, so additional reporting and tax implications. For this reason, the amount and above deemed reasonable to pursue recovery via small courts
				PTM146300 - Other authorised payments: genuine errors: inadvertent payments of pension instalments or lump sums not exceeding £250 - HMRC internal manual - GOV.UK (www.gov.uk)

- AVC – a review of data held by Fund vs data held by Prudential is currently being undertaken.

- A2P – a revised project plan has been set out which will initially review the work already done on transfer out; interfund out and refunds. Existing workflow processes will then be amended so that the new process can be implemented by end of November 2022.

- This leaves three subjects - retirements, deaths and recalculations – to be reviewed and new workflow processes implemented. Work has started on death process which will be implemented by May 2023. Other dates have yet to be finalised.

- I-connect project for OCC onboarding – the main concern is the amount of manual intervention, by the IBC, has been addressed in part by software changes. The initial file reporting these is promising and after a final review of these the April go live will be confirmed.

Debt Management

28. Discussions with the OCC debt management team have moved on and it is anticipated that resource will be available from April 2023 for the team to pick up the debt recovery process.

29. As of 01 January, the total value of outstanding invoices amounted to £93,843.76, of which £92,381.90 is overdue. An update on this information will be provided at the meeting since work is in progress to review the information held.

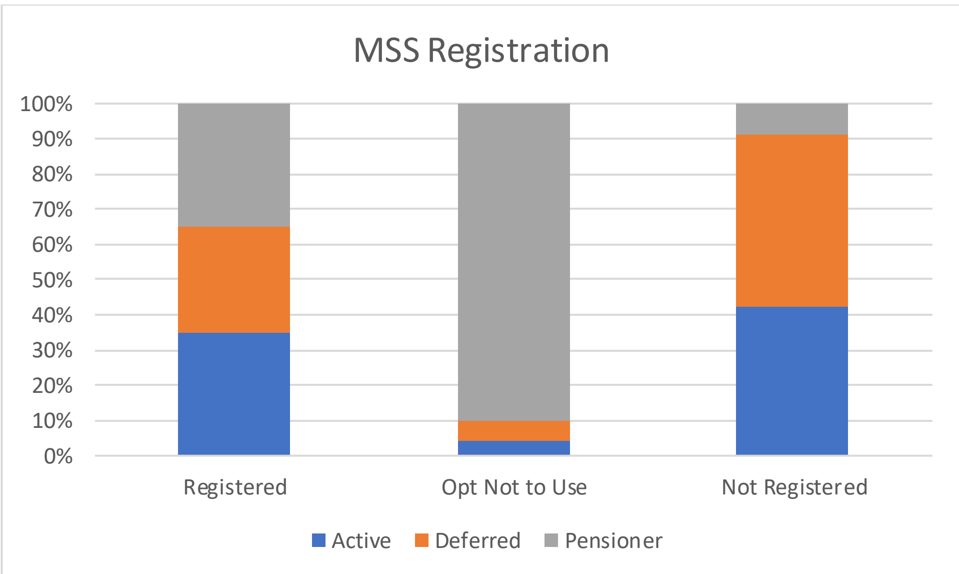
30. No payments were written off in the last quarter.

Data breaches

31. No data breaches have been reported.

Member Self - Service

32. The table below shows the latest information on members signing up to use member self-service.



Release of Ill-Health Pension

33. In line with the Scheme of Delegation, the Director of Finance has reviewed a case of ill-health for a deferred member whose ex-employer is no longer an active scheme employer.

34. The member became a deferred beneficiary in 2005. Following the review and independent medical assessment it was confirmed that benefits should be brought into payment from October 2022.

Contact Officer: Sally Fox - Pension Services Manager - Tel: 01865 323854
Email: sally.fox@oxfordshire.gov.uk February 2023

Employee		Grade	FTE - Budget	Actual Hours	Actual FTE	Plus / Minus
3260295		Manager	1.00	37.00	1.00	0.00
		Manager	1.00	37.00	1.00	0.00
3260296		Senior	1.00	37.00	1.00	0.00
3260301		Senior	1.00	37.00	1.00	0.00
		Senior	1.00	37.00	1.00	0.00
		Senior	1.00	37.00	1.00	0.00
3260315		Administrator	1.00	37.00	1.00	0.00
3260314		Administrator	0.43	20.00	0.54	0.11
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
	Vacancy	Administrator	1.00	37.00	0.00	-1.00
		Assistant	1.00	37.00	1.00	0.00
	Vacancy	Assistant	1.00	37.00	0.00	-1.00
			19.43	723.00	17.54	-1.89
3260297		Manager	1.00	30.00	0.81	-0.19
		Manager	1.00	30.00	0.81	-0.19
		Senior	1.00	32.00	0.86	-0.14
		Senior	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	32.00	0.86	-0.14
	Vacancy	Adminstrator	1.00	37.00	0.00	-1.00
	Vacancy	Administrator	1.00	37.00	0.00	-1.00
			10.00	346.00	7.34	-2.66
3260300		Manager	1.00	37.00	1.00	0.00
		Senior	1.00	23.00	0.62	-0.38
3260305		Senior	0.78	29.00	0.78	0.00
3260307		Administrator	0.54	18.00	0.49	-0.05
		Administrator	1.00	37.00	1.00	0.00
		Administrator	1.00	29.60	0.80	-0.20
		Administrator	1.00	23.50	0.64	-0.36
			6.32	197.10	5.33	-0.99
3260292	Sally Fox	Manager	1.00	37.00	1.00	0.00
			1.00	37.00	1.00	0.00
			36.75		31.21	-5.54

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FIREFIGHTERS PENSION BOARD – 31 JANUARY 2023

Administration

Staffing

1. The Fire Pensions team is fully staffed, but the Pensions team in general are carrying a number of vacancies.

2. As approved by the Pension Fund Committee, the appointment of 6 FTE to undertake project work and deliver work as set out in the business plan is underway as a procurement exercise via the National LGPS framework

3. One, newly appointed administration assistant stared work in November. The second candidate has withdrawn and so recruitment has re-started for this post. Two newly appointed administrators have joined the team in November.

Performance Statistics

	SLA Overall %	Total Cases Completed	Open Cases at end of month
January 22	98.61	29	14
February	100.00	39	21
March	99.31	56	27
April	97.78	47	29
May	77.46	65	32
June	91.67	46	25
July	91.11	37	22
August	100	21	26
September	84.68	27	44
October	94.02	52	29
November	84.43	43	22
December	85.68	35	17

4. Looking at the individual subjects at the end of December, 4 cases were out of specification. Training is ongoing for team members.

Complaints

5. No formal complaints have been received

Data Quality

Common Data 2022 figures

Scheme	Total records tested	Records without a fail	Pass Rate	TPR Pass Rate
090 + FIR	1624	1566	96.4%	96.9%

This compares to 2021 figures of 99.6% and TPR 97%

Scheme Specific Data 2022 figures

Scheme	Total records tested	Records without a fail	Pass Rate
090 + FIR	2503	2080	96.56%

This compares to 2021 figures of 95.8%

These figures have been reported to the Pension Regulator for the return due in November 2022.

Projects

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

- Age Discrimination Remedy – work is ongoing on this. Immediate Detriment quotes continue to be provided where member has formally resigned. Quotations are provided within the framework timeline of 62 days of receipt. Estimates for retirements after the proposed remedy date, or if no formal resignation has occurred are being provided using current regulations only.
- On-Call Second options exercise – preparations are underway for this exercise to identify eligible employees. Consultation will take place, with Regulations expected to be issued and actionable within the same timeframe as the remedy exercise. A working group will be established to look at the eligible group and to collate data / undertake an address tracing exercise if required for former employees.
- Pension Dashboards – officers are attending webinars and reviewing requirements for the dashboard programme
- Technology review. A report was submitted to the December Pension Fund Committee to agree the extension of the current system contract for 5 years

from the summer of 2024. A full procurement exercise will be run at the end of the agreed extension

- The I-connect project is in the final stages for the LGPS. IBC have indicated that there will be a charge for configuring the extract for Fire Pension Scheme members. We are in discussion with OCC and IBC regarding improvements to the data submitted each month as an alternative to developing the I-Connect extract.

7. **Cyber security review –**

A commercially sensitive, exempt report was submitted to the December Pension Fund Committee to update members on the certification held by software suppliers to the Fund.

Suppliers were asked to provide documentation to confirm that they met the standards detailed below.

The Standards

- During more recent procurement exercises the focus has been on ensuring that any tenders are compliant with ISO 27001 to ensure that any company meets standards set by OCC ICT.

- ISO 27001 is a framework for managing IT security and sets out the specification for an information security management system (ISMS) that helps keep consumer data safe. Following the completion of an audit, an organization can be ISO 27001 certified by an auditor. There are 114 controls in total among 14 categories, and the ISO 27001 Security Standard requires that you assess your organization, your data, and your information security management system, implementing the controls that make sense for your business.

- ISO/IEC 27002:2022 is an information security standard published by the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). ISO 27002 has a close association with ISO 27001. Broadly speaking, it gives guidance on implementing an ISO 27001 ISMS.
- ISO/IEC 27002 provides a reference set of information security, cyber security and privacy protection controls, including implementation guidance based on internationally recognised best practices.
- While ISO 27002 is not a certifiable standard by itself, compliance with its information security, physical security, cyber security and privacy management guidelines brings your organisation one step closer to meeting ISO 27001 certification requirements.

Conclusion

- Whilst ensuring compliance with ISO standards during more recent procurement exercises this has not always been the case, which is underlined by the lack of documentation in some areas.

- Equally whilst having ensured this information is, in most case, in place there hasn't been a robust process of requesting or checking compliance reports. To correct this officers will request information from all third party providers on an annual basis, which can then be reviewed in conjunction with ICT.

- A report will be made to the March committee to bring together all of the information gathered to date. This will then become an annual update.

Data breaches

8. No data breaches

9. Member self-services sign up

1992 / 2015 Scheme

	Registered	Percentage registered	Number Opting not to use	Percentage opting not to use
Active	86	86.00	0	0
Deferred	33	73.33	0	0
Pensioner	208	63.03	97	29.39

2006 / 2015 Scheme

	Registered	Percentage registered	Number Opting not to use	Percentage opting not to use
Active	228	49.14	1	0
Deferred	393	52.26	4	0.86
Pensioner	61	82.43	11	14.86

Contact Officer: Sally Fox - Pension Services Manager - Tel: 01865 323854
Email: sally.fox@oxfordshire.gov.uk January 2023

PENSION FUND COMMITTEE – 03 MARCH 2023

CYBER SECURITY REPORT

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to

a) To review this report and determine any further actions to be taken
b) To confirm that this report is to be produced on an annual basis
c) To decide if pension specific fund penetration testing should be carried out

Introduction

1. This report reviews the actions taken to date and sets out future plans to review and update the fund's cyber security.

Initial Review

2. In May 2022 the fund's actuaries Hyman Robertson carried out a review of the fund's cyber risk prevention and response approach. Following a review of the documents provided a workshop was held to:

- Explore participants' current understanding of the fund's business continuity plan in the event of a cyber incident, and
- Explore the policies and procedure in place which are designed to reduce the likelihood or impact of a cyber event occurring.

3. The findings and actions from this meeting were:

- To consider updating the business continuity plan to provide more explicitly for cyber-attack.
- Council policies contained many basic cyber controls, but these were not always acknowledged as part of the fund's cyber response.
- Protections provided by the Council's Information and Technology Management were not always clearly documented or acknowledged as part of the fund's cyber response.
- Determine what additional reporting, or assurance is available from the Council's Information and Technology Management relating to their actions to safeguard systems and monitor suppliers.
- The fund should consider improving restricted access to information and reduce key man risk in relation to systems knowledge.

- Regular meetings to be arranged with the Council's Information and Technology Management team.
- The fund to review its compliance with relevant policies and take steps in relation to information access management and systems training.
- Regular review of the fund's risk register should include consideration of the impact of the completion of these actions.

4. Hymans Robertson produced a further, more detailed report, in July 2022. A report and this document from Hymans Robertson were included on the agenda in September 2022, which set out the following actions to be taken:

   - Update team of policy champion role.
   - Include a standard agenda item at team meeting for policy updates / queries.
   - Document specific training sessions
   - Schedule an interim review of the asset register
   - Continue discussions with Heywood and ICT to move to single sign on.
   - ICT to provide annual report re ransomware / malware
   - To clarify timetable for introduction of 2FA when using public network access.
   - To review records held by System Manager
   - Use team meetings to keep all team members trained and up to date with policies.
   - ICT will provide fund with a copy of the penetration test report.

Progress to Date

5. One of the key actions since September has been the review of the fund's supplier cyber security arrangements. Information from the suppliers, which was reviewed by the Council's Information and Technology, was reported to the Committee in December 2022. At the time of writing that report there was one supplier's information outstanding. This has now been received and is with Council's information and Technology for review.

6. Team training has been undertaken and cyber security is now a standard agenda item at team meetings. The intention here is to include an annual training session for all team members.

7. Quarterly meetings have been set up with the Council's Information and Technology to ensure that the fund's processes are kept under review. Colleagues in the Council's Information and Technology have confirmed:

   - That penetration testing has been undertaken with nothing to report.
   - That producing a list of patches / security updates is not feasible given that there have been over 70 patches for Microsoft Edge alone in the last year.

8. Pension specific penetration testing could be carried out, but this would be at cost to the fund.

9. The main outstanding action is that of finalising the documentation so that all relevant information is in one place.

Threats and Breaches

10. No targeted or successful attacks were encountered during the period. This information will be reported annually except for any incidents which occur during the year.

Risks

11. Discussions are continuing with the fund's software supplier Aquila Heywood regarding single sign on, which is due to be implemented during 2023.

12. The last fund technology audit was carried out in 2016. Audit has contacted officers and the fund is now included in the audit plan proposal for 2023. Confirmation of if the fund is included will be confirmed in April.

Conclusion

13. The key systems and controls are in place with a mechanism to review this information on a quarterly basis.

Contact Officer: Sally Fox - Pension Services Manager - Tel: 01865 323854
Email: sally.fox@oxfordshire.gov.uk February 2023

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Oxfordshire Pension Fund

Strategic Asset Allocation Review

March 2023

Philip Hebson
MJ Hudson

philip.hebson@mjhudson.com

Oxfordshire Pension Fund

Purpose of Review

The Oxfordshire Pension Fund (the Fund) is valued at £3.05 billion as at the end of December 2022. The Fund's value has risen by £320 million since the last Strategic Asset Allocation Review, at 31st December 2019 it was valued at £2.73 billion.

The purpose of this Strategic Asset Allocation Review is to:

1. to take stock on the performance and composition of the Fund's Asset Allocation;
2. to recommend any changes required to the Fund's Asset Allocation to maintain targeted returns, including cashflow, whilst considering the Fund's appetite for volatility, liquidity risk and the need for diversification of risk;
3. to consider the work that the Fund has undertaken in relation to Environmental, Social and Governance (ESG) issues, with a particular focus on climate change.

It should be emphasised that these recommendations are designed to shape the strategic direction of the Fund's investment strategy, which will involve further work and consideration before definitive recommendations are made to the Pensions Committee at the appropriate time.

Summary of Recommendations

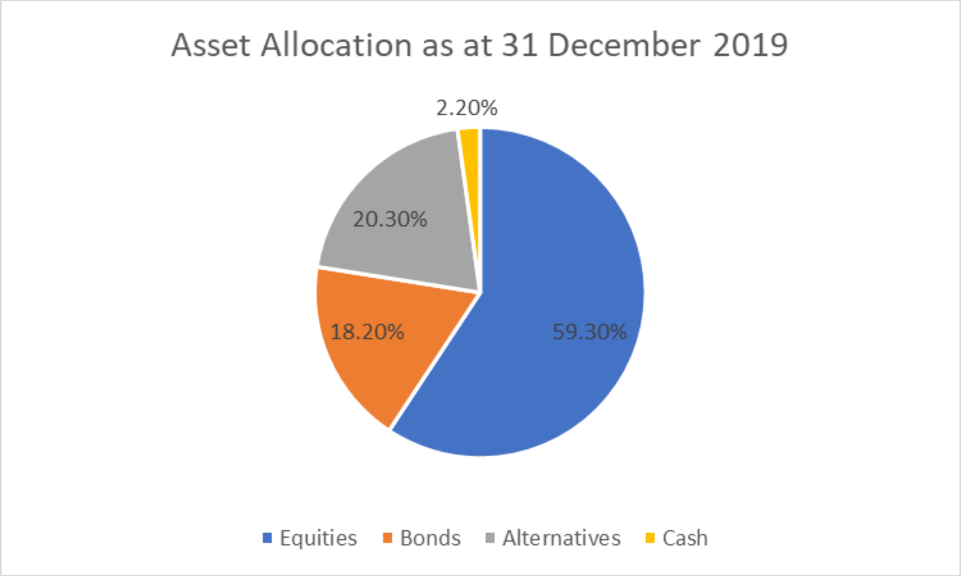
1. **Against a higher inflationary environment to work with Brunel to ensure that the Fund's assets continue to match the liability profile at the cashflow level, including if necessary generating sufficient income to fund increased pension payments.**
2. **To consider if the Fund should put in place a currency hedging strategy, utilising the resources available through Brunel.**
3. **To review the exposure to the UK equity market with the objectives of:**
    i. **Reducing the overweight position of UK Equities in comparison to the Global UK weighting over time. Consideration will be given to switching to either the Paris Aligned Global passive sub fund or to the active Global Sustainable Investment sub fund.**
    ii. **For the retained UK exposure to achieve better representation to UK plc in earnings terms and reducing carbon/ climate risk exposure, either on a passive or active basis.**
4. **To review the Emerging Markets mandate so as to remove exposure to China so far as is practically possible.**
5. **In the absence of similar arrangements being offered by Brunel, to retain the listed Private Equity (PE) portfolio and return the management of that to a semi-active basis to ensure that an appropriate balance of investments is maintained.**
6. **To continue to work with Brunel and independently to meet the Fund's evolving ESG and Climate policy requirements.**
7. **To consider the DLUHC "Levelling Up" local investment proposals**
8. **To confirm that the Fund will continue to reinvest on a timely basis capital distributions made by legacy managers and Brunel as investments mature.**

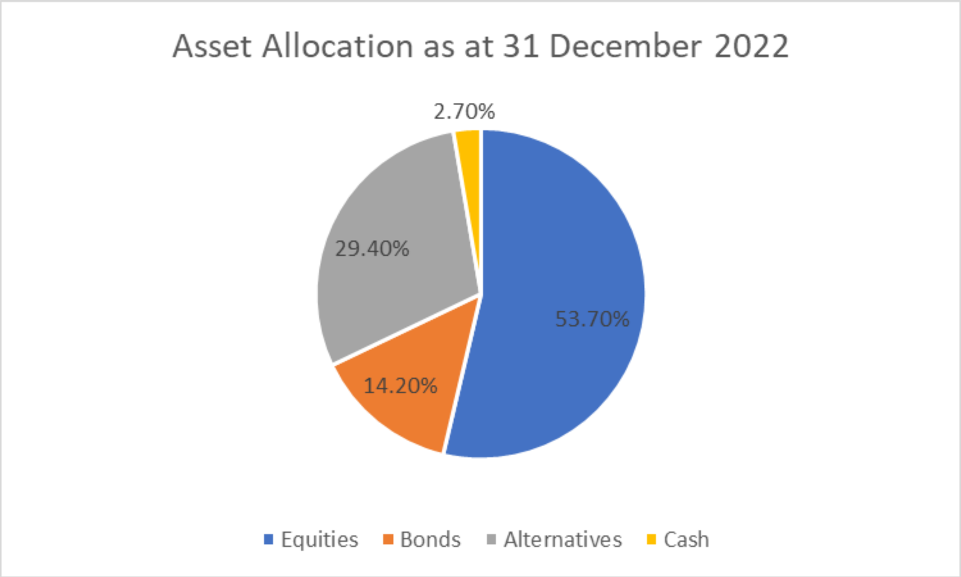
Background

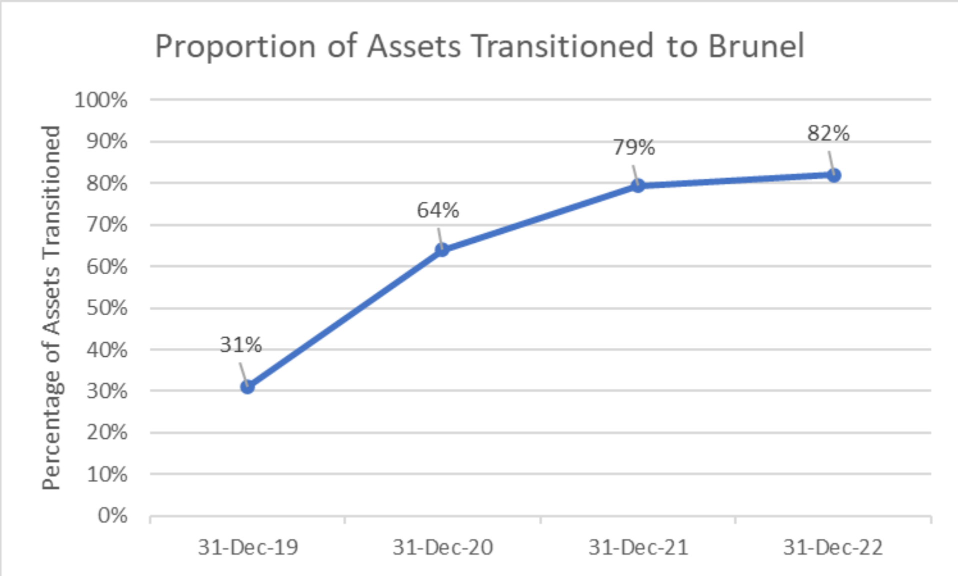
1. The Strategic Asset Allocation review provides the opportunity to consider all aspects of investment strategy within the main asset groups, to ensure that we continue to have the right mix of investments to diversify risk and to meet both liquidity needs in the short term and the longer-term objectives. This can include looking at the style in which the equity portfolios are managed, such as actively or passively, regionally or on a global basis. Within passive this can include considering style "tilts" that can include low volatility, growth, value, momentum. Alongside that can be the low carbon, climate friendly overlays, as used by Brunel.
2. This is also an appropriate time to consider the Fund's currency hedging strategy, starting with to do or not to do. There is an expense involved; some consider that as Pension Funds are long term investors then this is not justified over time. However, it could be considered that not hedging against currency movements is an unacceptable risk, particularly if the UK equity element is reduced within the asset allocation.
3. The Triennial Actuarial Valuation currently being undertaken by Hymans has not revealed anything that is unexpected or that would require major changes in the Fund's asset allocation. Currently the main items that need to be considered are ensuring that the mix of assets are appropriate to deal with a) inflation likely to be running at a higher level than we have been accustomed to in recent years and b) a higher cash flow requirement to accommodate the increase in pension payments resulting from higher inflation.
4. The Fund has experienced a lot of changes in the way that the investment assets are managed over the last three years, mainly as a result of the pooling of those assets with Brunel. This has carried a heavy price in the short term, so a period of consolidation would now be prudent. Therefore, any changes should be kept to the minimum, such as to accommodate the above.
5. We also need to be cognisant of the constantly rising expectations and requirements relating to ESG and climate change considerations. Considerable progress has already been made in this respect by the Fund and by Brunel, but this is an evolving process and consideration needs to be given to the pace of next steps and what they should be.
6. In this context, is a specific allocation to UK equities in addition to global equities still relevant or desirable? The FTSE All Share index is not really a good representation of UK plc, but it is a sterling based market, so is directly matched to the home currency of the Fund. It also carries a heavy comparative weighting to fossil fuels and commodities. However the mid cap index, the FTSE 250, does provide a much better representation of business in the UK, with a much lower carbon exposure.
7. The Emerging Markets (EM) portfolio represents just 2.6% of the Fund's assets. China represents 35% of the MSCI EM index. Add in Taiwan, that's 50%. The conflict in Ukraine has served to heighten concerns about China's ambitions. The recent 20th National Congress has if anything exacerbated those concerns. Is this an area that it is necessary for the Fund to invest in, despite the geo-political risks and social issues?

Asset allocations and performance

Over the three years since the last Strategic Asset Review the Fund has continued with the process of transferring the management of its assets from a number of individual managers to the Brunel Pension Partnership. They are now responsible for the management of over 81% of total assets, up from 50% three years ago. This percentage will increase further over time, but is now very much determined by the speed of drawdowns to fund further investments in Infrastructure, Secured Income and Private Debt. In large part this will be funded by the disposal of the Insight Diversified Growth Fund holding and our remaining Bond mandate managed by LGIM.







Performance against benchmarks and targets is very important in ensuring that the Fund continues to increase the value of the assets so as to continue to keep pace with the increase in the liabilities, or rather the ability of the Fund to be able to pay pensions now and into the future. Although we do take an interest in shorter term performance, really to try to spot signs that investments might not meet expectations over the expected periods, in terms of scrutiny at the strategic level it is more important to focus on longer term performance.

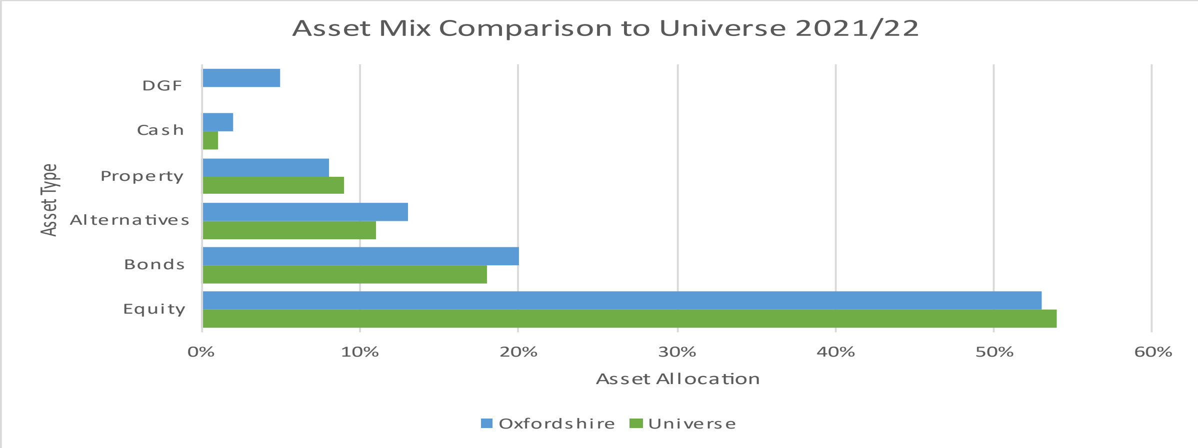
However, as was flagged in the last SAA review, the new investment management arrangements are still pretty much in their infancy, so although what information is available should be noted in general terms a ten-year period is considered to be the norm for proper assessment to begin. This is to accommodate the stresses and opportunities placed on investment performance by unforeseen circumstances, such as Covid-19 and more recently the implications of the invasion of Ukraine. It should also be noted that the transition to portfolios that better match the Fund's aspirations around ESG and climate change issues has involved some disruption as well, particularly in the shorter term.

You will observe from the table below that we deliberately focus on three main asset groups; Equities, Bonds and Alternative Investments at the Strategic level. It is not being proposed in this review that the allocations to these groups be altered, but over time the sub allocations within them may well change, including some that might be as a result of the refinements being discussed within this report.

The current asset allocation, actual and targeted is below:

Investment	COMBINED PORTFOLIO 31.12.2022 Value £' 000	% of Total Value	Target %
EQUITIES			
UK Equities*	**507,611**	**16.6%**	**15.0%**
Emerging Market Equities			
Global Equities			
Overseas Equities			
Total Overseas Equities	**1,133,457**	**37.1%**	**36.0%**
-			
BONDS			
UK Gilts	12,143	0.4%	
Corporate Bonds	119,197	3.9%	
Overseas Bonds	11,826	0.4%	
Index-Linked	160,946	5.3%	
Multi Asset - Credit	130,910	4.3%	
Total Bonds	**435,022**	**14.2%**	**16.0%**
ALTERNATIVE INVESTMENTS			
Property	206,112	6.7%	8.0%
Private Equity	351,740	11.5%	10.0%
Multi Asset - DGF	115,390	3.8%	0.0%
Infrastructure	87,113	2.9%	5.0%
Secured Income	96,567	3.2%	5.0%
Private Debt	39,917	1.3%	5.0%
Total Alternative Investments	**896,839**	**29.4%**	**33.0%**
CASH	**81,884**	**2.7%**	**0.0%**
TOTAL ASSETS	**3,054,813**	**100.0%**	**100.0%**

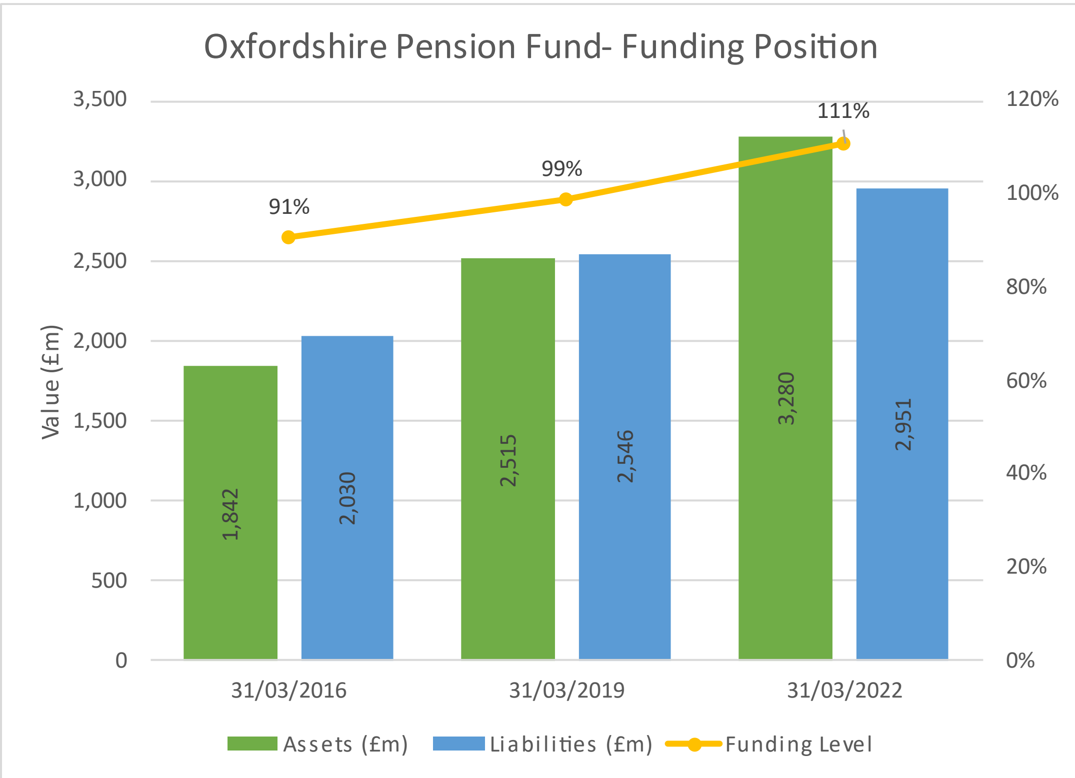
To give some sort of perspective, this chart gives a comparison between Oxfordshire's asset allocation and the wider PIRC universe of LGPS Funds. As you will see, there isn't a huge divergence from the universe.



Funding level

While I acknowledge that there is probably too much attention given to Funding levels it is hard to not like having a healthy one, regardless of the debate around how it is calculated and the relevance around being actually able to pay pensions. Most LGPS Funds have enjoyed a strong recovery in their Funding levels over the last six years and longer, in most part due to still having a relatively high asset weighting to equities, particularly public and to some degree private equity.

The chart below shows the progression over the last three triennial valuation points, so while the liabilities have increased the asset values have more than matched that.



As at the end of March the Funding level was stated as being at 111%, it will have fluctuated rather a lot since then (due to changing interest rates) but currently I would expect it to be around that level. Ideally on a relatively conservative basis (which Hymans tend to be), a Funding level in the range of 90 – 110% is a good place to be as it means there is no need to take excess risk to try to catch up. It is worth including Hymans input on this from their interim report, as it fits in with consideration of the strategic asset allocation. I would like to emphasis what is underlined in the final paragraph.

Initial whole fund results

A key output of the valuation is a measurement of past service liabilities at the valuation date to determine the funding level. To calculate a current funding level, the actuary compares the market value of assets against a value of the benefits accrued to date. The value of assets is easily obtained via market valuations. Placing a single value on the liabilities requires a single set of assumptions about the future, so it is important to acknowledge the results are very sensitive to the choice of assumptions.

Using this approach, a high-level snapshot of the funding position on 31 March 2022 is below:

Valuation Date	31 March 2022	31 March 2019
Past Service Liabilities	(£m)	(£m)
Employees	945	790
Deferred Pensioners	745	631
Pensioners	1,260	1,125
Total Liabilities	**2,951**	**2,546**
Assets	**3,280**	**2,515**
Surplus/(Deficit)	**329**	**(31)**
Funding Level	**111%**	**99%**

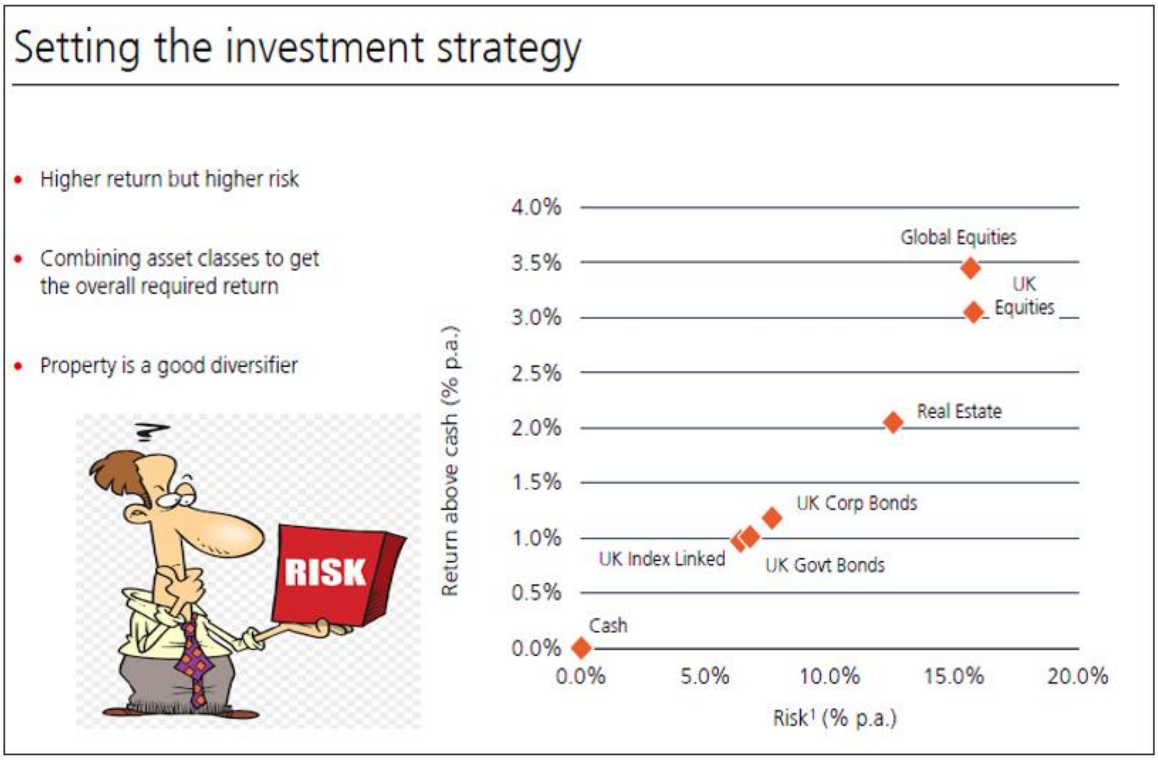
As at 31 March 2022, the past service funding position has improved from a funding level of 99% at the last valuation to 111%. This is based on assumed future investment returns of 4.6% pa.

The future investment return the Fund would need to generate to be 100% funded is now 4.0% pa (compared to 4.4% pa at 2019). The likelihood of the Fund's investment strategy achieving this required return of 4.0% pa is now 77% (there was a 66% of the Fund achieving the required 4.4% pa at 2019). Put another way, the Fund is putting less reliance on future investment return to pay for benefits already accrued by members than at 2019.

The main factor driving the funding position improvement is stronger than expected investment returns since the 2019 valuation. These have more than offset the increase in liabilities due to the short- to medium-term inflation expectations. Despite the Covid-19 pandemic, the funding impact of mortality experience has not been significantly different from expectations.

However, it is important to understand reported funding level does not directly drive employers' contribution rates. Contribution rates consider how assets and liabilities will evolve over time in different economic scenarios and reflect each employer's funding profile and covenant.

Asset allocation; getting the mix of assets right



This graphic is just to serve as a reminder about the importance of getting the mix of assets right to ensure that we continue to maintain a balanced portfolio. As stated above by Hymans we can now afford to take slightly less risk than might have been the case historically. We should however remember that the LGPS, of which Oxfordshire Pension Fund is part, is still an open Defined Benefit Scheme, which means that our liabilities currently have no finite end and that the profile of the Fund membership is continuing to change. I would therefore not be proposing any significant change to the Fund's risk appetite, despite the improved Funding level.

Cashflow, how much income is required to pay pensions? (Recommendation 1)

As you will be aware, our pensioners are due to receive a 10.1% increase as from 1st April 2023, based on the Consumer Prices Index (CPI) level for September last year.

This has prompted a review of cashflow expectations, not only to meet this increase, but to consider what actions, if any, are necessary to ensure that funds are readily available in an environment that is likely to see higher inflation in the medium term. Based on the analysis undertaken by Hymans, details below, careful cashflow management will ensure that the Fund is able to comfortably meet the challenge of higher pension payments for the immediate future.

Looking forwards, a discussion has been held with Brunel to explore some options should we need to boost distributable income from the Fund's investments at some point in the medium term to help meet the increased payment requirements. Currently the Fund's investments in Property and Secure Income are in accumulation units, such that income received is reinvested into more units. This could be switched to a distribution basis, although there is a risk that at some points in time we might have excessive cash balances if not managed actively. This could be resolved by continuing to use accumulation units, but selling what is required as and when additional cash is required, or a combination of both.

It is likely that by the time the next full Strategic Asset Allocation review is undertaken, a more detailed analysis will need to take place to identify the sort of assets that can offer a harvestable income flow while maintaining the value of the asset.

It should be noted that this exercise is separate from the asset management that is required to meet drawdown requirements from our Alternatives investments with Brunel.

What follows is the summary of conclusions from Hyman's Cashflow Projections report:

• *In the absence of investment income, the Fund is likely to be cashflow negative by 2025 allowing for an expected pension increase of 10.1% in April 2023 and inflation thereafter that is in line with the valuation assumption. Furthermore, even when the current investment income yield (net of fees) of around 0.1% pa is factored in, the Fund would still be cashflow negative by 2025.*

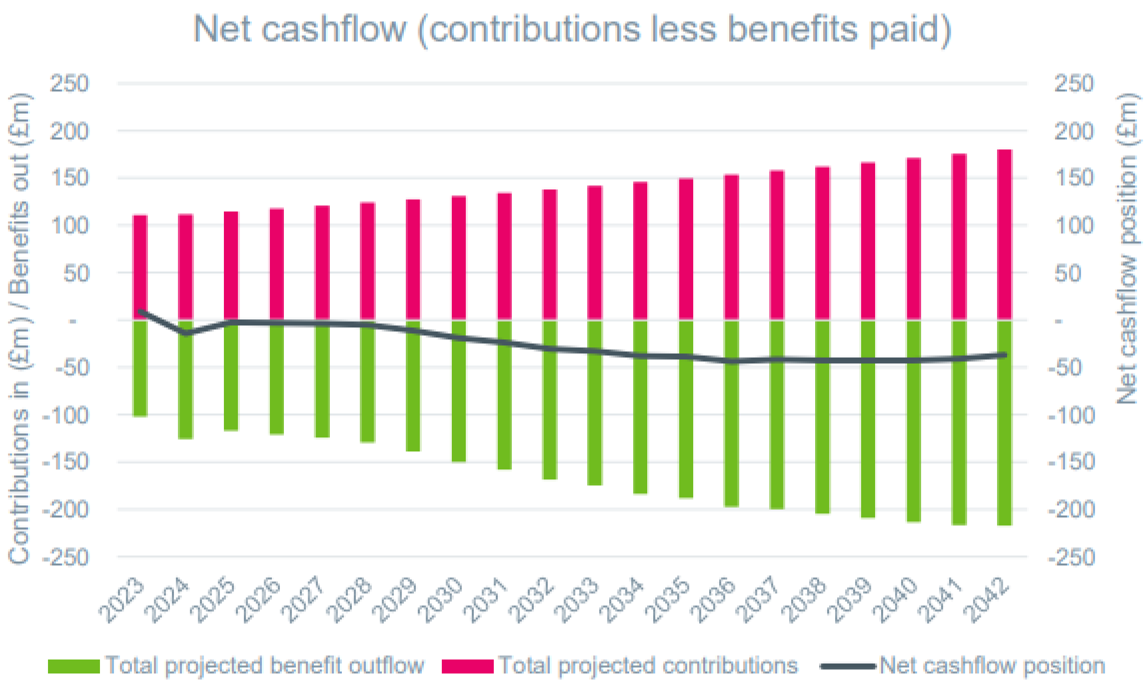
• *The cashflow position of the Fund is sensitive to future levels of inflation. If higher inflation continues to persist into 2023 and 2024, the Fund will become more cashflow negative in the next couple of years. This is exhibited in our recession scenario. This highlights the importance of reviewing the cashflow position on a regular basis in a high inflation environment.*

• *In the longer-term, the most significant risk to the fund (in respect of its cashflow position) is a stagflation scenario, were inflation remains elevated for a longer period of time. Under this scenario, the Fund is cashflow negative in the next couple of years, with the gap increasing to a material level over the longer-term.*

• *An immediate 10% reduction to active membership would likely result in the Fund becoming cashflow negative immediately. The Fund should continue to monitor its membership numbers to manage this particular risk.*

Within their report Hymans has modelled scenarios that include looking at a recessionary environment, a stagflation environment and also included the likely implications should there be a 10% fall in active members paying into the Fund. These are effectively "what if" scenarios. However, for the purposes of this report I will focus on their baseline scenario.

This looks forwards over 20 years, during which time the assumptions used will almost certainly change, but what it does show is that it is very unlikely that dramatic changes will need to be made to the Fund's Strategic Asset Allocation in the foreseeable future to accommodate the continued payment of pensions.



The baseline scenario illustrated above represents the median CPI assumption within the Hymans Robertson economic scenario service (ESS) model as at 31 March 2022 (this is the assumption used for the 2022 valuation). This is a combination of short-term market expectations and longer-term expectation that the rate will tend to the Bank of England's 2% pa target. The payroll assumption remains constant at 2.7% pa.

Asset allocation considerations

Rather than go through a tedious piece on the pros and cons of each asset class, I intend to focus on some of the issues that have arisen in the run up to this review, which can be considered to be part of the ongoing process of refining the Fund's investment strategy.

Commodities

A question was raised about the possibility of investing in commodities in the aftermath of the invasion of Ukraine. There was a piece in the June Pension Committee report that looked at this subject, some of which I have loosely reproduced below, as it is still pertinent. Commodities is a very diverse asset class, ranging from high value materials (gold) right the way through to basics (potatoes). The Fund already has some exposure to commodities. About 8% of the investment in Insight's Diversified Growth Fund is in commodities. There will be some exposure within Brunel's equity portfolios, but that is likely to have reduced somewhat with the recent switch to the Passive Developed Equities Paris Aligned Fund, as that will have a low exposure to certain types of commodity. Which leads us to quite an important question, where do you draw the line as to which commodities you would be prepared to invest in, or put another way, which do you exclude? Given the Fund's stance on environmental issues, it would be fair to assume that carbon related commodities would be excluded. But what about the broader issue of mining? That tends to be disruptive and generally environmentally unfriendly. Include lithium as well, needed for batteries in electric vehicles and power generation transition. Not exactly as friendly as it appears at first sight. Agricultural commodities bring their own challenges beyond simple supply and demand, as supply is often subject to the vagaries of the weather and other factors.

The essay included a useful article on the subject by Vontobel. To give a balanced perspective, their conclusion was, "*From a strictly rational perspective aimed at mitigating inflationary and geopolitical risks in a portfolio, it seems reasonable to hold a position in commodities, an asset class that has rallied by 26.5% so far this year.*" (written in May)

My conclusion was this: "Investing in commodities tends to be high on the risk spectrum. Big gains can clearly be made, but generally the successful investor needs to be nimble and ahead of the crowd. Historically I have gained exposure to commodities via equities, rather than via commodity funds, which tend to charge high fees and in general terms have erratic performance over the longer term." I would add to this by saying that although pension funds have invested in commodities historically, the longer term track record wasn't good, so many have divested.

Brunel do not currently have a suitable sub fund that directly invests in commodities, so if OPF wish to pursue this, either they would have to consider providing this option, or the Fund would need to look elsewhere.

Given the long term nature of the investment strategy of this Fund, my opinion is that it would not be appropriate to invest in "hard" commodities, while acknowledging that exposure to commodities is available via equity markets.

<u>Currency exposure risk (Recommendation 2)</u>

What goes down must come up?

Many Funds have spent a lot of money paying for insurance policies (hedging) over the years in anticipation of the day when the tide finally turns and sterling reverses a long term trend of depreciation against the US dollar and the euro.

Over time the Fund has benefitted considerably from unhedged positions in dollar denominated investments.

Conventional "wisdom" suggests that hedging bond positions is appropriate, as returns could be seriously impacted by negative exchange rate movements. With equities it is more likely that returns could be impaired, but not so dramatically as a percentage of total return.

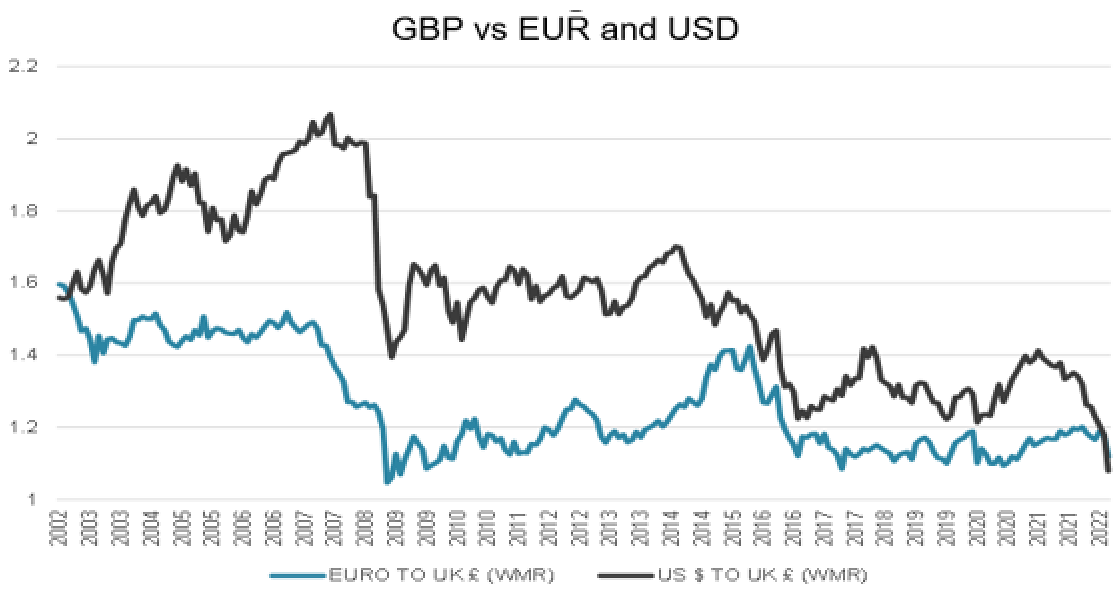
The counter argument is that over time currency fluctuations tend to balance out, so for long term investors the costs involved in having a constant hedging strategy cancel out any benefit, or indeed are a net cost, thus diminishing returns. The spread of assets across currencies has provided some diversification of currency risk.

My own view is that occasionally some movements are such that a currency becomes fundamentally over or under valued and that if the appropriate means to put in place some protection in a timely and cost-effective way would be advantageous, such as sterling being worth over $2 to £1 in 2007. Historically the problem has been that this mechanism isn't readily available and the opportunity passes.

With the advent of Pooling, this is now more readily available at that level which Funds can utilise. Given the strength of the dollar recently, the question quite understandably has arisen about how long that could last, and some weakening is likely, or even desirable.

It is on this basis that the proposal is being made that the Fund should investigate the cost and options of selective hedging through Brunel. This could form part of the analysis of the possible divestment from UK Equities, in whole or part, which would almost certainly increase our US dollar exposure.

The chart below records sterling versus the US dollar and the euro over the last 20 years and shows how sterling has depreciated over that time. The tide will turn, but when?



<u>The UK Equities conundrum (UK Active) (Recommendation 3)</u>

As someone who spent the first 30 years of his working life intimately involved with UK Equities, this is a bit of a tricky subject within the modern globally based world that UK investments have become just a small part of. Many Funds do retain an allocation to UK Equities, alongside their Global Equity allocations. There are various reasons for that, including the entirely understandable loyalty to the home market linked to the notional lack of a currency translation effect at market level. But read on.

As has been stated before the FTSE All Share index is not a true reflection of UK plc as a result of overseas earnings representing 82% of the FTSE 100 earnings. There is an additional twist here, because although the UK market is clearly sterling based, the earnings of the companies included in the index have substantial overseas earnings, which are translated back to sterling for accounting purposes. With sterling being generally weak versus other currencies, particularly the US dollar, earnings have seen a boost on translation. If this trend reverses, then sterling adjusted earnings may suffer, depending on what currency hedges any individual company has in place.

Another factor to bear in mind is that due to the sector breakdown having a heavy bias towards Non-renewable Energy (Oil & Gas) and to Industrial Metals and Mining the FTSE All Share index is not environmentally friendly in comparison to the Global indices.

The Fund currently has a weighting of 14.7% in total portfolio terms, out of the total of 52% held in Equities. As a representation of the exposure to the Global index this would be 28%, and adding in a notional exposure held within the global funds this would be closer to 29.4%. The actual weighting to the UK within the Global index is c.4%, so we are approximately 25% overweight on that basis.

So, what to do?

1. The "easy" option is to transition UK Active into a considered mix of the Global sub funds, which provide a selection of Passive Developed Paris Aligned Equities, Global Sustainable Equities (active) and Global High Alpha Equity. This last named may well form part of the next leg of ensuring that Fund investments comply with Paris Alignment, so should be considered in that context.
2. It would be quite understandable if regardless of the UK weighting in the context of the Global picture that there is a desire to maintain a discrete presence in the home market, while addressing to some degree the issues of being representative of UK business and without the negative environmental slant. To some extent we are probably somewhat constrained by what Brunel can realistically offer in this respect, but a dialogue with them about possible options would be helpful. Two possible options that could be considered are here, but there are probably others as well.
   i) A Paris Aligned variant of the FTSE All Share index. There would then need to be consideration about this being a passive or active mandate, along with a study of how the indices differ.
   ii) The FTSE 250 index (mid market capitalisation) has a much lower exposure to overseas earnings, at 57%. There is also a much lower exposure to the main "polluting" sectors, as the main companies involved are predominantly large cap stocks.
3. Or a combination of the two, with the UK weighting being reduced over time.

<u>The Emerging Markets Conundrum (Recommendation 4)</u>

China represents a sizeable proportion of the global Emerging Markets index (35%), so this has had a detrimental impact on sentiment towards emerging markets in general. Some managers are now considering creating portfolios that treat China as a separate sleeve, that reflects the inherent dominance of China in the existing indices, but also provides investors with a means of limiting their exposure to China in particular. If this is looked at from the angle of a potential conflict risk with Taiwan, then some would consider that investment in Taiwan is also an unacceptable risk, which in itself represents 15% of the MSCI EM index.

To provide some context, our EM exposure is just 2.6% (estimate) of Fund assets. It is 5.4% of the total Equity portfolio. The weighting of Emerging Markets in the MSCI index is 10.9% (as at end December 2022), so compared to that we are substantially underweight.

There are two headline options here:

1. Consider that the allocation is sub scale in terms of impact to the total Fund and divest. Realistically the switch would be either to Global Equities, bearing in mind that there currently isn't a proposal to reduce the total Equity allocation.

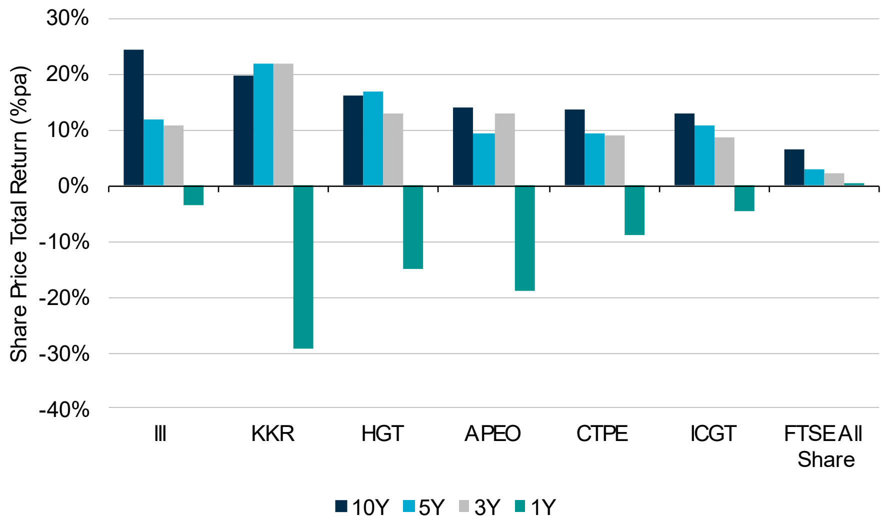
2. Bring the allocation up to c.11% to reflect the global weighting and to make the allocation meaningful in Fund terms (5% plus).
   This could be achieved either by:
   i) A straightforward increase in allocation to the Brunel EM sub fund, funded from either Global Equities and/or UK equities,
   ii) Or by exploring with Brunel the possibility of creating a separate "China" sleeve alongside the restructured main EM portfolio, by which Funds could then choose their weighting to China to match their appetite to invest there.
3. Or keep the allocation the same while introducing one or other approaches outlined in Option 2.

The listed Private Equity portfolio (Recommendation 5)

This portfolio of holdings in 6 listed private equity companies has been retained under "in house" management, as Brunel do not currently have an appropriate sub fund for this type of investment, nor do they have any immediate plans to offer this. The returns from this portfolio have been excellent over the medium and long term, substantailly outperforming the FTSE All Share index.

Over the short term, basically last year, the sector has seen some significant falls in share price value, reflecting the uncertainties prevalent in listed equity markets and some adjustments to valuations reflecting a more uncertain outlook.

Share price total return

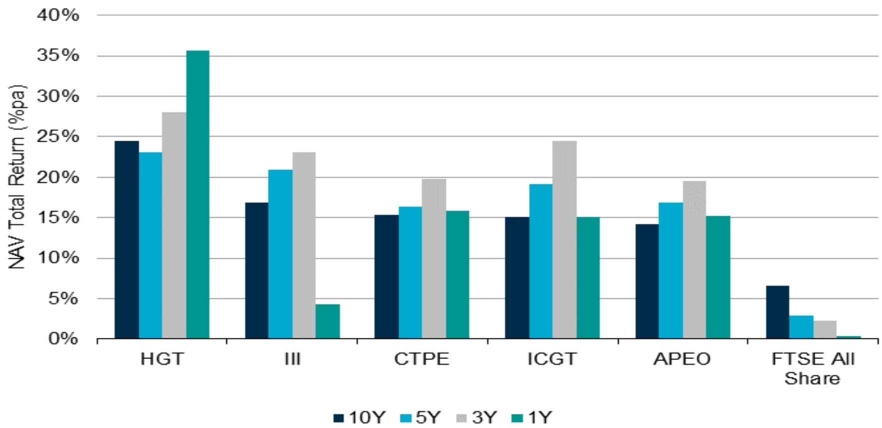


Share prices, total return, annualised

	3i	KKR	HGT	APEO	CTPE	ICGT	FTSE All Share
10Y	24.6%	20.0%	16.4%	14.1%	13.7%	13.1%	**6.5%**
5Y	12.1%	21.9%	17.1%	9.5%	9.4%	10.9%	**2.9%**
3Y	10.9%	22.1%	13.0%	13.1%	9.1%	8.9%	**2.3%**
1Y	-3.4%	-29.1%	-15.1%	-19.0%	-8.9%	-4.4%	**0.3%**

Net Asset Values (NAV) have actually held up well, so with the falls in share prices the discounts to NAV have widened considerably, in some cases as wide as 50% on the really bad days.

NAV total return



The value of this portfolio at 31 December 2022 was £157.74m, representing 5.2% of the total assets of the Fund.

The values of each holding are:

3i	15,687,970.00
Abrdn PEO	22,031,243.00
CTPE	18,325,963.00
HG Capital	67,690,000.00
ICG Enterprise	10,076,691.00
KKR	8,248,678.03
TOTAL	**157,740,950.00**

The portfolio has been managed on a "care and maintenance" basis for some time now. As appropriate, particularly during 2022, dividends have been reinvested where this option has been offered by the company when the discount to NAV has warranted this.

However, as can be seen from the table above, a wide range between the highest and lowest value holdings has opened up over time. At one stage the HG Capital holding represented half of the total value of the portfolio.

A recommendation is therefore being made that the management of this portfolio is moved to a semi active basis, so as to facilitate:

1. Rebalancing the size of holdings in the portfolio
2. To ensure that we seek to hold the best companies in the sector, so enabling occasional additions and/or deletions from this portfolio.

The evolution of Oxfordshire Pension Fund's Climate Policy in partnership with Brunel (Recommendation 6)

The Fund agreed its first Climate Change Policy in June 2020 with the aim of all the portfolios it invests in being net-zero by 2050, consistent with the Paris Agreement goal to limit the global temperature increase to 1.5°C above pre-industrial levels. The Fund also produced an Implementation Plan setting out the steps it would take to achieve the Policy aims and has been working on the actions in the plan. Good progress has been made in a number of areas including the meeting of the annual carbon emission reduction target of 7.6%, asset allocation changes aligned with the Policy including investing in a newly developed Paris-Aligned Benchmark passive equity fund, and the production of the Fund's TCFD report.

Priority climate actions for the year ahead include:

1. An assessment of the Fund's current investment in climate solutions and the setting of a target for increasing the level of investment. This may then require the Fund to request a new climate solutions portfolio from Brunel and the Fund will need to consider any asset allocation implications.
2. Continuing to work with Brunel to produce climate metrics for all portfolios.

In February 2023 Brunel released the latest version of their Climate Change Policy which was developed in consultation with the ten client funds through a climate stocktake process. The Fund will continue to work closely with Brunel to ensure it enables the Fund to deliver against its climate priorities.

It is recommended that the Fund continues to work on implementing the actions it has set out to deliver against its Climate Change Policy with the priorities set out above.

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