Public Document Pack

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 9 March 2018 at 10.00 am

Rooms 1&2 - County Hall, New Road, Oxford OX1 1ND

P G Clark

Peter G. Clark
Chief Executive

February 2018

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

Membership

Chairman – Councillor Kevin Bulmer
Deputy Chairman - Councillor Ian Corkin

Councillors

Nicholas Field-Johnson	Charles Mathew	Alan Thompson
John Howson	John Sanders	
Mark Lygo	Lawrie Stratford	

Co-optees

City Councillor James Fry
District Councillor Bill Service

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 8 June 2018***

Declarations of Interest

The duty to declare…..
Under the Localism Act 2011 it is a criminal offence to
(a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
(b) provide false or misleading information on registration, or
(c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?
The Act provides that the interests which must be notified are those of a member or co-opted member of the authority, **or**

- those of a spouse or civil partner of the member or co-opted member;
- those of a person with whom the member or co-opted member is living as husband/wife
- those of a person with whom the member or co-opted member is living as if they were civil partners.

(in each case where the member or co-opted member is aware that the other person has the interest).

What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?.
The Code requires that, at a meeting, where a member or co-opted member has a disclosable interest (of which they are aware) in any matter being considered, they disclose that interest to the meeting. The Council will continue to include an appropriate item on agendas for all meetings, to facilitate this.

Although not explicitly required by the legislation or by the code, it is recommended that in the interests of transparency and for the benefit of all in attendance at the meeting (including members of the public) the nature as well as the existence of the interest is disclosed.

A member or co-opted member who has disclosed a pecuniary interest at a meeting must not participate (or participate further) in any discussion of the matter; and must not participate in any vote or further vote taken; and must withdraw from the room.

Members are asked to continue to pay regard to the following provisions in the code that *"You must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself"* or *"You must not place yourself in situations where your honesty and integrity may be questioned…..".*

Please seek advice from the Monitoring Officer prior to the meeting should you have any doubt about your approach.

List of Disclosable Pecuniary Interests:
Employment (includes"*any employment, office, trade, profession or vocation carried on for profit or gain*".), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members' conduct guidelines. http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/ or contact Glenn Watson on **07776 997946** or glenn.watson@oxfordshire.gov.uk for a hard copy of the document.

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named on the front page, but please give as much notice as possible before the meeting.

AGENDA

1. Apologies for Absence and Temporary Appointments

2. Declarations of Interest - see guidance note

3. **Minutes** (Pages 1 - 8)

To approve the Minutes of the meeting held on 1 December 2017(**PF3**) and to receive information arising from them.

4. Petitions and Public Address

5. **Minutes of the Local Pension Board** (Pages 9 - 16)

The unconfirmed Minutes of the Local Pension Board, which met on 19 January 2018, are attached for information only at **PF5.**

6. **Report of the Local Pension Board** (Pages 17 - 20)

10:10

Attached at **PF6** is the report of the Local Pension Board to this Committee. It invites the Committee to respond to the key issues raised by the Pension Board at their most recent meeting.

The Committee is RECOMMENDED to:

(a) note the concerns of the Board in respect of the Business Plan and Risk Register and consider them further at the relevant items later in the agenda;

(b) agree a definition of material breach in respect of the statutory requirement to issue Annual Benefit Statements to be used in assessing performance in issuing the 2017/18 statements;

(c) agree to review the process for determining the response to Reserved Matter Items for the Brunel Pension Partnership at the end of 2018/19 in light of this year's experience;

(d) consider the consultation process by which scheme member views can be best obtained in advance of the next review of the Investment Strategy Statement; and

*(e) **endorse the proposal for all Committee and Board member to complete the assessment tool produced by Hymans Robertson as a means for establishing the priorities for a future training day.***

7. Administration Report (Pages 21 - 28)

10:20

This report (**PF7**) updates the Committee on the latest position on administration issues, including the meeting before Christmas with the Pension Regulator. The report also includes the latest position on new admissions to the Fund, employer cessations and any debt write offs.

The Committee is RECOMMENDED to:

(a) ***agree the request for additional staffing, if required;***
(b) ***note the comments received from scheme employers and confirm that annual returns must be submitted by 30 April at the latest and confirm if they wish any other changes to be made; and***
(c) ***note the report.***

8. Risk Register (Pages 29 - 36)

10:40

The report (**PF8)** presents the latest position on the Fund's Risk Register, including any new risks identified since the report to the last meeting.

The Committee is RECOMMENDED to note the current Risk Register and determine any changes it wishes to make.

9. Annual Business Plan 2018/19 (Pages 37 - 52)

10:55

This report **(PF9)** proposes the key objectives for the forthcoming year, along with the proposed Budget and Cash Management Strategy. These objectives seek to address the key risks facing the Committee as identified within the Risk Register.

The Committee is RECOMMENDED to:

(a) ***approve the Business Plan and Budget for 2018/19 as set out at Annex 1;***
(b) ***approve the Pension Fund Cash Management Strategy for***

2018/19;
- ***(c)*** ***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;***
- ***(d)*** ***delegate authority to the Director of Finance to open separate pension fund bank, deposit and investment accounts as appropriate; and***
- ***(e)*** ***delegate authority to the Director of Finance to borrow money for the pension fund in accordance with the regulations***

10. Review of the Asset Allocation (Pages 53 - 92)

11:15

This report from the Independent Financial Adviser(**PF10**) reviews the current asset allocation as set out in the Investment Strategy Statement and proposes an initial allocation to the new portfolios to be made available by Brunel.

The Committee is RECOMMENDED to approve the approach to the transfer of assets to Brunel Pension Partnership portfolios, and the indicative portfolio allocations as set out in the report.

11. Overview of Past and Current Investment Position (Pages 93 - 104)

11:30

Tables 1 to 4 are compiled from the custodian's records. The custodian is the Pension Fund's prime record keeper. He accrues for dividends and recoverable overseas tax within his valuation figures and may also use different exchange rates and pricing sources compared with the fund managers. The custodian also treats dividend scrip issues as purchases which the fund managers may not do. This may mean that there are minor differences between the tabled figures and those supplied by the managers.

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The Independent Financial Adviser will review the investment activity during the past quarter and present an overview of the Fund's position as at 31 December 2017 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 31 December 2017
Table 2	shows net investments/disinvestments during the quarter
Table 3	provides investment performance for the consolidated Pension Fund for the quarter ended 31 December 2017
Table 4	provides details of the Pension Fund's top holdings

In addition to the above tables, the performance of the Fund has been produced graphically as follows:

Graph 1 – Market value of the Fund over the last three years
Graphs 2-7 – Performance of the Fund Managers attending Committee to the quarter ended 31 December 2017

The Committee is RECOMMENDED to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they relate to items 13, 14, 15, 16 and 17 on the agenda.

12. EXEMPT ITEMS

The Committee is RECOMMENDED that the public be excluded for the duration of items 13, 14, 15, 16, 17, 18 and 19 in the Agenda since it is likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it is considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

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

NOTE: In the case of items 14 and 15, there are no reports circulated with the Agenda. Any exempt information will be reported orally.

13. Overview and Outlook for Investment Markets (Pages 105 - 112)

11:30

The attached report of the Independent Financial Adviser (**PF13**) sets out an overview of the current and future investment scene and market developments across various regions and sectors. The report itself does not contain exempt information and is available to the public. The Independent Financial Adviser will also report orally and any information reported orally will be exempt information.

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

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

The Committee is RECOMMENDED to receive the report, tables and graphs, to receive the oral report, to consider any further action arising on them and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

14. UBS

11:45

(1) The Independent Financial Adviser will report orally on the performance and strategy of UBS drawing on the tables at Agenda Items 11 and 13.

(2) The representatives (Malcolm Gordon and Scott Wilkin) of the Fund Manager will:

(a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 31 December 2017;

(b) give their views on the future investment scene.

In support of the above is their report for the period to 31 December 2017.

At the end of the presentation, members are invited to question and comment and the Fund Managers to respond.

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

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

The Committee is RECOMMENDED to note the main issues arising from the presentation and to take any necessary action, if required.

15. Wellington

12:25

(1) The Independent Financial Adviser will report orally on the performance and strategy of Wellington drawing on the tables at Agenda Items 11 and 13.

(2) The representatives (Nicola Staunton and Ian Link) of the Fund Manager will:

(a) report and review the present investments of their part of the Fund and their strategy against the background of the current investment scene for the period which ended on 31 December 2017;

(b) give their views on the future investment scene.

In support of the above is their report for the period to 31 December 2017.

At the end of the presentation, members are invited to question and comment and the Fund Managers to respond.

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

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

The Committee is RECOMMENDED to note the main issues arising from the presentation and to take any necessary action, if required.

16. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting (Pages 113 - 120)

13:05

Attached is a report from the Independent Financial Adviser (**PF16**) on the officer meetings with Insight, Baillie Gifford and Legal & General, as well as update the Committee on any other issues relating to the Private Equity portfolio.

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

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

The Committee is RECOMMENDED to note the main issues arising from the reports and to take any necessary action, if required.

17. Summary by the Independent Financial Adviser

13:10

The Independent Financial Adviser will, if necessary, summarise the foregoing reports of the Fund Managers and answer any questions from members.

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

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

18. Annual Review of the Independent Financial Adviser (Pages 121 - 124)

13:15

The attached report (**PF18**) reviews the work undertaken by the Independent Financial Adviser and invites the Committee to agree any feedback on the levels of service received over the last 12 months and/or changes going forward.

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

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

The Committee is RECOMMENDED to note the review report and to provide any feedback the levels of service received together with any changes going forward.

19. Ill-Health Retirement cases (Pages 125 - 126)

13:20

The report (**PR20**) provides feedback on two ill-health determinations made by the Director of Finance under delegated powers.

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

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

The Committee is RECOMMENDED to note the report.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

20. Corporate Governance - Voting (Pages 127 - 168)

13:25

This item includes information on the voting records of the Fund Managers which have been exercised on behalf of the Fund. There will also be an opportunity to raise any issues concerning Corporate Governance and Socially Responsible Investment which need to be brought to the attention of the Committee.

The Committee is RECOMMENDED to note the Fund's voting activities and determine any issues it wishes to follow up with the specific Fund Managers, or in general.

21. Annual Pension Forum

13:30

Officers will report orally on any issues arising from the recent Annual Pension Forum which took place on 17 January 2018.

LUNCH

Pre-Meeting Briefing
There will be a pre-meeting briefing at County Hall on **Wednesday 7 March 2018** at 11am for the Chairman, Deputy Chairman and Opposition Group Spokesman.

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 1 December 2017 commencing at 10.00 am and finishing at 1.30 pm

Present:

Voting Members:	Councillor Kevin Bulmer – in the Chair Councillor Ian Corkin (Deputy Chairman) Councillor Nicholas Field-Johnson Councillor John Howson Councillor Mark Lygo Councillor Charles Mathew Councillor John Sanders Councillor Alan Thompson
District Council Representatives:	City Councillor Jean Fooks (in place of City Councillor James Fry); District Councillor Bill Service
By Invitation:	Philip Wilde (Beneficiaries Observer) Peter Davies (Independent Financial Adviser)
Officers:	
Whole of meeting	J. Dean, S. Collins, S. Fox and G. Ley (Resources)

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

65/17 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 1)

City Councillor Jean Fooks attended in place of City Councillor James Fry.

66/17 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE
(Agenda No. 2)

Councillors Bulmer, Fooks, Howson, Lygo, Sanders and Thompson each declared personal interests as members of the Pension Fund Scheme under the provisions of Section 18 of the Local Government Act 1989. Cllr Mark Lygo also declares a personal interest in respect of his role as a retained fire-fighter.

67/17 MINUTES
(Agenda No. 3)

The Minutes of the last meeting held on 15 September 2017 were approved and signed as a correct record.

With regard to Minute 52/17, resolution (b), Sean Collins reported that the Scheme Advisory Board had received a mixed response in respect of the establishment of a Cross Pool Information Forum, to which this Committee had voted against, adding that all chairs of Pension Fund Committees were to be invited to a meeting where this would be addressed.

68/17 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 4)

There were no requests to address the meeting or to submit a petition.

69/17 MINUTES OF THE LOCAL PENSION BOARD
(Agenda No. 5)

The unconfirmed Minutes of the Local Pension Board held on 20 October 2017 were noted.

70/17 REPORT OF THE LOCAL PENSION BOARD
(Agenda No. 6)

The Committee had before them the second report of the Local Pension Board to this Committee (PF6). The Committee was asked to note the comments of the Board and to undertake any suggested action as set out at (b) and (c) below.

RESOLVED: to thank the Board for the report and to:

(a) note the comments of the Board in respect of the workload associated with the employer management programme, and the potential benefits of increased investment in specialist project management support;

(b) consider at Agenda Items 11 and 20 whether to ask the Board to undertake any specific follow up work in respect of the items on the General Data Protection Regulations and Employer Covenants included elsewhere on the Agenda; and

(c) consider at agenda item 8 the need for a further risk in respect of changes in Government Policy.

71/17 REVIEW OF THE ANNUAL BUSINESS PLAN 2017/18
(Agenda No. 7)

The Committee had before them a report (PF7) which reviewed progress against the key service priorities as set out in the Annual Business Plan for the 2017/18 financial year.

RESOLVED: to note the progress against the key service priorities identified in the 2017/18 Business Plan.

72/17 RISK REGISTER

(Agenda No. 8)

The Committee considered a report (PF8) which gave an update on the position on risks since the last meeting and adding in new risks identified in the intervening period. The report also asked the Committee to consider the comments from the Pension Board.

RESOLVED:

(a) to note the current risk register;

(b) in addition to risk 17 to include change to Government Policy leading to a significant change in liability profile or cash flow as a result of structural changes, as an unknown risk in a note situated at the end of the Register, but to escalate it into the Register should a specific issue begin to rise on the horizon;

(c) in respect of risk 14 – the risk of a breach of data security – Committee and Board to receive further written information from the insurer on the amount the Fund was covered for in respect of cyber-attack;

(d) in relation to risk 7 – Employer Default – LGPS - to address this later in the Agenda at confidential item 20, 'Employer Covenants';

(e) in relation to risk 10 - Insufficient resources to deliver responsibilities – LGPS and FSPS – to address the issue relating to staff resource later in the Agenda at Agenda Item 10 'Administration Report; and

(f) in relation to risk 11 – Insufficient skills and knowledge on Committee – LGPS and FSPS – a training day for all members of the Committee and the Board to take place in the Spring 2018.

73/17 BRUNEL PENSION PARTNERSHIP (BPP) - UPDATE

(Agenda No. 9)

The Committee had before them a report (PF9) which gave an update on the work of the Brunel Pension Partnership.

The Committee noted that Cllr Bulmer had been elected Vice-Chairman of the Brunel Oversight Board.

RESOLVED: to

(a) note the latest position in terms of the on-going development of the Brunel Pension Partnership;

(b) agree to delegate to the Director of Finance, as the nominated Shareholder Representative, the responsibility for the approval of the Brunel Business Plan at the Company AGM, following consultation with the Chairman, Deputy Chairman and Opposition Spokesperson of this Committee; and

(c) request the officers to circulate the Minutes of the meeting of the Oversight Board to members of the Committee and the Local Pension Board when they contain information on special reserve matters; and

(d) (nem con) request the Independent Financial Adviser to include a review of the current split between active and passive management, and the alternative options to a low risk allocation in producing his report to the March meeting on asset allocation and the Brunel portfolios.

74/17 ADMINISTRATION REPORT

(Agenda No. 10)

The Committee had before them a report (PF10) which gave an update on the latest position on administration issues outside of the business plan, including the latest position on new admissions to the Fund, employer cessations and any debt write - off's.

RESOLVED:

(a) to note the report;

(b) (nem con) that the Chairman write to the software provider on the Committee's behalf expressing its concern regarding the inadequacy of their unsatisfactory response to the needs of Oxfordshire in relation to inconsistencies in performance data results which in turn is affecting the performance of the Pensions Team; and

(c) to thank the Pension Team very much for progress made.

75/17 GENERAL DATA PROTECTION REGULATIONS (GDPR) - UPDATE

(Agenda No. 11)

The Committee had before them at PF11 an update on the provisions of the General Data Protection Regulations (GDPR).

RESOLVED: to note the report.

76/17 PENSION FUND POLICIES - DISCRETIONARY POLICIES

(Agenda No. 12)

The Committee considered a report (PF12) which set out changes to an existing discretionary policy and which sought a view on the introduction of a new discretionary policy.

RESOLVED: to

(a) approve the proposed changes to the Administration Strategy with the proviso to request the officers to investigate the possibility of ratchetting up the charges for late or incorrect information for repeat offenders and to report back to Committee with the findings; and

(b) introduce a voluntary scheme pays option, providing the criteria as set out in paragraph 11 of the report are met.

77/17 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 13)

The Independent Financial Adviser reviewed the investments activity during the past quarter and presented an overview of the Fund's position as at 30 September 2017.

Mr Davies reported that the overall value of the Fund over the last quarter had increased by £20m which was largely due to Equity gains and some in real estate.

RESOLVED: to receive the tables and graphs, and that the information contained in them be borne in mind, insofar as they relate to items 15, 16, 17, 18 and 19.

78/17 EXEMPT ITEMS

(Agenda No. 14)

RESOLVED: to exclude the public for the duration of items 15, 16, 17, 18, 19 and 20 in the Agenda since it was likely that if they were present during those items there would be disclosure of exempt information as defined in Part 1 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 was considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

79/17 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 15)

The Committee had before them a report of the Independent Financial Adviser (PF15) which set out an overview of the current and future investment scene and market developments across various regions and sectors. The report itself did not contain exempt information and was available to the public. Information which the independent Financial Adviser reported orally would be exempt information.

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

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

RESOLVED: to receive the report, tables and graphs and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

80/17 ADAMS STREET

(Agenda No. 16)

The Independent Financial Adviser reported orally on the on the performance and strategy of Adams Street, drawing on the tables at Agenda items 13 and 15.

The representatives, Ana Maria Harrison and Sergey Sheshuryac of the Fund Manager presented their approach to investments in relation to their part of the Fund and their strategy against the background of the current investment scene.

At the end of the presentation they responded to questions from members of the Committee.

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

RESOLVED: to:

(a) note the main issues arising from the presentation; and

(b) request the Independent Financial Adviser to review the current allocations to public and private equity in his March 2018 report.

81/17 ANNUAL REVIEW OF PRIVATE EQUITY

(Agenda No. 17)

The Independent Financial Adviser reported on and reviewed the investments within the allocation to Private Equity as a whole. The Committee was invited to question and comment (PF17).

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

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

RESOLVED: to

(a) note the main issues arising from the presentation; and

(b) request the officers to bring a further report to the 9 March 2018 meeting with information on how the Brunel Pension Partnership intends to structure Private Equity.

82/17 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 18)

The Independent Financial Adviser reported on the officers' meetings with UBS, Wellington, and Insight (Diversified Growth Fund) as well as on any other issues relating to the Private Equity portfolio (PF18).

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

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

RESOLVED: to note the main issues arising from the reports.

83/17 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 19)

There were no further issues requiring summary.

84/17 EMPLOYER COVENANTS

(Agenda No. 20)

The Committee considered a report (PF20) which provided further analysis of current levels of Fund deficits and the financial strength of the employers responsible for meeting these deficit payments. Members were invited to consider any changes they would wish to make to the current Funding Strategy Statement in light of this 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 category:

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

RESOLVED: (nem con) to note the information contained in the report and that a further report be brought to the 9 March 2018 meeting to include further information on issues relating to asset security in the event of an employer becoming bankrupt; and any ensuing proposals for change to the current Funding Strategy Statement as a basis for future consultation.

85/17 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 21)

No further issues were brought.

86/17 ANNUAL PENSION FORUM

(Agenda No. 22)

Sally Fox announced that the Pension Forum would take place on **Wednesday 17 January 2018 at Unipart House.**

All members of the Committee and the Board were encouraged to attend as it would be an opportunity to meet with scheme employers.

.... in the Chair

Date of signing ....

LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 19 January 2018 commencing at 10.30 am and finishing at 12:50 pm

Present:

Voting Members:	Mark Spilsbury – in the Chair Alistair Bastin Stephen Davis Councillor Bob Johnston David Locke FCA District Councillor Sandy Lovatt Sarah Pritchard

Officers:

Whole of meeting	Sean Collins, Service Manager (Pensions); Sally Fox, Pensions Manager; Julie Dean (Committee Officer)

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.

43/17 WELCOME BY CHAIRMAN

(Agenda No. 1)

The Chairman welcomed all to the meeting.

44/17 MINUTES

(Agenda No. 5)

The Minutes of the meeting held on 20 October 2017 were approved and signed as a correct record.

With regard to Minute 40/17 – Risk Register – Sean Collins reported that a new actuary had been appointed from Hymans Robertson, effective from 11 December 2017. In response to a question from a member of the Board asking about the discount rate typically applied to future pension liabilities by the new Actuary, Mr Collins stated that Hymans Robertson, whilst traditionally setting a lower discount rate than the other Actuarial firms, was happy that the current Oxfordshire rate was not out of line with their financial parameters. They also offered some interesting ideas in the form of self - help, online tools, together with technical support, which would allow more cost-effective support to the LGPS.

45/17 EMPLOYER MANAGEMENT

(Agenda No. 6)

The Board considered the latest in a series of reports to the Pension Fund Committee and this Board on the Fund's approach to employer management (LPB6). The report set out the key issues discussed with the Pension Regulator at the meeting held in December and included a copy of the latest improvement plan which looked to meet the regulatory requirement to issue annual benefit statements (ABS) to all active and deferred scheme members by 31 August 2018. The Board was invited to note the latest position on employer management and the current improvement plan and to offer any comments to the Pension Fund Committee on 9 March 2018.

The Board established the following:

- That it was for the Pension Fund Committee to decide if there had been a material breach of the pension regulations or not and if it was the former, to report the Authority to the Pension Regulator. It was also within the powers of Local Pension Boards to do the same;

- In response to concerns about the safety and security of the iconnect system, the Board learned that the Chairman of Pension Fund Committee shared its concerns and was keen to explore it further. Moreover, he was keen to use the Board's expertise in order that more detailed questions could be asked, thereby establishing the relevant risks. If required, the Committee could then instigate a proper mitigation plan. **The Board therefore AGREED that a report raising the Board's concerns regarding cyber security be circulated to the members of Pension Fund Committee prior to the next meeting of the Committee on 9 March 2018, with a view to the possibility of this issue being added as a risk on the Committee's Risk Register;**

- If a decision was made to embark on iconnect as a solution, a 12 – 18 month lead time would be required before iconnect became mandatory, to ensure sufficient planning and implementation time for the employers and OCC. Sean Collins accepted that greater two-way conversations were needed with the employers than in the past to facilitate change and reduce issues with data submissions. Sally Fox reported that currently there had been little response from the majority of employers to communications from the Pension Team. The Employers Side acknowledged this point but highlighted the pressures facing all employers, and the capacity challenges facing all, but in particular facing some of the smaller employers. Sally Fox stated that some employers had already decided that they would not wish to utilise the iconnect system and this had been accepted for the time being on the proviso that they submit the correct data information;

- It was established that the law required a target of 100% for Annual Benefit Statements to be sent by 31 August. The Board suggested that the Committee, in determining the materiality of any breach, should consider the issuance of 95% or over as a benchmark. This would be accompanied with a caveat of a communications plan for those individuals who did not receive their statement, as well as a letter to those employers where material numbers of staff did not receive their statement to inform them of the situation, and action being taken to resolve it.

46/17 REVIEW OF THE ANNUAL BUSINESS PLAN

(Agenda No. 7)

In accordance with the previous request of the Board, this item allowed the Board to review the quarterly progress report which had been considered by the Pension Fund Committee on 1 December 2017.

A member of the Board put forward his personal wish that concerns relating to ESG issues be reflected in the Business Plan on the basis that the general awareness of ESG matters was much sharper than last year. Mr Collins responded that work with Brunel to produce a standard way of scoring impacts in ESG policy was already in this year’s plan. He added that this work was now being taken forward and Brunel was doing extensive work with State Street, the new Fund Administrator, in order to develop new, robust reports which would offer greater transparency. Following further discussion on the merits of an ethical policy, Sean Collins advised that the Pension Fund Committee had discussed the issue on numerous occasions and had received a significant amount of advice, including from the Chief Responsible Investment Officer at Brunel, who was highly regarded in this field based on her previous work at the Environment Agency. The Committee’s current policy was reflected in Investment Strategy Statement.

47/17 RISK REGISTER

(Agenda No. 8)

The Board considered the latest Risk Register as presented to the Pension Fund Committee on 1 December 2017 (LPB8). It included the changes made following the comments of the Board at the last meeting.

The Board considered whether the Board’s concerns regarding cyber security were correctly reflected in the Register, given the concerns raised at Agenda Item 7. Sean Collins agreed that there might be a need to revisit the risk score in the future when the General Data Protection Regulations (GDPR) were implemented. Sally Fox added that the information was audited.

The Board **AGREED**:

(a) that the Committee be requested to look again at the current scoring of the cyber security risk;
(b) to include a timeline in the March report in relation to the work on the Cash Flow Model; and

(c) to urge the Committee to set up a training day for all members of the Board and the Committee.

48/17 BRUNEL PENSION PARTNERSHIP

(Agenda No. 9)

Sean Collins gave an oral report on the latest position on the development of the Brunel Pension Partnership (BPP), including an update on the development of the new investment portfolios. He reported as follows:

- The Oversight Board (OB) had endorsed the Services Agreement Strategy subject to any minor changes. There was now a Services Agreement and Schedule to provide services to the Fund (providing Brunel had received the relevant approvals from the Financial Conduct Authority);

- The Business Plan for 2018/19 had now been signed off by all ten funds. Minor changes had been made by the OB, the principle one being the addition of a Code of Conduct for all Board members;

- A portfolio pack had been produced in order that Pension Fund Committee could make their indicative allocations. This had been unchanged since the first draft drawn up by the Client Group. Tender arrangements were currently in the process of production - therefore by 1 April 2018 the passive manager should be known.

Sean Collins confirmed that the Minutes of the OB meeting would be made available to Board and Committees once the Chairman had agreed them. He added that the Minutes of previous OB's were already available.

With regard to a query concerning decision-making, Sean Collins reported that the nominated shareholder representative for this Pension Fund was the Council's Director of Finance, Lorna Baxter, following consultation with the Chairman of the Committee and himself. The Committee had discussed this arrangement at length and had wanted to keep it under review. All decisions were to be reported to Committee, but retrospectively. Currently the Chairman of Pension Fund Committee was happy to be advised in this way.

Sean Collins reported that a decision had been made by HMRC that there would be no relief on stamp duty on other taxes payable during the transition of assets. Brunel had therefore been working with Alpha, PwC and Russell Investments on proposals to mitigate the potential tax liability. The Client Group had agreed, an outline proposal and a further detailed report would be considered by the Client Group at the end of February.

In response to a query about the costs incurred by the setting up of Brunel and when it was expected that there would be net savings from pooling, Sean Collins stated that, at this stage there were few variations in the figures included in the approved Business Case. To date all had been developed in line with the Business Case, with a small variation in respect of cash flow regarding the custodian, but expectations were that the final savings would be greater than initially assumed. The Chairman confirmed that the need for the Company to monitor fees in detail as it went forward had been raised by the Oversight Board and the Board had been reassured that arrangements would be put in place to track savings once the asset transitions started.

In response to a query about why the Fund membership had not been consulted on the Investment Strategy Statement (ISS), Sean Collins stated that this was an issue for the Scheme Member representatives to think about how this could be done. Members of the Board then considered the various ways in which the Member consultation process could be improved including:

- via the use of member self-service when in operation;
- a rider to be placed on the bottom of the Annual Benefit Statement;
- via newsletters to scheme members and employers via the website; and
- via the Annual Report.

Sean Collins pointed out that ESG issues were highly complex, thus making it very difficult to have a meaningful conversation with the full membership of the scheme. It was his view that the conversations with Employer/Scheme representatives at this Board about what action was to be taken, if any, about various issues should be sufficient.

The Chairman pointed out that as the three-yearly ISS had only just been agreed by the Committee, it would, in his view, be worthwhile waiting until consideration of the next version of the Statement in the context of the last two years to determine any changes to the consultation arrangements. On the basis of this advice, the Board **AGREED that more consideration would be required in advance of the publication of the next Investment Strategy Statement on consultation mechanisms, and therefore it would be prudent to begin to start thinking now. In the meantime, Sean Collins stated that if Board members wished to draft some consultation questions, he would be more than happy to conduct any conversations here at meetings of the Board.**

49/17 GENERAL DATA PROTECTION REGULATIONS (GDPR)

(Agenda No. 10)

At the last meeting, the Board had requested that it be kept up to date on the project to manage the implications of the new General Data Protection Regulations (GDPR) which comes into effect from 25 May 2018. The progress report which was submitted to the 1 December 2017 meeting of the Committee was before the Board (LPB10). The Board was asked if they wished to offer any comments to Committee.

Sally Fox reported that her Team was working through all paper records and working with national groups to prepare Oxfordshire County Council's privacy notice.

The Board AGREED to note the report.

50/17 EXEMPT ITEM
(Agenda No. 11)

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

51/17 EMPLOYER COVENANTS
(Agenda No. 12)

At its last meeting the Board had requested a report on employer covenants. A report had been submitted to the 1 December 2017 meeting of the Committee, a copy of which was now before the Board (LPB12).

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

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

Sean Collins reported that, following discussion, the Pension Fund Committee had decided that no clear actions were required. The Committee had asked that a further report be brought to the 9 March 2018 meeting to include further information on issues relating to asset security in the event of an employer becoming bankrupt, and any ensuing proposals for change to the current Funding Strategy Statement as a basis for future consultation. He added that it was about making the information clear about risks and how the Fund managed any risks going forward.

After a short discussion the Board AGREED that it did not wish to offer any comments back to the Committee at this point, but to keep the subject under review.

READMISSION OF PRESS AND PUBLIC

52/17 ITEMS TO INCLUDE IN THE REPORT TO THE PENSION FUND COMMITTEE
(Agenda No. 13)

The Board decided that the following items be included in its report to the next Pension Fund Committee meeting on 9 March 2018:

- Security/capacity concerns relating to iconnect;
- Annual Benefit Statements – materiality question – for referral to the regulator in the context that the internal target must be 100%;
- A robust statement in the Business Plan regarding cyber security, including iconnect. Challenge back to Committee regarding the scoring of current cyber security risks;
- Recommendation to review shareholder decision-making at the end of 2018/19; and
- Request to Committee to review consultation arrangements in relation to the next Investment Strategy Statements.

.... in the Chair

Date of signing ....

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Division(s): N/A

PENSION FUND COMMITTEE – 9 MARCH 2018

REPORT OF THE PENSION BOARD

Report by the Independent Chairman of the Pension Board

Introduction

1) At the first meeting of the new Pension Fund Committee on 23 June 2017, it was agreed at the suggestion of the Chairman, that each future meeting of the Committee should receive a written report from the Pension Board, setting out the key elements of their work and any matters which the Board wished to draw to the Committee's attention.

2) This is the third such report of the Board under these new arrangements, and reflects the discussions of the Board members at their meeting on 19 January 2018. All members of the Board were present, and it was also acknowledged that all members of the Board except for the Independent Chairman had attended the Pension Fund Forum on 17 January which included a presentation from the Pension Regulator. This presentation provided useful context to the report on Employer Management.

Matters the Board wished to bring to the Committee's Attention

3) The Board again devoted a significant part of its agenda to the on-going issues on employer management, data quality and the issue of Annual Benefit Statements. The Board received an update from the meeting in London between Officers and the Pension Regulator and reviewed the subsequent Improvement Plan aimed at ensuring there would be no further statutory breach in terms of issuing the 2017/18 statements by 31 August 2018.

4) The Board wished to bring two issues from their discussion to the attention of the Committee. Firstly, they felt that the Committee should seek to define what they would regard as a material breach to the Regulations. The Board accepted that the target should always be to issue 100% of the statements to ensure individual scheme members had the appropriate information on their pension benefits and could raise any queries on their record in a timely manner. They also accepted that the definition would perhaps need to cover both an overall breach (a figure of less than 95% of statements issued was suggested) and a figure in respect of a material breach by an individual employer. On the latter, the view was that the decision to report an employer for a material breach of the regulations should be considered on a case by case basis rather than setting any specific targets.

5) The second issue the Board wished to bring to the attention of the Committee was concerns around the security associated with the iConnect solution. A

couple of these concerns arose directly from the supplier's presentation at the Pension Fund Forum, and were in respect of reliance on single factor authentication and the use of http rather than https. These and a request for a more general risk assessment have been passed to the Council's Information Management Team and we are currently awaiting further advice before proceeding with the iConnect project.

6) The Board considered the latest review of the Annual Business Plan for 2017/18, and had two issues they wished to bring to the Committee's attention. On the cash flow modelling item within the Plan, the Board were keen for the Committee to set a clear time line to complete this work. This has now been included in the new Business Plan for 2018/19.

7) The Board also discussed the consultation process to obtain the views of scheme members on the Investment Strategy Statement, with some Board members expressing a wish that in future consultation could be widened to provide all scheme members the opportunity to express their views, rather than relying on the representatives at the Board. The Board accepted the difficulties of engaging with the full membership of the Fund on such a complex issue, but invited the Committee to consider reviewing the consultation arrangements in respect of the next Investment Strategy Statement.

8) On the risk register report, the Board discussed the issue of cyber security, particularly in the context of their earlier discussion about the potential risks associated with the iConnect project. In light of the increasing risks associated with the General Data Protection Regulations which come into effect from 25 May 2018, the Board invited the Committee to review the current scoring of the cyber security risk, and include a robust statement within the 2018/19 Business Plan with regard to cyber security.

9) Under the Brunel update, the Board discussed the process by which Reserved Matters were being signed off by the Shareholder's Representative (the Council's Director of Finance), following consultation with the Chairman and the Service Manager (who represented the Fund on the Oversight Board and Client Group respectively). The Board accepted the process that had been put in place, but invited the Committee to review its effectiveness at the end of 2018/19.

10) Finally the Board noted the delays in establishing the training day for members of both the Committee and the Board and wished to encourage the Committee to set up the day as soon as possible. Since the meeting with the Board, Officers have had discussions with Hymans Robertson (the new Fund Actuary), who have provided an assessment tool to help identify the key gaps in the current skills and knowledge on the Committee and Board, to be used in prioritising the requirements for a training day. Information will be sent to both Committee and Board members shortly inviting them to complete the assessment and submit their responses through to Hymans Robertson who will collate the information and produce a draft list of priorities for the training day.

RECOMMENDATION

11) **The Committee is RECOMMENDED to:**

(a) note the concerns of the Board in respect of the Business Plan and Risk Register and consider them further at the relevant items later in the agenda;

(b) agree a definition of material breach in respect of the statutory requirement to issue Annual Benefit Statements to be used in assessing performance in issuing the 2017/18 statements;

(c) agree to review the process for determining the response to Reserved Matter Items for the Brunel Pension Partnership at the end of 2018/19 in light of this year's experience;

(d) consider the consultation process by which scheme member views can be best obtained in advance of the next review of the Investment Strategy Statement; and

(e) endorse the proposal for all Committee and Board member to complete the assessment tool produced by Hymans Robertson as a means for establishing the priorities for a future training day.

Mark Spilsbury
Independent Chairman of the Pension Board

Contact Officer: Sean Collins, Tel: 07554 103465

February 2018

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Division(s): N/A

PENSION FUND COMMITTEE – 9 MARCH 2018

ADMINISTRATION REPORT

Report by the Chief Finance Officer

Introduction

1. This report is to update members on scheme administration data and issues.

Staffing

2. Two administrators have resigned from the team since December, which coupled with a review of the part time hours worked means that there are currently six administrator vacancies across the team. One vacancy is to be filled with a temporary contract and the others are currently out to advert.

3. Team leaders are working with the Recruitment Team to access agencies who supply staff with pension experience and once recruitment is completed there will be an internal shift to ensure that the employer team is better resourced.

4. At present one of the Benefit Team leaders has moved over to run the Employer Team. This temporary arrangement leaves the remaining Benefit Team Leader with a large number of direct reports – just under 14 FTE. Therefore in the separate budget report on this agenda there is a request to fund another Team Leader post should this become necessary. There is also a request for an additional administrative assistant post to support the teams.

Workload

5. As previously reported the workload statistics being used were not working correctly and officers have been in contact with our software suppliers to resolve the issue of why the brought forward figures were changing when reports were next run. It would appear that because the system tasks are date driven any pending work or late notifications from scheme employers will alter the information, to the earlier date, which means that there is no consistency between the carry forward figures from one month to the brought forward figures the following month.

6. It was suggested that officers could undertake a manual reconciliation of the figures but given the volumes of work and the time this would take it was not a practicable solution. In light if this and comments received from the recent employer consultation we have therefore reviewed how workloads are reported.

7. The revised reporting looks at performance against the service level agreements set out in the Administration Strategy. We believe this presentation enables the Committee to be better able to identify areas of concern.

Subject	Working Days	% Within Target	January 2018 %	
Annual Allowance	10	90	0.00	0/1
APC	10	90	69.23	9/13
Data Changes	10	90	68.23	58.85
Deaths	10	95	77.94	53/68
Deferred Benefits	40	90	37.87	128/338
Divorces	10	95	84.62	11/13
Estimates – Employer	10	90	100.00	4/4
Estimates – Member	10	90	73.63	67/91
General Queries – Employer	10	90	n/a	
General Queries - Member	10	90	100.00	25/25
Re-employments	40	90	68.85	168/224
Refund of Benefits	10	95	78.57	154/196
Retirements	10	95	77.57	83/107
Transfers In	10	90	59.49	47/79
Transfers Out	10	95	64.71	33/51

8. These results are indicative of number of vacancies; the lack of experience and the volume of incoming work which continues to increase. From what we can see these increases are reflective of some scheme employers now admitting all casual staff to the LGPS and changes to their processes where staff changes are being recorded as new jobs therefore creating leaver and starter tasks.

Project Work

9. The table attached at appendix A details both current and planned project work for the team. Since last quarter two projects have been completed.

10. Projects at status Green are:

- GMP reconciliation – outsourced to ITM
- Backlog of work – outsourced to ITM
- Project plan put in place for the clearing down of outstanding end of year queries and the production of 2018 ABS
- Implementation of Windows 10 – testing completed and roll out to champions taking place w/c 12.02.18

11. Projects at status Amber are:

- Implementation of GDPR – some recent delays have moved status to amber but this will be resolved shortly
- Address checks for DBs – contract is in process of being issued

- Change to coding structure – all codes since April has been corrected and new structure issued for current workload. However, this is being implemented manually rather than via the system.
- NFI – details of over payments to be passed on to recovery team
- Implementation of ERM – now working on uploading of data to create basic database for team reference
- TPR Data Quality – reports received and project plan being written

12. Projects at status Red are:

- Implementation of administration to pay – software suppliers identified issues which prevented implementation. At time of writing report still awaiting confirmation that these issues have been resolved.
- Implementation of MSS has been affected by software update – working with suppliers to resolve these issues
- Implementation of I-connect – on hold whilst cyber security issues are resolved
- Changes in regulations which are currently on hold

The Pension Regulator

13. In the above project list there are two items referring to The Pension Regulator. The first is the ongoing monitoring of the issuing of annual benefit statements following the breach report.

14. To support the project plan for the delivery of the annual benefit statements this committee agreed at their last meeting to make some changes to the Administration Strategy. These changes were:

- To bring date for submission of end of year return forward from 30 April to 19 April
- To require scheme employers to reconcile contributions paid during the year with the contributions reported at end of year
- To encourage scheme employers to attend one pension meeting per annum
- To set out the simplified charging structure

15. A letter was sent out to all scheme employers to consult on these changes; this was also discussed at both the Pension Fund Forum and the quarterly employer meeting with employers being asked to reply by 26 January 2018.

16. In total 18 replies have been received. One reply accepted all changes with the remaining 17 all commenting on the proposed change to the date for the end of year return. Some employers were happy to try to meet the new date proposed but the majority felt that there was not a long enough lead in period and that any new date could not be achieved this year.

17. On this basis the end of year return has been issued asking employers to make their returns as soon as possible but no later than 30 April 2018.

18. Employers also sought clarity on the wording around the fines, since per case was not being read as per return – this has now been amended

19. Other comments received from scheme employers were asking for clarity in other areas of the administration strategy, therefore this document will be fully reviewed and changes will be brought to the next meeting of this committee.

20. The second project of interest to the Pension Regulator concerns data quality. As from April 2018 Funds are required to report on how their data meets the Pension Regulator's requirements for record keeping. This reporting is in two parts.

21. The first relates to "Common Data" and is measured against:

- National Insurance Numbers
- Names
- Sex and Dates of Birth
- Dates members joined scheme and their normal retirement dates
- Member addresses, and
- Whether there is any inconsistent system data views when compared with the recorded member status.

22. The second sets of measures are "Conditional Data" which is scheme specific information, in the following categories:

(a) Member benefits
(b) CARE benefits
(c) Contracted Out data
(d) HMRC data, and
(e) Member Details

23. Overall the Fund, in relation to the LGPS (FIRE data shown below), is currently recording 89.5% of member records without a single common data failure and the number of member record without a single conditional data failure as 78.9%. This second number is low due to CARE data for the year not being fully loaded on to the system whereas the overall percentage of tests passed for conditional data is 95.7%. These figures have been reported to the Pension Regulator.

Complaints

24. The table attached at Appendix B details the complaints received during 2017 totalling 28 which equate to 0.14% of the active scheme membership. For the first time, complaints regarding the awarding of ill-health retirements were overtaken by complaints about delays in issuing annual benefit statements.

25. At the time of writing this report three complaints had been received in 2018.

Write Offs

26. In line with the Scheme of Delegation Policy (last reviewed in June 2017), the approval for writing off outstanding debts is given by:

Pension Fund Committee	For amounts above £10,000
Service Manager – Pensions (in conjunction with Director of Finance	For amounts between £7,500 and £10,000
Service Manager – Pensions	For amounts up to £7,500
Pension Services Manager	For amounts up to £500

27. All debts below £10,000 need to be reported to Committee following write off. This report provides the details of those debts written off in the last quarter.

28. In the current period, the Pension Services Manager has approved the write off of £19.44 chargeable to the pension fund in respect of four cases where the member has died.

29. In the period June 2017 to March 2018 a total of £123.25 has been written off, in respect of 23 cases where the member has died.

Fire Service Pension Schemes

30. Pension Services also provide administration services to Oxfordshire Fire & Rescue in respect of the Fire Service Pension Schemes. The table below shows the work for January 2018:

Subject	Working Days	% Within Target	January 2018 %	
Annual Allowance	10	90	n/a	
APC	10	90	n/a	
Data Changes	10	90	100.00	3/3
Deaths	10	95	n/a	
Deferred Benefits	40	90	n/a	
Divorces	10	95	n/a	
Estimates – Employer	10	90	n/a	
Estimates – Member	10	90	66.00	2/3
General Queries – Employer	10	90	n/a	
General Queries - Member	10	90	100.00	6/6
Re-employments	40	90	n/a	
Refund of Benefits	10	95	n/a	

Retirements	10	95	n/a	
Transfers In	10	90	n/a	
Transfers Out	10	95	n/a	

The Pension Regulator – Scheme Data

31. Overall the FIRE scheme data is currently recording 95.90% of member records without a single common data failure and the number of member record without a single conditional data failure as 74.60%. This second number is low due to CARE data for the year not being fully loaded on to the system whereas the overall percentage of tests passed for conditional data is 95.7%. These figures have been reported to The Pension Regulator.

RECOMMENDATIONS

32. The Committee is RECOMMENDED to:

(a) agree the request for additional staffing, if required;
(b) note the comments received from scheme employers and confirm that annual returns must be submitted by 30 April at the latest and confirm if they wish any other changes to be made; and
(c) note the report.

Lorna Baxter
Director of Finance

Background papers: Nil

Contact Officer: Sally Fox, Pension Services Manager,
Tel: (01865) 323854

February 2018

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Division(s): N/A

PENSION FUND COMMITTEE – 9 MARCH 2018

RISK REGISTER

Report by the Director of Finance

Introduction

1) At its meeting on 11 March 2016, the Committee agreed that the risk register should form a standard item for each quarterly meeting. A copy of the report also goes to each meeting of the Pension Board for their review. The comments from the Pension Board are included in their report to this meeting and the Committee are invited to consider the current risk ratings in respect of the risks queried by the Board.

2) The risk register presented to the March 2016 Committee meeting was the first produced in the new format, which introduced the concept of a target level of risk and the need to identify mitigation action plans to address those risks that were currently not at their target score. This report sets out any progress on the mitigation actions agreed for those risks not yet at target, and identifies any changes to the risks which have arisen since the register was last reviewed.

3) A number of the mitigation plans are directly linked to the key service priorities identified in the Annual Business Plan. As part of the review of the 2017/18 Plan and the development of the 2018/19 Plan, a number of the risks and the timescales for the implementation of their mitigation plans have been reviewed as discussed below. This report should therefore be considered in conjunction with the business plan report elsewhere on this agenda.

Comments from the Pension Board

4) The Pension Board were generally happy with the risk register as presented to their meeting on 19 January 2018. The one risk where they invited the Committee to review the scoring was risk 15 on the attached risk register in respect of breaches of data security. The Board felt that the increased emphasis on cyber security and the new fines associated with the General Data Protection Regulations merited an increase in the impact score from the score of 3 included at that time. As noted below, it is proposed to increase the impact score to 4.

Latest Position on Risks

5) The first three risks on the risk register relate to the risk of a mismatch between the pension liabilities and the scheme assets and investment

strategy. If these risks materialise, the Fund will not close the current funding deficit, leaving insufficient funds to pay pensions in the longer term. To mitigate this risk, the 2017/18 Annual Business Plan included an item to develop a cash flow model for the Fund which incorporated the assumptions of the Fund Actuary about the size and timing of pension payments, a greater understanding of the strategic decisions being made by scheme employers and improving the understanding of decisions made by scheme members in respect of switching to the 50:50 scheme, opting out completely, and amounts of pension commuted to lump sums.

6) Whilst some work has been completed during the year in terms of understanding scheme employer choices, the remaining work remains outstanding, delayed because of the change in Fund Actuary. The proposed business plan for 2018/19 includes a new objective in respect of developing the cash flow model and reviewing the links between the Investment Strategy Statement and the Funding Strategy Statement. This work is set to be completed by the end of March 2019 in time for the 2019 Valuation. The action dates on risks 1, 2 and 3 have been amended accordingly in line with the new Plan.

7) Risk 7 relates to the discussion at the last Committee in respect of employer covenants, where the Committee noted that the area of greatest risk was the Education sector, including Brookes University, the Colleges and the Academies, due to a lack of a government backed guarantor, or in the case of the academies the ability of the Secretary of State to remove the current guarantee at a future date. Officers were asked to explore options with the new Fund Actuary to seek to mitigate the risk.

8) In discussions with Hymans Robertson, it was felt that the most appropriate way to mitigate the risk of employer failure was to review the funding strategy statement and investment strategy to introduce an alternative low risk investment strategy which could be offered to those employers where the Committee had concerns about their covenant, or where the employer themselves wishes to reduce their future risk. This work is included in the proposed 2018/19 Business Plan. The risk register has been amended to accept the current level of risk as the target risk, with no further mitigation action proposed at this time.

9) Risks 8 and 9 related to inaccurate and out of date pension liability data, with the risks split to show the impact on Fund Valuations and on the calculation of individual pension benefits. As covered in the administration report elsewhere on this agenda, work has continued to improve our monitoring arrangements, to improve our escalation procedures (including the proposed new charging structure) and to raise employer awareness. At the present time though the risk scores have not been amended until the work to resolve the current backlog of work and the actions to address the issues identified in the data quality report has been completed.

10) A new risk has been added to the register as risk 10, also related to the current issues with data quality. This is the risk that the Pension Regulator will

issue an Improvement Notice or a fine for a reported breach of regulations. At the current time, we have reported breaches to the Regulator in respect on failures to issue all annual benefit statements by the statutory deadline of 31 August, as well as failures to provide all leavers with statements of their deferred benefits within the required timescales. Whilst the Regulator has not yet taken any formal action, there is a real concern that any further breach, or a failure to meet the action plans provided to the Regulator will result in formal action and adverse media interest at a national level. This risk has therefore been scored with a likelihood of 3 (distinct likelihood) and an impact of 4 (major). The risk will be mitigated through the action plans in place and covered under risks 8 and 9, along with the work to improve the process by which employers provide monthly data, including the potential implementation of iConnect.

11) Risk 11, related to the lack of sufficient resources to deliver the Committee's statutory responsibilities, remains at the overall score of 12 reflecting the current difficulties of recruiting and retaining staff within the Pension Services team. The Team is currently being supported by external resources who are undertaking the review of the backlog of work on the records of members who have left the scheme, and assistance is being provided by the Council's HR team to support more permanent recruitment.

12) As noted above, Officers have reviewed the score given to risk 15 relating to breaches of data security and increased the impact score to 4 from 3 last period. This reflects both the increased scrutiny of cyber security and therefore the greater negative media attention associated with any potential breach, as well as the new higher levels of fines associated with the General Data Protection Regulations which are effective from 25 May 2018. At the present time, Officers have not proposed an increase in the likelihood score with the current security and penetration testing indicated any significant breach is unlikely.

13) No other changes or additions have been made to the risk register this period.

RECOMMENDATION

14) **The Committee is RECOMMENDED to note the current risk register, and determine any changes it wishes to make.**

Lorna Baxter
Director of Finance

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

February 2018

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Risk Register

Identification of Risks:

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

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

Key to Scoring

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

Likelihood

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

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

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

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

Division(s): N/A

PENSION FUND COMMITTEE – 9 MARCH 2018

BUSINESS PLAN 2018/19

Report by the Director of Finance

Introduction

1. This report sets out the business plan for the Pension Fund for 2018/19. The Plan sets out the key objectives of the Fund, details the key service activities for the year, and includes the proposed budget and cash management strategy for the service.

2. The report also reviews the progress against the key service priorities included in the 2017/18 Plan as context for setting the key priorities going into the next financial year.

3. The key objectives for the Oxfordshire Pension Fund are set out on the first page of the Business Plan for 2018/19, and remain consistent with those agreed for previous years. These are summarised as:

    - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pensons Regulator
    - To achieve a 100% funding level
    - To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
    - To maintain as near stable and affordable employer contribution rates as possible.

Key Service Priorities

4. Part A of the plan (contained in the annex) sets out the broad service activity undertaken by the Fund. As with the key objectives, these are unchanged from previous years. The service priorities for the forthcoming financial year are then set out in more detail in Part B. These priorities do not include the business as usual activity which will continue alongside the activities included in Part B.

5. The service priorities included in the 2017/18 Plan and the latest position on each is as follows:

    - Contribute to the successful establishment of the Brunel Pension Partnership such that the first transfer of assets can take place in April 2018 – Significant progress has been made on the development of the Partnership and subject to the receipt of approval from the Financial Conduct Authority, everything should be in pace to meet the Government's timescales.

- Develop a more sophisticated cash flow model, and an appropriate future investment strategy to ensure all pension liabilities can be met as they fall due – work was initially started with Barnett Waddingham as the Fund Actuary at the beginning of the financial year, but this was put on hold when the initial model was unable to produce all the detail required. With the change in Fund Actuary, this priority needs to be carried forward to 2018/19.
- Develop more sophisticated management arrangements to ensure all Pension Fund data is received and stored in accordance with the requirements of the Pension Fund Regulator – a lot of work has been undertaken during the year to improve the data quality being received from employers, with earlier notification of issues back to employers to allow timely resolution of issues. Work has also been outsourced to ITM to address long standing issues with previous leaver records. The work was not sufficient though to avoid the requirement to report statutory breaches to the Pension Regulator in respect of the issuance of Annual Benefit Statements and Deferred Benefit Statements to leavers.
- Develop a more robust approach to monitoring the performance of Fund Managers, in respect of their delivery against the Funds responsible investment and stewardship policies – work has progressed on this issue with our Fund Managers and was included as a key feature in the assessment of the tenderers for the new Administrator/Custodian for Brunel. This work is on-going and will need to be taken forward in the 2018/19 Plan.
- Improving scheme member communications through the full implementation of members self-service – the service was successfully rolled out to pensioner members of the Fund, though take up was not very high. Roll out to deferred and active members was delayed whilst issues with the pensioner roll out were ironed out.

6. For 2018/19 there is a requirement to take all five of the key priorities from the current year forward. The detail of the key actions and measures of success are set out in Part B of the Business Plan. A summary of each of the 5 key priorities is as follows.

7. In respect of Brunel, the key priority for 2018/19 is to manage the successful transition of the initial asset classes which should include all equity assets, and potentially the investment of new money into the private markets.

8. The second priority focusses on the need to manage the risks associated with cash flow and employer covenants, and involves working with Hymans Robertson to develop the cash flow model to show the timing of payment of pension liabilities going forward. Delivery of this priority will also involve working with employers within the scheme to understand their strategic direction of travel, and their risk appetite, and developing the funding strategy statement and investment strategy statement to meet their requirements and the requirements of the Fund.

9. The third priority focusses on data quality and the need to ensure the current issues with data quality are addressed and processes and reporting

arrangements are put in place to improve the data collection arrangements going forward. A key element of the work in this area includes the preparation for the General Data Protection Regulations and dealing with the cyber security risks.

10. The fourth priority addresses the growing importance of Environmental, Social and Governance (ESG) issues within investment decision making. The actions include building on the current work with the responsible investment team at Brunel to develop a suite of reports which demonstrate the effectiveness of the ESG policies and the impact of company engagement by our Fund Managers. The actions also include a review of the benefits of joining the Local Authority Pension Fund Forum.

11. The final priority proposed in the 2018/19 Business Plan is the roll out of Member Self Service to deferred and active members. This should allow scheme members access to their records to undertake amendments to their core data and view key information on their pension benefits, so releasing pension administrator time to focus on the other priorities.

Budget 2018/19

12. Part C of the Business Plan sets out the Fund's budget for 2018/19 and compares it with the budget for 2017/18. Overall there is an increase in the budget from £10,383,000 to £12,011,000. The main elements of this variation are explained in more detail below. A report comparing the Pension Fund budget for 2017/18 against the actual expenditure will be produced for the September 2018 committee meeting.

13. The administrative team staffing budget has increased by £283,000 as it is anticipated that full staffing will be reached in the near future.

14. The support services budget for administration has increased due to the move to the new Kingsgate office where the Pension Fund is directly responsible for the premises costs including business rates, utilities and property services.

15. There has been a small increase in the budget for printing and stationary as additional printing is likely to be required for correspondence with scheme members in relation to the move to member self-service.

16. The advisory and consultancy fees budget for administration has increased by £85k to reflect additional project work including work related to the new General Data Protection Regulation and Guaranteed Minimum Pension reconciliation.

17. The increase in the budget for management fees of £979,000 compared to the previous year is predominantly due to the increase in the value of the assets under management which the majority of fees are based on. There has also been a small impact from forecast fees on new private equity funds that have been committed to since the 2017/18 budget.

18. The budget for custody fees has increased based on estimates of the cost of the new contract with State Street who have been appointed as the administrator for the Brunel Pension Partnership. The additional cost reflects the increased level of services that State Street are providing compared to the Pension Fund's previous arrangements, including the provision of performance data for the Fund.

19. The budget for Brunel contract costs is based on the most recently provided estimate.

Training Plan

20. A Training Plan for Committee Members has not been included within the Business Plan. Following discussions with Hymans Robertson, is intended to ask all Committee and Pension Board Members to complete an on-line assessment tool. Hymans Robertson will analyse the results and work with Officers to develop a training plan to address the identified shortfalls in the overall skills and knowledge of the Committee and Board, including pre-Committee sessions and a full day's training.

Cash Management

21. The final section of the business plan, Part D, 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.

RECOMMENDATION

22. The Committee is **RECOMMENDED** to:

(a) approve the Business Plan and Budget for 2018/19 as set out at Annex 1;
(b) approve the Pension Fund Cash Management Strategy for 2018/19;
(c) 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;
(d) delegate authority to the Director of Finance to open separate pension fund bank, deposit and investment accounts as appropriate; and
(e) delegate authority to the Director of Finance to borrow money for the pension fund in accordance with the regulations.

Lorna Baxter
Director of Finance

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

February 2018

Annex 1

Oxfordshire Pension Fund: Business Plan 2018/19

Service Manager - Pensions: Sean Collins

Service Definition:

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

Our Customers:

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

Key Objectives:

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

Part A: Service Activities

Service Activity	Outputs	Outcomes
Investment Management		
Management of the Pension Fund Investments	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.	Pension Fund deficit is minimised by securing favourable returns on investments (compared to benchmarks).
Management of the Pension Fund Accounts	Completion of the Annual Report and Accounts.	No adverse comments from the Fund's auditors.
Management of the Pension Fund Cash	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 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, and the Pension Regulator Implementation of actions arising from regulation changes

Part B – Service Priorities

Task	Actions	Measures of Success
Contribute to the planning and delivery of the asset transition programme for the Brunel Pension Partnership.	Work with the Company and Client Group to develop the tax transparent vehicle to manage the equity transitions. Work with the Company, Client Group and Transition Manager on the transition plan. Work with the company and Client Group to monitor the development of the Partnership against the initial Business Case.	Successful transition of all public equity assets to the new Brunel portfolios by 31 March 2019. Establishment of Private Market portfolios to allow investment of new money during 2018/19. Initial transitions managed in line or better than financial assumptions included in business case.
Review the Funding Strategy and Investment Strategy Statements to meet the requirements of future cash flows, and employer covenants and risk appetites.	Work with the large scheme employers to understand their key strategic direction in so far as it relates to their LGPS workforce, and their risk appetite. Work with the Fund Actuary to develop a technical model which allows liability, contribution and investment income forecasts to be modelled for the potential scenarios discussed with the scheme employers. Review employer covenants and the different risk appetites expressed by employers and determine any changes required to the Funding Strategy Statement.	Cash flows managed to ensure all pension liabilities are met as they fall due, with minimal impact on employer contribution rates. Investment Strategy and Funding Strategy Statements reviewed and aligned to meet risk and cash flow levels and to feed into the 2019 Valuation process.
Develop more sophisticated management arrangements to ensure all Pension Fund data is kept in accordance with the requirements of the Pension Fund Regulator	Complete the outstanding work on the backlog of leavers. Review the current data collection arrangements, including benchmarking practices across other Funds, and looking at options to automate more of the process through i-connect.	No issues raised by the Pension Regulator. Annual Benefit Statements, Deferred Benefit Statements etc issued in accordance with Statutory Timescales Reduced levels of queries and complaints from Scheme Members.

	Develop and implement action plans to address the issues highlighted in the data quality reports. Work with scheme employers to ensure all requirements are understood and data submitted accurately and timely, and all omissions are promptly escalated.	
Develop a more robust approach to monitoring Fund Manager performance in respect of delivery against the Fund's governance policies.	Determine measures which help determine compliance with the agreed ESG policies, and set benchmarks against which to judge Fund Manager performance. Develop a suite of reports to measure performance against benchmarks. Review Fund Manager performance against benchmarks and follow up all exceptions as part of the Committee's regular monitoring of investments	Benchmark data published, and regular reports made publicly available at quarterly Committee meetings. Clear audit trail of fund management review process published.
Improve Scheme Member Communications	Launch Member Self Service to all deferred and active scheme members who are happy to sign up. Monitor take up of MSS, as well as activity in terms of numbers accessing newsletters etc, and revise service as appropriate.	Reduction in the number of simple tasks being undertaken by the team, in response to paper requests.

Part C. Budget:

	2018/19 Budget £'000	2017/18 Budget £'000
Administrative Expenses		
Administrative Employee Costs	1,523	1,240
Support Services including ICT	608	447
Printing and Stationery	61	51
Advisory and Consultancy Fees	115	30
Other	40	29
	2,347	**1,797**
Investment Management Expenses		
Management Fees	8,415	7,436
Custody Fees	159	75
Brunel Development Costs	0	75
Brunel Working/Regulatory Capital	0	200
Brunel Contract Costs	650	330
	9,224	**8,116**
Oversight and Governance		
Investment Employee Costs	247	240
Support Services Including ICT	11	40
Actuarial Fees	40	40
External Audit Fees	24	24
Internal Audit Fees	14	14
Advisory and Consultancy Fees	65	64
Committee and Board Costs	39	48
	440	**470**
Total Pension Fund Budget	**12,011**	**10,383**

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Part D - Pension Fund Cash Management Strategy 2018/19

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 2018/19. Income from portfolios managed by fund managers currently remains within the fund manager's portfolio and is available for re-investment. Were the Pension Fund's cashflow to turn negative based on the current arrangements, income from fund manager portfolios could instead be paid back to the Fund as required to make up any cash shortfall. The cash managed in-house by the Administering Authority, provides a working balance for the fund to meet its short-term commitments and forms 0-5% of the Fund's strategic asset allocation.

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 2018/19.

Management Arrangements

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

Rebalancing

5. The Oxfordshire County Council Pension Fund has a strategic asset allocation range of 0 - 5% for cash. The cash balance is regularly monitored and reviewed as part of a quarterly fund rebalancing exercise undertaken by officers and the Independent Financial Adviser.

6. Arrangements will be made for cash balances which are not required for cashflow purposes, to be transferred to the Pension Fund's Investment Managers in accordance with the decisions taken during the rebalancing exercise.

7. In general a minimum cash balance of £10million will be retained following a fund rebalancing exercise, to meet cashflow requirements and private equity 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

8. The Pension Fund cash investment policies and procedures will be in line with those of the administering authority. Priorities for the investment of cash will be:-

(a) The security of capital
(b) The liquidity of investments
(c) Optimum return on investments commensurate with proper levels of security and liquidity

Investment of Pension Fund Cash

9. Management of the Pension Fund's cash balances will be in accordance with the Administering Authority's approved Treasury Management Strategy and policies and procedures.

10. The pension fund cash balances will be held predominantly in short-term instruments such as notice accounts, money market funds and short-term fixed deposits. Approved instruments for pension fund cash deposits will be the County Council's list of specified investments for maturities up to 1 year, excluding the Debt Management Account deposit facility which is not available to pension funds and UK Government Gilts which are managed by an external fund manager. The County Council's current approved list of specified investments is attached at appendix 1.

11. Pension Fund deposits will be restricted to a subset the County Council's approved counterparties at the time of deposit and will include the Fund's custodian bank. Approved counterparties as at 31st January 2018 are shown in annex 2. There will be a limit of £25m for cash held with each counterparty.

Borrowing for Pension Fund

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

13. Pension Fund management arrangements presume no borrowing normally, but the possibility remains of unexpected pressures occurring and in these

circumstances the power would enable the Pension Fund to avoid becoming forced sellers of fund assets due to cashflow requirements.

14. The Chief Finance Officer (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 Chief Finance Officer during 2018/19.

Lorna Baxter
Chief Financial Officer

February 2018

Appendix 1

Oxfordshire County Council 2018/19 Approved Specified Investments for Maturities up to one year

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

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

Approved Counterparties

Standard Life Sterling Liquidity Fund

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

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Oxfordshire Council Pension Fund

Transfer of Assets to Brunel Partnership

13th February 2018

Peter Davies

AllenbridgeEpic Investment Advisers Limited (Allenbridge)

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OXFORDSHIRE PENSION FUND COMMITTEE – 9 MARCH 2018

TRANSFER OF ASSETS TO BRUNEL PARTNERSHIP

Report by the Independent Financial Adviser

1. This report sets out an indicative plan for the transfer of the assets of the Oxfordshire Pension Fund ("OPF") into the portfolios envisaged by the Brunel Partnership ("Brunel"), which are set out in Appendix 1 to this report. As seven of the portfolios are still in draft form (BMA, DHF, PPY, PIN, PSI, PPD, and PPE), I have excluded them from this report but see para. 14 regarding BMA) My recommendations at this stage will therefore cover the 80% of the OPF allocated to Equities, Bonds and Diversified Growth Funds. Recommended allocations are expressed as %-ages of the OPF (currently 1% of OPF is approximately £24m).

2. When planning the investment policy for a Pension Fund, there are three levels of decision-making which need to be undertaken. These are:

   - **Overall Strategy** including asset allocation across suitable asset classes, rebalancing process and mechanism for change

   - **Investment Structure** covering the mandates under which the fund's investment managers should operate: balanced/specialist; active/passive; investment styles etc

   - **Manager Selection** - reviews of how the existing managers have carried out the mandates entrusted to them

3. For the OPF, the normal procedure has been for the Independent Financial Adviser to present a report to the Pension Fund Committee a year after the triennial Actuarial Valuation. This report deals with the overall strategy of the Fund in the light of the actuarial valuation,and the structure of the Fund, and analyses the performance of each of the external investment managers' in carrying out their mandate. The latest of these reports - 'Fundamental Review of Asset Allocation' – was discussed, and its recommendations accepted, at the March 2017 Committee.

4. When advising on the transfer of assets to Brunel, however, there are constraints on what can be recommended. While endeavouring to maintain the existing **strategy** of the Oxfordshire Fund after transition, we have to work within the Table of Portfolios available within Brunel (see **Appendix 1**). While this list is broad enough to encompass the main asset classes (UK and Overseas Equities, Fixed Income, Multi-Asset), the choice of **Investment Structure** is limited; this is exemplified by the restricted range of Fixed Interest funds on offer (see paras. 10-14). Finally, **Manager Selection** will be decided by Brunel, and not by Oxfordshire, so that this element falls outside the remit of this report.

5. OPF's current asset allocation strategy, as agreed at the March 2017 committee meeting, is shown in Table 1 below.

Asset Class	**Target Allocation (%)**	**Range (%)**
UK Equities Overseas Equities	26 28	24 - 28 26 - 30
Total Equities	**54**	**50 - 58**
UK Gilts (18.75%) Corporate Bonds (37.5%) Index-Linked Bonds (31.25%) Overseas Bonds (12.5%)		
Total Bonds	**21**	**19 - 23**
Property Private Equity Multi-Asset Infrastructure Cash	8 9 5 3 0	6 – 10 6 – 11 4 - 6 2 – 4 0 - 5
Total Other Assets	**25**	**18 - 31**

Table 1 - OPF asset allocation policy

6. In order to maintain this policy after transition to Brunel, the allocation to the categories listed in Appendix 1 would be:

Equities (Active + Passive)	**54%**
Fixed Interest	**21%**
Diversified Growth	**5%**

7. In addition to the 54% listed equity allocation, OPF also has equity exposure through its Private Equity. As a general rule, Private Equity is expected to deliver returns 2-3% p.a. higher than those on listed equity, while having the disadvantage that the investment is illiquid until realisations are made by the managers. For this reason, the higher expected return is known as the 'illiquidity premium'. (There is a secondary market in Private Equity interests, but the seller is likely to receive less than Net Asset Value on sales in normal times, and significantly less in times of equity market weakness. The same is true of OPF's listed Private Equity because of the size of its holdings). OPF's 9% allocation to Private Equity is one of the highest in any of the LGPS Funds.

8. A key decision when setting the structure of a Fund is the extent to which the Equities are managed actively or passively. A summary of the arguments for and against passive management is given in **Appendix 2**. At present 30% of OPF's UK and Overseas Equities are held through passive (tracker) funds. While there is no ideal ratio for the active/passive split, 30% passive was felt to be high enough to damp down the risk of under-performance by the active managers, while affording them sufficient scope to deliver out-performance. As the overall strategic allocation is 26% UK and 28% Overseas, the passive element of OPF is 7.8% UK and 8.4% Overseas. Table 2 below sets out the five passive equity funds being offered by Brunel, and the geographic split of their benchmark indices. (OPF policy has been not to hedge its overseas equity exposure, so EPD.H has been disregarded)

9. I believe that Emerging Markets are best managed on an active basis, so that certain countries or regions can be excluded entirely (e.g. in case of political risk), and stocks can be selected and weighted on their perceived merits rather than on an index-determined basis. As a result OPF's exposure will be obtained via the Active Equity fund EEM (see paragraphs 11 &12).

10. As a general principle, it is preferable in the early stage of Brunel to limit the number of different funds held by OPF, and I have therefore not recommended an allocation to EPL (the Passive Low Carbon Fund) or EPS (Passive Smart Beta). In the case of EPS, I am not convinced by the rationale of using 'a number of equity factors or styles' in a passive fund.

Fund code	Benchmark	UK %	O/S Dev'd %	Emerging %	Allocation
EPU	**FTSE All-Share**	**100**	**0**	**0**	**7.2**
EPD	**MSCI World**	**7**	**93**	**0**	**9.0**
EPE	**MSCI Emerging**	**0**	**0**	**100**	**0**
EPL	**MSCI World**	**7**	**93**	**0**	**0**
EPS	**MSCI World**	**7**	**93**	**0**	**0**
	Combined	**7.8**	**8.4**	**0.0**	

Table 2 – Allocation to Passive Equity Portfolios
(The figures in the 'Allocation' column are the weights of OPF which need to be invested in each of the Brunel portfolios in order to achieve the geographic split shown across the bottom line).

11. In constructing an allocation to **Active Equities** via the available Brunel portfolios, two requirements are :
    - Approximately 18% in UK Equities
    - 4% in Emerging Market Equities (approx. 13% of the overseas equity allocation of 28%, in line with the MSCI ACWI Index).

12. The UK Equity allocation must come primarily from EUK, as this is the only active UK Equity portfolio on offer; likewise the active Emerging Market allocation will be primarily achieved through the allocation to EEM. In order to limit the number of different portfolios, but to maintain exposure to medium-alpha and high-alpha Global Equity mandates similar to those currently held in OPF, I am recommending almost equally-weighted allocations to EGC and EDH. The resulting split is shown in Table 3 below.

Fund code	Target return	UK	O/S Dev'd (%)	Emerging	Allocation (%)
EUK	**FTSE All-Share +2%**	**100**	**0**	**0**	**17**
EGC	**MSCI ACWI +1-2%**	**6**	**82**	**12**	**8.8**
EDH	**MSCI World +2-3%**	**7**	**93**	**0**	**9.0**
ELV	**MSCI ACWI +**	**6**	**82**	**12**	**0**
ESG	**MSCI ACWI +2%**	**6**	**82**	**12**	**0**
ESC	**MSCI Sm Cos +2%**				
EEM	**MSCI Emerging +2-3%**	**0**	**0**	**100**	**3**

	Combined	**18.0**	**15.8**	**4.0**	

Table 3 – Allocation to Active Equity Portfolios

13. While the Active and Passive Equity portfolios offered by Brunel give OPF the ability to transition into similar structures, the **Fixed Interest** options do not permit such a straightforward switch. The existing OPF Fixed Interest allocation is managed by one manager (Legal & General) according to the guidelines shown in Table 4 below, with a target of out-performing the composite benchmark by 0.60% per annum gross of fees.

	Benchmark	**Target %**	**Range**
UK Government	**FTSE-A All Government**	**18.75**	**0 – 32**
UK Index-Linked	**FTSE-A I-Linked (Over 5 years)**	**31.25**	**24.5 – 73.5**
UK Corporate Bonds	**iBoxx £ non-Gilts (All)**	**37.50**	**17.5 – 22.5**
Overseas Bonds	**JPM Global Gov (ex-UK) (£)**	**12.50**	**0 - 23**

Table 4 – Existing Fixed Income mandate (Legal & General)

14. The wide ranges allow the manager to take positions around the target weights to express his views on such issues as the pricing of credit or the outlook for inflation, while also being free to vary the average duration of each portfolio depending on his view of the overall direction of interest rates and yields.

15. Under the structure proposed by Brunel, there is currently no overall Fixed Interest manager, but instead OPF will be required to commit to several separate funds from the list shown in Table 5.

Fund code	**Portfolio**	**Benchmark**	**Alpha**	**Allocation**
BPI	**Passive I-L Gilts**	**FTSE-A I-L (Over 15 years)**	**0**	**0**
BPI (L?)	**Passive I-L Gilts 3x leveraged**	**As above**	**0**	**0**
BSC	**Sterling Corp Bonds**	**iBoxx £ non-Gilts (All)**	**+1%**	**6**
BGB	**Global Bonds**	**Barclays Global Agg Bond (£)**	**+0.5 – 1.0%**	**2**
BMA (Draft)	**Multi-Asset Credit**			**[5]**

Table 5 – Brunel Fixed Interest Portfolios

16. While BSC and BGB look to be suitable homes for OPF's allocation to UK Corporate Bonds and Global Bonds (hedged to £) respectively, the choice of funds for conventional and Index-Linked Gilts is problematic as neither of the benchmarks proposed looks appropriate for OPF's needs. BPI is intended to provide an approximate match for an LGPS Fund's pension liabilities, as bond receipts are index-linked (albeit RPI) and very long-dated, while Table 5 contains no fund specialising in conventional gilts.

17. At present, as shown in Table 4, OPF's Gilt allocation is benchmarked against the FTSE-A Government All Stocks Index, and the Index-Linked allocation against FTSE-A Index-Linked (Over 5 year) Index. If Brunel were to offer passive funds based on these indices I would recommend allocating to them in OPF's existing proportions (**3% to the All Stocks tracker** and **5% to the over 5-year Index-Linked tracker**).

18. After the March 2017 Fundamental Review, the OPF was de-risked by switching 5% from Equities to Fixed Income, bringing the Fixed Income allocation up to 21% (see Table 1). If Brunel's proposed Multi-Asset Credit Fund (**BMA**) is available and suitable, I would recommend allocating **5% of OPF** to it as a low-volatility fund with protection against rising interest rates, and holding **16% of OPF across the other four funds**.

19. The **Diversified Growth Fund** offered by Brunel (code: DGF) has a performance target of [3-month £ LIBOR + 4-5% p.a.] which is consistent with the target on OPF's existing DGF fund managed by Insight. I am therefore comfortable in recommending a **5% allocation** of OPF to Brunel's DGF.

20. I recognise that the specifications of the funds offered by Brunel may alter, and that the transfers recommended here are not binding commitments, but rather an indication of OPF's likely appetite for each of the Brunel funds currently on offer.

Peter Davies

Senior Adviser – AllenbridgeEpic Investment Advisers
February 13th, 2018

APPENDIX 2
[Extract from Fundamental Review of Asset Allocation, 2017]

Active or Passive management?

27. The basic distinction here is that an active manager will attempt to run a portfolio to produce a return which *exceeds* the return on a relevant index of that asset class (e.g. the FTSE All Share Index for a UK Equity portfolio) whereas a passive manager will aim to produce a return *equal to* the index return. The active manager may use a number of different techniques to select stocks for his portfolio, while the passive manager will normally operate a system of index-replication which generates a portfolio as close as possible to the notional portfolio underlying the relevant index. The passive manager will utilise very little discretion in managing his 'tracker' fund, as computer programs will be used to ensure the holdings continue to match the index constituents closely. There are significant economies of scale for a passive manager, as a larger fund can replicate more of the smaller constituents in an index, while the overheads remain relatively constant. As a result of all these factors, the fee charged to the investor under a passive mandate is far smaller than for an active one. The difference in fee for example between our current UK passive and active managers is just under 20 bps or 0.2%.

28. One of the considerations for the Pension Fund is whether the active manager can generate sufficient performance (gross of fees) in excess of the index to compensate for the lower fee charged by the passive manager. There are also, however, other considerations. By its nature, a market index is always fully-invested, whereas an active manager has the freedom to hold a certain amount of cash if he expects a general fall in the market. If the active manager uses this freedom at the right time, he can cushion the impact of a general market decline. Similarly, the active manager can – and should – hold a lower weight than the index in sectors he expects to be relatively weak, whereas the passive manager is obliged to maintain the index weight in every sector at all times. At present some **29%** of the Fund's UK Equities, and **27%** of the Overseas Equities, are managed passively. This has reduced the management fees payable, and reduced the risk of manager under-performance.

29. For most developed markets there is a choice of indices which can be replicated. In the UK, for example, investors can choose the broadest index (the FTSE All Share) or select size bands (FTSE 100, FTSE 250 or FTSE Small-Caps). [The All-Share Index comprises approximately 80% FTSE 100; 16% FTSE 250; 4% FTSE Small-Cap]. It is in large, liquid, well-researched equity markets (such as the US or UK) that indexation is more often employed, on the grounds that few active managers will be able to outperform in such efficient markets. Secondly, it must be remembered that a passive mandate is not the same as a low-risk portfolio. It may minimise *relative* risk, but not *absolute* risk.

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Pension Partnership

Portfolio Specifications

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Contents

Introduction

This document provides the specifications of portfolios to be used by Brunel Pension Partnership Ltd ("Brunel") in delivering its investment services to the Client Funds of Brunel. Each specification covers the high-level strategic aspects of the portfolio such as its objectives, benchmark, performance target, investment strategy, risk and liquidity, with the intention that clients should have enough information to make their strategic allocations to the portfolios.

Brunel will be developing and maintaining additional criteria to help it in the management of the portfolios, such as risk controls around number of holdings, sector and country variations from benchmark etc. These controls will be disclosed with the Client Group and used in reporting, but will remain the discretion of Brunel and do not form part of these specifications.

Certain portfolios are marked as Draft. These are portfolios where the substance of the portfolio appears broadly agreed but certain details have yet to be finalised (e.g. exact benchmark). However, sufficient details should be provided to enable clients to provisionally allocate to these portfolios. No investments or transitions will be made by Brunel until the portfolios are finalised and confirmed.

There are 24 portfolios at present. This excludes cash which is not regarded as a portfolio, and also potential investment overlays which are expected to include: LDI strategies, currency hedging and equity risk management. Variants of portfolios such as currency hedged or income distributing are not regarded as separate portfolios unless they involve separate management. (Note Brunel will ensure clients have the ability to hedge currency risk, potentially either through hedged sub-portfolios or broader hedging overlay) The process for creating, amending or deleting portfolios is defined in the Creation, Amendment and Deletion Policy (CAD), as part of our overall product governance framework, the policy forming a schedule to the Client Agreement.

Where there is consensus between those clients investing in a particular portfolio and Brunel on changes to the specification of that portfolio, or a client(s) and Brunel agree on a new portfolio, the document will be updated directly by Brunel. Other more general changes (or any changes prior to establishing a portfolio) will require Client Group approval. Note also that while creating new portfolios is generally a significant step, the policy also recognises that new passive portfolios are less onerous for Brunel to establish and so the requirements to add passive portfolios are less onerous, particularly for options such as currency hedged versions of passive portfolios.

A summary table of portfolios is provided for convenience. This does not form part of the formal portfolio specifications, and in particular, target costs are provided, but these are only broad indications at this stage to help in portfolio planning.

Definitions.

Portfolio Objective:

This summarises the key return and risk drivers behind the portfolio. Where reference is made to risks or liquidity, see the more detailed definitions below. Where reference is made to costs, low cost means costs towards the lower end of the range for mandates of that broad type. Specifically, for active equity, this means costs roughly in the range of 15-25bp.

Performance Target:

This provides a numeric outperformance target for portfolio against the benchmark. The intention is to select managers with a good prospect of achieving the target, but it cannot be guaranteed. In many cases, individual mandates will have slightly higher targets.

Benchmark:

The benchmark is the baseline performance indicator. Managers underperforming against the benchmark over the medium to long term will be regarded as failing.

Benchmarks have been chosen to be the most common benchmarks used for each particular mandate. Technical considerations, and the rising licensing costs of benchmarks may provide reasons to review these benchmarks in time, although replacement benchmarks would be expected to be very closely correlated with these common benchmarks.

With some portfolios, Brunel may internally use a secondary benchmark to give additional indication of performance, particularly as a shorter-term indicator when the portfolio performance may vary significantly from the primary benchmark. The main benchmark is still the primary long-term performance indicator, typically over a full market cycle. Specific mandates may also be appointed on a benchmark that differs from that of the portfolio.

Investment Strategy and key drivers:

This section provides a quick overview of:

(1) The type of investments being made

(2) A brief overview of some of the broad investment reasons for considering the strategy generally

(3) A brief overview of the particular approach being taken, for example why active management is appropriate here.

Risk/Volatility

The table below shows how we have classified risk.

Classification	Description	Volatility	Examples
Low	Assets unlikely to experience material capital losses	<5%	Cash* Index-Linked Gilts*
Low to Moderate	Assets unlikely to experience significant capital losses in the short to medium term	5-10%	Corporate bonds
Moderate	Assets where some capital losses can be experienced	8-10%	Secured Income Private debt
Moderate to High	Assets typically with some risk of capital loss particularly short term, but less risky than global equities	10-15%	Property Low volatility Equities
High	Assets roughly as risky as global equities, with a significant risk of capital loss short term, which reduces over longer time periods.	15-20%	Global Equities
High to Very High	Assets typically riskier than the global equities market.	18-28%	Smaller companies Most Private equity Emerging markets
Very High	Assets significantly riskier than global equities. Includes leveraged funds. Must be used with care, and should only be considered as part of an overall portfolio	25%+	Leveraged equities Venture Capital

*depends on starting point for risk analysis see text

Examples refer to entire portfolios not individual assets, which may be much riskier or more volatile. Diversification within portfolios should significantly reduce individual asset risk, but portfolios will still be subject to broader risk considerations – such as increased defaults from an economic slowdown, or changing valuations due to moves in the markets used to value assets.

Note that perception of risk can be affected by the investors starting point (what they consider risk free), this is particularly relevant for lower risk assets. So for an investor who considers their liabilities as their starting point, and these liabilities are valued using index linked gilts, cash is not really a low risk asset. In contrast, a matching portfolio of Index linked gilts can be considered low risk, as it should track liabilities closely, even though its cash value will move. Similar, short dated US treasuries may be low risk for a US investor, but for a UK investor there is significant currency risk unless this is hedged.

Timescales have an influence on risk, as over the longer term, return can become more significant compared to risk levels, making higher risk return assets more appealing. The table focuses on short to medium term risk considerations, of up to the three years between valuations, as this time frame is relevant to Client funds reporting and budgeting cycles.

The measure of Volatility is an indication of the sort of number that may be used to characterise risk in a risk model. Technically it is a measure of one standard deviation of returns over a year. Put another way, roughly 1 year in 6 actual returns will be reduced by at least the risk number compared to their expected value. Note measures of historic volatility vary over time, and are in any case retrospective rather than forward looking. The figures above are indicative, and it is not intended to update them based on market movements.

With private markets, valuations may be done only infrequently, which may give an impression of relative stability in value. The risk estimates given above reflect an estimate of underlying risk more relevant to assessing the short-term impact of trying to deal in these instruments.

Relative or Active risk is the risk of variation against benchmark (also known as tracking error with index funds). Measured as volatility above, low active risk portfolios would have a tracking error of 2% or less, moderate tracking error portfolios would have relative risk of 2-5% and high relative risk portfolios of 6% or more. Very Low is used here for index tracking

Liquidity

The following table summarises the different classifications used for liquidity within the various portfolios. The classification considers various factors:

- Costs (dealing spreads, transaction taxes, brokerage etc.) of a normal transaction (which for Brunel would be typically involve a size of a few £10s million)
- Time needed to implement a normal transaction
- Additional time/cost implications of large scale liquidations (£100m+)
- Whether a sale can be relatively easily reversed, without excess costs
- The practicality of dealing in relatively small scale (a few million £).

All liquidity observations refer to normal market conditions, and dealing may become much harder with higher costs in difficult conditions. Note dealing spreads are <u>indicative</u> only, and may be higher, particularly at times of high market volatility. Brunel will seek to reduce transaction costs when possible which will be helped by advance notice of dealing intentions, but cannot guarantee any particular level of dealing spread.

With certain portfolios liquidity may be asymmetric: with some equity portfolios it may be possible to sell but not buy back at low cost, because of taxes or closed funds, conversely with private markets investments can be made at low cost (albeit with an uncertain timeframe) but exiting these investments can be problematic.

All dealing will be in accordance with the Order Execution Policy, unless otherwise specified.

No.	Name	Notes	Portfolios
0	Cash	Callable at short notice with no cost implications	Cash
1	High Liquidity	Dealing in any size at fairly low spread within a few days. Large scale liquidations can be achieved quickly with modest cost implications.	Passive Global Passive Low Carbon Passive Gilts
2	Reasonable Liquidity	Dealing possible in reasonable size with modest spreads (~15-25bp), but preferred on dealing days. Large Scale liquidations can be achieved reasonably quickly at some cost. Small transactions (<5m) likely to be somewhat restricted, large transactions (>£50m) will normally be managed.	Global Core Low Volatility Passive Smart Beta Passive UK equities*
3	Managed Liquidity	Dealing possible but spreads may be somewhat higher on typical transactions (around 30-50bp). Dealing should take place on Brunel dealing days. Large scale liquidations can be achieved reasonably quickly but potentially at significant cost and may not be reversible. These portfolios are generally unsuitable for small transactions which will be restricted. Large transactions will be carefully managed.	Global High Alpha Emerging Markets Smaller Companies Sustainable Equities UK High Alpha Diversified Growth Funds £ Corporate Bonds Multi Asset Credit
4	Limited Liquidity	Some limited options for liquidity – quarterly or yearly dealing days, other redemption facilities, trading platforms. However, dealing cannot be guaranteed. Transaction costs likely to exceed 1%.	Many property funds, Some other private market funds. Some hedge funds
5	Illiquid	Limited scope for sales, except by bespoke private transaction, which cannot be guaranteed and may take several months. Any forced transactions may involve costs of over 5%.	Limited partnership interests in private equity, debt, Infrastructure, other closed fund vehicles.

* Sales only. Purchases expensive because of Stamp duty.

Income

The approach to income is indicated. With some portfolios income may be monitored as a risk control measure. In some cases it may be possible to create an index tracking sub-portfolio in due course if demand exists.

Investment Styles

Styles or factors can have a significant impact on performance and Brunel will watch and monitor style exposures. In some cases, we expect that a portfolio may have reasonably material and permanent style biases and these are indicated in this section of the specification.

For listed equities, the key styles usually considered and referred to are:

Style/factor	**Explanation**
Value	The tendency for "cheap" companies, as measured by metrics such as book to value, to outperform over the long term, possibly explained by their higher risk or by investment rotation.
Size	The tendency for smaller size companies to outperform long term, possibly justified by information and dealing inefficiencies.
Low Volatility	The anomaly whereby low volatility companies appear to perform as well as other companies over the long term but with lower levels of risk short term. Low volatility is attractive for pension funds interested in moderating risk, although it can become expensive at times.
Quality	A focus on companies with low debt and good return on capital, which seems to be under-recognized by the market.
Growth	Companies that exhibit higher than expected growth rates. Sometimes seen as the opposite as of value. Has a more mixed long term performance record.
Momentum	The tendency for share price performance to trend for a period, normally measured over a 12 month timeframe.

Responsible Investment

This section gives an overview of our approach to responsible investment and in particular, any additional considerations that will be applied in selecting and/or monitoring managers.

Reporting:

This section gives any additional or specific reporting requirements.

Additional Considerations monitored by Brunel

The following considerations will be monitored, and disclosed by Brunel. They do not form part of the formal specifications and are listed here for information only. In many cases they will determined after market research.

Portfolio holdings

Brunel will specify the eligible holdings for the portfolios, including what non-benchmark stocks are allowed. With more active higher return target portfolios, managers will be permitted greater flexibility. Another consideration will be whether derivatives are to be used and for what purpose (normally only for efficient portfolio management).

Underlying Managers

Brunel will have discretion to determine the number of primary managers a portfolio may have. The number of managers will be influenced by portfolio size as well as portfolio objectives. Individual mandates will need to be large enough to achieve economies of scale, but small enough to avoid problem of being too large and inflexible for many managers, and to support diversification and resilience. As a result, should a portfolio reduce in size significantly then the number of managers is likely to be reduced, while should a portfolio increase substantially Brunel may seek additional managers.

Portfolio Structure

Brunel will provide an indication of how the portfolio will be constructed across managers. In some cases, the managers may be fairly similar in approach, but in other cases Brunel may deliberately choose managers with complementary processes. In some cases this may be explicit at the mandate selection stage. Brunel will also be mindful that it is important that different managers do not cancel each other out.

Occasionally Brunel may introduce an extra pooled fund or mandate into the portfolio for rebalancing purposes, typically where Brunel considers the existing portfolio has deviated excessively from its benchmark and the portfolio's overall market exposure can be brought back closer to the benchmark by adding an appropriate fund.

Cash

Brunel will specify indicative limits on holdings of cash, breach of which will trigger further investigation. These will generally be at a fairly low level to avoid cash drag on performance. Where derivative use is permitted, limits to cash net and gross of derivative exposure will be used.

Risk Controls

Brunel will develop a set of risk controls for the portfolio, both at high level (model estimated *absolute risk*, *relative risk* and *beta*) and structurally, so considering metrics such as the *effective number of stocks*, *active share*, occasionally *income* targets, *limits on country/region exposure* against the benchmark, and similarly *sector controls* on exposure relative to the benchmark. Such controls will typically will be indicative and be monitored to prompt action, rather than strict controls.

BRUNEL

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Summary Table of Portfolios

	Portfolio	Code	Benchmark	Performance Target p.a.	Absolute Risk	Rela-tive Risk	Liq-uidity
Passive Equities	Passive UK Equities	EPU	FTSE All Share	match	High	V.low	1/2
	Passive Developed Equities	EPD EPD.H	MSCI World	match	High	V.low	1
	Passive Emerging Market equities	EPE	MSCI Emerging Mkts	match	High to very high	V.low	2/3
	Passive Low Carbon Equities	EPL	MSCI World (Long term)	Match with lower carbon	High	L	1
	Passive Smart Beta Equities	EPS	MSCI World	+ 0.5% to 1%	High	L/M	1/2
Active Equities	UK Equities	EUK	FTSE All Share	+2%	High	M	3
	Core Global Equities	EGC	MSCI ACWI	+1% to 2%	High	M	2
	High Alpha Developed Equities	EDH	MSCI World	+2% to 3%	High	M/H	3
	Low Volatility Global Equities	ELV	MSCI ACWI	Exceed with lower vol.	Moderate to high	H	2
	Sustainable Global Equities	ESG	MSCI ACWI	+2%	High	H	3
	Smaller Companies Equities	ESC	MSCI Smaller Cos World	+2%	High to very high	M/H	3
	Emerging Market Equities	EEM	MSCI Emerging Mkts	+2% to 3%	High to very high	M/H	3
Fixed Interest	Passive Index Linked Gilts	BPI	FTSE-A over 15 yrs IL Gilts	match	Low	V.low	1
	Passive Leveraged Index Linked Gilts	BPI	3 x ILGs (tbc)	match	See text	L	1/2
	Sterling Corporate Bonds	BSC	iBoxx Sterling Non Gilt x	+1%	Moderate	L/M	3
	Global Bonds	BGB	BB Global Agg Bond £ hgd	+ 0.5% to 1%	Low to moderate	L/M	2
	Multi Asset Credit*	BMA	Composite	+1% to 2%	Moderate	M/H	3
Other	Diversified Growth Fund	DGF	GBP 3M LIBOR	+4% to 5%	Moderate	M	2
	Hedge Funds*	DHF	GBP 3M LIBOR	+3% to 5%	Moderate to high	M	4
	Property*	PPY	IPD UK All Balc'd Funds	+1%	Moderate to high	M	4
	Infrastructure*	PIN	Cash (RPI)	7% to 8% (+ 4% to 5%)	Moderate to high	M	5
	Secured Income*	PSI	Cash (RPI)	6% (+ 3%)	Moderate to high	M	5(4)
	Private Debt*	PPD	GBP 3M LIBOR	+4% to 5%	Moderate	M	5(4)
	Private Equity*	PPE	Cash /	+2% to 3%	High to very high	H	5

EP# Passive Equity Portfolios

Code	Name	Benchmark	Absolute Risk	Liquidity
EPU	Passive UK Equities	FTSE All Share.	High.	High/Reasonable (possible stamp duty on buying).
EPD **EPD.H**	Passive Developed Equities	MSCI World Index TR GD (i.e. excluding emerging markets). MSCI World £ hedged	High.	High (likely preferred choice for short term dealing).
EPE	Passive Emerging Markets Equities	MSCI Emerging Markets Index TR GD.	High to very high.	Reasonable/managed. EM securities less liquid than developed.

Note: additional portfolios may be added to the above list, including currency hedged versions, based on client need and the CAD policy.

Portfolio Objective	To provide exposure to relevant benchmarks in a low cost and highly liquid approach.
Performance Target (net of fees)	To match the performance of the relevant benchmark.
Investment Strategy and key drivers	The portfolio will invest passively in the securities underlying the relative market. Managers may achieve small out performance through the timing of transactions to maintain consistency with the index. The aim is to provide long term growth, with income re-invested in the portfolio.
Risk/Volatility	Relative/active risk: very low.
Liquidity	Generally high to reasonable – see table. When dealing, the manager is expected to facilitate significant crossing opportunities.
Income	Income will be reinvested in the portfolio but will be accounted for separately. The portfolio will not be managed to provide income.
Investment Styles	Passive.
Responsible Investment	In accordance with Brunel policy.
Reporting	In accordance with the Reporting and Monitoring Framework.

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EPL Passive Low Carbon Equites

Portfolio Objective	To provide exposure to equity returns and the global economy with lower exposure to carbon emissions and fossil fuels, while still low cost and liquid.
Performance Target (net of fees)	Short term, to match the performance of the low carbon benchmark. Longer term, to track closely the global equity benchmark while significantly reducing exposure to carbon emissions and fossil fuels.
Benchmark	MSCI World Low Carbon Target Index TR GD (in GBP) – or similar. MSCI World Index TR GD (long term).
Investment Strategy and key drivers	This portfolio is invested in global equities, predominantly those that are constituents of the underlying index. Climate change is significant long-term risk to investments. This portfolio seeks to mitigate this risk by investing in accordance with a low carbon index which aims for a reduced exposure to carbon emissions by c. 80% and fossil fuel reserves by circa 90% (relative to the standard MSCI World index). The portfolio is designed to closely track (c.30 bps tracking error) the MSCI World Index limiting non carbon risks to the portfolio. Managers may achieve small outperformance through the timing of transactions to maintain consistency with the index.
Risk/Volatility	Absolute risk/volatility: High, with value moving in line with the market. Relative/Active risk: very low against Low Carbon benchmark, Low against standard index.
Liquidity	High: This portfolio is highly liquid, with assets able to be added/withdrawn minimal at short notice. Due to lower crossing opportunities it may be slightly less liquid that Developed equities (EPD).
Income	Income will be reinvested in the portfolio but will be accounted for separately. The portfolio will not be managed to provide income.
Investment Styles	Generally neutralised except for low carbon tilt integrated into index construction.
Responsible Investment	In accordance with Brunel policy, with following specifics: • Robust process to identify carbon and fossil fuel data inputs • Transparency on assumptions and modelling used to support tilts • Continual review of methodology to ensure it is efficient, optimal and reflects best practice.
Reporting	In accordance with the Reporting and Monitoring Framework plus additional information to be provided by the index provider/manager: • Tracking against the benchmark over various periods • Disclosure of emission and stranded assets exposure and changes.

EPS Passive Smart Beta Equities

Portfolio Objective	To provide exposure to equity markets and a combination of smart beta factors with the aim of outperforming the comparable market cap index for a low fee,
Performance Target (net of fees)	Over the long term to outperform the benchmark net of fees by 0.5-1% per annum
Benchmark	The MSCI World Index TR GD.
Investment Strategy and key drivers	The portfolio will invest passively in equities via alternative indices (i.e. not solely focused on market capitalisation). Significant investment research points to the persistence of factors or styles able deliver excess long-term returns, such as value, small size and low volatility. This portfolio will seek to capitalise on these factors. The portfolio will be managed on a passive basis for low cost, but the manager may achieve a small out performance against the underlying smart beta indices through the timing of transactions to maintain consistency with the index.
Risk/Volatility	Absolute risk/volatility: High, with value largely moving in line with the general market. Potentially, the portfolio may be slightly less volatile than the standard market benchmark. Relative/Active risk: low to medium in relation to the comparable market cap index.
Liquidity	Reasonable/ High. This portfolio is seen to be generally highly liquid, but the slightly more complex and specialist nature of the portfolio means that use of dealing days and proper notice is preferred.
Income	Income will be reinvested in the portfolio but will be accounted for separately. The portfolio will not be managed specifically to provide income.
Investment Styles	The portfolio will have significant exposure to a number of equity factors or styles, particularly value, low volatility and quality. Brunel will have discretion to select the specific indices to track and the allocation to these indices.
Responsible Investment	In accordance with Brunel policy.
Reporting	In accordance with the Reporting and Monitoring Framework.

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EUK UK Equities

Portfolio Objective	To provide exposure to UK equities, together with enhanced returns from manager skill.
Performance Target (net of fees)	To outperform the benchmark by 2% per annum over a rolling 3-5 year period.
Benchmark	FTSE All Share TR.
Investment Strategy and key drivers	The portfolio will comprise a diversified range of UK equities across sectors. Investing in the UK equity market avoids direct currency risk, benefits from the high standards of governance and transparency in the UK, and provides access to a wide range of companies with UK and global exposure. However, the market is somewhat imbalanced from a sector perspective and concentrated in a relatively small number of leading names. However, these aspects of the UK market create opportunities for skilled managers to add long term value through better portfolio construction and stock selection. Managers may invest in an “unconstrained” fashion paying little or no attention to the benchmark constituents or weights.
Risk/Volatility	Absolute risk/volatility: High (the risks of the UK market are similar to or perhaps slightly lower than the global market – reduced direct currency risk is offset by the sector and stock concentration of the UK market). Relative/Active risk: Moderate (around 4%).
Liquidity	Managed. Although liquidity of most of the underlying equities is sufficient, material exposure to smaller companies may create dealing issues at scale. Stamp duty also imposes a material cost in buying UK equities.
Income	Income will be reinvested in the portfolio but will be accounted for separately. The portfolio will not be managed specifically for income.
Investment Styles	Given the nature of the benchmark, a tilt towards smaller size companies exposure can be expected by active managers. Style biases will be generally monitored and managed.
Responsible Investment	In accordance with Brunel policy. Governance and stewardship code compliance will be critical given the nature of this mandate.
Reporting	In accordance with the Reporting and Monitoring Framework.

EGC Core Global Equities

Portfolio Objective	To provide global equity market exposure and some excess returns from manager skill, with moderate fees and reasonable liquidity.
Performance Target (net of fees)	To outperform the benchmark by 1 – 2% per annum over a rolling 3-5 year period.
Benchmark	MSCI All Country World Index (ACWI) TR GD (i.e. with emerging markets).
Investment Strategy and key drivers	The portfolio will comprise global equities, diversified by sector and geography. The portfolio will use active management to achieve the performance target in a risk controlled manner.
Risk/Volatility	Absolute risk/volatility: High, dominated by the equity market. Relative/Active risk: Moderate.
Liquidity	Reasonable: assets can be added/withdrawn at short notice, but using agreed dealing days will be preferable. Liquidity will be a consideration in portfolio construction and fund selection.
Income	Income will be reinvested in the portfolio but will be accounted for separately. The portfolio will not be managed specifically to provide income, expected levels of income are likely to be broadly in line with the benchmark but may vary.
Investment Styles	The portfolio is not expected to exhibit strong style biases overall. On average, modest positive biases to established styles can be expected, particularly quality and low volatility, but this may vary from time to time.
Responsible Investment	In accordance with Brunel policy.
Reporting	In accordance with the Reporting and Monitoring Framework.

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EDH High Alpha Developed Equities

Portfolio Objective	To provide global equity market exposure together with excess returns from accessing leading managers.
Performance Target (net of fees)	To outperform the benchmark by 2-3% per annum over a rolling 3-5 year period.
Benchmark	MSCI World Index TR GD.
Investment Strategy and key drivers	The portfolio will comprise global equities (primarily developed), diversified by sector and geography. The portfolio will seek the best managers, based on available research and evidence. Based on this, the chosen managers are likely to have high conviction, concentrated portfolios, and to invest in an "unconstrained" fashion paying little or no attention to the benchmark constituents or weights. Managers will be allowed sufficient latitude to find the best opportunities, so may have significant active risk and hold some non-benchmark stocks.
Risk/Volatility	Absolute risk/volatility: High, dominated by the equity market, but with potential for some material variation due to manager selections. Relative/Active risk: medium-high for the portfolio as a whole.
Liquidity	Managed. Although the liquidity of the underlying equities in this portfolio should be sufficient for our dealing needs, the structure and relations with managers will mean that in most cases a managed approach to liquidity will be appropriate. Some managers may also be closed to new business.
Income	Income will be reinvested in the portfolio but will be accounted for separately. The portfolio will not be managed specifically to provide income.
Investment Styles	Some individual managers are likely to have strong style biases, and the overall portfolio may exhibit material style biases. Positive style exposures, will generally be preferred and a material tilt overall away from quality or low volatility would be a concern. Style exposure will be monitored and managed by Brunel.
Responsible Investment	In accordance with Brunel policy.
Reporting	In accordance with the Reporting and Monitoring Framework.

ELV Low Volatility Global Equities

Portfolio Objective	To provide exposure to global equities in a way which seeks to moderate the expected high levels of risk in equities without reducing long term returns, through exposure to the low volatility factor and manager skill, at moderate cost with reasonable liquidity.
Performance Target (net of fees)	To exceed the benchmark return over the long term (measured on a rolling three year or longer basis), but with lower volatility than the underlying market (80% or less), and in particular, attempting to protecting value in falling markets. (Volatility here is standard deviation of monthly returns).
Benchmark	MSCI All Countries World Index (ACWI) TR GD (longer term).
Investment Strategy and key drivers	The portfolio will consist of a diversified range of global equities and should achieve its low volatility objective largely through portfolio construction and stock selection (rather than e.g. trading or option overlays). The low volatility anomaly is an observation that the return from different equities is not related to their risk levels, and so in particular low volatility equities are attractive from long term risk return perspective. It can be explained through behavioural finance considerations. Although passive approaches can be used, an active approach can help mitigate against occasional overvaluation of low volatility equities. There is likely to be a preference for low cost quantitative/systematic approaches which seek to add value and reduce risk through integration of other factors.
Risk/Volatility	Absolute risk/volatility: Moderate to high, dominated by equity risks. However, in falling markets, the portfolio is expected to fall in value less than 90% of the market, and more typically 80%. Relative/Active risk: High, due to construction away from the benchmark.
Liquidity	Reasonable: assets can be added/withdrawn at short notice, but using agreed dealing days will be preferable. Liquidity will be a consideration in portfolio construction and fund selection.
Income	Income will be reinvested in the portfolio but will be accounted for separately. The portfolio will not be managed specifically for income.
Investment Styles	The portfolio will have a strong bias to the low volatility factor. Depending on portfolio construction it may have some exposure to the quality and smaller size factors as a result of seeking to reduce volatility. Exposure away from the value factor should be monitored, and some managers may include some positive exposure to value and momentum.
Responsible Investment	In accordance with Brunel policy. In addition the manager will be expected to integrate appropriate ESG risks as part of their reduction of volatility, including a tilt away from high carbon risks.
Reporting	In accordance with the Reporting and Monitoring Framework.

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ESG Sustainable Global Equities

Portfolio Objective	To provide exposure to global sustainable equities markets, including excess returns from manager skill and ESG considerations.
Performance Target (net of fees)	To outperform the benchmark by 2% per annum over the medium to longer term (3-5 years).
Benchmark	MSCI All Country World Index (ACWI) TR GD (i.e. with emerging markets)
Investment Strategy and key drivers	The portfolio will comprise global sustainable equities, diversified by sector and geography (although sector weights may vary significantly from the benchmark). The sustainable equities portfolio will use a broader strategy consideration of environmental and social sustainability to identify companies and investment themes able to succeed long term through contributing to society. It will build on but go beyond most "Responsible Investment" approaches. Thus it will still include an active approach to corporate governance, and consideration of environmental and social factors, particularly when they represent potential risks to investor capital. Sustainable equities does not automatically include traditional "ethical approaches", where companies are screened out on "ethical" grounds – involvement in arms manufacture or tobacco for example. However, it should be noted that sustainable equities may implicitly exclude certain areas which are considered incompatible with sustainability (e.g. coal mining), and some sustainable funds may include some explicit screening. The portfolio will use active management to achieve the performance target. Although ESG indices and quantitative approaches are improving, identifying strategic change and underlying ESG risks calls on considerable manager skill. Done well however, there is growing evidence that it can enhance a robust investment process.
Risk/Volatility	Absolute risk/volatility: High, broadly similar to the general equity market, but preferably slightly lower, particularly long term. Relative/Active risk: High: individual mandates likely to be benchmark agnostic and absolute return focused. Diversification between managers may be lower than in e.g. High alpha.
Liquidity	Managed. Underlying liquidity will be reasonable, but the long term nature and structure of the portfolio makes less frequent dealing preferred. WARNING: Once established, the portfolio is likely to be closed to new investment as it will likely involve significant allocation to managers who are closed. Clients then wishing to invest will need to discuss options with Brunel, e.g. a new vintage of portfolio. Client Funds should notify Brunel of any interest in this portfolio at start up.

Income	Income will be reinvested in the portfolio but will be accounted for separately. The portfolio will not be managed specifically to provide income.
Investment Styles	The portfolio is likely to have quality, small cap and growth biases but these should be managed (particularly growth). It may also be prone to an anti-value bias which again will be managed if possible.
Responsible Investment	Managers should integrate ESG factors throughout company analysis and portfolio construction and take a long-term view of the business implications. Typically, managers will know and engage with companies extensively. Managers will be alert to new opportunities, risks and changing ESG dynamics.
Reporting	In accordance with the Reporting and Monitoring Framework but with ESG enhanced specific requirements • ESG factor exposure (e.g. carbon tilts) and analytics • Sustainability review and analysis • An engagement report, including integration into investments.

ESC Smaller Companies Equities

Portfolio Objective	To provide exposure to global smaller company equities together with excess returns from manager skill.
Performance Target (net of fees)	To outperform the benchmark by 2% per annum over a rolling 3-5 year period.
Benchmark	MSCI Smaller Companies World Index TR GD (i.e. excl. EM).
Investment Strategy and key drivers	The portfolio will comprise a geographically diversified range of smaller company equities. Smaller companies will be as defined by the relevant index provider. Some investment in medium sized stocks will be permitted, as will in non-benchmark smaller companies. The smaller companies effect is well established and demonstrates that smaller companies offer higher long-term returns. It may reflect higher risk, and also the practical issues of investing in smaller companies. Information and market inefficiencies with smaller companies should create opportunities for managers so we will use active management to achieve the performance target. However, understanding manager skill in the area will be important. Mandates are likely to be quite focused.
Risk/Volatility	Absolute risk/volatility: High to very high (higher than the standard global equity benchmark). Relative/Active risk: Moderate to high (around 5%).
Liquidity	Managed. Underlying liquidity in smaller companies is lower with high dealing spreads.
Income	Income will be reinvested in the portfolio but will be accounted for separately. The portfolio will not be managed specifically to provide income.
Investment Styles	On average, modest positive biases to established styles can be expected, particularly quality and growth, but this may vary over time.
Responsible Investment	In accordance with Brunel policy. A high level of competence in governance and stewardship will be expected.
Reporting	In accordance with the Reporting and Monitoring Framework.

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EEM Emerging Market Equities

Portfolio Objective	To provide exposure to emerging market equities, together with excess returns and enhanced risk control from accessing leading managers.
Performance Target (net of fees)	To outperform the benchmark by 2-3% per annum over a rolling 3-5 year period.
Benchmark	MSCI Emerging Markets TR GD
Investment Strategy and key drivers	The portfolio will comprise a geographically diversified range of emerging markets equities, with a small element of frontier markets. Emerging and frontier economies typically are expected to achieve higher long-term growth rates than developed economies, and, in many cases, are seeing the emergence of a middle class, rising education and improving institutions and infrastructure. This higher growth rate provides a positive backdrop for investing in emerging market equities. Rapid change also creates a range of specific opportunities for businesses and investors. Information and market inefficiencies with emerging markets should create opportunities for active managers. Opportunities can arise at both a macro and micro (company) level. Good managers, however, also need to be able to manage the increased risk and challenges of emerging markets.
Risk/Volatility	Absolute risk/volatility: High to very high (higher than the standard global equity benchmark.). In particular, emerging markets can suffer from significant political and macroeconomic risks, which can affect equity markets and exchange rates. Relative/Active risk: Moderate to high (around 5%).
Liquidity	Managed. Liquidity of the underlying equities in emerging markets is lower with high dealing spreads. Some managers may also be closed to new business.
Income	Income will be reinvested in the portfolio but will be accounted for separately. The portfolio will not be managed specifically for income.
Investment Styles	Risk control is important so managers with an absolute return mindset are likely to be preferred, and a tilt to low volatility can be expected. A quality tilt is also quite likely. Value as a factor will need to be monitored.
Responsible Investment	In accordance with Brunel policy. The manager(s) will be expected to analyse and consider the addition ESG risks involved in emerging and frontier markets, and be active in stewardship.
Reporting	In accordance with the Reporting and Monitoring Framework.

BP# Passive Bond Portfolios

Code	Name	Benchmark	Absolute Risk	Liquidity
BPI	Passive Index Linked Gilts	FTA over 15 year index linked gilts.	Low (against liabilities) Moderate (against cash)	High
BPL	Leveraged Index Linked Gilts	FTA over 15 year index times 3 less funding costs (or similar)	Low (against liabilities if leverage is considered) High (against cash)	High/Reasonable

Note: additional portfolios may be added to the above list, including different durations, based on client need and the CAD policy.

Portfolio Objective	To provide exposure to relevant benchmarks in a low cost and highly liquid approach.
Performance Target (net of fees)	To match the performance of the relevant benchmark.
Investment Strategy and key drivers	The portfolio will invest passively in the securities underlying the relative market. Managers may achieve small out performance through the timing of transactions to maintain consistency with the index. The aim is to provide long term growth, with all income re-invested in the portfolio.
Risk/Volatility	Relative/active risk: very low.
Liquidity	Generally high to reasonable - see table. When dealing, the manager is expected to facilitate significant crossing opportunities.
Income	Income will be reinvested in the portfolio but will be accounted for separately. The portfolio will not be managed to provide income.
Investment Styles	Passive.
Responsible Investment	In accordance with Brunel policy.
Reporting	In accordance with the Reporting and Monitoring Framework.

BSC Sterling Corporate Bonds

Portfolio Objective	Exposure to sterling bond markets and the credit risk premium, with additional returns from manager skill.
Performance target (net of fees)	The performance objective of the portfolio is to seek an excess return of 1.0 % per annum over the Benchmark over rolling 3 to 5 year periods.
Benchmark	iBoxx Sterling Non-Gilt All Maturities Bond Index (or similar broad index of bond market performance).
Investment Strategy and key drivers	The portfolio consists of Sterling denominated bonds (fixed income securities) issued by a range of entities other than the UK government (this include UK and overseas public companies, international agencies, housing charities, private companies (in e.g. infrastructure) etc.) and securitised debt. The aim is to provide some return over gilts by exploiting the credit risk premium: the fact that credit spreads are generally more than adequate compensation for default risks. An active approach with enhanced credit analysis and sensible portfolio construction should provide additional returns over the benchmark. Some exposure to unrated and non benchmark bonds will allow further return enhancements. The portfolios are expected to be highly diverse with >250 holdings). This is because with bonds, risks are asymmetric and so diversification reduces risks without limiting return.
Risk/Volatility	Absolute risk/volatility: moderate against cash. Portfolio returns should be reasonably correlated with liabilities. However, risks against liabilities will probably still be moderate (but the other direction – so in a falling interest rate environment this fund may perform well but not as well as liabilities). Relative/ active risk: low to moderate, around 2-4%. Various limits provide risk controls on the mandate.
Liquidity	Managed: While corporate bonds can be traded readily, dealing spreads can be significant particularly in adverse market conditions.
Investment Styles	There is likely to be a focus on credit research as the way to add value, and hence a somewhat positive exposure to credit risks compared to the benchmarks.
Responsible Investment	In accordance with Brunel policy. We expect the manager's process to include covenant analysis, to understand protection against downside ESG risks.
Reporting	In accordance with the Reporting and Monitoring Framework. In addition, the following bond specific information will be sought: • Duration, Sector, Maturity and Performance • Credit rating analysis • Default experience

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BGB Global Bonds

Portfolio Objective	Exposure to global bond markets and credit markets, with additional returns from manager skill.
Performance Target (net of fees)	To out-perform the benchmark by 0.5 – 1.0% per annum over a rolling 3-5 year period.
Benchmark	Bloomberg Barclays Global Aggregate Bond Index Hedged to GBP
Investment Strategy and key drivers	The portfolio will include a geographically diversified range of investment grade debt, including treasury and government related bonds, securitised debt and corporate bonds. Assets will be denominated in a range of currencies, but the portfolio will be hedged to GBP. The portfolio will be actively managed – with a wide range of available markets the managers are expected to exploit relative value opportunities around the world. Although managers will be allowed reasonably flexibility, controls will limit overall interest rate and credit exposures.
Risk/Volatility	Absolute risk/volatility: this portfolio is expected to be low to moderate risk again cash. It is likely to reasonable positively correlated with liabilities, but will not typically have the same interest rate sensitivity as liabilities. Relative active risk: Low to moderate.
Liquidity	Reasonable. This portfolio is seen to be generally liquid, although the level of credit exposure may reduce liquidity, particularly in adverse market conditions when a managed approach to liquidity may be more appropriate.
Investment Styles	Active management. The portfolio is not expected to have a strong style or specific approach.
Responsible Investment	In accordance with Brunel policy.
Reporting	in accordance with the Reporting and Monitoring Framework. In addition, the following bond specific information will be sought: • Duration, Sector Allocation, Maturity Breakdown, Country Breakdown • Credit Rating analysis • Default experience

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BMA Multi Asset Credit - DRAFT

Portfolio Objective	To gain exposure to a diversified portfolio of enhanced credit opportunities with modest exposure to interest rate risk.
Performance Target (net of fees)	To outperform the benchmark by 1-2% per annum over a rolling 3-5 year period.
Benchmark	Composite bond benchmark. E.g. 40% global corporate bonds, 30% high yield bonds, 30% emerging market debt. A cash (or short-dated bond) benchmark could be used but would involve a higher return target.
Investment Strategy and key drivers	Portfolio will invest in a variety of specialist bond sectors, such as corporate bonds, high yield, bank loans, emerging market debt etc. The intention is to gain exposure to range of more specialised, higher return bond sectors which individually do not merit explicit allocation, but collectively provide a diversifying, moderately high return portfolio. Some of the fund managers are likely to be chosen to invest dynamically to maximise exposure to best value opportunities. Other managers may be chosen more as specialists in a particular area.
Risk/Volatility	Absolute risk/volatility: Moderate, significantly lower than equities. Relative/active risk Against a composite benchmark moderate to high (4-8%?), against cash high active risk. This portfolio should have some bond exposure (duration 2-5 years) so have some modest correlation with bonds, but extensive specific risks will limit this correlation (and so fairly high risk against liabilities Similarly, the high level of credit exposure may create some correlation with equity returns, but overall correlation with equities should be fairly low.
Liquidity	Managed. Underlying Funds are typically likely to have weekly dealing but with some spread costs.
Income	Income will be reinvested in the portfolio but will be accounted for separately. The portfolio will not be managed specifically to provide income.
Investment Styles	The portfolio will have significant positive exposure to credit risk, and modest interest rate exposure. Other specific exposures are likely to be actively manged and may change.
Responsible Investment	In accordance with Brunel Policy.
Reporting	In accordance with the Reporting and Monitoring Framework.

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DGF Diversified Growth Funds

Portfolio Objective	Portfolio will invest in a diversified range of asset classes to provide a broad exposure to a range of return drivers and achieve equity like returns with reduced volatility over a 5 year period. The portfolio will seek to provide diversification from equity risk.
Performance Target (net of fees)	To outperform the benchmark by 4-5% per annum over a rolling 3-5 year period.
Benchmark	GBP 3 Month LIBOR.
Investment Strategy and key drivers	The portfolio will comprise multi-asset funds which allocate between a wide range of asset classes including equity and fixed income, together with alternative strategies such as real estate, commodities and currency. The portfolio will be actively managed to achieve growth at low absolute risk. Investments will be diversified between asset classes and by geography.
Risk/Volatility	Absolute risk/volatility: moderate against cash. The portfolio aims to have 50% to 66% of equity market risk and volatility of less than 10%. Relative/ active risk: moderate, around 4%.
Liquidity	Managed. Funds offer a range of liquidity with most offering daily or weekly dealing achieving this by managing underlying liquidity accordingly.
Income	Income will be reinvested in the portfolio but will be accounted for separately. The portfolio will not be managed specifically to provide income.
Investment Styles	Different DGFs operate in different ways. The portfolio will diversify between funds taking different approaches, including predominantly long only asset allocation and funds with significant ability to go short. Funds may also differ in the extent to which they dynamically allocate across asset classes or seek broad diversification across asset classes.
Responsible Investment	In accordance with Brunel policy. The ability to apply all aspects of Brunel policies may be limited in some instances by the nature of these products.
Reporting	In accordance with the Reporting and Monitoring Framework.

DHF Hedge Funds - DRAFT

Portfolio Objective	To provide exposure to a portfolio of leading hedge funds capable of delivering reasonable returns through manager skill with moderate risk and largely uncorrelated to bonds and equity.
Performance Target (net of fees)	To outperform the benchmark by 3-5% per annum over a rolling 3-5 year period.
Benchmark	GBP 3M LIBOR.
Investment Strategy and key drivers	Hedge funds comprise a wide range of investment strategies, which seek to generate returns through manger skill in range of difference ways, generally with limited correlation to market risk. Hedge fund returns have generally fallen in recent years as other market participants have adopted some the strategies and reduced the opportunities, but skilful managers can still add value through continuing thought leadership and innovation, so the right mechanism to access the best funds will be important. A degree of diversification is also important. Costs are a key challenge with hedge funds, and will need to be managed carefully, with a focus on transparency as much as possible.
Risk/Volatility	Absolute risk/volatility: Moderate to high Relative/Active risk: Moderate.
Liquidity	Limited. Hedge funds vary in liquidity with some offering reasonably frequent dealing. Others can be less liquid, with only occasional dealing and subject to gating and other controls.
Income	Generally none, any income will be reinvested in the portfolio.
Investment Styles	The portfolio is expected to have limited equity market and interest rate exposure, but may have exposure to factors such as credit risks and market volatility.
Responsible Investment	In accordance with Brunel policy.
Reporting	In accordance with the Reporting and Monitoring Framework.

PPY Property - DRAFT

Portfolio Objective	To provide exposure to a portfolio of property investments, offering reasonable returns from a combination of capital and income with some diversification from equities.
Performance Target (net)	To outperform the benchmark by 1% per annum over a rolling 3-5 year period.
Benchmark	IPD UK PPF All Balanced Funds (tbc).
Investment Strategy and key drivers	Property is one of the most established on the investment classes and provides some diversification from equity and bond markets, although returns and valuations are somewhat dependent of economic growth. Traditionally focused on the domestic market many investors are becoming more international in their allocations to improve diversification. The portfolio will predominantly invest in UK commercial property, but may provide some diversification by investing up to 35% in overseas commercial property or UK residential property. The portfolio will be actively managed to achieve the fund objective, with high absolute risk and low relative risk compared with the benchmark.
Risk/Volatility	Absolute risk/volatility: Moderate to high. The illiquid nature of the investment may create an illusion of lower short-term volatility, but values can be subject to significant falls over the medium term. Relative/Active risk: Moderate. Manager skill can vary, and the various market sectors perform differently.
Liquidity	Limited. Investments will be fundamentally illiquid in nature, and dealing costs are high. However, the property market is well serviced and active. Many funds may have dealing facilities but when redemption requests are received a period of notice or delay may be imposed and spread costs will be charged to protect the interest of other investors in the portfolio. At periods of market distress redemptions may be suspended. There may also likely to be some secondary market for some of the assets in the portfolio.
Income	Tbc. Income is a considerable factor in returns and could be provided separately, although usually it is invested. The portfolio will consider providing an option for investing funds to either receive or reinvest distributions.
Investment Styles	Diversified, Portfolio will consist of a range of funds with different styles including 'Core', 'Core+', 'Value Added' and 'Opportunistic'. The fund is likely to include a tilt away from retail and towards more niche sectors.
Responsible Investment	In accordance with Brunel policy. Managers will be expected to consider environmental factors when evaluating potential investments.
Reporting	In accordance with the Reporting and Monitoring Framework.

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PIN Infrastructure - DRAFT

Note: there is potential interest in a separate sustainable or renewable infrastructure portfolio. For now, we have assumed such needs can be accommodated within this portfolio.

Portfolio Objective	To provide exposure to a portfolio of infrastructure investments, generating long term, relatively predictable returns, from a combination of income and capital.
Performance Target (net)	Target returns are in the 7-8% per annum range (4-5% real p.a.) over a rolling 3-5 year period or longer.
Benchmark	RPI Cash (TBC)
Investment Strategy and key drivers	The portfolio will invest in portfolio of infrastructure assets. As an asset class infrastructure potentially has a good linkage with pension fund liabilities and cash flows. The focus will be on investments with asset backing, contractually fixed or otherwise secure cash flows (with some inflation linking), and limited economic or operating exposure. Leverage will be kept to moderate levels. Some, controlled construction risk may be undertaken allowing investment in new projects where returns can be higher.
Risk/Volatility	Absolute risk/volatility: Moderate to high. Some positive correlation to economic factors and equity markets will exist, as well as bond markets and discount rates, but returns should be fairly independent of both. The illiquid nature of the investment may create an illusion of lower short-term volatility, but values can be subject to significant moves over the medium term. Relative/Active risk: Moderate. Manager skill can vary, and the various market sectors perform differently.
Liquidity	Illiquid. Investments will be fundamentally illiquid in nature. There may some secondary market buyers for some of the assets in the portfolio, aided by the income generating nature of the asset but realisations may be slow or at significant discounts.
Income	Tbc. Income is a considerable factor in returns and could be provided separately, although usually it is invested.
Investment Styles	Diversified, Portfolio will consist of a range of funds with different styles including 'Core', 'Core+', 'Value Added' and to a limited extent 'Opportunistic'. A mix of overseas and domestic investments will be sought.
Responsible Investment	In accordance with Brunel policy. Managers will be expected to integrate environmental and social factors when evaluating risks with potential investments. Ideally there should be some capacity to reflect individual funds guidelines, concerns or conflicts of interests.
Reporting	In accordance with the Reporting and Monitoring Framework.

PSI Secured Income - DRAFT

Note: this provisionally replaces Infrastructure Income, and combines potential interest in long lease property. This approach is subject to discussion and agreement by Client Group once confirmed by Brunel.

Portfolio Objective	To provide exposure to a portfolio of private market investments in infrastructure and property with a focus on generating long term, predictable returns, primarily from income.
Performance Target (net)	Target returns are in the 6% per annum range (3% p.a. real) over a rolling 3-5 year period or longer.
Benchmark	Cash, possibly RPI.
Investment Strategy and key drivers	The portfolio will invest in infrastructure and property assets, primarily through direct funds but some direct investment may be considered. The focus will be on investments with asset backing, contractually fixed or otherwise secure cash flows (with some inflation linking), and limited economic or operating exposure. This could include long lease property and mature infrastructure. Investment will be made in relatively lower risk equity (e.g. without excessive leverage), or in long dated debt instruments (largely private direct lending) Thus the portfolio should have a good linkage with pension fund liabilities and cash flow requirements.
Risk/Volatility	Absolute risk/volatility: Moderate to high. Some positive correlation to bond markets and discount rates is expected and intended. The illiquid nature of the investment may create an illusion of lower short-term volatility, but values can be subject to large moves over the medium term. Relative/Active risk: Moderate. Manager skill can vary, and the various market sectors perform differently.
Liquidity	Illiquid (possible limited liquidity in some cased). Investments will be fundamentally illiquid in nature. There may some secondary market buyers for some of the assets in the portfolio, aided by the low risk, income generating nature of the assets but realisations may be slow or at significant discounts.
Income	Income is a key component of returns and is expected to be largely distributed.
Investment Styles	Diversified, Portfolio will consist of a range of funds primarily focused on 'Core' infrastructure and property assets. A mix of overseas and domestic investments will be sought. Currency exposure in overseas investments will probably be hedged.
Responsible Investment	In accordance with Brunel policy. Managers will be expected to integrate environmental and social factors when evaluating risks with potential investments. Ideally there should be some capacity to reflect individual client funds guidelines, concerns or conflicts of interests.
Reporting	In accordance with the Reporting and Monitoring Framework.

PPD Private Debt - DRAFT

Portfolio Objective	To provide exposure to a portfolio of private debt instruments, offering reasonably attractive returns, primarily in the form of income, based on credit risks and the illiquidity premium.
Performance Target (net of fees)	To outperform the benchmark by 4-5% per annum over a rolling 3-5 year period.
Benchmark	GBP 3M LIBOR.
Investment Strategy and key drivers	The portfolio will comprise a diversified set of private debt investments, aimed at providing moderately high returns primarily through income. Increasing regulation on banks has led to them withdrawing from significant sections of their traditional corporate lending markets, focusing on more secure lending. This has created an opportunity to provide direct lending to these companies at attractive rates as long as investors are prepared to accept the lower liquidity and the more significant costs involved in finding and checking suitable private lending opportunities. The portfolio will primarily be invested with specialist managers to achieve the fund objective. Managers will be selected to cover a range of market niches, and investments will be diversified by geography and by sector, and may be denominated in a range of currencies. Currency exposure is likely to be hedged if possible.
Risk/Volatility	Absolute risk/volatility: Moderate. Relative/Active risk: Moderate.
Liquidity	Illiquid. Investments are likely to be fundamentally illiquid in nature, with no ability to request early realisation. Some cash returns may come from the relative rapid payback period of many loans (c. 4 years) and the debt nature of investments means there is likely to be some secondary market assuming they are performing as expected.
Income	Tbc. Income could potentially be paid out, although income and capital often combined in fund distributions.
Investment Styles	The portfolio is likely to have significant exposure to the credit cycle, although actual return experience will be driven by specific default experience. The portfolio is expected to have limited interest rate and duration exposure.
Responsible Investment	In accordance with Brunel policy. Managers will be expected to consider governance and ESG risks when evaluating potential investments.
Reporting	In accordance with the Reporting and Monitoring Framework.

PPE Private Equity - DRAFT

Portfolio Objective	To provide exposure to a portfolio of private equity investments, offering potentially exceptional net returns, albeit with high risk, illiquidity and high costs.
Performance Target (net of fees)	To outperform the benchmark by 2-3% per annum over a rolling 3-5 year period. *[LIBOR +5% seen as pretty low as a target]*
Benchmark	Tbc MSCI Smaller Companies World Index? *[should we use a market benchmark suitably modified?]*
Investment Strategy and key drivers	Private equity historically has offered very good returns, benefitting from the illiquidity premium and active long term governance. Costs however, can significantly undermine long term returns. Private Equity will be broadly defined and may include higher risk return investments in areas such infrastructure and property (development). Investments are likely to include a mix of Private Equity investment strategies including but not limited to 'Growth', 'Venture', 'Distress', and to cover various geographies. The portfolio will invest in a diversified set of private equity opportunities, with an average life cycle of 10 – 15 years. New opportunity sets should be identified annually. Aim is to provide significant capital growth for the investor with Funds returned over the life cycle of the investments.
Risk/Volatility	Absolute risk/volatility: High to very high. The illiquid nature of the investment may create an illusion of lower short term volatility but values are significantly influenced by the equity market. Relative/Active risk: High. Manager skill can vary substantiality, and good outcomes depend on finding the best managers.
Liquidity	Illiquid. Investments will be fundamentally illiquid in nature, and should be expected to be held for the 10-15 life of the investment with no ability to request early realisation. There is likely to be some secondary market for some of the assets in the portfolio.
Income	Income is not expected to be a major part of the returns and usually combined in fund distributions.
Investment Styles	Diversified.
Responsible Investment	In accordance with Brunel policy. Managers will be expected to consider governance and ESG risks when evaluating potential investments.
Reporting	In accordance with the Reporting and Monitoring Framework.

OXFORDSHIRE COUNTY COUNCIL PENSION FUND
OVERALL VALUATION OF FUND AS AT 31st DECEMBER 2017

	COMBINED PORTFOLIO 01.10.17	Baillie Gifford UK Equities		Wellington Global Equities		Legal & General Global Equity Passive		Legal & General Fixed Interest		UBS Global Equities and Property		Other Investments		COMBINED PORTFOLIO 31.12.17		
Investment	**Value £' 000**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Value £' 000**	**% of Total Value**	**Target %**
EQUITIES																
UK Equities	**640,228**	**423,812**	**96.2%**	**18,472**	**7.2%**	**196,435**	**46.9%**	**0**	**0.0%**	**30,992**	**7.2%**	**0**	**0.0%**	**669,711**	**27.8%**	**26.0%**
Overseas Equities																
North American Equities	145,929	0	0.0%	157,381	61.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	157,381	6.5%	
European & Middle Eastern Equities	44,905	0	0.0%	44,509	17.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	44,509	1.8%	
Japanese Equities	14,237	0	0.0%	14,931	5.8%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	14,931	0.6%	
Pacific Basin Equities	2,899	0	0.0%	2,864	1.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	2,864	0.1%	
Emerging Markets Equities	15,343	0	0.0%	13,181	5.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	13,181	0.5%	
UBS Global Pooled Fund	258,181	0	0.0%	0	0.0%	0	0.0%	0	0.0%	272,255	63.1%	0	0.0%	272,255	11.3%	
L&G World (ex UK) Equity Fund	211,569	0	0.0%	0	0.0%	222,085	53.1%	0	0.0%	0	0.0%	0	0.0%	222,085	9.2%	
Total Overseas Equities	**693,063**	**0**	**0.0%**	**232,866**	**90.5%**	**222,085**	**53.1%**	**0**	**0.0%**	**272,255**	**63.1%**	**0**	**0.0%**	**727,206**	**30.1%**	**28.0%**
BONDS																
UK Gilts	167,003	0	0.0%	0	0.0%	0	**0.0%**	172,328	36.3%	0	0.0%	0	0.0%	172,328	7.1%	
Corporate Bonds	111,474	0	0.0%	0	0.0%	0	**0.0%**	109,376	23.1%	0	0.0%	0	0.0%	109,376	4.5%	
Overseas Bonds	37,457	0	0.0%	0	0.0%	0	**0.0%**	31,375	6.6%	0	0.0%	0	0.0%	31,375	1.3%	
Index-Linked	136,881	0	0.0%	0	0.0%	0	**0.0%**	147,112	31.0%	0	0.0%	0	0.0%	147,112	6.1%	
Total Bonds	**452,815**	**0**	**0%**	**0**	**0.0%**	**0**	**0.0%**	**460,191**	**97.0%**	**0**	**0.0%**	**0**	**0.0%**	**460,191**	**19.1%**	**21.0%**
ALTERNATIVE INVESTMENTS																
Property	154,909	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	125,225	29.0%	31,907	8.2%	157,132	6.5%	8.0%
Private Equity	171,840	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	166,178	42.6%	166,178	6.9%	9.0%
Multi Asset - DGF	113,941	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	117,339	30.1%	117,339	4.9%	5.0%
Infrastructure	2,180	0	0.0%	0	0.0%	0	**0.0%**	0	0.0%	0	0.0%	3,685	1.0%	3,685	0.2%	3.0%
Total Alternative Investments	**442,870**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**0**	**0.0%**	**125,225**	**29.0%**	**319,109**	**81.8%**	**444,334**	**18.4%**	**25.0%**
CASH	**86,521**	**16,859**	**3.8%**	**6,102**	**2.4%**	**0**	**0.0%**	**14,265**	**3.0%**	**2,898**	**0.7%**	**70,757**	**18.2%**	**110,881**	**4.6%**	**0.0%**
TOTAL ASSETS	**2,315,497**	**440,671**	**100.0%**	**257,440**	**100.0%**	**418,520**	**100.0%**	**474,456**	**100.0%**	**431,370**	**100.0%**	**389,866**	**100.0%**	**2,412,323**	**100.0%**	**100.0%**

% of total Fund	18.27%	10.67%	17.35%	19.67%	17.88%	16.16%	100.00%

TABLE 2

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

Asset	Market Value 01.10.17	%	Net Purchases and Sales					Changes in Market Value					Market Value 31.12.17	%
			UBS	Baillie Gifford	Legal & General	Wellington	Other	UBS	Baillie Gifford	Legal & General	Wellington	Other		
	£000		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
EQUITIES														
UK Equities	640,228	28	0	(3,465)		(574)	0	4,236	19,580	9,403	303	0	669,711	28
US Equities	145,929	6	0	0	0	3,308	0	0	0	0	8,144	0	157,381	7
European & Middle Eastern Equities	44,905	2	0	0	0	2,579	0	0	0	0	(2,975)	0	44,509	2
Japanese Equities	14,237	1	0	0	0	(243)	0	0	0	0	937	0	14,931	1
Pacific Basin Equities	2,899	0	0	0	0	(1,566)	0	0	0	0	1,531	0	2,864	0
Emerging Market Equities	15,343	1	0	0	0	(3,528)	0	0	0	0	1,366	0	13,181	1
Global Pooled Funds	469,750	20	0	0			0	14,074	0	10,516	0	0	494,340	20
Total Overseas Equities	693,063	30	0	0	0	550	0	14,074	0	10,516	9,003	0	727,206	30
BONDS														
UK Gilts	167,003	7	0	0	909		0	0	0	4,416	0	0	172,328	6
Corporate Bonds	111,474	5	0	0	0		0	0	0	(2,098)	0	0	109,376	5
Overseas Bonds	37,457	2	0	0	(6,185)		0	0	0	103	0	0	31,375	1
Index-Linked Bonds	136,881	6	0	0	4,871		0	0	0	5,360	0	0	147,112	6
ALTERNATIVE INVESTMENTS														
Property	154,909	7	(109)	0	0		(1,868)	2,387	0	0	0	1,813	157,132	7
Private Equity	171,840	7	0	0	0		(11,694)	0	0	0	0	6,032	166,178	7
Multi Asset - DGF	113,941	5	0	0	0			0	0	0	0	3,398	117,339	5
Infrastructure	2,180	0	0	0	0	0	1,574	0				(69)	3,685	0
SUB TOTAL	2,228,976	96	(109)	(3,465)	(405)	(24)	(11,988)	20,697	19,580	27,700	9,306	11,174	2,301,442	95
CASH *	86,521	4	690	5,109	4,343	1,237	12,981	0	0	0	0	0	110,881	5
GRAND TOTAL	**2,315,497**	**100**	**581**	**1,644**	**3,938**	**1,213**	**993**	**20,697**	**19,580**	**27,700**	**9,306**	**11,174**	**2,412,323**	**100**

* Movement in cash is not confined to investment transactions but also includes dividend income and the payment of fees. Further details of cash movements can be found in the Managers' individual valuations.

TABLE 3

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

PERFORMANCE TO 31st DECEMBER 2017

COMBINED PORTFOLIO (BY FUND MANAGER)

FUND MANAGER	% Weighting of Fund as at 31st December 2017	QUARTER ENDED 31st December 2017 RETURN %	12 MONTHS ENDED 31st December 2017 RETURN %	THREE YEARS ENDED 31st December 2017 RETURN %	FIVE YEARS ENDED 31st December 2017 RETURN %	TEN YEARS ENDED 31st December 2017 RETURN %
BAILLIE GIFFORD UK EQUITIES	18.3%	5.1	17.8	12.1	12.0	8.6
BENCHMARK		4.8	12.8	10.0	10.2	6.3
VARITAION		**0.3**	**5.0**	**2.1**	**1.8**	**2.3**
WELLINGTON GLOBAL EQUITIES	10.7%	4.3	11.0	12.8	13.8	
BENCHMARK		4.9	13.2	14.6	15.0	
VARITAION		**-0.6**	**-2.2**	**-1.8**	**-1.2**	
L&G UK EQUITIES - PASSIVE	8.1%	5.0	13.1	10.0	9.7	
BENCHMARK		4.8	12.5	9.8	9.6	
VARITAION		**0.2**	**0.6**	**0.2**	**0.1**	
L&G GLOBAL EX UK EQUITIES - PASSIVE	9.2%	5.0	13.4	15.7	16.4	
BENCHMARK		5.0	13.5	15.7	16.4	
VARITAION		**0.0**	**-0.1**	**0.0**	**0.0**	
L&G FIXED INCOME	19.7%	2.5	3.3	6.1	6.3	7.2
BENCHMARK		2.5	3.1	5.8	6.3	6.8
VARITAION		**0.0**	**0.2**	**0.3**	**0.0**	**0.4**
IN-HOUSE PROPERTY	1.3%	6.0	9.0	11.1	8.7	
BENCHMARK		3.1	10.2	8.4	10.3	
VARITAION		**2.9**	**-1.2**	**2.7**	**-1.6**	
PRIVATE EQUITY	6.9%	4.0	15.2	18.7	17.9	9.0
BENCHMARK		4.0	15.5	11.4	13.1	7.0
VARITAION		**0.0**	**-0.3**	**7.3**	**4.8**	**2.0**
INFRASTRUCTURE	0.2%	-1.6				
BENCHMARK		1.1				
VARITAION		**-2.7**				
UBS GLOBAL EQUITIES	12.6%	5.7	15.6	14.1	14.2	8.7
BENCHMARK		4.9	13.9	15.0	15.0	8.8
VARITAION		**0.8**	**1.7**	**-0.9**	**-0.8**	**-0.1**
UBS PROPERTY	5.3%	2.9	10.6	9.3	10.7	4.2
BENCHMARK		3.1	10.2	8.4	10.3	4.0
VARITAION		**-0.2**	**0.4**	**0.9**	**0.4**	**0.2**
INSIGHT DIVERSIFIED GROWTH FUND	4.9%	3.0	10.0	4.3		
BENCHMARK		1.1	3.6	3.5		
VARITAION		**1.9**	**6.4**	**0.8**		
IN-HOUSE CASH	2.9%	0.1	0.2	0.3	0.4	1.3
BENCHMARK		0.2	0.4	0.4	0.4	0.8
VARITAION		**-0.1**	**-0.2**	**-0.1**	**0.0**	**0.5**
TOTAL FUND	**100.0%**	**4.2**	**11.1**	**11.3**	**11.6**	**7.1**
BENCHMARK		**3.9**	**10.1**	**10.5**	**11.2**	**7.4**
VARIATION		**0.3**	**1.0**	**0.8**	**0.4**	**-0.3**

TABLE 4

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

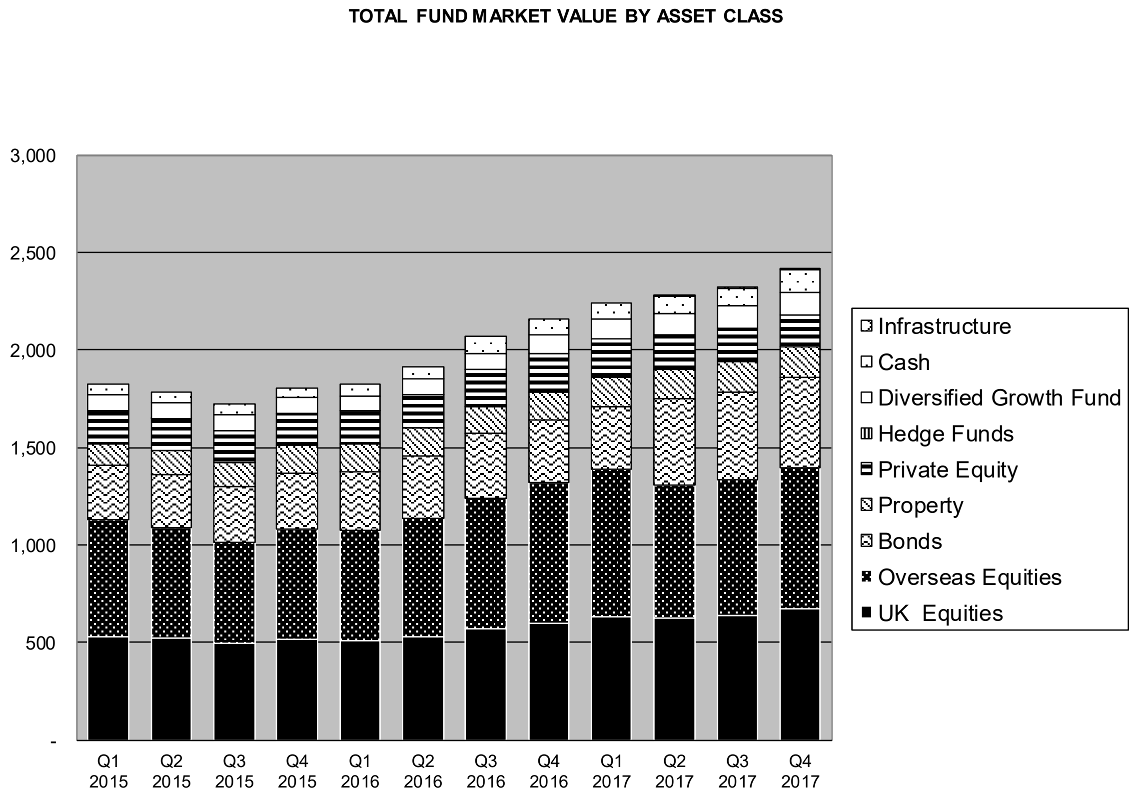
TOP 20 HOLDINGS AT 31/12/2017

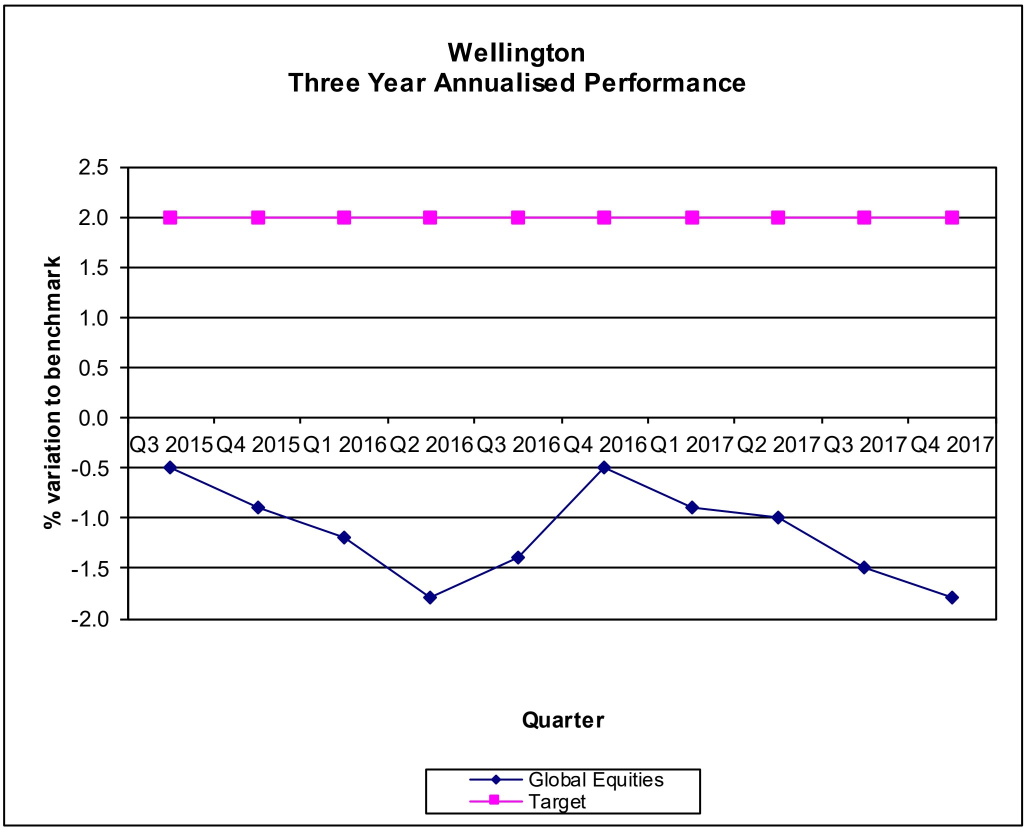
	ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
	DIRECT HOLDINGS		
1	HG CAPITAL TRUST PLC	34,154,440	1.42
2	ROYAL DUTCH SHELL B SHS EUR0.07	20,928,908	0.87
3	UK TSY 1 3/4 2019 BONDS REGS 07/19 1.75	20,191,955	0.84
4	PRUDENTIAL PLC	19,976,229	0.83
5	BRITISH AMERICAN TOBACCO PLC	18,365,137	0.76
6	ST JAMESS PLACE PLC	16,631,421	0.69
7	STANDARD LIFE PRIVATE EQ ORD	16,340,334	0.68
8	ASHTEAD GROUP PLC	15,707,626	0.65
9	UK TSY 4 1/4 2027 BONDS REGS 12/27 4.25	15,441,617	0.64
10	DIAGEO PLC	15,248,076	0.63
11	BHP BILLITON USD0.5	14,496,943	0.60
12	F&C PRIVATE EQTY TST ORD GBP0.01	13,977,600	0.58
13	BUNZL PLC	12,822,948	0.53
14	RIO TINTO	11,857,942	0.49
15	HSBC HOLDINGS PLC	11,742,329	0.49
16	LEGAL & GENERAL GROUP PLC	11,498,239	0.48
17	RELX PLC COMMON STOCK GBP.144397	11,073,250	0.46
18	JUST GROUP PLC COMMON STOCK GBP.1	10,721,433	0.44
19	UNILEVER PLC	10,536,779	0.44
20	3I GRP	10,257,383	0.43
	TOP 20 HOLDINGS MARKET VALUE *	**311,970,589**	12.95
	* Excludes investments held within Pooled Funds		
	POOLED FUNDS AT 31/12/2017		
1	UBS LIFE GLOBAL EQUITY ALL COUNTRY FUND A	303,246,570	12.57
2	L&G WORLD (EX UK) EQUITY INDEX	222,085,188	9.21
3	L&G UK EQUITY INDEX	196,435,235	8.14
4	LEGAL AND GENERAL TD CORE PLUS	179,434,086	7.44
5	INSIGHT BROAD OPPORTUNITIES FUND	117,339,199	4.86
	TOTAL POOLED FUNDS MARKET VALUE	**1,018,540,278**	42.22
	TOTAL FUND MARKET VALUE	**2,412,323,199**	

GRAPH 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

MARKET VALUE OF TOTAL FUND





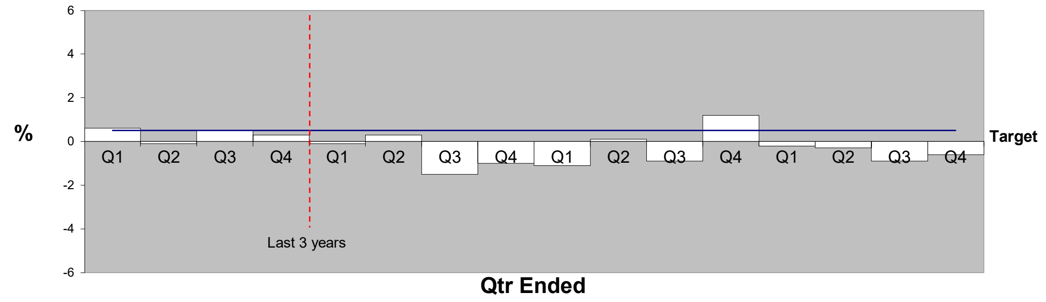
Wellington Three Year Annualised Performance

	Global Equities	Target
Q3 2015	-0.5	2.0
Q4 2015	-0.9	2.0
Q1 2016	-1.2	2.0
Q2 2016	-1.8	2.0
Q3 2016	-1.4	2.0
Q4 2016	-0.5	2.0
Q1 2017	-0.9	2.0
Q2 2017	-1.0	2.0
Q3 2017	-1.5	2.0
Q4 2017	-1.8	2.0

PERFORMANCE RELATIVE TO BENCHMARK GRAPH 3

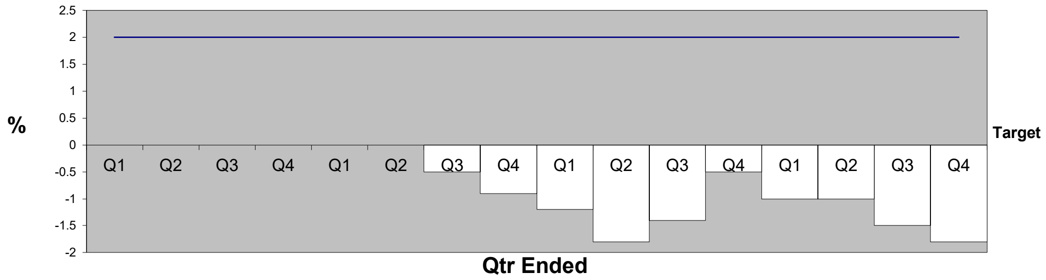
	2014				2015				2016				2017			

Quarterly Performance



	2014 Q1	Q2	Q3	Q4	2015 Q1	Q2	Q3	Q4	2016 Q1	Q2	Q3	Q4	2017 Q1	Q2	Q3	Q4
Performance	1.0	2.3	3.5	4.7	7.4	-5.0	-7.4	6.9	1.7	8.8	7.5	7.6	5.4	0.1	0.9	4.3
Benchmark	0.4	2.4	3.0	4.4	7.5	-5.3	-6.0	7.9	2.8	8.6	8.4	6.4	5.6	0.4	1.8	4.9
Relative Return	**0.6**	**-0.1**	**0.5**	**0.3**	**-0.1**	**0.3**	**-1.5**	**-1.0**	**-1.1**	**0.1**	**-0.9**	**1.2**	**-0.2**	**-0.3**	**-0.9**	**-0.6**

3 Year Performance



	2014 Q1	Q2	Q3	Q4	2015 Q1	Q2	Q3	Q4	2016 Q1	Q2	Q3	Q4	2017 Q1	Q2	Q3	Q4
Performance							8.7	10.4	6.3	8.8	11.7	13.1	14.7	13.9	12.9	12.8
Benchmark							9.2	11.3	7.5	10.6	13.2	13.7	15.7	14.9	14.4	14.6
Relative Return	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.5**	**-0.9**	**-1.2**	**-1.8**	**-1.4**	**-0.5**	**-1.0**	**-1.0**	**-1.5**	**-1.8**

Target Returns

Rolling annual target of 2% above benchmark

Top 10 holdings at 31/12/2017

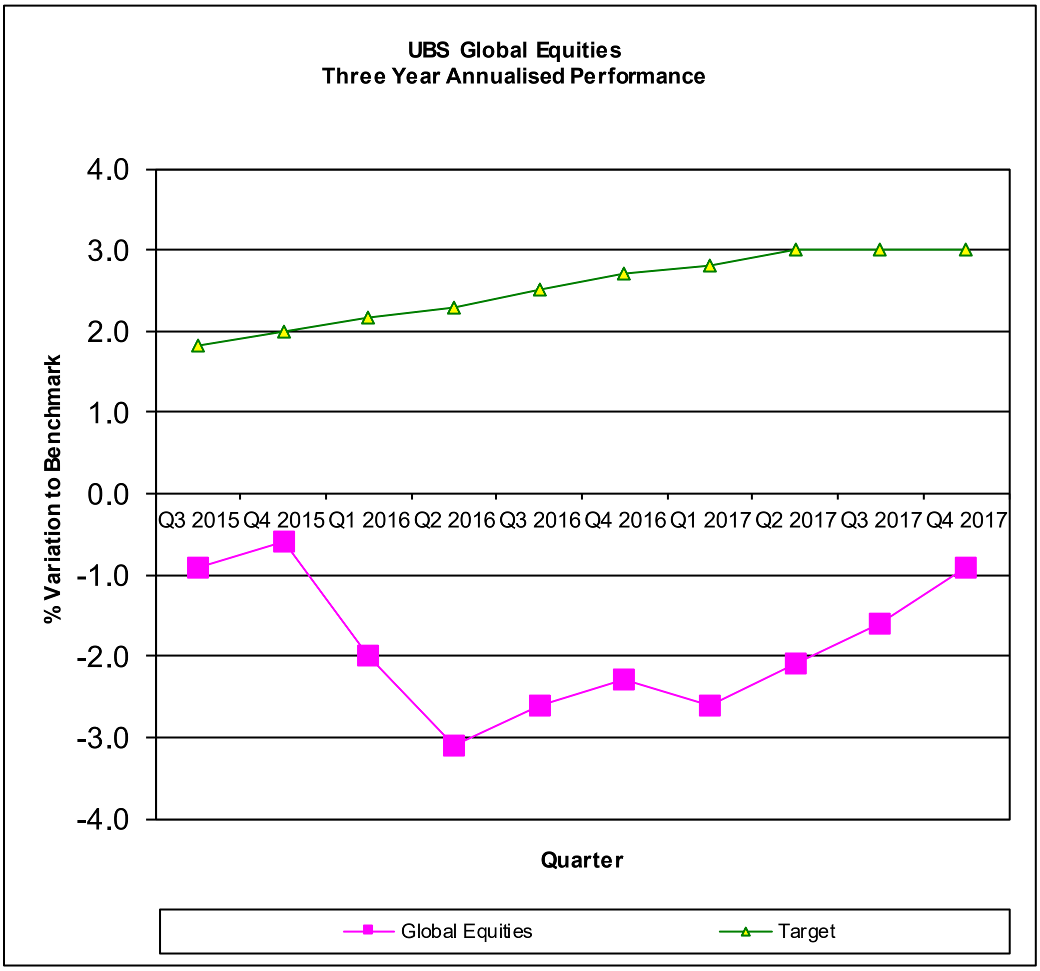
	Holding	Value £	% of portfolio
1	QUALCOMM	5,308,919	2.06
2	INTEL CORP	5,216,369	2.03
3	CISCO SYSTEMS INC	5,135,830	1.99
4	BRITISH AMERICAN TOBACCO	5,018,016	1.95
5	JP MORGAN CHASE	4,557,883	1.77
6	CITIGROUP	4,486,711	1.74
7	MICROSOFT CORP	4,463,588	1.73
8	NETAPP INC COMMON STOCK	4,314,368	1.68
9	ZURICH INSURANCE	4,044,486	1.57
10	VIACOM INC CLASS B COMMON STOCK	4,028,908	1.56
	Top 10 Holdings Market Value	46,575,078	18.09
	Total Wellington Market Value	257,440,000	

Wellington

Top 10 holdings excludes investments held within pooled funds.

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

GRAPH 4



UBS Three Year Annualised Performance

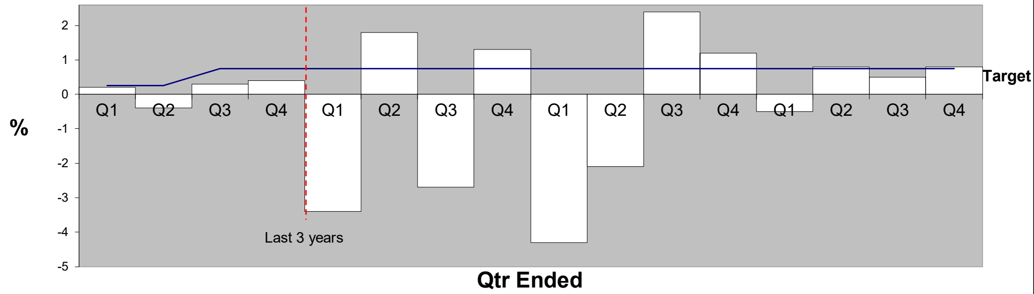
	Global Equities	Target
Q3 2015	-0.9	1.8
Q4 2015	-0.6	2.0
Q1 2016	-2.0	2.2
Q2 2016	-3.1	2.3
Q3 2016	-2.6	2.5
Q4 2016	-2.3	2.7
Q1 2017	-2.6	2.8
Q2 2017	-2.1	3.0
Q3 2017	-1.6	3.0
Q4 2017	-0.9	3.0

PERFORMANCE RELATIVE TO BENCHMARK

GRAPH 5

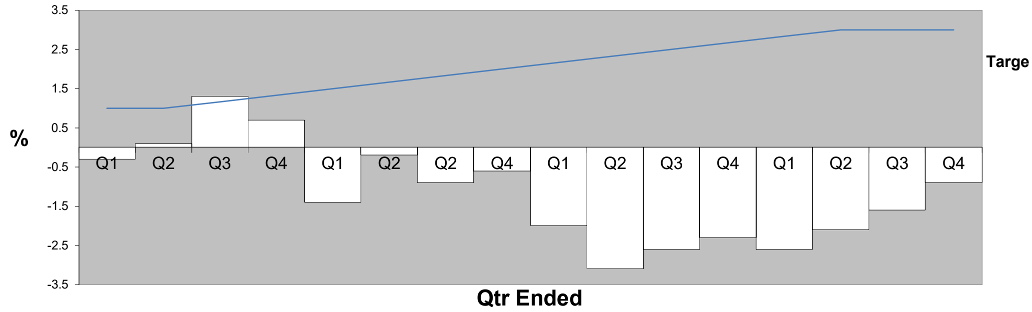
2014	2015	2016	2017

Quarterly Performance



Performance	0.5	1.9	2.2	3.1	6.2	-3.5	-8.5	9.3	-1.7	6.7	10.9	7.7	5.3	1.4	2.5	5.7
	0.3	2.3	1.9	2.7	9.6	-5.3	-6.0	7.9	2.8	8.8	8.5	6.5	5.8	0.6	2.0	4.9
Relative Return	**0.2**	**-0.4**	**0.3**	**0.4**	**-3.4**	**1.8**	**-2.7**	**1.3**	**-4.3**	**-2.1**	**2.4**	**1.2**	**-0.5**	**0.8**	**0.5**	**0.8**

3 Year Performance

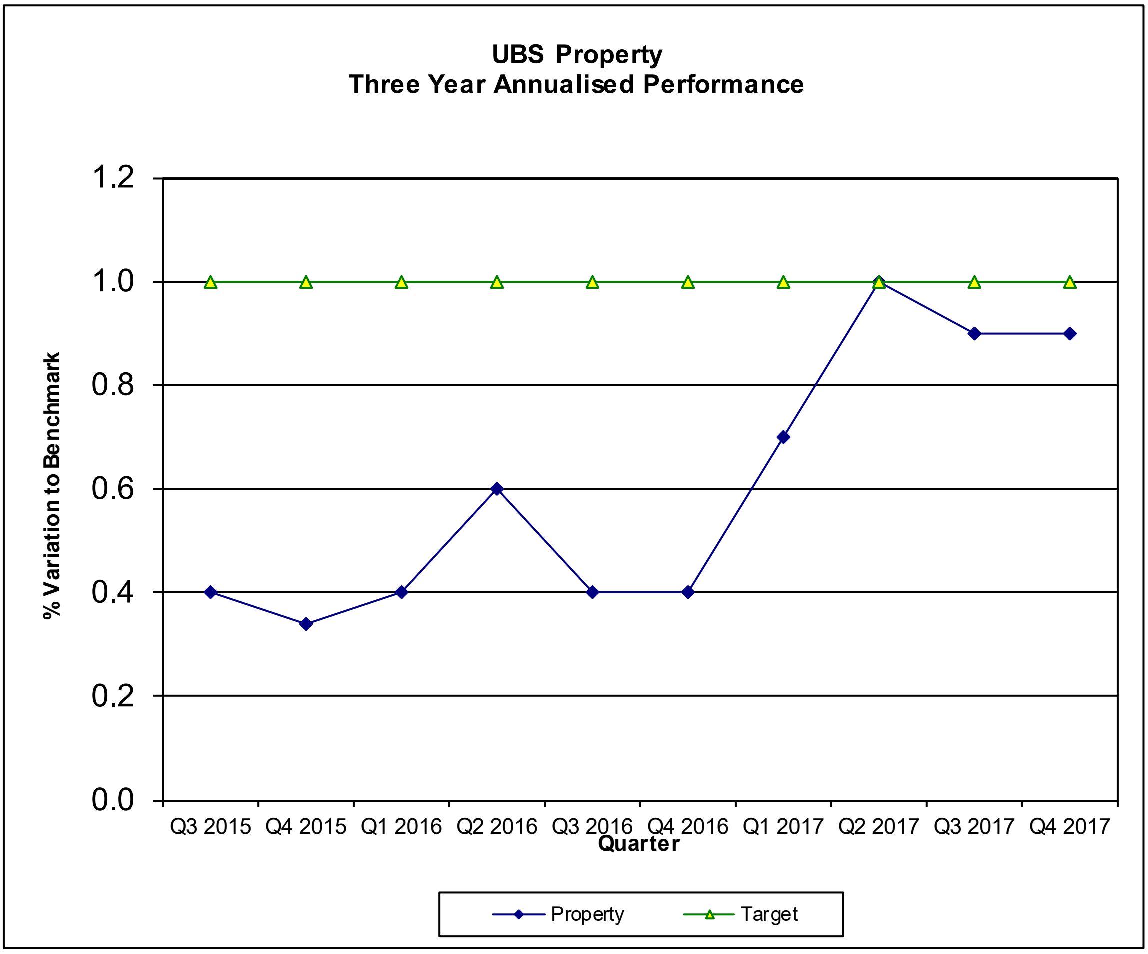


Performance	6.2	7.2	15.5	14.0	12.0	13.3	8.6	10.3	5.2	7.5	10.2	11.5	13.2	13.1	13.2	14.1
Benchmark	6.5	7.1	14.2	13.3	13.4	13.5	9.7	11.0	7.4	10.6	12.8	13.8	15.8	15.2	14.8	15.0
Relative Return	**-0.3**	**0.1**	**1.3**	**0.7**	**-1.4**	**-0.2**	**-0.9**	**-0.6**	**-2.0**	**-3.1**	**-2.6**	**-2.3**	**-2.6**	**-2.1**	**-1.6**	**-0.9**

Target Returns

Rolling annual target of 3.00% above benchmark

UBS - Overseas Equities



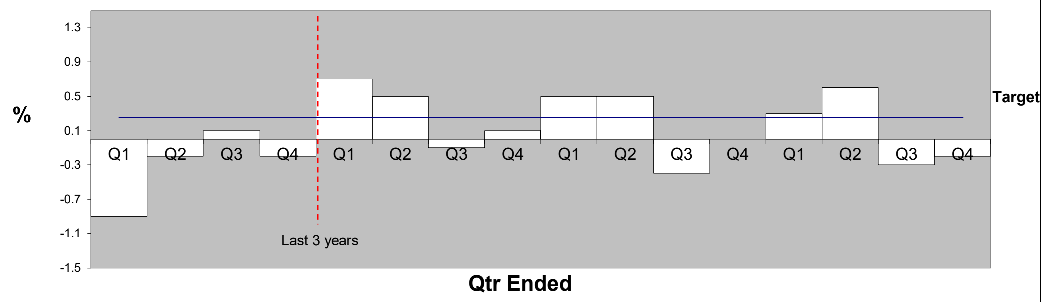
UBS Three Year Annualised Performance

	Property	Target
Q3 2015	0.4	1.0
Q4 2015	0.3	1.0
Q1 2016	0.4	1.0
Q2 2016	0.6	1.0
Q3 2016	0.4	1.0
Q4 2016	0.4	1.0
Q1 2017	0.7	1.0
Q2 2017	1.0	1.0
Q3 2017	0.9	1.0
Q4 2017	0.9	1.0

PERFORMANCE RELATIVE TO BENCHMARK **GRAPH 7**

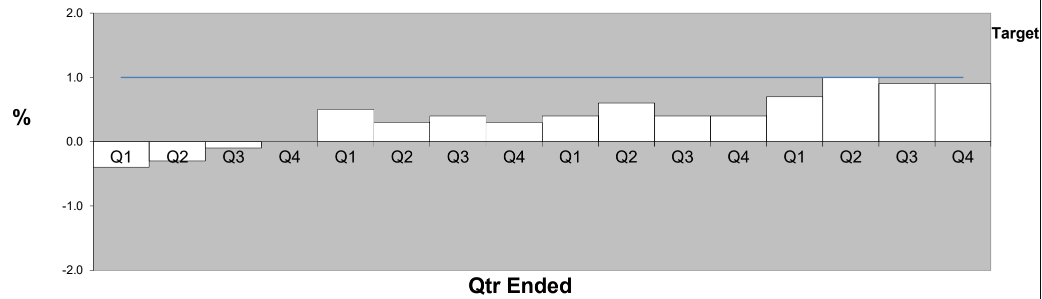
	2014	2015	2016	2017

Quarterly Performance



Performance	2.4	4.1	4.1	4.4	3.5	3.8	2.9	2.9	1.6	0.6	-1.1	2.3	2.3	2.9	2.1	2.9
	3.3	4.3	4.0	4.6	2.8	3.3	3.0	2.8	1.1	0.1	-0.7	2.3	2.0	2.3	2.4	3.1
Relative Return	**-0.9**	**-0.2**	**0.1**	**-0.2**	**0.7**	**0.5**	**-0.1**	**0.1**	**0.5**	**0.5**	**-0.4**	**0.0**	**0.3**	**0.6**	**-0.3**	**-0.2**

3 Year Performance



Performance	5.7	6.7	7.7	8.9	10.1	11.0	12.1	13.3	13.4	13.1	11.8	11.1	10.9	10.5	9.8	9.3
Benchmark	6.1	7.0	7.8	8.9	9.6	10.7	11.7	12.9	13.0	12.5	11.4	10.7	10.2	9.5	8.9	8.4
Relative Return	**-0.4**	**-0.3**	**-0.1**	**0.0**	**0.5**	**0.3**	**0.4**	**0.3**	**0.4**	**0.6**	**0.4**	**0.4**	**0.7**	**1.0**	**0.9**	**0.9**

Target Returns

Rolling annual target of 1.0% above benchmark

Top 10 holdings at 31/12/2017

	Holding	Value £	% of portfolio
1	BLACKROCK UK PROPERTY FUND	16,333,136	12.75
2	HENDERSON OUTLET MALL FUND	9,834,178	7.68
3	ROCKSPRING HANOVER PROPERTY UNIT TRUST	9,677,845	7.55
4	STANDARD LIFE POOLED PPTY FD	9,079,903	7.09
5	SCHRODER UK PROPERTY-INC	8,763,532	6.84
	Top 10 Holdings Market Value	53,688,594	4.19
	Total UBS Property Market Value	128,123,000	

UBS - Property

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QUARTERLY REVIEW PREPARED FOR

Oxfordshire Council Pension Fund

Q4 2017

2nd February 2018

Peter Davies

AllenbridgeEpic Investment Advisers Limited (Allenbridge)

Peter.Davies@allenbridge.com
www.allenbridge.com

PENSION FUND COMMITTEE – 9 MARCH 2018

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

Economy

1. Economic growth in the 3rd quarter has exceeded expectations in most regions, and forecasts for 2018 have also been upgraded.

(In the table below the bracketed figures show the forecasts made in November)

[Source of estimates: The Economist, January 13th 2018]

Consensus real growth (%)						Consumer prices latest (%)
	2014	2015	2016	2017E	2018E	
UK	+2.8	+2.3	+2.0	+1.6 (+1.5)	+1.4	+3.0(CPI)
USA	+2.4	+2.4	+1.6	+2.3 (+2.2)	+2.6	+ 2.2
Eurozone	+0.8	+1.5	+1.6	+2.3 (+2.1)	+2.3	+ 1.4
Japan	+0.3	+0.6	+0.9	+1.7 (+1.5)	+1.5	+ 0.5
China	+7.4	+6.9	+6.7	+6.8 (+6.8)	+6.5	+ 1.8

2. The Bank of England announced a ¼% rise in interest rate on November 2nd, while the US Federal Reserve is to start reducing its balance sheet by not re-investing the proceeds of maturing bonds. As expected, the Fed increased rates by ¼% in December and three more such rises are thought likely to take place in 2018. The European Central Bank is to halve its level of monthly bond purchases to €30bn from January 2018, with no specified end-date to the programme.

3. In the UK Budget on November 22nd, the official forecasts for UK GDP growth were revised down to 1.5% in 2017, and in the following four years to between 1.3% and 1.6% per annum. The Budget deficit will decline gradually from the current 2.4% of GDP to 1.1% of GDP in ‘22/’23. Public sector net debt is 86.5% of GDP in this fiscal year and will still be almost 80% of GDP in ‘22/’23.

4. Specific measures included the removal of stamp duty for most first-time buyers, funding to support the housebuilding sector, with penalties on the hoarding of undeveloped land, and more spending on infrastructure. Overall, the Budget contained £7bn of net tax cuts and £18bn of additional spending over the next six years.

5. The United States Congress passed the much-vaunted tax reform bill in December, which, amongst other measures, substantially cut the rate of Corporation Tax and also cut the top rate of Income Tax. While the US equity market welcomed the bill, the political impact of its apparent generosity to the wealthiest remains to be seen.

6. The **UK**'s negotiations with the EU over Brexit were allowed to proceed to the next stage, while Mrs May had to deal with three resignations from her Cabinet towards the end of the year, and announced a reshuffle in January. In **Germany** the CDU/CSU are moving closer to a renewal of their 'grand coalition' with the SPD, but the terms still need to be ratified by the SPD membership. Tensions in **Spain** increased after the call for independence from Catalonia; Madrid dissolved the regional parliament and assumed direct rule of the region pending a December election, which produced a narrow majority for the pro-independence parties. In **Japan**, Prime Minister Abe gained an important two-thirds majority in the Lower House in the October election.

Markets

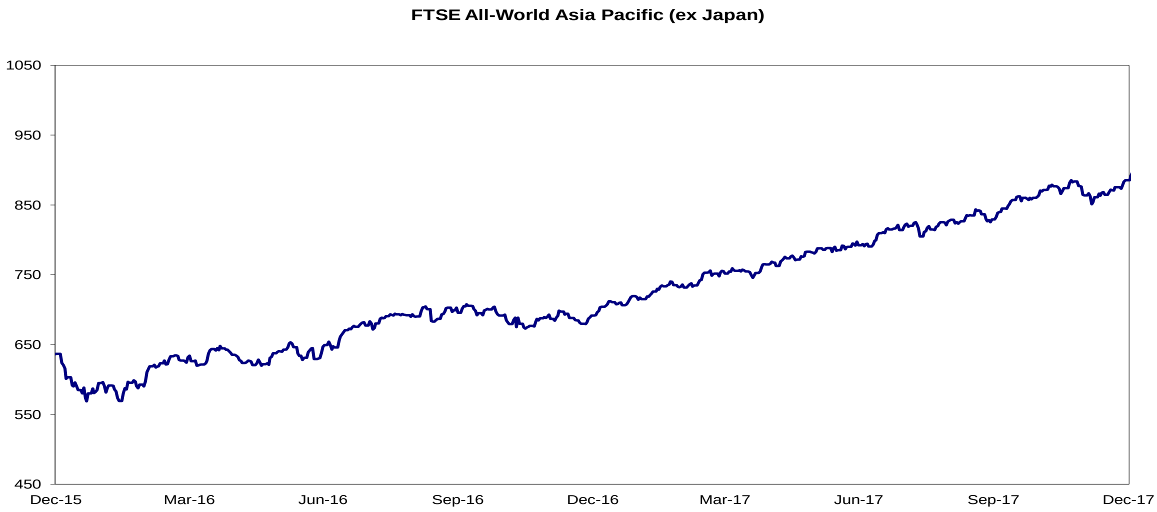
Equities

7. Shares ended the year strongly, with the passing of the US Tax Reform Bill providing an extra fillip in the final weeks of December. For the full year, the UK market lagged all overseas regions, as it had done in 2016.

	Capital return (in £, %) to 31.12.17		
Weight %	Region	**3 months**	**12 months**
100.0	FTSE All-World Index	**+4.6**	**+11.1**
54.2	FTSE All-World North America	+5.1	+9.1
8.6	FTSE All-World Japan	+7.7	+12.1
12.7	FTSE All-World Asia Pacific ex Japan	+7.0	+19.7
15.7	FTSE All-World Europe (ex-UK)	+0.2	+13.4
6.1	FTSE All-World UK	+4.2	+7.5
10.0	FTSE All-World Emerging Markets	+5.8	+17.6

[Source: FTSE All-World Review, December 2017]

8. Pacific Basin equities have risen by 50% since February 2016.



9. With the Technology and Basic Materials sectors again advancing strongly, it has been another year when 'growth' stocks have outpaced 'value' stocks. Oil & Gas, meanwhile, had a dull year after gaining nearly 50% in 2016.

	Capital return (in £, %) to 31.12.17		
Weight %	**Industry Group**	**3 months**	**12 months**
13.5	Technology	+8.0	+26.2
4.8	Basic Materials	+7.2	+18.0
12.9	Industrials	+4.2	+14.4
12.9	Consumer Goods	+4.1	+11.3
100.0	**FTSE All-World**	**+4.6**	**+11.1**
22.8	Financials	+4.6	+10.6
10.6	Consumer Services	+7.4	+9.6
10.2	Health Care	+0.6	+8.6
3.1	Utilities	-1.2	+2.3
6.2	Oil & Gas	+5.3	-4.8
3.0	Telecommunications	+0.0	-5.8

[Source: FTSE All-World Review, December 2017]

10. The mid- and small-cap sectors of the UK market have out-performed the FTSE 100 over the past 12 months, although they all performed similarly during the 4th quarter. For the year, the strongest UK sectors were Technology (+25%) and Basic Materials (+23%), while Utilities was by far the weakest (-15%).

(Capital only%, to 31.12.17)	**3 months**	**12 months**
FTSE 100	**+4.3**	**+ 7.6**
FTSE 250	**+4.3**	**+14.7**
FTSE Small Cap	**+3.5**	**+14.9**
FTSE All-Share	**+4.2**	**+ 9.0**

[Source: Financial Times]

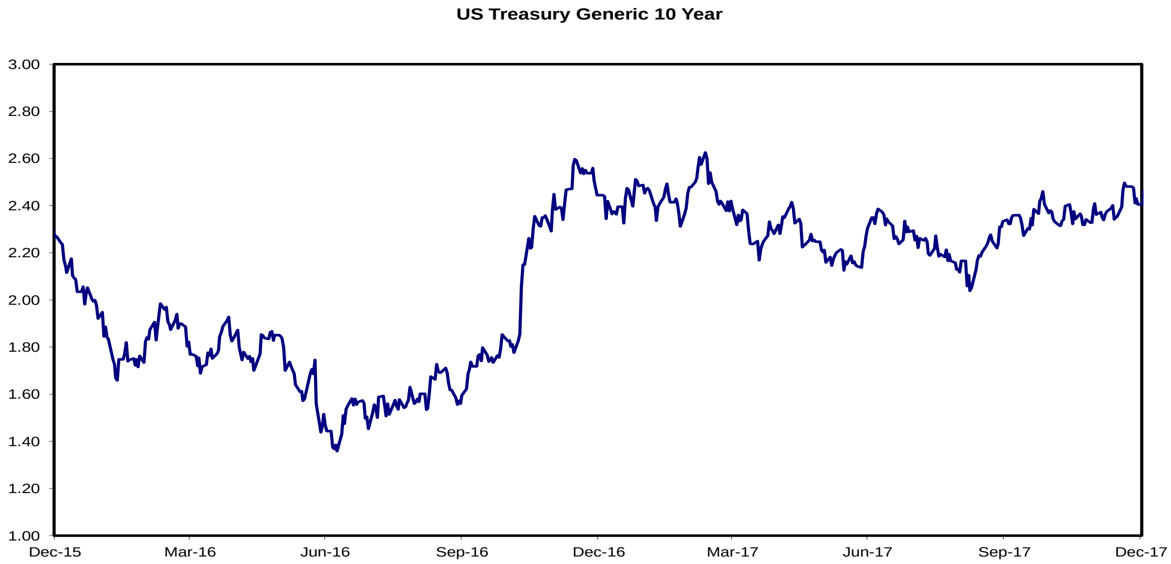
Bonds

11. The yield on US Treasuries edged upwards on the back of strong US economic growth and the December interest rate rise, but, as with the UK gilt yield, ended the year at its end-2016 level. With the recovery in Eurozone economic growth, Bund yields rose during the year from their exceptionally low level of December 2016, while Japanese 10-year yields stayed close to the Bank of Japan's target of 0%.

10-year government bond yields (%)					
	Dec ’14	**Dec 2015**	**Dec 2016**	**Sept 2017**	**Dec 2017**
US	2.17	2.27	2.46	2.32	2.43
UK	1.76	1.96	1.24	1.41	1.23
Germany	0.54	0.63	0.11	0.47	0.43
Japan	0.33	0.27	0.04	0.05	0.05

[Source: Financial Times]

12. The yield on the US 10-year Treasury is now higher than it has been in the past two years



Currencies

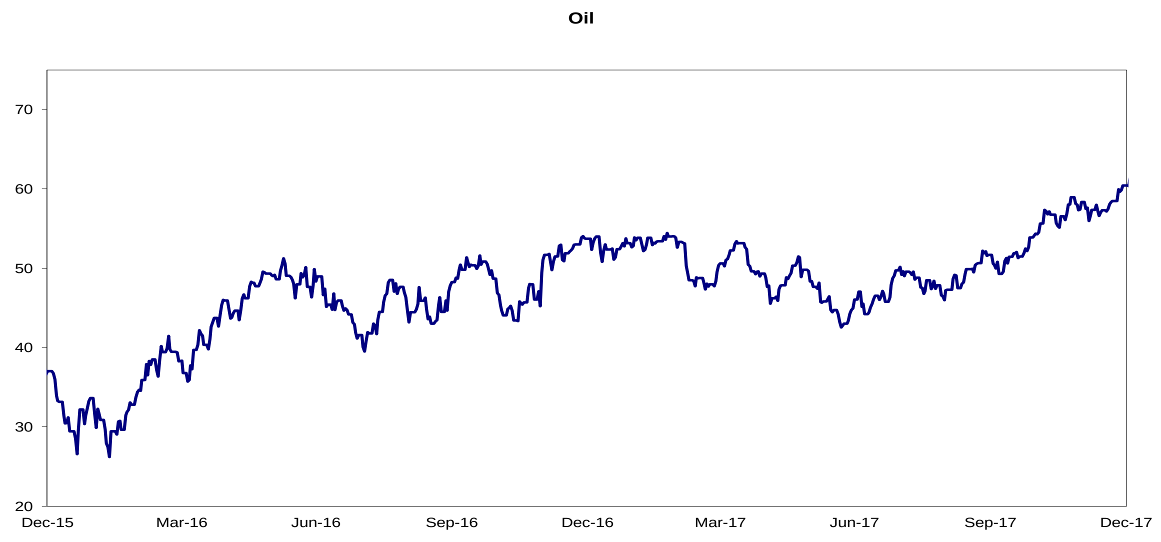
13. The dollar and the yen continued to weaken during the quarter against the pound and the euro. In January 2018 the pound has reached $1.42 – its highest level since the EU Referendum in June 2016.

				£ move (%)	
	31.12.16	**30.9.17**	**31.12.17**	**3m**	**12m**
$ per £	1.236	1.342	1.353	+0.8	+9.5
€ per £	1.172	1.135	1.127	-0.7	-3.8
Y per £	144.1	151.0	152.4	+0.9	+5.8

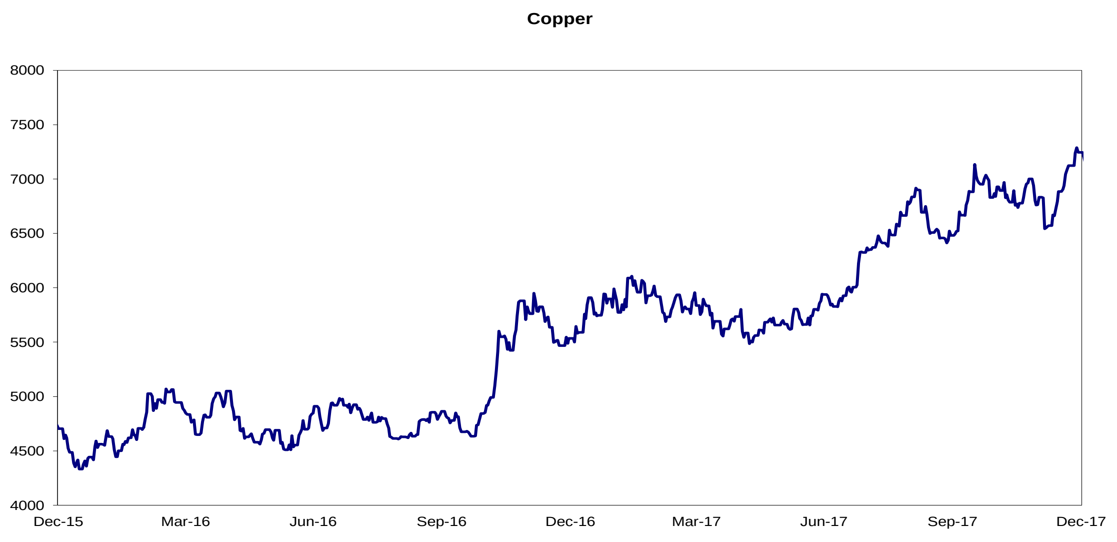
[Source: Financial Times]

Commodities

14. The price of Brent crude continued its third-quarter strength, rising from $57 to $67 per barrel, its highest level for three years. Factors behind this rise include fears about the political unrest in Iran (the 3rd largest oil producer in OPEC), increasing demand for oil as global growth accelerates, and the continuation of supply restrictions agreed between OPEC, Russia and other big producers.



15. Copper has also risen on the improved outlook for global economic growth



Property

16. UK property returns maintained their gently accelerating progress through the year, with a full-year return of 11.2% comparing well with the 2.6% figure recorded in 2016. As was the case in 2016, Industrials were by far the strongest sector of the market.

	3-month (%)	12-month
All Property	**+ 3.4**	**+11.2**
Retail	**+ 2.0**	**+ 7.7**
Office	**+ 2.5**	**+ 8.5**
Industrial	**+ 6.4**	**+ 21.1**

[MSCI UK Monthly Index of total returns, December 2017]

Outlook

17. Although equity markets have continued to rise in recent months, encouraged by the positive outlook for growth in most regions, valuations as a multiple of profits are reaching historically high levels. Nearly two years have passed since the last significant setback in equity markets, and it would be rash to assume that this period of steady gains can continue for much longer – particularly when viewed against a background of rising interest rates, reducing central bank bond-buying programmes and the ever-present geo-political threats.

18. US government 10-year bond yields have moved up to 2.7% in January, which could presage similar moves in other government bond markets and impart a negative influence to equity valuations as future cashflows are discounted at higher long-term interest rates.

Peter Davies
Senior Adviser – AllenbridgeEpic Investment Advisers

February 2nd, 2018

[All graphs supplied by Legal & General Investment Management]

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

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

Agenda Item 18

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of the Local Government Act 1972.

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Division(s): N/A

PENSION FUND COMMITTEE – 9 MARCH 2018

CORPORATE GOVERNANCE - VOTING

Report by the Director of Finance

Introduction

1. The UK Stewardship Code was introduced by the Financial Reporting Council in 2010, and revised in September 2012. The Code, directed at institutional investors in UK companies, aims to protect and enhance the value that accrues to ultimate beneficiaries through the adoption of its seven principles. The code applies to fund managers and also encourages asset owners such as pension funds, to disclose their level of compliance with the code. An update to the Code is planned for 2018 and will be subject to consultation.

2. Principle 6 of the Code states that institutional investors should have a clear policy on voting and disclosure of voting activity. They should seek to vote all shares held and should not automatically support the board. If they have been unable to reach a satisfactory outcome through active dialogue then they should register an abstention or vote against the resolution, informing the company in advance of their intention to do so and why.

3. In 2016 the Financial Reporting Council introduced tiering for Stewardship Code signatories. The FRC assesses signatories to the Stewardship Code based on the quality of their Code statements and uses this to put asset managers into one of three tiers. All of the Pension Fund's investment managers undertaking voting on the Fund's behalf have been assessed as tier 1, which is the highest rating.

4. The Oxfordshire County Council Pension Fund's voting policy is set out in it's Investment Strategy Statement (ISS), which states that voting decisions are delegated to the Fund Managers to excerise voting rights in respect of the Pension Fund's holdings. The ISS also confirms that the Pension Fund maintains ultimate responsibility for ensuring voting is undertaken in the best interests of the Fund. The Committee and officers monitor the voting activity of the Fund Managers and raise any concerns as considered necessary.

Voting Details

5. Manifest were appointed in August 2014 to monitor the voting activity of the Fund. As part of this service they provide an annual report summarising the Fund's voting activity, a copy of which is included in annex 1. The report covers the 12 month period ending 31 July 2017. The report enables the Pension Fund to fulfil the objectives of the Stewardship Code in using the

results to constructively challenge the external fund managers on their stewardship activities.

6. The key points from the 2017 report can be summarised as follows:

7. Overall the Fund's managers voted against management marginally more than general shareholders, opposing management on 5.55% of resolutions. This was up from 3.63% for the prior 12 months.

8. Looking at the results at the individual fund manager level, UBS, L&G Investment Management and Baillie Gifford voted with management slightly less than shareholders in general. Wellington voted with management more than shareholders in general. Table 1 below contains a breakdown of votes by manager.

Table 1: Overall Voting Patterns

FUND	RESOLUTIONS VOTED	OXFORDSHIRE MANAGERS SUPPORTED MANAGEMENT	GENERAL SHAREHOLDERS SUPPORTED MANAGEMENT	TEMPLATE FOR MANAGEMENT
Baillie Gifford	1,118	92.40%	96.82%	83.72%
L&G Investment Management	3,379	96.71%	97.05%	85.38%
UBS	1,318	89.45%	94.61%	66.62%
Wellington	1,082	95.99%	94.63%	69.96%
Total	**6,625**	**94.45%**	**96.25%**	**79.49%**

9. The Pension Fund's voting policy gives discretion to managers to vote in line with their own voting policy and therefore does not require managers to follow a specific policy. It is important to note therefore, that the Manifest best practice template should not be viewed as a measure of 'success' or 'compliance' but more of an aspirational benchmark for best practice company behaviour. It is to be used as a flagging mechanism to identify potential risk that can then be raised with fund managers.

10. Of the 6,625 resolutions analysed in 2017, 1,100 were resolutions where the Manifest Voting Template highlighted potential governance concerns and on these resolutions fund managers supported management on 1,012 occasions. This may seem like a relatively high proportion but it should be noted that not all concerns merit a vote against management, especially where managers use engagement to express concerns and bring about change. Conversely, the report has also identified instances of votes against management where no concerns have been identified by the Manifest template, demonstrating the willingness of managers to apply their own judgement on these issues. Managers also need to be conscious of focussing on those issues they

consider most material; simply voting against a high number of resolutions may result in their key concerns being lost among other less significant issues.

11. Table 2 below shows voting activity per resolution category. In the prior year the greatest proportion of dissent in the Pension Fund's portfolio was seen for corporate action related resolutions. However, excluding the other category, this year has seen the highest proportion of dissent on sustainability related resolutions. There was a significant increase in dissent on sustainability related resolutions with dissent for the year being 13.04% compared to 4.72% in the prior year.

12. Sustainability related issues have been gaining in profile over recent years due to developments such as the Paris climate agreement. This has led to a sharper focus among shareholders on the risks faced by companies from sustainability related issues and has led to an increasing number of shareholder proposed resolutions requesting additional disclosures on this topic. The Fund Managers have clearly been taking a keen interest in this topic and within the sustainability resolution category the highest level of dissent from the Fund Managers was seen for resolutions on environmental practices.

13. In line with the previous year there also continued to be a substantial level of dissent on remuneration related resolutions. This continues a trend seen over the last few years which has seen a greater level of scrutiny over executive remuneration in the corporate governance arena.

Table 2: Overall Voting Patterns

RESOLUTION CATEGORY	NUMBER OF RESOLUTIONS	RESULTS AVAILABLE	OXFORDSHIRE MANAGERS' DISSENT	GENERAL SHAREHOLDERS AVERAGE DISSENT
Board	3,285	3,236	3.93%	3.06%
Capital	1,137	1,131	7.92%	3.14%
Remuneration	872	861	10.89%	7.31%
Audit & Reporting	829	816	1.21%	1.58%
Shareholder Rights	267	261	5.66%	7.01%
Sustainability	186	177	13.04%	8.08%
Corporate Actions	39	38	7.69%	3.88%
Other	10	5	20.00%	2.34%
Total	6,625	6,525	**5.55%**	3.75%

14. The Pension Fund's fund managers supported three successful shareholder sponsored proposals during the 12 months under review all three of which were in the US. One was a resolution to allow shareholders proxy access – the right to place their own nominees on a company's proxy card for board elections. The other two proposals were requests for boards to provide enhanced sustainability reporting.

15. There were four defeated management proposed resolutions in the Pension Fund’s portfolio, three of which the fund managers were non- supportive of. L&G opposed the defeated remuneration report at Pearson. Wellington voted against the advisory vote on executive remuneration at McKesson Corp. UBS voted against the election of an employee shareholder representative at Renault, the position was contested and UBS voted in favour of the successful candidate.

Internally Managed Holdings

16. Voting decisions on internally managed holdings are determined by the Service Manager – Pensions after taking advice from the Fund’s Independent Financial Adviser. These votes are outside the scope of the Manifest report. Over the 12-month period ending 31 July 2017 a total of 139 resolutions were voted on at 12 separate meetings consisting of 12 Annual General Meetings, one Ordinary General Meeting, and one Extraordinary General Meeting. The Fund voted with management on 137 occasions. The two votes not voted in-line with management’s recommendation were at the same meeting and were abstentions on proposals relating to the remuneration policy where the Pension Fund had concerns about whether the proposals were in the best long-term interests of shareholders.

17. It is important to note that voting forms one part of the wider stewardship activities undertaken by fund managers and asset owners and should be considered alongside other activities including company engagement and contributing to the development of corporate governance standards in general. Investors may therefore be supportive of company management through a period where engagement has occurred and management are working towards making improvements from that engagement activity, even though the company currently falls short of the desired standard.

RECOMMENDATION

18. The Committee is RECOMMENDED to note the Fund’s voting activities, and determine any issues they wish to follow up with the specific fund managers, or in general.

Lorna Baxter
Director of Finance

Contact Officer: Gregory Ley, Financial Manager, Pension Fund Investments Tel: (01865) 323978

February 2018

ANNEX 1

Manifest Monitoring Review of Shareholder Voting 2016/17 for Oxfordshire Pension Fund

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TABLE OF CONTENTS

LIST OF TABLE AND FIGURES

1 Introduction

1.1 Aim of Shareholder Vote Monitoring

This is the third year for which Manifest has undertaken a thematic review of the shareholder voting of the Oxfordshire Pension Fund, putting Oxfordshire's fund manager voting behaviour into a comparative and wider context.

The aim of the report is to provide further understanding of:

- Voting activity taken on behalf of the Fund;
- Wider voting issues;
- Governance standards at companies; and
- How the Fund's investment managers use voting rights.

As an on-going annual report, the report assesses progress in terms of the governance standards at investee companies versus good practice, as well as the use of share voting by Oxfordshire's appointed fund managers as a part of their engagement with companies.

Importantly, this report looks at the full picture of how Oxfordshire's fund managers are making use of the Fund's voting rights and will therefore enable Oxfordshire to better understand and challenge fund managers about the role their voting activity plays in ownership strategy. The report enables Oxfordshire to fulfil the objectives of the Stewardship Code in constructively challenging external fund managers in their stewardship activities.

1.2 Voting in Context

Oxfordshire's voting policy gives discretion to managers to vote in line with their own voting policy and therefore does not require managers to follow a specific policy. It is important to note therefore, that the Manifest good practice template should not be viewed as a measure of 'success' or 'compliance' but more of an aspirational benchmark for good practice company behaviour.

The use of shareholder voting rights is not the only means by which shareholder concerns can be communicated to management; however, use of these rights is something that investors are being asked to consider in a more strategic, holistic manner. Managers implement their voting policy in conjunction with other shareholder tools, such as engagement, as a part of their investment management. It should therefore be noted that investment managers may be supportive of company management through a period where engagement has occurred and management are working towards making improvements from that engagement activity, even though the company currently falls short of the desired standard.

Vote monitoring is therefore about understanding investment risk management and oversight of stewardship activities, not enforcing compliance with a policy. It allows for a comparison of fund managers, general shareholder voting behaviour and fund expectations. But share voting is a useful guide for governance risk and how fund managers manage it, because of the provisions of specific research designed to assess corporate governance characteristics and the availability of information about fund manager voting, simultaneously and consistently.

1.3 Scope of Analysis

The period covered by this report encompasses the period of the 1st August 2016 to the 31st July 2017. It represents a full years' voting.

Manifest analyses the issues at hand to provide voting guidance for each voting resolution. This guidance is the result of assessing the company and the resolutions proposed for the meeting in light of a Voting Template framed upon corporate governance good practice policy developed by Manifest for Oxfordshire. This frame of reference can be amended or modified on a customised basis at any time.

Members should consider the Voting Template as a good practice framework to assess corporate governance standards for investee companies, rather than in terms of being voting instructions for fund managers to follow.

The precise tactical use of voting rights is in itself a strategic investment consideration taken by managers. Therefore, for the purposes of this report, Members should bear in mind that it is more significant that the Voting Template identifies an issue of concern (i.e. suggests there may be a reason to not support management or requiring further fund manager review) in relation to a resolution, than the voting action suggested by the template (i.e. an 'Abstain', 'Against' or 'Case by Case' consideration). It is in this light that we have analysed and compared fund manager voting against issues of potential concern, with the emphasis on 'potential'. The report also analysis some of the specific governance issues which have been identified by Manifest's implementation of the voting policy during the monitoring period, to ascertain some notable patterns of the fund policy and external fund managers voting practice.

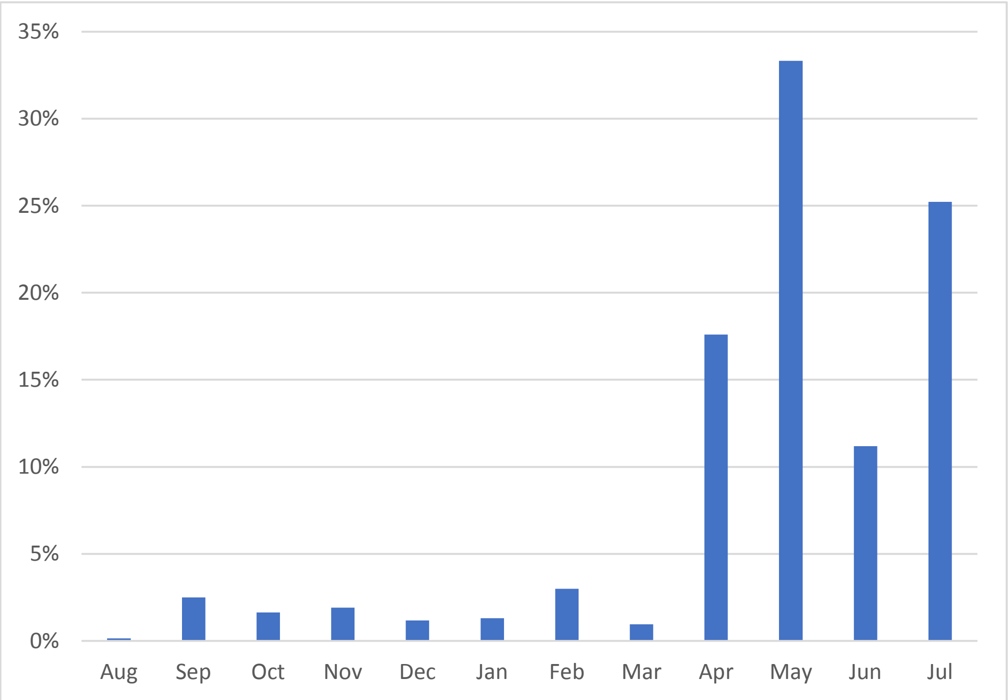
1.4 Peak workloads

Institutional investors are faced with a highly seasonal cycle of activity when it comes to voting shares. With the vast majority of companies reporting a financial year end of the 31st December, and many others using the traditional April to March financial year, there are clear 'peaks' of meeting activity approximately three to four months after the end of the financial years. This means the majority of company meetings are concentrated in the period between April-June (Quarter 2). Because of this concentration Quarter 2 is commonly referred to as 'peak season' and those outside this seasonal concentration "off-peak season".

Figure 1 shows the percentage of total annual resolutions voted by Oxfordshire's fund managers per month, covered by the full monitoring survey. It shows graphically the severe concentration of voting decisions that occurs in April and May of the calendar year, with 50.9% of the voting occurring during those two months, and a further 36.4% during June and July.

Asset owners like the Oxfordshire Pension Fund should be aware that such a high concentration of work inevitably leads to the commoditisation of voting decisions. This in turn increases the likelihood of outsourcing voting decision-making responsibility to outside consultants. In recent years, this dynamic has become the focus of regulatory scrutiny in the UK, Europe, the US, Canada and Australia, especially towards proxy research consultants, and the role that investors play in retaining control of voting decisions.

Figure 1: Percentage of Total Annual Resolutions Voted Per Month (August 2016 – July 2017)



1.5 Governance Hot Topics

There follows at the end of the report a selection of short pieces on issues of topical relevance to institutional investors in 2016/17.

2 Executive Summary

Section 3 ("Explanation of Voting Activity & Monitoring Approach") explains what shareholder voting is and what types of issues shareholders are frequently asked to vote upon. It also sets out the number of meetings voted by Oxfordshire's fund managers in the review period, and explains how Manifest approaches monitoring the fund manager voting at those events.

Manifest undertook full monitoring of meetings in companies in mainstream markets (primarily the UK, Europe, and North America) for the period of 1st August 2016 to the 31st July 2017. The research brought a total of 338 meetings, comprising a total of 5,856 resolutions (an increase on the 4,133 resolutions voted in the prior period). Taking into account occurrences of more than one fund manager voting at the same meeting and on the same resolution, a total of 6,625 resolution analyses were undertaken over 380 shareholder meetings. Of these:

- 3,379 were voted by L&G Investment Management, representing the largest proportion of the report data;
- 1,318 were voted by UBS;
- 1,118 were voted by Baillie Gifford;
- 810 voted by Wellington;
- 1,100 were resolutions where the Voting Template highlighted potential governance concerns and on these resolutions fund managers supported management on 1,012; and
- In total 367 resolutions were voted against management recommendation.

Whilst the number of resolutions where funds managers supported management despite potential concerns being identified seems relatively high, this is ultimately evidence to support the significance of the word 'potential'. Not all concerns merit a vote against management, especially where investors may prefer to use other communications to articulate their concerns before using their share voting rights, or where a concern is not deemed material enough by the fund manager to warrant opposing management's proposal on the issue. Conversely, the report also identifies instances where investors have opposed management even where no governance concerns were highlighted, which suggests an organic, active use of voting rights to enhance the wider ownership process.

Section 4 ("Common Policy Issues at Investee Companies") examines the range of governance issues and considerations which lie behind the resolutions on which Oxfordshire's fund managers were asked to vote, and detailing those which Manifest identified most frequently among the companies at whose meetings the fund managers voted.

Board balance issues are the most frequently identified concerns, partly because they are the substantial issues of the most frequently voted resolutions. The most common specific good practice governance criteria against which Manifest found Oxfordshire's portfolio companies to fall short were:

- Board and Committee independence;
- No Nomination Committee;
- Roles of Chairman and Chief Executive are combined;
- Authority to make political donations;
- No independent verification of the Company's ESG reporting; and
- No meetings held by the non-executive directors without the executives' present.
- Authority to issue share without pre-emption rights exceeded good practice threshold; and
- Lack of gender diversity targets.

Many of these issues were consistently identified in this analysis in the prior year. Many of these instances will have seen portfolio companies provide explanations for non-compliance, following the "comply-or-explain" regime. These are the substantial issues on which investor attention should focus, rather than whether specific resolutions were opposed or otherwise.

In the case of board considerations, this is explained by the fact that so many of the resolutions pertain to board structures (not least director elections, which are by far the most numerous resolution type). It should be noted that there may be multiple concerns highlighted in terms of board structure on director elections and that generally there are therefore much fewer actual resolutions to vote on than identified concerns.

The next step of the analysis is to study patterns of voting behaviour, both those of Oxfordshire's fund managers as well as shareholders in general (Section 5 "Aggregate Voting Behaviour"). We also examine which types of resolution have been the most contentious (Section 6 "Voting Behaviour by Resolution Category").

Overall, Oxfordshire's managers during the review period were comparatively more active in expressing concerns through their votes at corporate meetings than the average shareholder. Whereas general dissent[1] stood at 3.75% on average (compared to 3.60% in the prior year), Oxfordshire's fund managers opposed management on 5.55% of resolutions (up from 3.63%). At individual fund manager voting behaviour level, Ballie Gifford, L&G and UBS voted with management less than shareholders in general whilst Wellington supported management more than shareholders in general. Baillie Gifford and UBS voted against management noticeably more than shareholders in general (i.e. by a factor of 4%). It should also be noted that whilst Wellington did not oppose management to the same extent as shareholders in general, Wellington's level of support for management has decreased by 1.79% from last year. Similarly, L&G's level of support for management has decreased by 1.88%.

The number of potential corporate governance issues identified in Oxfordshire's holdings slightly decreased from the prior year, the level of compliance with the good practice template increased by 0.41% (i.e. this year's template with management is 79.49% and 79.08% last year).

In aggregate, Oxfordshire's managers have opposed management more often than general shareholders; this is situated against a backdrop where shareholders in general have (on average) voted against management more, and an increase in the number of issues of concern identified in the Manifest research. This suggests that Oxfordshire's fund managers assertively make use of Oxfordshire's voting rights to ensure that good practices of corporate governance and sustainability are at place amongst Oxfordshire's holdings.

In general terms, this research has in the past suggested that we would expect to see overall trends improve over time, but in the short term, the relative frequency of various governance themes may come and go in line with contemporary concerns and developments. This year's report very much supports this hypothesis, with comparatively higher levels of concerns identified and increased dissent from shareholders and fund managers, with many of the identified themes very familiar.

A summary of the major developments and debates in global (and especially domestic) corporate governance and voting follows in Hot Governance Topics, featuring amendments to the UK Corporate Governance Code, changes to the UK Pension and Lifetime Savings Association's guidelines, changes to the UK's Investment Association's executive pay recommendations, and human capital and climate change initiatives.

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[1] **What is General Shareholder Dissent?** Where Manifest uses the term 'Dissent', this is the result of having added up all votes not supporting the management recommendation, represented as a percentage of all votes cast ('Against' plus 'Abstain' votes where Management recommended a 'For' vote and 'For' votes where management recommended 'Against'). Where there was no clear recommendation from company management, we have not counted any votes cast on those resolutions as dissent. We calculate the average dissent figure by aggregating all the voting results (expressed in terms of % of votes cast 'For') on all resolutions, then dividing the aggregate figure by the number of resolutions. In most cases, this gives an accurate statistical indication of the dissent that a typical resolution type attracts, relative to others.

3 Explanation of Voting Activity & Monitoring Approach

This section explains what shareholder voting is and what types of issues are frequently voted upon. It will also identify the number of meetings voted by Oxfordshire's fund managers in the monitoring period, and explains how Manifest approaches monitoring the fund manager voting at those events.

3.1 Voting Opportunities

Voting Resolutions

The majority of meetings at which shareholders are asked to vote during the year are Annual General Meetings (AGM), at which there is legally defined, mandatory business which must be put to the shareholders. Few resolutions are actually non-binding in nature. The main non-binding resolutions at an AGM are the receipt of the report and accounts and the approval of the remuneration report.

Like investment decisions, the consideration of shareholder voting decisions often takes into account multiple questions, including company disclosures, company practices, shareholder preferences and wider engagement strategy undertaken by fund managers. This is especially true on the report and accounts resolution. A vote against a particular resolution such as the report and accounts may be explained by any number of various potential factors.

Voting strategy should be seen as an important part of the wider investment process, by using voting rights both positively and negatively to mitigate risk in the equity portfolio. This may mean that, despite the presence of some potentially significant issues, investors may agree to support management in the short term with their votes as part of an engagement process for addressing longer term concerns.

This report will analyse voting resolutions and look at the Fund's investment managers' approach to voting in more detail in a subsequent section of the report.

3.2 Meeting Types

Manifest's experience is that companies have approximately 1.2 meetings per year on average. The majority of meetings at which investors vote during the year are Annual General Meetings (AGMs), at which there is legally defined, mandatory business (Meeting Business) which must be put to the shareholders. These items will vary from market to market and are a function of local company law.

Mandatory business typically includes:

- Receiving of the annual report and accounts;
- Director (re)elections;
- Director remuneration;
- Approval of annual dividend; and
- Reappointment and remuneration of auditors.

Readers should note that what counts as mandatory business varies between jurisdictions. For example, the discharge of Board members from liabilities for their acts or omissions in the past financial year is a regular item on the agenda of AGMs of German companies but is not a feature of UK AGMs. Likewise, the UK is fairly unusual in having a routine resolution to seek shareholder permission for the right to hold non-AGMs at 14 days' notice, instead of the requisite 21 days which normally otherwise applies for shareholder meetings across the EU.

AGM business will often also contain resolutions to approve the issue of new share capital up to a certain maximum (for example in the UK this is usually one third of current Issued Share Capital plus another third for use in a rights issue), along with an accompanying request for the dis-application of pre-emption rights. Across different markets the capital authorities required vary somewhat in their application and number. American and Canadian incorporated companies are not normally required to seek shareholder approval for authorisations to issue shares or to dis-apply pre-emption rights on the issue of shares. Provided a company's authorised capital includes sufficient headroom, management may issue shares subject only to certain limitations set out in the stock exchange listing rules. Although varying by market, resolutions of this authority contribute towards AGMs having a significantly larger number of resolutions on average than other types of meetings.

Since UK and European companies may sometimes challenge the legal terminology for non-Annual General Meetings; some meetings during the period under review were reported as an EGM (Extra-ordinary General Meeting) and other meetings identical in nature were reported as simply General Meetings (GM). In future, GM will replace the term 'EGM'. A Special General Meeting (SGM) is what some companies might use to refer to an EGM, where a Special Resolution is the substance of a meeting (i.e. a resolution which requires a special (higher) level of support or turnout). Other types of meetings include Court Meetings which are technically called by a Court of Law (most commonly in the UK when there is a need to approve a Scheme of Arrangement), rather than by management, and Class Meetings where only shareholders of a specified class of share may vote.

3.2.1 Meetings in the full monitoring sample by Fund Manager

During the period under review, of the 380 meetings Oxfordshire Fund Managers voted at, 91.58% were AGMs, with the majority of the rest constituting GMs 6.58%. The remaining were EGMs 0.26%, SGMs 0.53%, Court Meetings 0.79% and Class Meetings 0.26%.

The table below represents the number of meeting in which fund managers have voted during the monitoring period. The total number of meetings voted by managers (380) exceeds the unique total number voted at for the fund (338) because of instances where more than one fund manager voted at the same meeting, additionally a number of companies held more than one meeting during the review period:

Table 1: Meeting types by fund manager

FUND MANAGER	COMPANIES	AGM	GM	EGM	SGM	COURT	CLASS	TOTAL
Baillie Gifford	54	53	8	0	0	1	0	62
L&G Investment Management (Pooled Instrument)	175	168	14	0	0	2	1	185
UBS (Pooled Instrument)	82	82	2	1	0	0	0	85
Wellington	48	45	1	0	2	0	0	48
Total	**321***	**348**	**25**	**1**	**2**	**3**	**1**	**380**

** Represents the total number of unique companies, not the sum total of companies voted by each manager.*

Although we would expect there to be a 1:1 ratio between the number of companies voted and the number of AGMs voted (on the basis that all companies should have an AGM during the year), the small differences are likely to be explained by portfolio turnover. For example, if a fund manager sells a position in a company in June whose AGM is normally in September, replacing it with stock in a company whose AGM was in March, the fund manager will have owned two companies but had no AGMs to vote in either. However, were Non-AGMs have taken place, these are still counted and therefore explain why the number of companies voted exceeds the number of AGMs voted. This is not as unlikely as it may seem – often when a company de-lists, a shareholder meeting is required, making it quite plausible that a company may have an EGM but no AGM during the year.

3.3 Monitoring Approach

The Manifest Voting Template analyses and considers good practice governance expectations in the context of company meeting business (i.e. what can be voted at a shareholder meeting). Where there are local variations to good practice questions (for example, the length of time after which an independent director may no longer be deemed independent), Manifest applies the local market variation to the assessment, so that we only flag an issue as of concern if the company in question fails to meet their local standards. Where no issues of concern are identified in connection with a resolution, the Voting Template will naturally suggest supporting the proposal.

Manifest monitors companies using this Voting Template in order to:

- Consistently identify company-specific governance policy issues, and
- Monitor and benchmark the actual voting behaviour of investment managers compared to
  - The average shareholder (based on meeting outcomes) and
  - The good practice governance standards (based on regulatory and public policy standard).

The Voting Template is not a prescriptive list of mandatory voting requirements. It is understood that investment managers actual voting behaviour will differ from the Voting Template. This is due to variances in views on governance and voting issues, investment strategy and the role of voting within on-going engagement and stewardship strategy. As such it offers the Fund a “sense check” of the stewardship approach managers are taking.

4 Common Policy Issues at Investee Companies

This section develops the themes identified in the previous chapter by examining the range of governance policy issues and considerations which lie behind the resolutions on which shareholders are asked to vote. The analysis then details those concerns from Oxfordshire's policy which Manifest identified most frequently among the companies Oxfordshire's fund managers have voted meetings for. This can be considered as a measure for companies' compliance with Oxfordshire's governance policy.

4.1 Introduction

Corporate governance is important to investors because it defines the system of checks and balances between the executive management of the company and its owners. Without appropriate levels of independence, accountability, remuneration, experience and oversight, corporate governance would offer shareholders little protection from the risk that their investee company is badly managed.

Analysis of the Voting Template settings allows for an in-depth study of the specific governance issues which have been identified by Manifest's research and analysis process. We have selected the most common issues which have been triggered by the Voting Template, to illustrate the most common 'issues' with resolutions voted by the Oxfordshire fund managers according to the preferences set out in Oxfordshire's Voting Template used by Manifest for monitoring fund manager voting.

The scope of Oxfordshire's voting policy is focussed upon a small number of important governance themes, to enable scrutiny of a manageable number of issues. These themes include Audit & Reporting; Board; Remuneration: and Sustainability. Each theme has a number of specific questions associated with it (e.g. on a Director Election resolution (Board), "Where the nominee is non-executive and not independent and the percentage of independent directors is insufficient"). It is these specific questions whose frequency this section of the report examines.

There were 1,100 resolution analyses where one or more concerns were identified by Manifest from Oxfordshire's Voting Template.

When considering the most common policy issues Manifest identified at the meetings researched in the Oxfordshire portfolios, comparison with last year's analysis shows that, in general, a larger number of issues of concern were identified at companies. This is explained in part by there being a higher number of resolutions in the data set. However, changes in the patterns of frequency also suggest some inferences.

When analysing the dataset, there is a distinct high proportion of Board-related resolutions (49.58%). This stems from the fact that director elections are frequently, indeed preferably, conducted on an individual basis (i.e. one resolution per director), and more often than not form a part of the common or mandatory business for an AGM every year.

Table 2: Most Common Policy Issues

TABLE POSITION	DESCRIPTION	POLICY PILLAR	ISSUE TYPE
1	Nominee is a non-independent member of the Remuneration Committee and the percentage of the Remuneration Committee considered to be independent is less than 50-100% (depending on the local market provisions)	Remuneration	Remuneration Committee
2	Nominee is a non-independent member of the Audit Committee and the percentage of the Audit Committee considered to be independent is less than 50-100% (depending on the local market provisions)	Audit & Reporting	Audit Committee
3	An authority for political donations and expenditures is being sought	Sustainability	Donations
=	Nominee is a non-independent member of the Nomination Committee and the percentage of the Nomination Committee considered to be independent is less than 50-100% (depending on the local market provisions)	Board	Nomination Committee
5	There is no independent verification of the Company's ESG reporting	Sustainability	Corporate Social Responsibility
6	The roles of Chairman and CEO are combined	Board	Chairman / CEO
7	A Nomination Committee does not exist (or its membership is not disclosed)	Board	Nomination Committee
8	The Company, being a large/mid cap constituent, has not disclosed a gender diversity target	Board	Board Diversity
9	The authority sought without pre-emption rights exceeds 5%-50% (depending on the local market provisions)	Capital	Share Issues
10	There are no meetings held by the non-executives without the executives present	Board	Board Operation
11	The individual's number of other current directorships at listed companies (Chairman role counts as 2) exceeds one in the case of an executive nominee and five in the case of a non-executive nominee	Board	Director - Time Commitment
12	Nominee is non-executive and not independent and the percentage of independent directors on the Board (excluding the Chairman) (large company) comprises less than 50%	Board	Board Composition

Overall, Manifest flagged 1,582 policy issues across the 6,625 resolution analyses undertaken for this report. This includes instances where the same resolution was analysed multiple times due to fund managers voting on the same resolution. Some resolutions were subject to multiple issues. Due to this, the following section includes an indication of the resolution category that each concern may be associated with.

4.1.1 Notes on the operation of good practice governance analysis

Readers should note that the Manifest voting guidance system allows for an individual governance issue to be applied to multiple resolutions. This is because, for the most part, there is not a one to one match between a policy issue and a specific resolution. This means that the list below is heavily weighted towards those considerations which are associated with the most frequent resolution type – board resolutions, and specifically, director elections.

For example, concerns relating to board or committee independence may be taken into consideration for the approval of the report and accounts (Audit & Reporting), director elections and possibly remuneration related resolutions (where the remuneration committee is insufficiently independent, concern with their proposals may be highlighted). Manifest reflects board accountability in its research by placing the analysis of the relevant board committee in the context of analysis of the governance matters for which they are responsible.

4.2 Conclusions on common policy issues

Taken as a whole, this analysis shows just how many different considerations there are that go into assessing the governance of a typical company.

Although the volume (in absolute terms) of the most common governance concerns Manifest identifies is heavily affected by the high number of director election resolutions compared to other types of resolution, readers should not dismiss the significance of board-related considerations (director election).

The election of directors, and the governance structures which they constitute on the board, is the lifeblood of accountability between boards and owners. It is the (non-executive) individuals on the board whose job it is to protect and look out for the interests of shareholders, so it follows that they are held accountable regularly and that a wide number of considerations are taken into account.

Nine of the top 12 concerns relate to director elections, of which the majority relate to independence issues and the effect that has on the functioning of the board and its committees. Of the top 12, the only exceptions to this are the questions of independent verification of Environmental, Social and Governance (ESG) reporting, authorities sought for political expenditure and share issues without pre-emption rights.

4.3 Audit & Reporting

Annual report resolutions are frequently those on which concerns about general board structures and practices may be concentrated, in addition to issues relating to the verification and reporting of information.

4.3.1 Audit committee independence

We assess the independence of the audit committee, in terms of whether there is a sufficient number and/or proportion of directors deemed independent (by reference to the local good practice standards).

It is a consideration for the approval of financial and non-financial reporting, because it relates to judging the independence of the audit process which underpins company reporting and therefore has been flagged on Report & Accounts resolutions.

4.3.2 No independent verification of ESG reporting

The growth in importance of ESG considerations in investment heightens the profile of ESG information provided by companies and hence increases the need for its veracity. As more investors use ESG information in their investment decisions, it follows that such information should be subject to levels of verification equivalent to those of more traditional disclosures such as financial updates and governance reports.

4.3.3 The number of meetings held by the non-executives without the executives present.

We identify where there has been no meeting of non-executives without executives present disclosed by the company.

It is important for the non-executives to meet without the executives present in order to be able to have a free and open discussion about matters which may be more difficult to discuss with the presence of those who are running the business day to day.

4.3.4 The roles of Chairman and Chief Executive Officer are combined

We identify where the roles of Chair and Chief Executive Officer (CEO) and are performed by the same person.

The over-concentration of power in one single office or person is a key potential risk factor in any organisation. Despite the fact that some markets (notably France and the US) have much more relaxed standards on this question than most others, investors increasingly expect companies to separate the roles of CEO and Chair. It is associated with the Audit & Reporting category because it is applied to consideration of the report and accounts,

4.4 Remuneration

4.4.1 Remuneration Committee Independence

We assess the independence of the remuneration committee, in terms of whether there is a sufficient number and/or proportion of directors deemed independent (by reference to the local good practice standards).

4.5 Board

Many of the most common governance criteria that were triggered all pertain to board structures and independence, which are considerations in director elections. Readers will note that the most common type of resolution in the voting portfolio was director elections (they accounted for 49.58% of all resolutions), which largely explains the fact the below criteria are flagged most frequently.

4.5.1 Nomination Committee Independence

We identify where the Nomination Committee does not have a sufficient number of or proportion of independent directors by reference to the local standards within which the company operates.

Globally it is acknowledged that the Nomination Committee should consist of at least a majority of independent directors. Independence and objectivity of input are the best conditions for the nomination of suitably independent and diverse candidates for future board positions.

4.5.2 A nomination committee does not exist (or its membership is not disclosed).

Without a clear nomination committee and process, the provenance of director election proposals is unclear. This is therefore a consideration which has flagged on director elections.

4.5.3 Percentage of female directors on the board

Manifest tracks the issue of female representation on the board as a part of the wider debate on board diversity.

Whilst the issue of female directors on the board may not be a critical risk consideration on its own, the fact that director independence in general is so frequently flagged might point to a wider problem with adequate application of diversity considerations when making board appointments, of which female presence on the board is perhaps the most obvious measure. It is recognised that Boards perform best with the best people appointed to them, and for that reason; diversity of all kinds (including gender) should be encouraged.

The 2015 Davies Review Five Year Summary Report recommended for the target of 25% female board representation by 2015 at FTSE100 companies to be expanded to the FTSE350 and to 33%. The expanded target was subsequently adopted by the Hampton-Alexander Review, this review has a particular focus on getting more women into executive positions as well as onto boards. There have also been business-backed initiatives on gender diversity launched such as the Women in Finance Charter and the 30% Club.

4.5.4 Nominee is non-executive, non-independent and the board is not sufficiently independent

We monitor whether boards' composition meets the independence criteria of the market where they operate. Where it doesn't, and the individuals who are contributing to this concern are up for (re)election, we highlight board composition as a concern in the context of their (re)election proposal.

4.5.5 Nominee has a significant number of other directorships

This consideration takes into account that if a director holds a significant number of other directorships at listed companies then the individual's ability to meet the time commitments expected of the role may be impaired. This consideration can be taken alongside the individual's attendance records, if it is below 75% there may be concerns whether the director is fulfilling the role expected by shareholders.

4.6 Capital

4.6.1 The authority sought exceeds 5% of issued share capital

The most common capital-related concern highlighted is where a company board seeks permission for authority to issue new shares, or allocate share capital, sometimes for a specified purpose (for example, for the purpose of executive or employee incentive pay) without the application of pre-emption rights.

Where the amount of share capital concerned exceeds a certain threshold, it may be of concern to shareholders (who may wish to have the right to choose to maintain ownership of a certain proportion of the company, so would want the ability to obtain their proportion of the new share issue in order to do so). The stipulated proportion may frequently be defined in local corporate governance codes under provisions designed to protect the rights of shareholders.

4.7 Sustainability

4.7.1 Political donations

Under European jurisdictions, companies are required to seek approval for so-called political donations. These resolutions are not specifically for party political donations as the EU include expenditure towards the realisation of political aims such as political lobbying, trade association memberships etc.

4.7.2 An authority for political donations and expenditures is being sought

Whilst it may seem arbitrary to set an absolute figure on such a resolution, this is actually in line with investor preferences in the sense that it would not seem appropriate for shareholders to approve a figure expressed relative to company size or turnover as that would imply that political donations are an acceptable routine aspect of corporate life. Secondly, given that laws relating to disclosures require absolute amounts to be disclosed, an absolute limit is also a more transparent means of applying a preference.

4.8 Corporate Actions

The Corporate Actions category covers a narrow and specific set of considerations. As a result, none of the governance concerns typically associated with this category featured in our analysis of the most common concerns identified by the policy, simply because the issues to which they relate don't come up on a typical corporate agenda very regularly.

4.9 Shareholder Rights

The shareholder rights category covers resolutions which relate specifically to proposals which affect the ability of shareholders to exercise some element of their rights (usually in a negative way by reducing ownership rights). It is therefore still a relatively rare resolution type to occur. They encompass not only rules about shareholder voting, but also things such as the ability of a shareholder (or shareholders) to requisition a meeting or a resolution at a meeting, the way in which a shareholder meeting is conducted and (perhaps most significantly) shareholder rights in the event of a (hostile) takeover situation.

5 Aggregate Voting Behaviour

Having discussed above the general themes of the most frequent contentious issues in each resolution category, the next step is to consider how Oxfordshire's fund managers voted. This section sets out and compares how Oxfordshire's fund managers voted, as compared to general shareholder voting patterns (as shown by the meeting results data collected by Manifest as a part of the monitoring service), in the context of different categories of resolution.

5.1 Fund Manager Voting Comparison

Table 3 below shows the total number of resolutions voted by each fund manager during the period under review. It shows the proportion of all resolutions which each fund manager voted with management, compared with the proportion of resolutions where the good practice Voting Template suggested supporting management. Lastly, it shows how shareholders were reported to have voted where meeting results were available from the companies in question. Manifest seeks to collect the meeting results data for all meetings analysed. In certain jurisdictions, provision of such information by companies is not guaranteed. However, of the 6,625 resolutions analysed in this report, Manifest obtained poll data for 6,525 resolutions, allowing for a meaningful analysis of the resolution data set.

Table 3: Overall Voting Patterns

FUND	RESOLUTIONS VOTED	OXFORDSHIRE MANAGERS SUPPORTED MANAGEMENT	GENERAL SHAREHOLDERS SUPPORTED MANAGEMENT	TEMPLATE FOR MANAGEMENT
Baillie Gifford	1,118	92.40%	96.82%	83.72%
L&G Investment Management	3,379	96.71%	97.05%	85.38%
UBS	1,318	89.45%	94.61%	66.62%
Wellington	810	95.99%	94.63%	69.96%
Total	**6,625**	**94.45%**	**96.25%**	**79.49%**

General Shareholders Supported Management" calculated from resolutions in respect of which shareholder voting results were available. Resolutions where management provided no recommendation have not been included in the calculations for fund manager support and general shareholder support.

Table 3 shows that fund managers vote with management a high proportion of the time, and that the good practice Voting Template identifies potential governance issues on a far higher proportion of resolutions than the fund managers choose to oppose.

Using the "Template For Management" data as a proxy for compliance with corporate governance good practice expectations, the companies in the L&G and Baillie Gifford portfolios display a comparatively higher level of compliance with governance good practice than those of UBS and Wellington. This is also reflected in the general shareholder support levels – with Baillie Gifford and L&G portfolios with a higher average support than the UBS and Wellington portfolios.

This in part reflects the mandates, and therefore the composition of the portfolios, of the fund managers. L&G's and Baillie Gifford's mandates are for UK equities whereas the UBS and Wellington mandates are for global equities and are therefore exposed to a much higher potential variance of general governance standards creating lower levels of convergence with the voting policy template.

We can compare each fund manager's overall voting pattern with how other shareholders voted on the same resolutions (using our own analysis of the voting results data (where made available by companies)). Table 3 shows that Oxfordshire's fund managers oppose management more often than shareholders in general, by 1.80%. However, there are some variances between the respective fund managers.

UBS have supported management to a lesser degree than Baillie Gifford, L&G, and Wellington. When compared against L&G and Ballie Gifford the differences are partly explained by the fund manager mandates. L&G and Baillie Gifford's mandates have the effect of ensuring that the companies in which they are invested tend to have higher standards of governance to begin with when situated in a global context. Additionally, the degree to which it is possible to positively engage with portfolio companies in the UK market lends the funds to being in a position to continue to support management even where technical concerns may appear to persist.

The Wellington and UBS portfolios track global equities and therefore are subject to a much higher potential variance of general governance standards especially coming from a UK context and considering it is harder to engage global companies from a practical level, voting rights often become more important. This is demonstrated by taking the “Template For Management” measure as a proxy, the degree which portfolio companies display potential issues of concern is broadly comparable between the two and greater than the L&G and Baillie Gifford’s portfolios.

Therefore, it could be considered surprising that despite the lower level of compliance with the corporate governance standards of the Voting Template and the second lowest level of general shareholder support, Wellington, while voting against management to a higher degree than L&G, have supported management to a higher degree than Baillie Gifford and to shareholders in general.

Baillie Gifford and UBS voted against management noticeably more than shareholders in general (i.e. by a factor of more than 4%). It should also be noted that the level of support for management has decreased for all fund managers from last year. It is also worth noting that the compliance against UBS template has dropped from the last year (66.62% compared with 76.11% previously). This may partly be explained by the increase in the number of resolutions voted by UBS (2,011 resolutions were voted on this year compared to 678).

At an aggregate level it is difficult to make thematic observations about why the funds have supported management less than shareholders in general, other than to say that it could be an indicator that the use of voting rights appears to play a more significant part of the investment and engagement process with companies than for the other shareholders. There could be a number of reasons for this including, for example, engagement strategy or even resourcing, as it could be taken as a measure of shareholder advocacy per se.

6 Voting Behaviour by Resolution Category

Table 4 and Table 5 below show headline figures as to how shareholders voted on each resolution category in general. The sections which follow them then show more detail into the sub-themes of each resolution category, showing in turn how the considerations relevant to each category and sub-category fit together to translate governance policy into possible voting action.

Using the vote outcome data collected in respect of the significant majority of meetings at which Oxfordshire fund managers have voted, we have combined the meeting results with our classification of meeting business, so as to identify which were the most contentious resolutions and the reasons for them being contentious.

6.1.1 What is "Dissent"?

Where Manifest uses the term 'Dissent', this is the result of having added up all votes not supporting the management recommendation, represented as a percentage of all votes cast ('Against' plus 'Abstain' votes where Management recommended a 'For' vote and 'For' votes where Management recommended 'Against'). Where there was no clear recommendation from company management, we have not counted any votes cast on those resolutions as dissent. In respect of shareholder proposed resolutions, dissent is measured by taking into account votes cast differently to the management recommendation (which may most commonly have been "Against").

Table 4: Dissent By Resolution Category

RESOLUTION CATEGORY	NUMBER OF RESOLUTIONS	RESULTS AVAILABLE	OXFORDSHIRE MANAGERS' DISSENT	GENERAL SHAREHOLDERS AVERAGE DISSENT
Board	3,285	3,236	3.93%	3.06%
Capital	1,137	1,131	7.92%	3.14%
Remuneration	872	861	10.89%	7.31%
Audit & Reporting	829	816	1.21%	1.58%
Shareholder Rights	267	261	5.66%	7.01%
Sustainability	186	177	13.04%	8.08%
Corporate Actions	39	38	7.69%	3.88%
Other	10	5	20.00%	2.34%
Total	**6,625**	**6,525**	**5.55%**	**3.75%**

"General Shareholders Average Dissent" calculated from general shareholder voting results where available.

Table 4 above shows the most common categories of resolutions at meetings voted at by Oxfordshire's fund managers. When looking at the general average dissent levels (i.e. the meeting results data), it is clear that shareholders in general support management to a considerable extent, even on the most contentious issues.

Oxfordshire's fund managers in 2016-17 were, on average, more assertive in expressing concerns through votes at shareholder meetings, voting against management on 367 occasions out of 6,625 resolutions, constituting an overall average opposition level of 5.55% (this excludes votes where management provided no recommendation). This represents an approval rating of greater than 94% overall, this is down from the prior period where the general approval rating was greater than 96%. The inner trends, in terms of shareholder proposals and the different resolution categories, are demonstrated and explored more fully below.

The majority of Other related resolutions were proposed by shareholders. Oxfordshire's fund managers opposed these types of proposals to a greater extent than shareholders generally. As was the case in previous years, remuneration related resolutions proved to be the consistently contentious resolution category of those routinely and predominantly proposed by management. The following section analyses the dissent by categories in more detail, by exploring patterns of opposition at sub-categories level.

6.1.2 Dissent on shareholder proposed resolutions

Table 5: Shareholder Proposed Resolutions

RESOLUTION CATEGORY	NUMBER OF RESOLUTIONS	PROPORTION OF ALL SUCH RESOLUTIONS	OXFORDSHIRE MANAGERS' DISSENT	GENERAL SHAREHOLDERS AVERAGE DISSENT
Sustainability	74	39.78%	29.17%	15.01%
Board	25	0.76%	54.17%	29.17%
Shareholder Rights	22	8.24%	50.00%	27.95%
Remuneration	11	1.26%	27.27%	7.37%
Other	8	80.00%	25.00%	2.72%
Capital	1	0.09%	0.00%	3.75%
Audit & Reporting	1	0.12%	-	-
Total	**142**	**2.14%**	**36.36%**	**18.51%**

"Average Dissent" calculated from resolutions in respect of which shareholder voting results were available. Management provided no recommendation on Audit & Reporting related resolutions.

In terms of Sustainability-related resolutions, the majority related to human capital reporting, political activity (e.g. reporting on lobbying), and miscellaneous specific environmental proposals, largely in the Oil & Gas sector. Much of the rest (14 instances) were related to ethical business practises.

The largest single proportion of the resolutions relating to Shareholder Rights pertained to requests to amend company Bylaws so that a lower threshold is required for shareholders to call a special shareholder meeting. These proposals proved relatively popular with one successful proposal at CVS Caremark Corp.

Requests to amend company voting procedures (this included requests to exclude abstentions from vote counts) were also prominent – all of which were in the US. None of these resolutions were passed. There were two proposals to remove multiple voting rights at Alphabet Inc and United Parcel Service Inc, both of which were unsuccessful.

Regarding Board-related resolutions, Board Composition (14 of the instances of shareholder proposed resolutions) and Election Rules (9) both feature prominently. All resolutions among the Board Composition resolutions – as is the case with the proxy access proposals, all in the US - were requests to adopt a policy of the Chairman being an independent director, which continues to be a significant area of debate in US corporate governance.

The largest proportion of the remuneration related shareholder proposals again came in the US. A range of topics were covered with notable focus on clawback provisions and the introduction of an ESG performance metric.

Oxfordshire's managers voted with Management on 63.64% of all shareholder proposed resolutions, with most support shown for shareholder proposals on board and shareholder rights issues.

Oxfordshire fund managers supported three successful shareholder sponsored proposals, all of these were in the US. A resolution to allow shareholders proxy access was narrowly passed with 50.6% at CIGNA Corp. The two other successful shareholder proposals Oxfordshire fund managers supported were proposals requesting the board to provide enhanced sustainability reporting.

6.2 Board

Board related resolutions constitute over half of all the resolutions voted during the year. This is almost completely down to the high number of director election resolutions on a typical AGM agenda, as can be seen from Table 6 below.

Table 6: Board Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL S/HOLDER VOTES WITH MGT
Directors – Elect	3,178	81.72%	96.44%	97.10%
Directors - Discharge	53	96.23%	94.34%	99.10%
Board Committee	22	86.36%	100.00%	97.91%
Board Composition	14	0.00%	28.57%	66.65%
Election Rules	10	10.00%	70.00%	76.47%
Board Size & Structure	4	100.00%	100.00%	98.34%
Other Board/Director related	3	50.00%	100.00%	94.47%
Directors - Remove	1	100.00%	100.00%	90.05%
Total	**3,285**	**81.43%**	**96.07%**	**96.94%**

** "Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.*

The largest differences between the proportion of resolutions where the template identified concerns and the proportion of votes against management involve Director Elections, Election Rules and "Other" (where in each case the fund managers supported management to a greater extent than the template found no issues of concern). In fact, in no cases did fund managers oppose management to a higher degree than the template itself.

In the case of the "Election Rules" resolutions six of the ten resolutions related to allowing proxy access for shareholders, one of which was proposed by the Board of Medtronic plc. The other four resolutions related to voting standards and were all proposed by shareholders.

Table 7: Fund Manager Voting on Director Elections

FUND MANAGER	RESOLUTIONS	VOTED WITH MGT
L&G Investment Management	1,454	97.39%
UBS	732	90.03%
Baillie Gifford	504	99.80%
Wellington	488	99.80%
Total	**3,178**	**96.44%**

Due to their number, Director Elections merit some comparative commentary of their own. Of these, L&G and UBS opposed management on director elections more than shareholders in general (97.39% and 90.03% support, respectively, compared to 97.66% and 95.82% support across shareholders generally). This was also the case for UBS in the prior reporting year where UBS support was recorded at 95.71%, compared to 97.85% support across shareholders generally. The level of support by L&G Investment Management has again dropped to 97.39% from 98.88% in the prior year. Baillie Gifford (99.80%) and Wellington (99.80%) again recorded the uppermost levels of support of management on director elections.

Of those resolutions where the fund managers opposed management on Director Elections (113 resolutions out of the 129 Board related resolutions where management was opposed) the most frequent governance issues Manifest identified were:

Table 8: Board-related governance top- issues

ISSUE	INSTANCES
1 Audit Committee composition concerns	25
2 Nomination Committee composition concerns	18
3 Remuneration Committee composition concerns	13
4 A Nomination Committee does not exist	11
5 The Company has not disclosed a gender diversity target (large/mid cap only)	7

On many occasions, there were multiple concerns with each resolution, and it is likely that the quantum of governance concerns, rather than the substance of each individual concern per se, is what makes the fund managers more likely to register opposition to their re-election. For example, where an individual is not independent and they are the reason why the audit committee is not compliant with the corporate governance code.

The number of resolutions where management was opposed without the identification of governance concerns from Oxfordshire's policy (77 out of 129 instances where management was opposed) would suggest that fund managers can and do apply their own (investment) judgement on these issues.

6.3 Capital

Resolutions relating to the capital structure of a company frequently pertain to investment specific considerations. For that reason, governance good practice considerations are less frequently relevant, other than the extent to which proposals directly affect shareholders rights, where often the rules are well defined and relatively infrequently breached (such as the UK Pre-Emption Guidelines).

Perhaps unsurprisingly, dividend approvals are supported a very large percentage of the time by both fund managers and shareholders in general. One investment consideration on this issue is the balance between short and long-term investment return. Capital returned to shareholders in the short term through dividends cannot then be used by the company for potential revenue-enhancing investment in the future business.

Furthermore, especially in the case of “income” stocks, the reliability of the dividend is a factor in the stock valuation which could therefore fluctuate if the situation changed. Other means of returning capital to shareholders is through share buy-backs.

Table 9: Capital Resolutions Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
Issue of Shares & Pre-emption Rights	646	85.76%	87.31%	95.29%
Share Buybacks & Return of Capital	252	88.89%	97.62%	98.58%
Dividends	212	96.68%	99.05%	99.40%
Capital Structure	12	0.00%	100.00%	99.76%
Treasury Shares	12	66.67%	100.00%	97.79%
Bonds & Debt	2	50.00%	100.00%	97.88%
Authorised Share Capital	1	100.00%	100.00%	96.30%
Total	**1,137**	**87.32%**	**92.08%**	**96.86%**

** “Overall Votes with Management” calculated from resolutions in respect of which shareholder voting results were available.*

Similar to previous years, over half of the resolutions in this category related to the issue of shares and pre-emption rights, which often form part of routine business at company AGMs, giving them the on-going permission to issue new shares up to a certain agreed level for the forthcoming year.

The most frequent issues on capital related resolutions where there was a voting concern highlighted were as follows:

Table 10: Capital-related governance top- issues

ISSUE	INSTANCES
1 New share issue authority exceeds 5-50% of existing share capital.	66
2 Proposal to return capital to shareholders.	16
3 Maximum purchase price expressed as a percentage of the market price is more than 0-110%.	10
4 Approval is sought for a share consolidation.	6

6.4 Audit & Reporting

The results data we collected shows that resolutions related to audit and reporting were the least contentious resolution category of all. However, because it includes resolutions which pertain to questions which are routine AGM meeting business in many countries (including the UK), it nevertheless merits some analysis. The resolution relating to Report and Accounts includes the consideration of the sustainability reporting a company makes to its shareholders.

Table 11: Audit & Reporting Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
Auditor - Election	338	92.31%	98.82%	97.70%
Report & Accounts	267	39.47%	99.25%	98.94%
Auditor - Remuneration	210	100.00%	98.10%	98.91%
Appropriate Profits	12	91.67%	100.00%	98.48%
Auditor - Discharge	1	100.00%	100.00%	99.89%
Other A&R related	1	100.00%	100.00%	99.17%
Total	**829**	**77.29%**	**98.79%**	**98.42%**

"Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.

178 resolutions had at least one concern highlighted. Some of the most common concerns that Manifest identified are indicated in the table below. Oxfordshire's fund managers have voted with management 98.79% of the time on resolutions of this type; this is a strong indicator that these are not governance concerns over which the fund managers wish to oppose management with their votes. It also led to insufficient variance between fund managers' voting records to merit further comment.

Table 12: Common Concerns Identified on Audit & Reporting Resolutions

ISSUE	INSTANCES
1 There is no independent verification of the Company's ESG reporting	100
2 No meetings held by the non-executives without the executives present	74
3 The Company has paid a dividend, yet no resolution to approve the distribution has been proposed	29
4 The auditor has been in place for more than seven years and there is no evidence that a recent tender (last 3 years) has been undertaken or is planned	17
5 There is no performance evaluation process in place for the Board, Board Committees, and individual directors	13

6.5 Remuneration

As noted above, Remuneration related resolutions are amongst the most contentious, attracting the highest average level of dissent of all of the resolution types routinely proposed by management.

Table 13: Remuneration Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT*
Remuneration Report	318	99.06%	87.42%	92.19%
Remuneration - Other	222	32.88%	91.44%	91.72%
Remuneration Policy	160	100.00%	87.50%	93.37%
Long-term Incentives	71	47.89%	85.92%	92.24%
All-employee Share Plans	36	91.67%	91.67%	97.53%
Non-executive	20	100.00%	100.00%	95.11%
Short-term Incentives	15	100.00%	100.00%	97.06%
Remuneration Amount (Component, Individual)	8	100.00%	87.50%	95.48%
Remuneration Amount (Total, Collective)	7	85.71%	100.00%	96.07%
Contracts	6	100.00%	100.00%	97.01%
Remuneration Amount (Component, Collective)	3	100.00%	100.00%	95.49%
Remuneration Policy (Other Component)	3	0.00%	33.33%	87.47%
Remuneration Amount (Total, Individual)	3	100.00%	100.00%	79.74%
Total	**872**	**77.52%**	**89.11%**	**92.69%**

"Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.

The most contentious remuneration votes in terms of Oxfordshire's managers, not including "Remuneration Policy (Other Component)", were resolutions to approve the remuneration report, the remuneration policy and long term incentives. Resolutions within the "Remuneration - Other" were for the most part resolutions regarding the frequency at which a company will put forward its remuneration report, this occurred in the US, although occasionally resolutions of this type are put forward in Canada. All three resolutions categorised under "Remuneration Policy (Other Component)" were proposed by shareholders and predominately related to introducing clawback provisions.

Broken down by fund manager, the voting on remuneration resolutions does show some patterns.

Table 14: Fund Manager Voting On Remuneration Resolutions

FUND MANAGER	RESOLUTIONS	VOTED WITH MGT
L&G Investment Management (Pooled Instrument)	353	85.84%
UBS (Pooled Instrument)	234	94.02%
Wellington	164	90.85%
Baillie Gifford	121	86.78%
Grand Total	**872**	**89.11%**

L&G, Wellington and Baillie Gifford opposed management to a higher degree than shareholders in general on remuneration issues. L&G were the fund manager to vote in line with management to the least extent (voted with management 85.84% of the time).

Table 15: Common Concerns On Remuneration Resolutions

CONCERN	INSTANCES
1 No reference to performance and/or time pro-rating when options vest in the event of a change in control.	17
1 The minimum ranking required for vesting is less than median.	17
3 Long-term incentive pay opportunity.	11
4 Aggregate variable pay opportunity.	5
5 Total dilution from all schemes over a ten-year period will exceed 10%.	4

Table 15 shows the most common concerns from Oxfordshire's policy template associated with remuneration-related resolutions over the year. Many of these issues have been prevalent on a consistent basis over time.

Manifest's Executive Remuneration Assessment Grade is a high-level rating system which generates a numeric score (between 1 and 250) and an alphabetical grade from A-F. It is a wide-ranging analysis which encompasses all of the other remuneration concerns in Oxfordshire's policy template, examining issues such as linkage of incentives to company strategy, quantum, structure, performance measures and comparator groups, contracts, dilution and pensions and benefits. It is a reliable forecast for general shareholder dissent, and a helpful indicator of the contentiousness (or otherwise) of the remuneration arrangements overall.

The quantum of bonus and long-term incentive payments is possibly the most widely debated contentious issue in the corporate governance of public listed companies. A large proportion of companies were found to have a high proportion of incentive pay relative to salary - a possible indication of over-encouraging risk-taking.

The absence of performance conditions for the exercise of awards or options is also noteworthy, especially where the maximum potential pay is high. This may suggest an element of payment of high remunerative incentive pay without setting down sufficient substantive performance targets in order to obtain it. This means that not only is the remuneration structure suggesting the over-encouragement of risk-taking, investors are left in the dark as to what risks may be being over-encouraged.

The UK Enterprise and Regulatory Reform Bill amendment in October 2013 requires companies to put their remuneration policy to a forward-looking binding vote at least every three years, in addition to the backward-looking annual advisory vote on the report on the implementation of the policy during the year. Once approved companies can only provide remuneration that is consistent with the policy unless they obtain shareholder approval at a general meeting to a revised policy or to a specific payment. Due to the three-year cycle of policy approvals, a large number of companies put forward new policies during the reporting period.

The introduction of the vote on Remuneration Policy in the UK has certainly had an effect on shareholder voting. With a lot of investors adopting a "wait and see" approach with regard to policy proposals (preferring to see how the Regulations bed in over 3-5 years), all but the most controversial policy proposals received respectable levels of support. By contrast, where opposition was expressed, it was often at a very high level, suggesting a more targeted approach on the part of investors.

6.6 Shareholder Rights

The shareholder rights category covers resolutions which relate specifically to the ability of shareholders to exercise some element of their rights. They therefore encompass not only rules about shareholder voting, but also things such as the rules according to which a shareholder (or shareholders) may requisition a meeting, a resolution at a meeting, the way in which a shareholder meeting is conducted and shareholder rights in the event of a (hostile) takeover situation.

They are important because they essentially relate to the extent to which investors are able to mitigate themselves against the risk of third parties making decisions which affect their investment in the company.

Table 16: Shareholder Rights Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
General Meeting Procedures	204	94.61%	97.55%	93.12%
Other Articles of Association	38	100.00%	97.37%	98.04%
Shareholder Rights	12	10.00%	50.00%	74.66%
Meeting Formalities	8	100.00%	100.00%	97.79%
Takeover Governance	3	0.00%	0.00%	83.80%
Anti-takeover Provision	2	100.00%	50.00%	75.45%
Total	**267**	**91.32%**	**94.34%**	**92.99%**

"Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.

Frequently, many of the issues in this category are relatively straight forward and many of the resolutions where there is complexity it is down to the proposal being made by shareholders, therefore inevitably likely to introduce some question that is comparatively out of the ordinary.

For example, a large number of the 'General Meeting Procedures' resolutions relate to the requirement in the UK for companies to request a routine permission to retain the right to call a non-AGM General Meeting at less than 21 days' notice. In the UK context, it is a simple consideration – to allow companies to retain the ability to do something they have had the right to do for many years, provided they do not take advantage of it. Oxfordshire's fund managers have voted "For" management to a greater extent than shareholders in general simply because foreign shareholders are more frequently opposing 14 day notice period permissions, simply because their voting mechanisms are not efficient enough to be able to vote a meeting called a less than 21 days' notice.

The majority of the issues that Manifest research identified were to do with the nature of the resolution, rather than the substance - for example that the resolution is proposed by shareholders, or that the board does not make a recommendation on the resolution.

Of the 15 resolutions where fund managers opposed management on Shareholder Rights related considerations, 10 were shareholder proposed resolutions. This suggests that, when it comes to shareholder rights protections, Oxfordshire's managers are very well motivated to protect their interests and those of their clients.

6.7 Corporate Actions

Whilst far less numerous, some statistical significance can be attributed to some of the Resolution Sub-Categories pertaining to Corporate Actions, which can be put to effect to explore why they number among the most contentious resolution sub-categories for Oxfordshire's fund managers.

Table 17: Corporate Actions Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
Transactions - Related Party	19	63.16%	84.21%	95.82%
Transactions - Significant	14	85.71%	100.00%	97.05%
Transactions - Other	3	33.33%	100.00%	95.46%
Investment Trusts & Funds	1	0.00%	100.00%	97.47%
Change of Name	1	100.00%	100.00%	98.97%
Other Corporate Action	1	100.00%	100.00%	85.56%
Total	**39**	**69.23%**	**92.31%**	**96.12%**

** "Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.*

The majority of Corporate Actions considerations are often investment or company-specific, such as related party transactions, schemes of arrangement, disposals and acquisitions. Definitions of what might be 'good' or 'bad' decisions or perspectives in this context becomes decidedly subjective, as do comparisons of fund manager voting with management recommendations.

What can be observed is that Oxfordshire's fund managers are often supportive of corporate actions, with the exception of related party transactions which may entail significant potential conflicts of interest.

6.8 Sustainability

With the exception of political activity and two sustainability report votes, all resolutions in this category were proposed by shareholders, generally asking companies to either improve their reporting of, or performance on, specified sustainability issues. Because of this, meaningful routine categorisation of these issues is very challenging, because the specific content of a proposal is defined by the proponent and could be about anything, from asking the company to close specific operations to requesting a one-off or regular report on employee conditions.

It is also not uncommon for most investors to vote with management on such issues unless the issue at hand is either one for which the investor (i.e.; fund manager) has a particular affinity or was involved with the tabling of the resolution itself. Although, this year, relatively high levels of shareholder dissent have been recorded.

Table 18: Sustainability Resolution Sub-Categories

RESOLUTION SUB-CATEGORY	TOTAL RESOLUTIONS	TEMPLATE WITH MGT	OXFORDSHIRE VOTED WITH MGT	OVERALL VOTES WITH MGT
Political Activity	126	3.17%	92.06%	94.22%
Human Rights & Workforce	26	0.00%	88.00%	92.17%
Environmental Practices	19	0.00%	52.63%	76.33%
Ethical Business Practices	8	0.00%	71.43%	88.87%
Charitable Engagement	4	0.00%	100.00%	97.35%
Sustainability Reporting	2	50.00%	100.00%	88.26%
Animal Welfare	1	0.00%	100.00%	70.31%
Total	**186**	**2.72%**	**86.96%**	**91.92%**

"Overall Votes with Management" calculated from resolutions in respect of which shareholder voting results were available.

Under European jurisdictions, companies are required to seek approval for "political donations", which encompass more than donations to specific political parties, and include expenditure towards the realisation of political aims such as political lobbying. Oxfordshire's fund managers opposed three of the resolutions seeking authorisation to make political donations at BT Group plc, Just Group plc and NEX Group plc. The fund managers also opposed management when the management recommendation was to vote against a shareholder proposal to request the Board to prepare a report to shareholders on lobbying at a number (4) of companies in the US.

7 Aggregate Analysis

Manifest has also assessed the aggregate voting patterns undertaken by the fund managers, the additional meetings to those considered in the detailed analysis pertain meetings in emerging or developing markets (including Far Eastern and African markets). Aggregate analysis does not drill down to identifying governance concerns on individual resolutions, but does look at the aggregate patterns of voting decisions taken by the fund managers. This is largely due to the fact the disclosure practices in these markets is traditionally not as high as we are used to in Europe and the US in particular, thereby hindering the statistical reliability of detailed analysis.

7.1 Baillie Gifford

Baillie Gifford voted on 1,174 resolution all within the UK with an average of 92.59% support for management, as well as their average support of management on each. It shows a very similar level of support for management detailed in Section 5, 92.59% compared to 92.40%, which might not be a surprise given the UK based companies Baillie Gifford were voting at.

Table 19: Baillie Gifford Voting By Category

CATEGORY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Audit & Reporting	168	100.00%
Board	529	99.81%
Capital	261	72.80%
Corporate Actions	7	85.71%
Remuneration	126	88.89%
Shareholder Rights	57	100.00%
Sustainability	26	100.00%
Total	**1,174**	**92.59%**

What is interesting is the breakdown of the average support of management by resolution category compared to that in Section 6. Baillie Gifford have supported management to a lesser degree on Capital and Corporate Actions, in the case of Capital resolutions by 27.20% and Corporate Actions by 14.29% - although readers should note that due to the low number of resolutions within the latter Corporate Actions category a smaller number of contrary votes will have a higher contribution to the dissent figure. Within the Capital category Baillie Gifford voted against resolutions pertaining to share issue authorities where the authority sought was deemed to not be in-line with Baillie's view on good practice.

Baillie also voted against 11.11% of remuneration related resolutions. This shows that Baillie take an active stance on voting on remuneration issues – this is within the context of the UK generally having better remuneration practices when situated in a global context.

Baillie Gifford supported all resolutions pertaining to the categories of Audit & Reporting, Shareholder Rights and Sustainability – within a UK context such resolutions are often considered routine – and supported Board resolutions to a slightly higher degree than that seen in Section 6.

7.2 UBS

Table 20: UBS Aggregate Resolutions Voting By Market

COUNTRY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Australia	20	100.00%
Austria	16 (15)	75.00%
Bermuda	16	93.75%
Canada	26	88.46%
Cayman Islands	6	100.00%
China	10	80.00%
France	65	86.15%
Germany	19 (17)	94.74%
Hong Kong	32	71.88%
Indonesia	7	71.43%
Ireland	51	96.08%
Italy	26	76.92%
Japan	98	89.80%
Jersey	49	91.84%
Netherlands	74 (67)	97.30%
Russia	74	100.00%
South Africa	34	76.47%
South Korea	8	62.50%
Spain	23 (22)	91.30%
Taiwan	6	100.00%
United Kingdom	150	98.67%
United States	636 (635)	90.25%
Total	**1,446 (1,434)**	**90.87%**

Readers should note that there were 12 non-voting resolutions in the UBS portfolio, the number of voted resolutions (meaning the total resolutions minus non-voting resolutions) are indicated in brackets.

Additionally, there were 36 resolutions where management provided no recommendation, 33 were in the Russian market, two in the French market and one in the Italian market. For the purposes of calculating the proportion of resolutions in which UBS supported management both the non-voting resolutions and resolutions with no management recommendation have been excluded from the calculation, meaning in total 1,398 resolutions were included in the calculation.

UBS's overall support level stands at 90.87%. Not dissimilar to Baillie Gifford, caution should be used regarding the statistical significance of this data when making inferences at the market level due to the varied count of resolutions between markets.

As discussed earlier in the report the global nature of UBS's holding may impact on voting patterns between markets due to a variety of governance standards– this is demonstrated by considering UBS's level of support in the UK market standing at 98.67%. UBS have opposed resolutions within the French market on a frequent basis (13.8% of the time) – the French market is the sixth most populated market in terms of the number of resolutions voted by UBS. Therefore, although one should be wary from making inferences the data does indicate that UBS has taken a progressively more active approach in markets where there is relatively lower levels of disclosure and governance standards.

Table 21: UBS Voting By Category

CATEGORY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Audit & Reporting	160 (154)	96.25%
Board	851	92.83%
Capital	122 (121)	83.61%
Corporate Actions	23	73.91%
Other	5 (4)	80.00%
Remuneration	195 (194)	91.79%
Shareholder Rights	46 (43)	78.26%
Sustainability	44	72.73%
Total	**1,446 (1,434)**	**90.87%**

Table 21 above shows the number of votable resolutions in each category type voted by UBS, as well as their average support of management on each. Consistent with the analysis in Section 6, of the resolutions routinely proposed by management UBS opposes management more frequently on Remuneration and Corporate Actions issues.

When considering the Corporate Actions resolution categories UBS's level of support is explained largely because many of the resolutions relate to related party transactions. Such resolutions may not always be considered to be in shareholder's best interests.

It is also worth mentioning that 27.27% of resolutions within the Sustainability category which UBS voted contrary to management recommendation were shareholder sponsored resolutions.

7.3 Wellington

Table 22: Wellington Aggregate Resolutions Voting By Market

COUNTRY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Canada	16	100.00%
Germany	4	100.00%
Ireland	19	100.00%
Mexico	6	66.67%
Sweden	23	100.00%
Switzerland	62 (46)	97.22%
United Kingdom	24	95.83%
United States	600	97.83%
Total	**754 (728)**	**97.63%**

The majority of resolutions in the Wellington portfolio were in the United States market, all other markets had less than 100 resolutions. UK, Switzerland and Mexico recorded lower average level of voting with management in comparison to Wellington's average of 97.63% support for management - the number of resolutions voted in these markets constituted a small number of the total, particularly Mexico, so should be discounted as a statistical pattern. By comparison with the data in the UBS section of the report, Wellington's dissent levels towards UK companies are higher while UBS's dissent at US companies was higher.

It could be considered unusual to see United Kingdom's comparatively high dissent, particularly compared to the United States market, however this may be an indication of voting playing an important part of shareholder engagement within this market for Wellington – it is also worth noting that all of Wellington's oppositional votes in the UK market were situated within the Shareholder Rights category and concerned a Board's request for an authority to set general meeting notice periods at 14 days.

Wellington did not vote at one meeting within Switzerland. Management provided no recommendation on the shareholder proposals at Nordea Bank - Wellington voted against all of these proposals.

Table 23: Wellington Aggregate Voting Patterns By Resolution Category

CATEGORY	TOTAL RESOLUTIONS	VOTED WITH MANAGEMENT
Audit & Reporting	55 (53)	100.00%
Board	511 (495)	98.99%
Capital	19 (16)	87.50%
Corporate Actions	2	100.00%
Other	3	50.00%
Remuneration	100 (97)	95.79%
Shareholder Rights	25 (23)	85.71%
Sustainability	39	94.29%
Total	**754 (728)**	**97.63%**

Table 23 shows the overall patterns of support for management shown by Wellington broken down by resolution category across all of the resolutions in the aggregate analysis.

Noteworthy in the data set is the change in the level of support for management on Shareholder Rights resolutions to that in Section 6. Conversely, there is a relatively higher level of support (95.79%) for management on resolution in the Remuneration category.

7.4 Legal & General Investment Management

As Legal & General's mandate is limited to UK equities there was not any additional corporate meetings to analyse to those already considered in the detailed analysis.

8 Conclusions

This is the third annual report Manifest has produced for the Oxfordshire Pension Fund. Consistent with the 2015/16 report on voting, there are patterns in common with the previous year's report. This is because, by and large, corporate governance risk-related issues change over the long term, rather than due to short term pressures. This means that the issues raised in this report are likely to remain similar in dynamic in the short term; though over the longer term positive development should be observable. As is evidenced with the example of shareholder proposed resolutions in the US, specific themes can be and are raised with companies on a campaign/ strategic basis which, over time, contribute to positive progress (for example, proxy access and double voting rights).

We expect to see overall trends of gradual improvement in corporate governance standards continuing, but this is mitigated by the fact that some companies may 'lapse' and new companies may enter the market carrying with them the legacy of private ownership governance practices which also may fall short of the standards expected of publicly listed companies.

Additionally, developments in the governance risk profile across equity asset allocation caused by changes to investment mandates from year to year may also have an effect upon the overall picture. Consequently, although we expect trends to improve over the long term, positively identifying them year on year is much harder to do and improvements can be mitigated by the fact that some companies may 'lapse' and new companies may enter the market carrying with them the legacy of private ownership governance practices which also may fall short of the standards expected of publicly listed companies Further the change in the size of the dataset can also have an impact on analysing year-on-year governance trends.

For this reason, readers should not expect to see a marked change in companies' governance standards from year to year. What is more important is to understand how the fund's managers respond and react to identified concerns, and fund manager vote monitoring plays a central role in understanding this question.

In terms of issues specific to this report, our analysis:

- Highlights the most common Board related policy issue was a shortfall in independent directors on boards and board committees;
- Shows a number of companies whose governance of sustainability as a corporate discipline could be potential cause for concern due to lack of independent verification. Companies that manage sustainability well tend to be better run;
- Illustrates that political donations is seldom a matter of concern for Oxfordshire's fund managers, however fund managers are supportive of shareholder proposals relating to political donations; and
- Identifies that Sustainability and Remuneration related resolutions are the resolution types Oxfordshire's fund managers oppose management on most often, followed by Capital and Corporate Actions related resolution.

Taken as a whole, there is evidence to suggest that voting is not the only medium through which Oxfordshire's fund managers may express concern about important governance issues. The results of the analysis show that fund managers are voting with management more often than shareholders in general, however there are some variances between the respective fund managers.

Whereas Wellington has supported management more than most shareholders, L&G, Baillie Gifford and UBS on the other hand supported management to a lesser extent than most shareholders. To the extent that voting is not the only medium Oxfordshire's fund managers use to raise concerns with portfolio companies, this report enables Oxfordshire to further enquire of fund managers as to how these other issues are being identified, raised and resolved with portfolio companies, and whether resources are sufficient to adequately carry out this important work.

However, one should avoid falling into the trap of using voting records as a substitute for understanding whether a fund manager is an 'active' owner or not. Voting is but one (albeit important) tool in the ownership toolbox, which sits alongside regular monitoring of governance issues through research and engagement by the fund manager.

Oxfordshire fund managers supported three successful shareholder sponsored proposals, all of these were in the US. A resolution to allow shareholders proxy access was narrowly passed with 50.6% at CIGNA Corp. The two other successful shareholder proposals Oxfordshire fund managers supported were proposals requesting the board to provide enhanced sustainability reporting.

There were four defeated management proposed resolutions in the collective Oxfordshire's fund manager portfolio, three of which the fund managers were non-supportive of. L&G opposed the defeated remuneration report at Pearson. Wellington voted against the advisory vote on executive remuneration at McKesson Corp. UBS voted against the election of Julien Thollot as an employee shareholder representative at Renault, it should noted that the position of employee shareholder representative was contested and UBS voted for the successful candidate.

There are some key regulatory developments which come into play during 2016/17 that may have a bearing on next year's report. Further details on these developments may be found in the appendix, which covers:

- UK corporate governance reform;
- UK Stewardship Code developments;
- EU Shareholder Rights Directive;
- Human Capital initiatives;
- PLSA Guidelines;
- Investment Association Guidelines; and
- Climate Change initiatives.

Whilst there may be other governance themes where immediate positive progress is harder to determine, we are confident that continued monitoring should enable identification of further progress over the medium to long term. Additionally, with ever increasing pressure upon institutional investors and their asset managers for transparency about ownership processes, on-going monitoring of governance risk and voting activity remains a vital part of the activity of any responsible investment-minded investor.

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9 Hot Governance Topics

The following is largely a UK-focussed summary of governance developments. For a more detailed précis of governance developments globally, please refer to Manifest's report "Global Corporate Governance and Regulatory Developments 2016" which is available upon request.

9.1 UK Corporate Governance Reform

In the UK, several government-led corporate governance consultations were launched during 2016. Notable consultations include the Parker Review which focuses on ethnic diversity and the Hampton-Alexander Report which succeeds the now concluded Davies Review on gender diversity. The Parker Review recommended for each FTSE100 board to have at least one non-white director by 2021 and each FTSE250 board by 2024. The Hampton-Alexander Initial Report endorsed the Davies Review Five-Year Summary's recommended target of 33% representation of women on FTSE350 boards by 2020 and called for FTSE100 companies to have at least 33% of their executive pipeline positions filled by women by 2020.

The most discussed consultation is the Government's widely trailed Corporate Governance Reform Green Paper. The Green Paper, published in November 2016, focuses on three areas: executive pay, strengthening the employee and wider stakeholder voice, and extending current corporate governance regulations to private business.

The Green Paper followed the Business Energy and Industry Strategy (BEIS) Select Committee's inquiry on corporate governance launched in September 2016. The inquiry, set up in response to corporate failings at retailers Sports Direct and BHS and Prime Minister Theresa May's speech on governance reform, focused on executive pay, directors' duties, and the composition of boardrooms including worker representation and gender diversity, and was separate from the Green Paper.

Following the inquiry, the Select Committee published its Corporate Governance Report in April 2017 which set out a raft of measures on corporate governance designed to improve trust in British business. One significant recommendation was the call for LTIPS to be phased with no new LTIPs to be agreed from the start of 2018. The Committee also called for the introduction of pay ratio reporting and for companies to set out their "people policy" – their rationale the employment model used and their overall approach to investing in and rewarding employees at all levels. The Committee whilst supportive of worker Board representations did not consider this should be made a requirement, the report did however recommend for employee representation on remuneration committees to be included in the UK Corporate Governance Code.

In September 2017, the government produced a response to its Green Paper consultation indicating that many of its proposals can be achieved through secondary legislation and changes to the UK Corporate Governance Code.

The government will require companies to publish pay ratios between chief executives – based on their total remuneration – and their average UK worker through the introduction of secondary legislation.

The government had suggested tougher voting requirements in respect of shareholder votes on remuneration but softened its stance on this. Instead the government invited the FRC to revise the UK Code to set out the steps that companies should take when they encounter significant shareholder opposition to executive pay. Additionally, the government asked the Investment Association (IA), which represents fund managers, to establish a public register of listed companies encountering shareholder opposition of 20% or more to executive pay and other resolutions, along with a record of what these companies say they are doing to address concerns.

The government also asked the FRC to consult on a revision to the UK Code and its supporting guidance to give remuneration committees greater responsibility for demonstrating how pay and incentives align across the company, and to explain to the workforce each year how decisions on executive pay reflect wider pay policy.

The FRC were also asked to consult on the development of a new principle establishing the importance of strengthening the voice of employees and other non-shareholder interests at board level as an important component of running a sustainable business. As a part of developing this new principle, the government said it would invite the FRC to consider and consult on a specific provision requiring premium listed companies to adopt, on a "comply or explain" basis, one of three employee engagement mechanisms: a designated non-executive director; a formal employee advisory council; or a director from the workforce.

In December, the FRC launched a consultation on proposals for a revised corporate governance code and published a draft revised code for comment. The revised code has been substantially recast and simplified as part of the FRC's intention to shorten the code to give it greater impact. In addition, the FRC is also consulting on specific changes to the Code as requested by the government's response to the green paper consultation. The consultation closes 28 February 2018.

9.2 UK Stewardship Code Developments

In November 2016, the FRC released its Stewardship Code tiering. The FRC has categorised signatories to the Code into three tiers based on the quality of descriptions of signatories' approach to stewardship and their explanations in accordance with the 'comply or explain' basis of the Code. Tiering distinguishes between signatories who report well and display their commitment to stewardship, and those where reporting improvements are necessary. The FRC announced in August 2017 that it had removed its tier three category and any tier three signatories that had not improved their reporting have been removed from the list of code signatories. The current code was published in September 2012 and will be next revised in 2018 following a planned consultation process.

The UK Code has been influential since its introduction in 2010 and codes have since been launched in a number of other countries with the UK Code often cited as a key inspiration. In 2016 codes were launched in Brazil, Denmark, Hong Kong, Singapore, Taiwan, and Thailand. Whilst in 2017 codes have been launched in India, Kenya, and South Korea. Investor-led initiatives have also launched codes - the Investor Stewardship Group, a coalition of US-based and international investors, produced a set of six stewardship principles to guide fund managers and the Canadian Coalition for Good Governance also published its own Code in 2017.

9.3 EU Shareholders Rights Directive

The European Union has adopted the latest revision to its shareholder rights directive. Following approval by the European Parliament in March, the European Council formally adopted the directive at the beginning of April 2017. Member states now have up to two years to incorporate the new provisions into domestic law. Key recommendations include:

- Shareholders should have the right to vote on company remuneration policies. Member states may decide whether the vote is on a binding or advisory basis;

- Companies should be able to identify their shareholders and obtain information regarding shareholder identify from any intermediary in the chain that holds relevant information to facilitate the exercise of shareholders' rights;

- Increased transparency of voting and engagement policies of institutional investors. They will have either to develop and publicly disclose a policy on shareholder engagement or explain why they have chosen not to do so. Proxy advisers will also be subject to transparency requirements and will be subject to a code of conduct; and

- Require companies to be more transparent about related party transactions that are most likely to create risks for minority shareholders at the latest at the time of their conclusion.

9.4 Human Capital Initiatives

In 2016 the PLSA published a toolkit for investors to help them engage with investee companies. The toolkit built on the report published by PLSA in 2015 that made the case that a company's strategy for recruiting, training, developing, retaining, and inspiring its workers is fundamental to its ongoing success. The toolkit outlines the type of workforce-related information investors should look for and how to find it, and calls for investors to ask more questions about the workforce in face-to-face meetings with company representatives.

As part of the PLSA's ongoing project on human capital reporting the PLSA published a report in collaboration with the Lancaster University Management School in November 2017 examining FTSE100 reporting on employment models and working practices. The report found that while 64% of FTSE100 companies provide meaningful narrative commentary on the composition of their workforce, just 4% of companies provide a breakdown of their workforce by full time and part time workers. The research also found that all FTSE 100 companies detail their CEO's pay relative to the other executive directors, but only 7% provide the pay ratio between the chief executive and the average or median worker which will soon be a legal requirement.

In 2016 the IA unveiled an industry-wide Productivity Action Plan to boost the UK economy through long-term investment which included a recommendation to raise the profile of human capital management. The IA has since jointly published guidance with the Institute of Chartered Standard Accounts setting out ten principles to guide the way boards understand and weigh up the interests of their stakeholders when making strategic decisions.

Other notable UK investor initiatives have been the Association of Member Nominated Trustees Red Lines Voting Policy, which includes guidelines on the workforce, trustee guidance produced by the Local Authority Pension Fund Forum, and the Workforce Disclosure Initiative organised by the pressure group ShareAction.

In the US, the Human Capital Management Coalition was formed in 2013 with a membership of 25 institutional investors, which aims to understand and improve how human capital management contributes to the creation of long-term shareholder value, and in 2017 the Committee on Worker's Capital released guidelines for assessing company behaviour on labour issues.

9.5 The Pension and Lifetime Savings Association Updates Guidelines

The Pension and Lifetime Savings Association's (PLSA) published its 2018 Corporate Governance policy and Voting Guidelines in January 2018. A new section on sustainability has been added to the guidelines. This follows guidance published by the PLSA in 2017 for pension funds on the economic implications of climate change, highlighting research showing that failure to mitigate global temperature increases will have devastating environmental, social, and economic consequences.

The PLSA's sustainability guidelines recommend that where shareholder attempts have failed to encourage companies in relevant sectors to provide a detailed risk assessment and response to the effect of climate change on their business, they should not support the re-election of the chair. The guidelines also calls for shareholders to consider voting against the annual report or the re-election of the chair where they believe that key stakeholder relationships are being neglected and the board is not adhering with the spirit of requirements to have for the concerns of stakeholder constituencies.

The PLSA's 2017 AGM Voting Review found relatively steady levels of shareholder dissent at company AGMs for the past two years, with roughly one fifth of companies (FTSE 250: 56 and FTSE 100: 17) experiencing significant dissent over at least one resolution at their AGM. Over the longer term, the report reveals a fall in shareholder dissent since its peak in the aftermath of the financial crisis and the subsequent focus on governance that this entailed.

9.6 The UK's Investment Association Updates Guidelines

In May 2017, the IA published guidance on long-term reporting. The publication follows the IA's call in October 2016 to abolish quarterly reporting in favour of meaningful long-term reporting, and sets out the IA's members' expectations on company disclosure in the areas of business models and long-term reporting, productivity, capital allocation, material environmental and social risks, and human capital and culture. The IA is encouraging all UK-listed companies to adopt the guidance as soon as possible and will monitor the implementation of the guidance though analysis of annual reports for years ending on or after 30 September 2017.

The IA has also amended its Principles of Executive Remuneration ahead of the 2018 voting season and sent an open letter to remuneration committee chairmen of FTSE350 companies detailing the changes.

The letter highlighted three changes:

- Companies should disclose relocation benefits at the time of appointment and be for a limited time.
- Annual bonus performance targets should be disclosed within 12 months of a bonus payment and deferral is expected for any bonus opportunity greater than 100% of salary.
- The section on long term incentives has been reorganised and specific examples provided setting out members' attitudes to schemes such as a preference for restricted share awards to have a performance underpin.

The IA also reemphasised its focus on pay restraint and transparency including a call for the voluntary disclosure of the ratio of CEO to employee pay in 2018 ahead of anticipated government secondary legislation. The forward to the principles has also been updated and now specifically references companies with an AIM listing, although it does state the guidance is predominantly for companies with a main market listing.

9.7 Climate Change Initiatives

Climate change has been one issue of keen focus from both investors and regulators in recent years and following the Paris climate agreement investors cannot overlook the implications for investment risks and returns amidst a shift in market sentiments towards a transition to a low-carbon economy – how companies are responding to climate change risks is important to investors.

Some of the recent climate change related initiatives undertaken include:

- The Institutional Investors Group on Climate Change published a guide setting out the threats facing the utilities sector and investor expectations for how companies must act to adapt their business strategies and reduce carbon emissions;

- In April 2016, a group of global investors, representing $3.6 trillion in assets under management, released an investor statement of support for US and Canadian efforts to limit methane emissions from the oil and gas sector. This represents more than a doubling of support since July 2015;

- A shareholder position paper signed by representatives from the Local Authority Pension Fund Forum, Royal London Asset Management, Sarasin & Partners LLP, Rathbone Greenbank Investments, and the Church of England called for companies to assess and report their climate-related risks within their annual report to shareholders;

- Climate change continues to be high-profile shareholder proposal topic. During 2016 proposals by the Aiming for A coalition at UK mining companies Rio Tinto, Anglo American and Glencore calling for better climate-risk reporting were passed after receiving management backing. During 2017 shareholder proposals calling for ExxonMobil and Occidental Petroleum to explain how climate change could affect their business were successful;

- The Caring for Climate Initiative set by the UN Global Compact saw over 100 major companies, pledge to set emissions reduction targets in line with what scientists say is necessary to keep global warming below the threshold of 2°C using criteria approved by the Science Based Targets initiative;

- Research published by the Carbon Tracker Initiative suggested that as countries move to meet the 2°C target major oil companies could produce better returns for shareholders and company performance if they reduce their exposure to high-cost, high-carbon projects;

- A 2016 review by the Climate Disclosure Standards Board of FTSE350 companies' environmental reporting and greenhouse gas emission disclosures in annual reports found that 41% of companies considered environmental risks in their analysis of the company's principal risks; 87% of companies disclosed environmental policies; and 27% made use of environmental KPIs;

- The Transition Pathway Initiative (TPI) was launched in 2017, TPI is an assessment structure related to the requirements of the Paris Agreement for companies of those countries which have pledged their commitment to reduce their carbon emissions.

- The G20's Task Force on Climate-Related Financial Disclosures has published guidelines for companies on the disclosure the financial impact of climate-related risks and opportunities.

Topical updates are available throughout the year via the Manifest Quarterly Bulletin and the weekly blog, Manifest-I.

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