



To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 7 December 2018 at 10.15 am

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

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

Yvonne Rees
Chief Executive

November 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

County Councillors

Nicholas Field-Johnson
John Howson
Mark Lygo

Charles Mathew
John Sanders
Lawrie Stratford

Alan Thompson

District Councillors (Co-optees)

Alaa Al-Yousuf

Bill Service

Notes:

- ***A lunch will be provided***
- ***Date of next meeting: 8 March 2019***
- ***The meeting will be preceded at 9:30am by a training session, given by Sally Fox, on the Scheme Manager's responsibilities in respect of scheme data and how i-Connect can improve the current arrangements.***

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 - 10)

To approve the minutes of the meeting held on 8 June 2018 (**PF3**) and to receive information arising from them.

4. **Petitions and Public Address**
5. **Minutes of the Local Pension Board and Brunel Oversight Board**
(Pages 11 - 26)

10:20

A copy of the unconfirmed Minutes of the Local Pension Board, which met on 26 October 2018, is attached for information only (**PF5**).

Also attached is a copy of the latest Minutes of the Brunel Oversight Board, again for information only (**PF5**).

6. **Report by the Independent Chairman of the Local Pension Board**
(Pages 27 - 28)

10:25

Attached at **PF6** is the report by the Independent Chairman of the Local Pension Board. It invites the Committee to respond to the key issues raised by the Pension Board at its most recent meeting on 26 October 2018.

The Committee is RECOMMENDED to note the report of the Board and also to:

- (a) note the wish of the Board to consider the Improvement Plan at their subsequent meetings, in the context that it is the responsibility of this Committee to drive the plan;*
- (b) note the Board's continued concern over the level of vacancies and its strong support for recruiting to fill all positions;*
- (c) consider its request to be invited to consider the next*

version of the Investment Strategy Statement before it is approved by this Committee; and
(d) consider its request that the Committee reflects on how it will monitor the performance of the Brunel portfolios in the context of net performance against benchmarks and fee levels.

7. Administration Report (Pages 29 - 44)

10:35

The report (**PF7**) updates the Committee on the latest position in relation to administration issues.

The Committee is RECOMMENDED to:

- (a) note the report;*
- (b) provide any feedback on the draft Improvement Plan and confirm the arrangements for monitoring the delivery of the Plan at future meetings; and*
- (c) agree the proposed changes in the Scheme of Delegation as outlined in paragraph 29.*

8. Review of the Annual Business Plan 2018/19 (Pages 45 - 52)

11:00

The report (**PF8**) reviews progress to date on the key objectives, budget and training programme set out in the Business Plan for the forthcoming financial year.

The Committee is RECOMMENDED to:

- (a) note the progress against the key service priorities and budget included within the Business Plan 2018/19; and*
- (b) agree any further subjects to be included in future training plans.*

9. Risk Register (Pages 53 - 58)

11:20

The latest position on the Fund's Risk Register is before the Committee (**PF9**), 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 see made.

10. Project Plan for the Implementation of i-Connect (Pages 59 - 64)

11:30

A key element of the Improvement Plan is the implementation of i-Connect which will automate the transfer of key scheme data between scheme employers and the administering authority. The report (PF10) sets out the business case for the project and the key steps within the project plan.

The Committee is RECOMMENDED to:

- (a) note the project plan; and***
- (b) monitor progress against the plan as part of the quarterly updates on the overall Data Improvement Plan.***

11. Overview of Past and Current Investment Position (Pages 65 - 70)

11:50

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.

The Independent Financial Adviser will review the investment activity during the past quarter and present an overview of the Fund's position as at 30 September 2018 using the following tables:

Table 1	provides a consolidated valuation of the Pension Fund at 0 September 2018
Table 2	shows net investments/disinvestments during the quarter
Table 3	provides investment performance for the consolidated Pension Fund for the quarter ended 30 September 2018
Table 4	provide details of the Pension Fund's top holdings

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

Graph 1 – Market value of the Fund over the last three years

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 15, 16, 17, and 18 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.

13. Exempt Minutes (Pages 71 - 74)

12:00

To **approve** the exempt Minute of the Pension Fund Committee meeting held on 14 September 2018 (PF13).

To **note** the exempt Minute of the Local Pension Board meeting held on 26 October 2018 (PF13).

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

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

14. Overview and Outlook for Investment Markets (Pages 75 - 84)

12:00

The attached report of the Independent Financial Adviser (PF14) sets out an overview of the current and future investment scene and market developments across various regions and sectors. It provides the context for the considerations of the reports of the fund managers. 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.

15. Partners Group

12:10

- (1) The Independent Financial Adviser will report orally on the performance and strategy of Partners Group drawing on the tables at Agenda Items 11 and 14.
- (2) The representatives (Serge Jovelle and TBC) 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 30 September 2018;
 - (b) give their views on the future investment scene.

In support of the above is their report for the period to 30 September 2018.

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. Annual Review of Private Equity (Pages 85 - 96)

12:45

The Independent Financial Adviser will present his annual review of the Fund's Private Equity investments (**PF16**).

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:

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The Committee is RECOMMENDED to agree the recommendation as set out in the report PF16.

17. Report of Main Issues arising from Reports of the Fund Managers not represented at this meeting (Pages 97 - 104)

12:55

To consider a report (PF17) from the Independent Financial Adviser on the main issues arising from the reports from UBS, Wellington and Adams Street Partners in conjunction with information contained in the tables (Agenda Item 11).

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.

18. Summary by the Independent Financial Adviser

13:00

The Independent Financial Adviser will, if necessary, summarise any issues arising from the previous discussions.

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.*

19. Proposed contract extension for the Independent Financial Adviser (Pages 105 - 110)

13:05

The current contract for the Independent Financial Adviser to the Committee expires in February 2019. Given all the changes underway during the transition for Fund Manager responsibility to Brunel, it is unclear what the long-term requirements are for on-going independent financial advice. However, it is clear that in the short-term there is a clear requirement for on-going support, based on a clear knowledge of the existing arrangements. This report (**PF19**) therefore proposes an extension of the current contractual arrangements through an exemption to the normal procurement rules.

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 agree the recommendation as set down in the report PF19.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

20. Fund Manager Monitoring Arrangements (Pages 111 - 112)

13:15

The report (**PF20**) proposes the arrangements for Fund Manager Monitoring for the 2019/20 financial year.

The Committee is RECOMMENDED to approve the Fund Manager monitoring arrangements as set out in the report.

21. Corporate Governance and Socially Responsible Investment

13:15

This item provides the opportunity to raise any issues concerning Corporate Governance and Socially Responsible Investment which need to be brought to the attention of the Committee.

22. Annual Pension Forum

13:20

To report any matters arising in relation to the next Forum to be held in January 2019.

LUNCH

Pre-Meeting Briefing

There will be a pre-meeting briefing at County Hall on **Wednesday 5 December 2018 at 11:00am** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 14 September 2018 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

Representatives of all District Councils (Voting): District Councillor Alaa Al-Yousuf
District Councillor Bill Service

Officers:

Whole of meeting Chief Finance Officer; J. Dean, S. Collins and S. Fox (Resources)

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

44/18 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

An apology was received from Cllr Lawrie Stratford.

45/18 MINUTES

(Agenda No. 3)

The Minutes of the meeting held on 8 June 2018 were approved and signed as a correct record.

46/18 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

Professor Allan Allport of Fossil Free Oxfordshire, addressed the Committee with reference to Agenda Items 9, Risk Register, and 21 'Annual Report and Accounts 2017/18'. He urged the Committee to waste no more time in following the lead of the Government and the United Nations to divest in fossil fuel investment. He added that, in his view, the Oxfordshire Pension Fund Committee was unlikely to fulfil its fiduciary duty unless it addressed the issue of oil and gas becoming stranded assets. Furthermore, he stated that, despite assertions made to the contrary, this would happen overnight.

Professor Allport reminded the Committee that Oxfordshire County Council, had, at its 27 March 2018 Council meeting, unanimously agreed to call upon this Committee 'to incorporate the latest and best advice available on ESG matters when reviewing its policies and drawing up the next 3-year investment Strategy'. He added that the Committee had failed to act on it and concluded by asking the Committee to proceed quickly with the transfer of its assets into one of the Fossil Free funds.

47/18 MINUTES OF LOCAL PENSION BOARD AND BRUNEL OVERSIGHT BOARD

(Agenda No. 5)

The unconfirmed Minutes of the Local Pension Board, which met on 13 July 2018 were noted.

The Minutes of the Brunel Oversight Board, which met on 18 July 2018 were also noted.

48/18 REPORT OF LOCAL PENSION BOARD

(Agenda No. 6)

The Committee had before them the latest report of the Local Pension Board (PF6).

RESOLVED: to note the report and to note in particular the Board's offer to undertake any work the Committee wished in respect of future improvements to the administration processes with regard to paragraph 3 above.

49/18 ADMINISTRATION IMPROVEMENT PLAN

(Agenda No. 7)

The Committee considered a report (PF7) which gave the latest information on progress in relation to the Administration Improvement Plan and the target agreed with the Pensions Regulator for 31 August 2018. It also covered future plans to ensure that similar breaches of the pension regulations were not repeated going forward.

The Committee was asked to note the achievements against the targets set for 31 August 2018 and the key components of the comprehensive plan to be submitted to the Pensions Regulator to ensure sustainable improvements going forward.

The Committee **RESOLVED** to:

- (a) commend Sally Fox and her Team for all their achievements against the targets set and to look forward to the Teams' continued efforts to seek further improvements to the target;
- (b) request Mr Collins to bring a report to the December 2018 meeting setting out what resources the Team had to escalate the iconnect programme; and
- (c) to include a standard item on each Committee agenda for the time being on progress in relation to the iconnect programme.

The Committee **RESOLVED** to move into exempt session in order to discuss information received from the Pension Regulator since the Agenda despatch appertaining to the Administration Improvement Plan. This will be the subject of a confidential Minute in that it was;

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 circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would distort the proper process of free negotiations with another party.*

50/18 REVIEW OF THE ANNUAL BUSINESS PLAN

(Agenda No. 8)

The Committee had before them a report (PF8) which reviewed progress to date on the key objectives and the budget and training programme, as set out in the Business Plan for the Oxfordshire Pension Fund for the forthcoming year.

RESOLVED: to

- (a) note the progress against the key service priorities and budget included within the Business Plan 2018/19; and
- (b) notify Mr Collins of any further subjects which members wish to see included within the future training plans.

51/18 RISK REGISTER

(Agenda No. 9)

The Committee had before them the latest position on the Fund's Risk Register which included any new risks identified since the report to the last meeting (PF9).

The Committee was asked to note the current Risk Register and to determine any changes it wished to see made.

RESOLVED: to note the current Risk Register and to make no changes at this time.

52/18 ADMINISTRATION REPORT

(Agenda No. 10)

The Committee considered a report (PF10) which gave an update on the latest position on administration issues and which requested determination on a number of issues as set out in the report, the resolutions for which are set out below.

RESOLVED:

- (a) with regard to the question of whether to apply the intention of the Regulations for the pre-1998 leavers and to allow member request for early payment at any time from age 55 for that group, it was agreed to apply the current regulations until such time as there was a further set of consultations and regulations and to request Mrs Fox to send an accompanying explanatory letter to those people who submitted a request;
- (b) not to consider applications to switch the 85 - year rule on the grounds that this would be a cost to the Fund rather than to the employer;
- (c) agree to the inclusion of the groups as set out in paragraphs 12-23 in the Administration Strategy and to add an inclusion into the Administration Strategy that the employer would be liable for payment of the one-off lump sum;
- (d) with regard to the case set out in paragraph 35 of the report, to agree that the child's pension should continue until age 23 on the proviso that a doctor's letter is submitted confirming that the child meets the Disability Discrimination Act's definition of disability; and to review the case again at age 23;
- (e) agree that one escrow account should be set up to cover all payments to enable payment to be made within two years; and to request the officers to work with relevant partners to try to assist those people who choose not take their pension for whatever reason;
- (f) agree that in the case of overpayment of a pension, to write off all cases under £10k, those over £10k to come back to Committee for further consideration; and
- (g) agree the appointment of ITM to finalise this project at the cost stated in the report.

53/18 BUDGET OUTTURN REPORT 2017/18

(Agenda No. 11)

The Committee had before them a report (PF11) which analysed the actual spend by the Oxfordshire Pension Fund during 2017/18 against the budget and highlighting the reasons for any material variances.

Officers were requested to give more detail on what the shortfall represented and whether there would be funding to off-set it.

RESOLVED: to receive the report and to note the outturn position.

54/18 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 12)

The Independent Financial Adviser reviewed the investments activity during the past quarter and presented an overview of the Fund's position as at 30 June 2018.

Mr Davies reported that the overall size of the Fund was the highest it had ever been and the rise in the second quarter of 2018 was largely due to appreciation from UK equities, which had out-performed overseas equities and a small gain in property. He added that the value of the Fund was slightly higher to date than it had been at the end of June.

RESOLVED: to receive the tables and graphs, and that the information contained in them be borne in mind insofar as they related to Agenda Items 16, 17 and 18 on the Agenda.

55/18 EXEMPT ITEMS

(Agenda No. 13)

The Committee RESOLVED that the public be excluded for the duration of items 14, 15, 16, 17, 18, 19, 20 and 21 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 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 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.

56/18 EXEMPT MINUTES

(Agenda No. 14)

The exempt Minute of the Pension Fund Committee meeting held on 8 June 2018 was approved and signed as a correct record (PF14).

The exempt Minute of the Local Pension Board meeting held on 13 July 2018 was noted (PF14).

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*

outweighs the public interest in disclosing the information, in that such disclosure would distort the proper process of free negotiations with another party.

57/18 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 was exempt information.

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:

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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.

58/18 BAILLIE GIFFORD

(Agenda No. 16)

The Independent Financial Adviser reported orally on the performance and strategy of Baillie Gifford drawing on the tables at Agenda items 12 and 15.

The representatives, Anthony Dickson and Ian McCombie 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 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 in funding the Pension Fund.

RESOLVED: to

- (a) note the main issues arising from the presentation; and
- (b) thank Baillie Gifford for the services provided to the Fund over the last 15 years, noting that this would be the last time they saw them as manager of the Committee's UK mandate.

59/18 LEGAL AND GENERAL

(Agenda No. 17)

The Independent Financial Adviser reported orally on the performance and strategy of Legal and General drawing on the tables at Agenda items 12 and 15.

The representatives, Chris Lyons and Tom Carr 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 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 in funding the Pension Fund.*

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

60/18 REPORT OF MAIN ISSUES ARISING FROM REPORTS OF THE FUND MANAGERS NOT REPRESENTED AT THIS MEETING

(Agenda No. 18)

The Committee considered a report from the Independent Financial Adviser (PF18) on the main issues arising from the reports from UBS, Wellington and Adams Street Partners in conjunction with information contained in the tables at Agenda Item 12.

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.

61/18 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 19)

No summary was required.

62/18 REVIEW OF THE AVC ARRANGEMENTS

(Agenda No. 20)

The Local Government Pension Fund Regulations require the Administering Authority to appoint an Additional Voluntary Contributions (AVC) provider, to fulfil the statutory requirement of section 12 of the Social Security Act 1986. The authority must provide facilities whereby members may elect to pay additional contributions, within Her Majesty's Revenue and Customs limits, to provide additional benefits at retirement or in the event of death in service. These additional contributions do not form part of the Oxfordshire Pension Fund and do not require an employer's contribution.

The Administering Authority appointed The Prudential Assurance Company Limited (Prudential) in 1998 to provide its AVC scheme. The Administering Authority is responsible for determining and periodically reviewing the performance of the range of fund options from which the members can select.

A review of the Oxfordshire Pension Fund's AVC provider had been undertaken by officers and it had been determined that it would be appropriate to undertake an external review of the Fund's AVC arrangements, including an assessment of the arrangements against other providers in the market. Aon Hewitt was appointed to undertake this review and its report is attached at PF20.

The public 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 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.*

RESOLVED: to

- (a) note the report;
 - (b) continue to use Prudential as the AVC provider of the Administering Authority;
- and

(c) instruct the officers to implement the recommendations of the Aon Hewitt report as deemed appropriate following discussion with Prudential.

63/18 ANNUAL REPORT AND ACCOUNTS 2017/18

(Agenda No. 21)

The Annual Report and Accounts was before the Committee for approval, including any comments from the Auditors (PF21). The report itself did not contain exempt information and was available to the public. However, Annex 1 did contain exempt information and therefore:

The public were 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 approve the Annual Report and Accounts for 2017/18.

READMISSION OF PRESS AND PUBLIC

64/18 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 22)

No issues were raised.

65/18 ANNUAL PENSION FORUM

(Agenda No. 23)

There were no matters arising.

..... in the Chair

Date of signing

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LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 26 October 2018 commencing at 10.30 am and finishing at 12.40 pm

Present:

Voting Members: Mark Spilsbury – in the Chair

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

Officers:

Whole of meeting S. Collins, and S. Whitehead (Resources)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with an additional document tabled for item 12 and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports and additional document, copies of which are attached to the signed Minutes.

37/18 WELCOME BY CHAIRMAN

(Agenda No. 1)

The Chairman welcomed all to the meeting.

David Locke, FCA advised that on taking up a new role he would cease to be a member of the Board from 31 December 2018. The Chairman noted that Sean Collins will make arrangements to have a new appointee in place by the next meeting.

38/18 APOLOGIES FOR ABSENCE

(Agenda No. 2)

All members were present.

39/18 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE OPPOSITE

(Agenda No. 3)

There were no declarations of interest.

40/18 MINUTES

(Agenda No. 4)

Subject to the following correction the Minutes of the last meeting held on 13 July 2018 were approved and signed as a correct record:

Reference to an 'employee representative' on page 5 of the minutes was corrected to read 'member representative'.

Under matters arising from the minutes, in response to a query, Sean Collins confirmed that the Brunel Pension Partnership may well reduce costs and was reducing costs but the target was about net performance.

41/18 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 5)

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

42/18 EXEMPT ITEMS

(Agenda No. 6)

RESOLVED: - to exclude the public for the duration of Items 7 and 8 since it is likely that if they were present during these items there would be disclosure of exempt information as defined in Part 1 of Schedule 12 A to the Local Government Act 1972 (as amended) and specified in relation to the respective item in the Agenda and since it is considered that, in all circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

PROCEEDINGS FOLLOWING THE WITHDRAWAL OF THE PRESS AND PUBLIC

43/18 EXEMPT MINUTE - 13 JULY 2018

(Agenda No. 7)

The exempt Minute of the meeting held on 13 July 2018 was approved and signed as a correct record

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

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

outweighed the public interest in disclosing the information, in that such disclosure would distort the proper process of free negotiations with another party.

44/18 EMPLOYER MANAGEMENT

(Agenda No. 8)

The Board considered the latest in the series of reports to the Pension Fund Committee and this Board on the Fund's approach to employer management. It included the latest position in terms of the performance against the targets agreed with the Pension Regulator in the Improvement Notice, and the subsequent discussions and action plans.

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

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

RE-ADMISSION OF PRESS AND PUBLIC

45/18 REVIEW OF THE ANNUAL BUSINESS PLAN

(Agenda No. 9)

The Board was invited to review the latest position against the Annual Business Plan for 2018/19 as considered by the Pension Fund Committee at their meeting on 14 September 2018, and to offer any views back to the Committee (LPB9)

Mr Collins introduced the contents of the report, updating members on the position with regard to the Brunel Pension partnership and commenting that a major report would be going to the Oversight Board.

Responding to questions the Board was advised:

- that the Local Pension Board would not receive a copy of the report referred to above but that an engagement day was planned on 5 November where the whole of the business plan would be presented, including the priorities. Mr Collins undertook to resend the invitation for the event.
- that the first investment performance monitoring report, referred to at paragraph 5 was very close to being published. Mr Collins indicated that it would be limited to the L& G passive fund and the report to the Pension Fund Committee would be wider. However, he saw no reason why the monitoring report should not be circulated. The Chairman stressed that if it did come to the Local Pension Board the role of the Board would be to consider whether the Pension Fund Committee was getting the correct information.
- that it would be possible to include a Gantt chart in future reports

- that iConnect was not referred to but would be part of the next meeting when the Improvement Plan was considered.
- the budget position was in the report but more detail would be included in future versions of the report.

During discussion members advised that they liked the self-service portal although one member was surprised that the information was in word format and not a pdf. Concern was expressed over the vacancies set out at paragraph 18 which it was feared could lead to a backlog in business as usual. Mr Collins advised that the Pension Fund Committee received information on staffing to every meeting. The Committee was clear on the need to fill vacancies and supportive but accepted the difficulties in filling the posts.

The Board in noting the report **AGREED** that the Pension Fund Committee be advised of the Boards continuing concerns on vacancies. It was further agreed that future reports include a table on vacancies.

46/18 RISK REGISTER

(Agenda No. 10)

The Board considered the latest risk register as presented to the Pension Fund Committee on 14 September 2018. The Board was invited to review the report (**LPB10**) and offer any further views back to the Committee.

Mr Collins introduced the contents of the report and indicated that the Committee's view had been that the risk register was robust, through the work of this Board and the Committee.

During discussion a member suggested that there should be a specific risk included relating to climate change. After some discussion it was agreed that this issue be raised at the training session of Environmental, Social and Governance (ESG) and to note that it would be helpful following that session to reflect whether the Register correctly reflects risks. In response to a query Mr Collins advised that Risk 18 remained un-changed but it was continually monitored. The Board asked that they be kept informed.

The Board **AGREED** that they had no comments for the Committee.

47/18 BRUNEL PENSION PARTNERSHIP

(Agenda No. 11)

Mr Collins advised that he had nothing to add in addition to earlier discussion.

48/18 LOCAL PENSION BOARD CONSTITUTION

(Agenda No. 12)

The Board considered a report (**LPB12**) that proposed changes to the current Constitution of this Pension Board following the discussion at the last meeting about the setting of the Board's Agenda, and the addition of items of any other business.

The Board was asked to agree the changes for recommendation to the Pension Fund Committee for adoption.

The Chairman referred to concerns raised by a board member and Colin Meech, Member of the Investment and Governance Committee of the SAB following changes to the constitution at page 37. In response to those concerns a further amended page 37 was submitted to the meeting.

There was a brief adjournment to allow the Board to read the tabled amendment.

A board member indicated that the amendment having been tabled he would need to consider it and take advise.

During discussion a number of amendments were suggested, and it was AGREED that the tabled page of the Constitution as amended at the meeting be circulated for comment with a view to a further report to the next meeting of the Board.

49/18 MONITORING INVESTMENT EXPENDITURE

(Agenda No. 13)

At the request of the Board at its last meeting, the Board considered a report (**LPB13**) that covered how the Board can best fulfil its responsibilities for monitoring investment costs including custodian and transaction costs.

The Board was invited to consider the information contained in the cost transparency template, and the further contextual information contained in the report and determine its approach to monitoring investment management costs going forward.

Mr Collins introduced the contents of the report noting that the report template was that advised by the Scheme Advisory Board. He commented that if the Board was to be considering the cost information it was most important that it be done in context. The report set out the contextual issues.

A member highlighted the duty of the Board to monitor investment cost and referred to the lack of information provided to the Pension Fund Committee. He added that with the information available there was a discrepancy in the figures. He suggested that the Board could not know if the Fund was getting value for money and that the information needed to be unpacked.

During discussion a member referred to the work of the Pension Fund Committee who were able to question fund managers on a regular basis and felt that it was not for the Board to duplicate work of the Committee. It was suggested that Pension Fund Committee could be encouraged to question more closely on the costs. In response to a query Mr Collins explained what information would be coming back once the Brunel Partnership was in place. A member suggested that the Board should be advising the Pension Fund Committee that it ought to think about how it monitors investments costs under Brunel and how it could compare the position before and after Brunel to ensure value for money. There was some discussion about how this might be done but the Board recognised that this was for the Committee to determine.

It was AGREED that the Pension Fund Committee be requested to give the Local Pension Board the opportunity to consider and comment on the proposed new investment strategy before final approval by the Committee.

..... The Board further AGREED to ask the Pension Fund Committee to reflect on how the Committee monitors performance of Brunel portfolios in the context of net performance versus benchmark and fee levels.

50/18 INDEMNITY INSURANCE

(Agenda No. 14)

At the request of a Board Member at the last meeting, the Board considered a report (**LPB14**) that covered whether there is a requirement for insurance provision to be put in place to cover members of the Board when carrying out their responsibilities as Board members.

Following discussion, during which the Chairman pointed out that the advice from the S151 Officer and Monitoring Officer was that members of the Board would be covered, the Board noted the latest position.

51/18 ITEMS TO INCLUDE IN REPORT TO THE PENSION FUND COMMITTEE

(Agenda No. 15)

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

- The Board welcomed the Improvement Plan and wished to consider it at the next meeting in the context of the Committee being the body to drive the Improvement Plan.
- Concern over the level of vacancies and strong support for recruiting to all vacancies.
- Request to Pension Fund Committee to let the Board consider and comment on proposed new Investment Strategy before final approval by the Committee.
- Request for Pension Fund Committee to reflect on how the Committee monitors performance of Brunel portfolios in the context of net performance versus benchmark and fee levels.

52/18 ITEMS TO BE INCLUDED IN THE AGENDA FOR THE NEXT BOARD MEETING

(Agenda No. 16)

Item to be included in the agenda for the next Board meeting: Local Pension Board Constitution.

..... in the Chair

Date of signing

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Brunel Oversight Board Meeting

Minutes

Purpose: To review Brunel/Client progress agree next steps
Date and time: Thursday 27 September 2018, 10:30 – 13:00
Location: Brunel Offices, 101 Victoria Street, Bristol, BS1 6PU
Dial-in details: Dial In: 0330 336 1949 | Participant Pin: 566525

<i>Pension Committee Representatives</i>		
David Veale	Avon	
John Chilver	Buckinghamshire	
Derek Holley	Cornwall	Phone
Ray Bloxham	Devon	
Peter Wharf	Dorset	Apologies
Joanne Segars	EAPF	Apologies
Hywel Tudor	EAPF	
Ray Theodoulou	Gloucestershire	Chair
Kevin Bulmer	Oxfordshire	Vice-Chair - Apologies
Mark Simmonds	Somerset	
Tony Deane	Wiltshire	
<i>Member representative observers</i>		
Andy Bowman	Scheme member rep.	
Ian Brindley	Scheme member rep.	
<i>Fund Officers and Representatives</i>		
Tony Bartlett	Avon	
Julie Edwards	Buckinghamshire	Phone
Mark Gayler	Devon	
David Wilkes	Dorset	Phone
Craig Martin	EAPF	
Mark Spilsbury	Gloucestershire	
Sean Collins	Oxfordshire	Chair – CG
Nick Weaver	Wiltshire	
Jenny Devine	Wiltshire	
Nick Buckland	JLT – Client Side Executive	
Sophie McClenaghan	JLT – Client Side Assistant	Minutes
<i>Brunel Pension Partnership Ltd</i>		
Denise Le Gal	Brunel, Chair	
Steve Tyson	Brunel Shareholder NED	
Matthew Trebilcock	Brunel, CRD	
Dawn Turner	Brunel, CEO	
Joe Webster	Brunel, COO	
Mark Mansley	Brunel, CIO	
Faith Ward	Brunel, CRIO	Item 5 only

David Anthony	Brunel, CFO	
Laura Chappell	Brunel, CCO	Item 4 only

Item	Agenda	Paper provided	Owner
1	Apologies and welcomes Confirm agenda Requests for AOB Any new declarations of conflicts of interest	Agenda C of Interests	Chair
	<p>Apologies were received from Joanne Segars, Kevin Bulmer and Peter Wharf.</p> <p>NW introduced Jenny Devine who will be taking over from him at Wiltshire.</p> <p>No AOB was received.</p> <p>No new conflicts of interest were received.</p>		
2	Review 18 July BOB minutes <ul style="list-style-type: none"> Matters arising - SRMs 	Minutes	Chair
	<p>A query was received from HT around the level of detail included in the July minutes and whether the exact figures should be included. It was noted that the minutes were written to be publically available and as such, in some instances, are deliberately light in detail. Any supporting figures will be included in the supporting documentation.</p> <p>The July minutes were agreed and confirmed as final.</p> <p><u>Matters arising</u></p> <p>Two shareholder reserved matters requests (SRMs) were issued in July, both of which required 100% shareholder approval.</p> <ol style="list-style-type: none"> Private markets – approved Remuneration policy – consisted of 4 items <ol style="list-style-type: none"> Maximum chair and NED payments – approved Recognition awards - rejected Salary caps linked to CPI - rejected External review, once every 2 year – approved <p>Brunel has confirmed it can continue to be operational for this year (to the end 31 March) without the two remuneration policy items having been approved.</p>		
3	Pricing Policy	Report	DT/JW
	The original interim pricing policy expires in March 2019, however the review needs to be brought forward as the ACS is not included in the		

	<p>current policy. The paper presented was designed to be futureproof by detailing the high level principles of the pricing policy rather than exact detail.</p> <p>MG noted that the original pricing policy was always intended to be an interim policy during the set up of Brunel. He confirmed that the CG had reviewed the document and believes the principles are fair and appropriate. It was queried whether the CG are happy with the definition of direct costs. MG and MS confirmed this has been reviewed by the CG.</p> <p>It is a requirement of the shareholders agreement that Brunel provide a pricing schedule to Clients for the following year by the end of February. The Clients will receive invoices to provide evidence of the Brunel costs. Investment management fees within the ACS will be charged as units but Clients will receive statements that will detail the amounts.</p> <p>The CG will bring the draft reporting templates to BOB before they are finalised. The costs will be reported in the business plan which will also come to BOB for approval.</p> <p>Track changes had not been used for this policy as this was a significant rewrite from the previous version; however, the main changes were highlighted in the cover report.</p> <p>The BOB supported the recommendations included in the cover report.</p> <p>I. The Oversight Board support the revised Pricing Policy and the issuing of a Special Reserve Matter.</p>		
4	<p>Business Plan</p> <ul style="list-style-type: none"> • Draft Business Plan • Business Case Review • Transition Plan options 	Report and presentation	DT/JW
	<p>DT provided an overview of the business case review via a presentation. It was noted that the figures included in the report have been calculated using a sophisticated financial model. The FSG had not yet scrutinised and audited the model and they would be doing so the following week during a full day meeting.</p> <p>The original business case demonstrated that pooling would be advantageous to Clients. Brunel has updated the business case to reflect its position today, then it is evaluating how Brunel can proceed going forward.</p> <p>MS noted that the FSG has invited any additional CG members to attend the upcoming meeting, and that three additional CG members will be attending the FSG model validation session.</p>		

The UK active equities transition resulted in investment management fees of around 50% of the original estimate. Part of the reason for this high level of saving was the full procurement exercise that was undertaken. However because of this, where Brunel had originally estimated that each selection process would take 6 months per portfolio, it revised its estimates to around 9 months. This was a key learning point for future transitions. In addition to the desire to do a fully transparent procurement, FundRock, the ACS provider will require Brunel to undergo a significant level of due diligence. DT highlighted that in addition to the lack of resource identified within Brunel the underlying Funds have also struggled to meet timelines.

The open, transparent tender process meant that Brunel can build up research on all managers in that area. Portfolios include a blend of managers so mitigate the risk of a manager underperforming. Brunel is using other companies' assessments such as Analytics. MM was keen to point out that they didn't select a manager because of the lowest fee, the weighting is quite low for fees in the selection process, they attempt to find the best managers and then negotiate on fees.

Brunel presented three potential options for the transition of assets two of which resulted in some delay in the remaining portfolios. Option 2 was highlighted as the favoured option. It was also noted that the UK and Low Vol portfolios were completed early, transitioning in November 2018 rather than in July 2019, as per the indicative timetable in the original business case. In addition the private markets portfolios have been brought forward vs the business case.

Brunel doesn't believe option 3 is deliverable, as it will take time to get additional resource.

Option 2 is indicative. Option 1 pushes out the business plan to 2024 which Brunel and the CG think is too far to produce the benefits.

Option 2 is a halfway house but the assumptions are to be assessed by the FSG and then the timetable will be finalised. Brunel and the CG are looking for support from BOB that options 1 and 3 are not attractive and that the direction of travel that should be further explored is option 2.

It was asked whether the right resource was available. DT responded that this was the issue with option 3, Brunel and the CG do not believe recruitment can happen fast enough to make option 3 feasible, however it is believed that option 2 is a reasonable lead time, and, to date. Brunel has not had any problems with recruitment.

DH asked if next year there will be another set of delays. SC as Chair of the CG noted that the CG has emphasised to Brunel that the business plan in November needs to be a realistic timetable and therefore needs to include sufficient recourse. The UK and Low Vol portfolios are the first time the process has been thoroughly tested; previous timeframes have been

	<p>based on estimates.</p> <p>LC joined the meeting and provided an overview of the impact regulation has caused. MiFID II has put some robust and painful requirements around transparency on the entire firm in addition to the day to day work. The ACS vehicle also brings with it additional regulatory requirements; however this method reduces the tax burden significantly.</p> <p>LC left the meeting.</p> <p>A question was asked on "Overlay services", and these were described as bring more bespoke to individual funds such as LDI or TAA.</p> <p>BOB agreed that option 2 is the favoured direction of travel and supported Brunel refining the detail with examination of the figures from the FSG, to be presented at the 1 Nov BOB meeting.</p> <p>The timeline was highlighted as the new business plan being presented to the BOB meeting on 1 November, and provided it was agreed, the business plan will be incorporated in the engagement days 5, 6, and 7 Nov. this will provide addition opportunity for the shareholder reps to ask any questions.</p> <p>A Special Reserved Matter Request will be issued after the engagement days on 8 November with shareholders having 20 business days to respond. It was emphasised that the agreement of this SRM is crucial to Brunel's on-going operation so Brunel requested that Funds raise any potential issues early.</p> <p>It was requested that Brunel send this timetable to the shareholder reps notifying them of the process and indicating the significance. The notice should indicate that this was agreed in March.</p> <p>It was noted that it is the CG representatives' role to keep the shareholders informed throughout this process.</p> <p>The BOB supported the recommendations included in the cover report.</p> <ul style="list-style-type: none"> I. The Oversight Board note the figures included in this report are indicative and although they provide a robust view of the potential outcomes they still require the detailed assurance review by the Financial Services Group (FSG) II. ii. The Oversight Board note the progress made on the full review of the Original Business Case. III. iii. The Oversight Board note the lessons learnt from establishing the first three portfolios within the core markets and the implications for the core markets transition plan. IV. iv. The Oversight Board noted the options under consideration and resolved to ask Brunel to incorporate a worked up option 2 into the Business Plan to be presented to the Oversight Board 01 November 	<p>Brunel</p>
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	2018.		
5	Stewardship policy	Paper	FW/MM
	<p>FW joined the meeting and presented the Brunel policy. She highlighted that it had been written for multiple audiences which is why definitions are included in text boxes.</p> <p>The RI sub Group have extensively reviewed the policy but have not highlighted any fundamental issues. The policy will be published in November so FW asked for any comments by end October, however this is a dynamic document and will evolve over time.</p> <p>The policy goes above and beyond the UK Stewardship Code as Brunel is a global investor. The Policy incorporates issues from other regions, particularly any areas Brunel believes may be incorporated in the UK stewardship code in the next year. There will be a slight adjustment in the wording around the split voting to make it stronger.</p> <p>Stock lending won't be available until early 2019 so the policy will come out towards the end of the year. Brunel will provide a paper indicating the stock lending discussion factors for the end October. The stewardship policy and stock lending will be discussed at the November engagement days.</p> <p>FW is happy to draft the individual stewardship statement should Funds wish.</p> <p>IB requested that it was made clear that shareholder resolutions shouldn't attempt to influence the business plan of companies. FW agreed to make that reflection, but some judgement calls will be required.</p>		Brunel
6	<p>AOB</p> <p>Future meeting dates</p> <ul style="list-style-type: none"> - 1 November 2018 - Agree next year dates <p>Engagement days</p> <ul style="list-style-type: none"> - Oxford - Mon 5 Nov - Bristol - Tue 6 Nov - Exeter - Wed 7 Nov 		Chair
	<p>MT attended the CPCG on 26 September 2018, and a meeting of Chairs of Funds had been scheduled by the LGA to look at Infrastructure. MT noted that if Chairs haven't been invited they should ask their officers to contact Jeff Houston at the LGA.</p> <p>JLT and Brunel agreed to plan next year's BOB meeting dates.</p>		<p>Chairs/ Officers</p> <p>JLT/ Brunel</p>

	The engagement days are open to all attendees. BOB members were encouraged to promote the dates to Committee and Board members.	All
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Division(s): N/A

PENSION FUND COMMITTEE – 7 DECEMBER 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 report reflects the discussions of the Board members at their meeting on 26 October 2018. The Board was attended by the Independent Chairman and all six of the scheme employer and scheme member representatives. David Locke though informed the Board though as a result of a change in job, he would no longer meet the criteria to act as a Scheme Employer representative and would be stepping down from the Board with effect from 31 December 2018.

Matters Discussed and those 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 considered the most recent correspondence with the Pension Regulator, and an update from the Officers regarding the meeting held in Brighton on 11 October 2018.
4. The Board noted that the delivery against the draft Improvement Plan would be key to ensuring no repeat of the current issues. They asked to ensure the Plan was included as an Agenda Item for their next meeting, recognising it was the responsibility of the Pension Fund Committee to drive forward the work on the Plan
5. The Board also wished to re-iterate to the Committee their strong support for ensuring the Pension Services Team had the resources necessary for delivering against the Plan and for recruiting to the current vacancies.
6. The Board considered the reports received by the Pension Fund Committee on the review of the Annual Business Plan and the Risk Register. They had nothing to bring to the attention of the Committee on these items.

7. Following the discussion at the July Board meeting, the Board again reviewed its own Constitution, with particular reference to the process for adding items to the agenda. Further changes to the Constitution were tabled at the meeting, and Board Members determined to take these away for further consideration with a view to agreeing any changes at their next meeting.
8. Following a request from a scheme member representative at the July meeting, the Board discussed an item on the cost transparency templates received from the current Fund Managers, and how they should be incorporated into any monitoring of investment management expenditure. The report set out the context in which costs should be reviewed, which the Board discussed, recognising it was the responsibility of this Committee to determine the approach to be followed. The Board did agree to request that this Committee reflect on how they will monitor the performance of the Brunel portfolio's in the context of net performance versus benchmark and fee levels.
9. In the discussion on this item, a member of the Board raised a request that the Board be given the opportunity to consider and comment on the next iteration of the Investment Strategy Statement before it was given final approval by this Committee. The request was endorsed by the Board.
10. The Board also reviewed the position regarding the insurance arrangements for themselves. In light of the advice received, they determined that there was no need to procure insurance to cover their work as members of the Pension Board.

RECOMMENDATION

11. **The Committee is RECOMMENDED to note the report of the Board and also to:**
 - (a) note the wish of the Board to consider the Improvement Plan at their subsequent meetings, in the context that it is the responsibility of this Committee to drive the plan;**
 - (b) note the Board's continued concern over the level of vacancies and their strong support for recruiting to fill all positions;**
 - (c) consider its request to be invited to consider the next version of the Investment Strategy Statement before it is approved by this Committee; and**
 - (d) consider its request that the Committee reflects on how it will monitor the performance of the Brunel portfolios in the context of net performance against benchmarks and fee levels.**

Mark Spilsbury
Independent Chairman of the Pension Board

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

November 2018

Division(s): N/A

PENSION FUND COMMITTEE – 07 DECEMBER 2018

ADMINISTRATION REPORT

Report by the Director of Finance

Introduction

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

Draft Improvement Plan and the Pensions Regulator

2. Since the last meeting of the Committee, we have remained in regular correspondence with the Pensions Regulator regarding the issues around our Annual Benefit Statements, Data Quality and the Backlog of work on leavers. This included the meeting at the Regulator's offices in Brighton which was also attended by representatives of the Regulator's legal team, and Christian Smith from the Council's legal team.
3. Much of the correspondence and the meeting in Brighton were aimed at providing further information and clarification of our position to the Regulator. These communications focussed on the three issues above, with the Regulator also looking for assurance that we had learned the lessons from the past and had put in arrangements to ensure that there was no re-occurrence of the problems reported.
4. In respect of the issuance of Annual Benefit Statements, we have now issued all but 16 of the statements due for this year. The outstanding statements all relate to scheme members employed by Edwards and Ward who provide catering and cleaning services to schools. We issued a breach of regulations report to the Regulator in respect of Edwards and Ward as part of our correspondence at the end of September. We continue to work with Edwards and Ward to resolve the outstanding issues, but the process is complicated in that the data provided by Edwards and Ward is inconsistent with that provided by Carillion, the former employer of the staff involved. We are looking to ensure the issues are resolved and the Statements issued by the end of 2018.
5. As part of our correspondence on 2 November 2018, we also provide breach reports in respect of South Oxfordshire District Council, Vale of White Horse District Council and Optalis, where we had been unable at that time to issue the final Statements.
6. In respect of the two District Councils, the issues stemmed from the failure of Capita who provide payroll services to the two Councils to provide

accurate information in the requested format in respect of the final 31 members of staff (the majority of statements for staff at the two Councils had been issued in accordance with the statutory deadlines). Since the date of reporting the breach, Capita have provided responses to the outstanding queries and the final statements have been issued.

7. In respect of Optalis, the issue was in respect of the historic information relating to the staff they took on under a TUPE transfer. Optalis had not requested the prior year's data at the point of transfer, and it was no longer available from the previous employer at the point the queries were raised. The missing information was therefore calculated from the information we had been provided and from information held on the scheme member records, and the statements for the 8 staff impacted were issued at the end of November.
8. In respect of Data Quality, we discussed our concerns about the lack of agreement on a standard set of data quality tests when we met the Pension Regulator in Brighton. We re-affirmed our view that the current scores did not present a true picture of the quality of our data in respect of our ability to fulfil our statutory responsibilities.
9. The Regulator asked us to re-submit our data quality scores based on our own view of what the data quality tests should measure, and we therefore agreed changes to the existing report with Aquila Heywood. The resulting scores showed an increase in our Common Data score from 94.3% to 96.9% and in our Scheme Specific data score from 80.4% to 94.8%.
10. We have subsequently provided the Regulator with further clarification as to why we excluded certain tests, and are awaiting their feedback. In short, the test was removed where a fail did not impact our ability to carry out our statutory duties. For example, records had failed the test in respect of contributions data. However, whilst contributions data is a key element of reconciling the returns submitted from scheme employers before they are loaded to the system, they play no further part in the calculation of pension benefits etc. We therefore deleted the test from the latest reports.
11. In respect of the backlog of leavers work, ITM concluded their work at the end of November. They missed their final deadline as included in the project plan sent to the Regulator by 1 week. We are currently awaiting feedback from the Regulator on this issue.
12. The final area where the Regulator had sought information was in respect of our draft Improvement Plan to ensure that the issues experienced did not continue, or re-occur in the future. We submitted the draft Improvement Plan (attached as Annex A) at the end of September and are currently awaiting feedback on the Plan from the Regulator. If this is received in advance of the Committee meeting, we will provide an update at the meeting itself.

13. It is our expectation that we will report progress against the Improvement Plan to each future meeting of this Committee. Members are invited to comment on the draft Improvement Plan and what information they would like to see at future Committee meetings.

Workload and Staffing

14. The statistics below show performance during the period 01 July 2018 to 30 September 2018. These results are unsurprising, given this covers the period over the summer holidays but also where the whole team was concentrating on key priorities of annual benefit statement production; data quality and outstanding leavers.
15. The Benefit Team has already had discussions about how they will now restructure to re-allocate the work to bring back in to specification; deal with staff training / maintaining skills; recruit to vacant posts and make changes to work processes to improve flow through the team. This last point will be driven by implementation of i-connect.
16. In preparation for these changes a new senior administrator post has been created and is currently being advertised within the team. This post will specifically support on-going training for current team members and undertake training for new members of staff once recruited.
17. For the remainder of the team, discussions are still on-going as to how we can staff up for the key period of April to August taking necessary skills in to account.

Subject	Working Days	% Within Target	% Achieved April to June 2018	Number of Cases
Annual Allowance	10	90	100.00	1/1
APC	10	90	12.50	1/8
Data Changes	10	90	58.48	169/289
Deaths	10	95	60.13	92/153
Deferred Benefits	40	90	38.38	545/1420
Divorces	10	95	41.67	10/24
Estimates – Employer	10	90	44.83	13/29
Estimates – Member	10	90	43.18	57/132
General Queries – Employer	10	90	91.80	56/61
General Queries - Member	10	90	68.37	402/588
Other				

Re-employments	40	90	52.26	495/953
Refund of Benefits	10	95	74.92	717/957
Retirements	10	95	49.13	142/289
Transfers In	10	90	31.63	31/98
Transfers Out	10	95	35.59	21/59

Project Work

18. Current project work in the team is:

Project	Status	Notes
Administration to Pay	Amber	The enhanced version is still not available due to software issues; however, the previous, more basic, version is still available and team leaders have decided that implementing this will still be of benefit to team processes.
Annual Benefit Statements	Green	As above – just 16 statements outstanding.
Backlog of Work	Green	As above – complete
Data Quality		This no long to be treated as a project but as a BAU item for reporting.
Employer Relationship Module - Altair	Amber	This Altair module is in and being used. However, the functionality is limited hence amber rating. This is long term ongoing development so remove from project list.
GDPR	Amber	Some tidying up to do
GMP Reconciliation	Amber	Now planning phase 3 to be delivered in 2019.
I-Connect	Red	Please see separate report.
Member Self Service	Green	This is now available to all active, deferred and pensioner members. Work will be scheduled to increase functionality for members. Move to BAU

Changes to Scheme Employers

19. A full list of the changes to scheme employers will be reported next quarter.
20. Members will be aware that the biggest challenge here is getting scheme employers, particularly schools, to recognise their responsibilities to ensure continuity of pension entitlements for the staff they are transferring to contractors. This often means that either Pension Services do not hear about an outsourcing until it has been finalised, or until the service is outsourced to a second contractor.
21. This constant game of catch up creates a range of issues across the whole of the administrative team including the issuing of annual benefit statements.

22. To address this the team are currently reviewing the admission process to simplify and streamline, after which there will be a communication exercise to all scheme employers.
23. Another major challenge over the last quarter has resulted from the decision made by Bracknell and Wokingham College to seek a merger with Activate Learning. Under the proposal, all staff from Bracknell and Wokingham College would be transferred to Activate Learning. For the non-teaching staff, this would mean that the transferring staff would switch from the Berkshire LGPS Fund to the Oxfordshire Fund.
24. As part of the proposal, Bracknell and Wokingham College wanted to avoid a cessation event on their departure from the Berkshire Fund, which would have required an immediate payment of their deficit to the Berkshire Fund. We were therefore approached about a joint application to the Secretary of State for a Direction Order which would transfer the full assets and liabilities of Bracknell and Wokingham College to the Oxfordshire Fund, with the newly merged college continuing to make regular payments to repay the deficit.
25. The approval of such a Direction Order would have resulted in the transfer of risk from the Berkshire Fund to the Oxfordshire Fund, with the remaining employers in the Oxfordshire Fund (and therefore ultimately Oxfordshire tax-payers) responsible for meeting any outstanding pension deficit in the event that the newly merged college went into insolvency and was unable to meet its debts. We therefore sought advice from PwC on the level of risk involved, and on the options to mitigate such risk. These conversations also included the Fund Actuary who were already working with the Fund on our approach to mitigate risks for those scheme employers where there is no government/tax back covenant to protect future pension payments.
26. At the time of writing this report, a proposal has been made to the colleges setting out the security and associated arrangements the Pension Fund would wish to see in place before it could support an application to the Secretary of State for a Direction Order. This includes taking a legal charge on unencumbered property assets equal to the cessation valuation which would be payable in the absence of the Direction Order. An update will be provided to the meeting.

Complaints

27. Twenty complaints have been received in the year to date. Half of these have been made using the internal procedure to complain about delays in replying to queries. As previously reported some changes have been made to better balance conflicts between responding to customers; other workloads and staffing. The remaining complaints have been made using the formal complaint procedure about a decision affecting their pension, with four cases currently in progress

28. The above number equates to 0.11% of active scheme members - which compares with a figure of 0.14% in 2017.

Write Offs

29. The Scheme of Delegation, attached at Annex B, shows three amendments for approval by this Committee. These are all under the scheme of financial delegation, with the aim of improving operational efficiency within the Pension Services Team:

- The first is to allow the Pension Services Manager to approve payments of transfer values and retirement grants to a maximum of £500,000,
- The second is to allow the Systems Manager and Communications Manager to approve payments to a maximum of £200,000 in absence of Pension Services Manager
- The third is to allow all other Team Leaders to approve payments up to £25,000

30. In line with the Scheme of Delegation Policy, 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

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.

31. In the current period, £18.61 has been written off in respect of two cases where the member has died.
32. In the period December 2017 to September 2018 a total of £95.73 has been written off, in respect of 17 cases where the member has died.

Fire Service Pension Schemes

33. 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 Q2 2018:

Subject	Working Days	% Within Target	Achieved July to September 2018	Number of Cases
Annual Allowance	10	90	n/a	
APC	10	90	100	1/1
Data Changes	10	90	20	1/5
Deaths	10	95	0	0/1
Deferred Benefits	40	90	0	0/1
Divorces	10	95	n/a	
Estimates – Employer	10	90	n/a	
Estimates – Member	10	90	0	0/2
General Queries – Employer	10	90	n/a	
General Queries - Member	10	90	96.77	30/31
Other			0	0/2
Re-employments	40	90	n/a	
Refund of Benefits	10	95	n/a	
Retirements	10	95	42.86	3/7
Transfers In	10	90	0	0/1
Transfers Out	10	95	100	2/2

RECOMMENDATIONS

34. The Committee is RECOMMENDED to:

- (a) note the report;
- (b) provide any feedback on the draft Improvement Plan and confirm the arrangements for monitoring the delivery of the Plan at future meetings; and
- (c) agree the proposed changes to the Scheme of Delegation as outlined in paragraph 29.

Lorna Baxter
Director of Finance

Background papers: Nil
Contact Officer: Sally Fox, Pensions Manager, Tel: (01865) 323854

November 2018

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End of Year 2018/19 and Issuance of Annual Benefit Statements**End of Year Return**

	Owner	Due date	Status
Issue Scheme Employer Questionnaire re 2017/18 Exercise	BH	26/10/18	Completed
Hold Employer Forum to Discuss Results of Questionnaire	BH	30/11/18	
Prepare Briefing for All Employers to Set out any Key Changes	BH/SJC	21/12/18	
Confirm Senior Escalation Point with All Scheme Employers	BH	21/12/18	
Prepare/Review templates for 2018/19 Returns	BH	14/01/19	
Allocate Member of Employer Team to Lead for Each Scheme Employer	BH	14/01/19	
Get in touch with employers by phone to confirm who our contacts are for the annual return	Employer team	18/01/19	
Annual returns emails to be drafted	BH	16/01/19	
Returns to be sent out w/c 21 January 2019 (include dates for training days)	Employer team	25/01/19	
Contact all employers who have had previous issues to check receipt support needed	Employer team	28/02/19	
Run Employer Training Sessions on Completion of End of Year Return	SAF/BH/JW/RO	15/03/19	
Week before the April deadline send a reminder to High level contacts that the data is required by 19 April	Employer team	12/04/19	
Reconcile returns received and deal with any reconciliation queries - using tolerances agreed 10 days turnaround	employer team/investments	31/05/19	
Non balanced returns to be sent back (employer deadline 5 days)	Employer	30/06/19	
Identify no compliance - record breaches	BH	30/06/19	
May – upload returns based on 80% match rate	RS	30/06/19	
Follow up no compliance	JS/JF	09/06/19	
Errors to be recorded between reconcile conts and Pens rem queries	Employer Team	14/06/19	
May - June Queries sent - deadline 1 months	Employer Team	30/06/19	
July - End of year Query resolutions	Employer Team	31/07/19	
No response issue pens rem query statements	BH	28/06/19	
ABS production Commences	RS/BH	20/05/19	
ABS week 1	RS/BH	24/05/19	
Progress Meeting	Team	28/05/19	
ABS week 2	RS/BH	31/05/19	
Progress Meeting	Team	03/06/19	
ABS week 3	RS/BH	07/06/19	
Progress Meeting	Team	10/06/19	
ABS week 4	RS/BH	14/06/19	
Progress Meeting	Team	17/06/19	
ABS week 5	RS/BH	21/06/19	
Progress Meeting	Team	24/06/19	
ABS week 6	RS/BH	28/06/19	
Progress Meeting	Team	01/07/19	
ABS week 7	RS/BH	05/07/19	
Progress Meeting	Team	08/07/19	
ABS week 8	RS/BH	12/07/19	
Progress Meeting	Team	15/07/19	
ABS week 9	RS/BH	19/07/19	
Progress Meeting	Team	22/07/19	
ABS week 10	RS/BH	26/07/19	
Progress Meeting	Team	29/07/19	
ABS week 11	RS/BH	02/08/19	
Progress Meeting	Team	05/08/19	
ABS week 12	RS/BH	09/08/19	
Progress Meeting	Team	12/08/19	
ABS week 12	RS/BH	16/08/19	
Final Progress/review meeting	Team	19/08/19	
Mop up of statements	Team	31/08/19	

Feedback requested in Talking Pensions - 1 response

Monthly returns

	Owner	Due date	Status
Review First 6 month returns and identify and missing returns	BH/SF/JF	31/10/18	Completed
Escalate All Employers with Missing Returns	BH/SF/JF	31/10/18	
Identify All Scheme Employers Where Active Membership has Ceased	BH/SF/JF	31/10/18	
Ensure All Records For Ceased Employers have been loaded and validated	BH/SF/JF	30/11/18	
Resolve Any Outstanding Queries with Scheme Employers	BH/SF/JF	21/12/18	
Review First 6 months CARE data, and identify any inconsistencies. Raise queries with employers	BH	30/11/18	In Progress
Escalate All Missing Monthly Returns by month end	SF/JF	End of Each Month (Nov - Apr)	
Maintain CARE data monthly, and raise queries with employers each month	BH/SF/JF	End of Each Month (Nov - Apr)	
Run provisional CARE on 9 months data	System Team	16/02/19	
Load March CARE data and identify final queries	BH/Systems Team	03/05/19	
Resolve Final CARE Queries	BH/Employer Team	24/05/19	

21/11/18

Run CARE data

System Team

31/05/19

Communication	Owner	Due date	Status
Write to Scheme employers (see line 8 above)	BH	21/12/18	
Email templates/acknowledgements to finalise	BH	18/01/19	
Update team at team meeting	BH/SAF	25/01/19	
Pension Fund Forum	SAF	25/01/19	
Monthly updates - talking pensions	JW/RO	31/01/19	
Monthly updates - talking pensions	JW/RO	28/02/19	
Monthly updates - talking pensions	JW/RO	31/03/19	
Monthly updates - talking pensions	JW/RO	30/04/19	

Staffing	Owner	Due date	Status
Review Current Staff Structure in Light of Recent Experience	SJC/SAF	19/10/18	
Agree new structure and Appropriate Division of Duties	SJC/SAF	19/10/18	
Revise Job Descriptions, Grades and Person Specifications including suitability of apprenticeships with County HR	SJC/SAF	02/11/18	
Implement new structure	SAF	02/11/18	
Recruitment	Team Leaders	30/11/18	
Recruitment - interviews	Team Leaders	07/12/18	
Recruitment - issuing offers	Team Leaders	14/12/18	
Recruitment - references / medicals	Team Leaders	21/12/18	
Recruitment - confirm start dates	Team Leaders	21/12/18	
Resource cover - sickness/maternity	Team Leaders	On-Going	
Staff Induction	Team Leaders	08/02/19	
Staff Training	Team Leaders	On-Going	

Implementation of i-connect	Owner	Due date	Status
Visit other sites with i-connect	JS	30/11/18	
Liaise with LGA re results of work of Academy Working Group on Standardising Data Returns	SJC/JS	30/11/18	
I connect Demonstration to Employers	Ask for volunteers, interest	30/11/18	
Produce Full Business Case for Pension Fund Committee's December Meeting	JS	07/12/18	
Draft implementation plan	JS	21/12/18	
Statement of works Signed off	Heywoods/OPF	11/01/19	
i-connect Deployed	Heywoods/OPF	22/02/19	
i-Connect connectivity established	Heywoods/OPF	30/03/19	
Initial Employer onboarding	Heywoods/OPF	30/06/19	
Final Employers onboarded	Heywoods/OPF	31/12/20	
Live processing ¹	Heywoods/OPF	01/07/19	

Regulatory Functions

Identify all statutory responsibilities and associated timescales	SAF	26/10/19	
Develop portfolio of performance measures that measure achievement of statutory functions and provide early warnings of potential breaches of targets	SAF	23/11/19	
Present Performance Report to Pension Fund Committee and Seek Feedback	SAF	07/12/19	

Data Quality	Owner	Due date	Status
Hold workshop with Aquila Heywood to review results of 31 August 2018 Report	SAF/RS	26/10/18	
Produce Report for LGA on Proposal for Standardise Data Quality Reports covering tests to be applied, records to be covered by test and basis for how the test is to be applied.	SAF	30/11/18	
Re-Run Data Quality Reports on basis of Proposed Standards to determine revised data quality scores	SAF	14/12/18	
Produce Action Plan to Improve Data Quality Scores where they fall below 98% in Revised Report	SAF	21/12/18	

Annex B - Pension Fund Scheme of Delegation

Introduction

1. In addition to the responsibilities listed in the Council's schemes of delegation, some additional responsibilities for functions specifically related to pension fund activities have been delegated to officers by the Pension Fund Committee.

Adjudication of Disagreements

2. Under the Local Government Pension Scheme Regulations 2013, a member of the Pension Scheme has a right to raise a complaint in respect of their pension entitlement with their employer (or previous employer where they have left the employment to which the dispute relates).
3. The complaints procedure has 3 stages. Stage 1 will be determined by the relevant scheme employer or the Administering Authority depending on the nature of the complaint. Stage 2 is an independent review of the complaint by a person with delegated authority from the Administering Authority. Stage 3 is determined by the Pensions Ombudsman.
4. At their meeting in December 2012, the Pension Fund Committee delegated authority to the Pensions Services Manager to determine cases on behalf of the Administering Authority at Stage 1, and the Service Manager - Pensions to determine all cases at stage 2. In both cases, the Committee determined that the relevant officer can agree an award of compensation up to £5,000 subject to a report back to the next meeting of the Pension Fund Committee. Any award of compensation above £5,000 must be determined by the full Pension Fund Committee.

Death Benefits

5. The Local Government Pension Scheme Regulations 2013 state that if a scheme member dies before his 75th birthday, the administering authority at their absolute discretion may make payment, in respect of the death grant to or for the benefit of the member's nominee or personal representatives or any person appearing to the authority to have been his relative or dependant at any time.
6. Death grant decisions can be made by the Chief Executive in consultation with the Chairman of the Pension Fund Committee.
7. At their meeting in June 2012, the Pension Fund Committee delegated authority to the Team Leaders in the Pension Services Team to determine all non-contentious cases. (N.B. Delegation was made to this level to avoid potential conflict in the case of complaint which would be heard by the Pension Services Manager at Stage 1 – see complaints delegation above).

Power of Attorney – Custody Accounts

8. The Pension Fund Committee has delegated the decision to authorise POA's on behalf of the Pension Fund to Officers, after consultation with the Chairman of the Committee.

Fund Management and Custody Agreements

9. Two signatories are required from the following:
 - Service Manager – Pensions
 - Financial Manager – Pension Fund Investments
 - Authorisers listed in the approved Treasury Management Responsible Officers List.
10. The following are authorised to approve invoices relating to agreed fund management and custody arrangements:
 - Service Manager – Pensions
 - Financial Manager – Pension Fund Investments

Pension Fund Cash Management Strategy

11. The Oxfordshire Pension Fund maintains a balance of cash arising from the receipt of employer and employee contributions exceeding the amount of payments made on behalf of the Fund. The cash balances held by the administering authority are managed by the Council's Treasury Management team and the Pension Fund Investments team. The Pension Fund Committee has delegated authority to the Director of Finance to make changes necessary to the Pension Fund Cash Management Strategy.
12. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, state that the Administering Authority must hold in a separate bank account all monies held on behalf of the Pension Fund and formulate an investment policy to govern how the authority invests any Pension Fund cash.
13. Day to day management of the Oxfordshire Pension Fund cash balances is delegated to the Treasury Management team. The Treasury Management team responsible officers list is authorised by the Director of Finance.
14. Officers authorised to enter into Money Market arrangements are listed as Dealers on the Treasury Management Responsible Officers List.
15. To avoid cashflow deficits or the excessive build-up of cash over the strategic asset allocation, the level of cash balances is reviewed as part of a quarterly asset allocation review by the Independent Financial Adviser and the Pension Fund Investments officers.

Strategic Asset Allocation

16. The Pension Fund strategic asset allocation is approved by the Pension Fund Committee and is periodically reviewed by the Independent Financial Adviser. Due to market volatility and the varying performance levels of fund managers, the actual asset allocation fluctuates on a daily basis.
17. The Independent Financial Adviser and officers review the actual asset allocation on a quarterly basis and make arrangements to transfer assets or cash to/from fund managers, to rebalance the fund.
18. Decisions to rebalance the fund within approved strategic asset allocation ranges are delegated to officers. Arrangements to rebalance the fund outside the strategic asset allocation ranges, are taken after consultation with the Chairman of the Pension Fund Committee, and reported to the next Committee.

Voting rights

19. Investment Managers are delegated authority to exercise voting rights in respect of the Pension Fund's holdings they manage.

Private Equity

20. In February 2011, the Pension Fund Committee resolved to transfer the responsibility for private equity fund management decisions to the lead officer for Pension Investments. The Fund's Independent Financial Adviser is responsible for advising officers on the management of the private equity portfolio. Officers consider the advice and decide whether or not to act on the recommendations. In practice, private equity decisions are delegated to the Service Manager – Pensions, or in his absence the Financial Manager – Pension Fund Investments.

In-House Property Investments

21. Internal property fund decisions are delegated to the lead officer for Pension Fund investments or in their absence to the Financial Manager – Pension Fund Investments. Responsibility for placing internally managed property trades is delegated to the Pension Fund Investments team.

Early Release of Benefits

22. At its meeting in June 2014, the Pension Fund Committee delegated decision making to the Director of Finance to determine cases under the Early Release of Benefits Policy where the scheme member's previous employer no longer existed.

Admission of new Admitted Bodies

23. At its meeting in June 2014, the Committee delegated the authority to agree admission of new admitted bodies to the Oxfordshire County Council Pension Fund to the Service Manager – Pensions.

Payment of Benefits to an Authorised Person

24. At its meeting in September 2012, the Pension Fund Committee delegated to the Director of Finance, following consultation with the Chairman, Deputy Chairman and Opposition Group Spokesperson, the authority to determine payments to an authorised person in instances where the scheme member is incapable of managing their own affairs.

Reports back to the Committee

25. In all cases where a decision has been delegated to Officers, decisions made will be reported back to the Committee at the next meeting for information only.

Scheme of Financial Delegation

Authority to Sign Purchase Orders, Invoices and Contracts for the Oxfordshire County Council Pension Fund

Sole signatories for Pension Fund Goods and Services

Up to £500,000 for Goods and Services,

Chief Executive

Director of Finance

Service Manager – Pensions (solely for the approval of fund management invoices)

Financial Manager – Pension Fund Investments (solely for the approval of fund management invoices)

Pensions Services Manager (solely for the approval of transfer or retirement grant payments)

Up to £200,000 for Goods and Services

Service Manager – Pensions

Financial Manager – Pension Fund Investments

Pension Services Manager

Systems Manager

Communications Manager

Up to £25,000

Team Leaders x 4 – Pensions Services

Joint signatories for Pension Fund Goods and Services

With the Chief Executive for Goods and Services over £500,000:

- Director of Finance
- Service Manager – Pensions

Income (Debt) Write Offs

Write off of outstanding debts to the Local Government Pension Scheme above £10,000 need the approval of the Pension Fund Committee.

The authorisation of debt write offs from £500 up to and including £10,000 is delegated to:

Debts below £500 - Pension Services Manager

Debts up to £7,500 - Service Manager – Pensions

Debts between £7,500 and £10,000 - Service Manager – Pensions, in conjunction with the Director of Finance.

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Division(s): N/A

PENSION FUND COMMITTEE – 7 DECEMBER 2018

REVIEW OF THE ANNUAL BUSINESS PLAN 2018/19

Report by the Director of Finance

Introduction

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

Key Service Priorities

3. The 2018/19 Business Plan contained 5 key service priorities. Progress against each of these is set out below:

Brunel Pension Partnership

4. The first priority relates to the Brunel Pension Partnership and is to manage the successful transition of the initial asset classes which should include all equity assets, and potentially the investment of new money into the private markets.
5. We have successfully completed the process for transitioning the passive equity mandates to the new Brunel passive portfolios managed by Legal and General. We have received the Transition Outcome report which has been compiled alongside an independent review of the transition activity and costs from InAlytics, the company appointed to support this transition.
6. The Outcome Report highlighted that the overall costs of transition were materially lower than those estimated in the Business case. The actual transition costs were recorded as £1.723m, a 42% against the initial estimate. There were further savings to the Client Funds as a result of a rebate agreed

with Legal & General Investment Management as part of their proposal for managing the portfolios.

7. In addition, the new fund manager fee level is lower than that assumed in the business case, which itself suggested significant savings to the Oxfordshire Fund. The total fee savings to Oxfordshire are over £350,000 per year.
8. As the transition was completed after the end of the first quarter of 2018/19, the first investment performance monitoring report from Brunel which includes the passive funds has just been produced covering the quarter ended 30 September 2018. This report will become more useful over time as further portfolios are transferred to the management of Brunel.
9. At the time of writing this report, Brunel are finalising the arrangements for the transition to the UK active equity portfolio. The actual transition is expected to occur before the meeting of the Committee and an update can be provided at the meeting. The tender exercise has again produced significant fee savings, both against the current fee levels paid by Funds, and the level assumed in the business case.
10. The Private Markets Team at Brunel is also looking to identify initial investment opportunities across the five private market portfolios. Oxfordshire has provided commitments to the Secured Income, Infrastructure and Private Equity portfolios in line with the Committee's previous asset allocation decisions. Whilst Brunel has made commitments in respect of the Secured Income portfolio, at the time of writing this report, no commitments had been agreed in respect of the Private Equity and Infrastructure portfolios, and no money has been drawn down against the commitments agreed for the Secured Income portfolio.
11. Following completion of the first active equity tender arrangements, Brunel undertook a full review of the process to identify lessons learned and the implications for the remaining transitions. The results of this work were validated by the Client Group and formed the basis for the 3-year Business Plan and Budget recently presented to Shareholders.
12. The Business Plan has built in a slightly longer period over which the asset transitions will occur, with the final transitions in the core markets now expected by August 2021 rather than April 2020 as envisaged in the business case. This allows for a full open procurement process, which is seen as likely to deliver higher fee savings than expected, as well as taking into account the efficient staffing arrangements for the company. Staffing has been increased both on a temporary basis during the transition period, as well as on an on-going basis now we are clearer on the requirements of operating an FCA authorised company.

13. The proposed budget for 2019/20 has increased significantly from that agreed for the current year as follows:

	£000
Initial Budget 2018/19	7.796
Less One-Off Items	-1.367
Inflation	148
Known Increases included in Business Case	<u>636</u>
Base 2019/20 as per Business Case	7.213
Private Market Arrangements (Previous SRM)	958
Short Term Additional Portfolio Launch Costs	900
Additional Business as Usual costs	728
Additional Costs under Regulatory Framework	<u>629</u>
Proposed Budget 2019/20	10.428

14. Despite the significant increase in the proposed budget for 2019/20, the wider work on the business case review shows that the breakeven for the partnership as a whole, will still be delivered by 2023/24, with the total net savings to be delivered by 2035 increasing by over £200m, from the £550m, assumed in the business case. For Oxfordshire, the breakeven point comes forward a year to 2024/25. This reflects the increased fee savings and reduced transition costs evidenced from the initial transitions.

Cash Flow and Employer Covenants

15. The second key service 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.
16. Hymans Robertson have produced a draft long-term cashflow forecast for the Pension Fund. It is intended that the results of this will be used as the basis to develop a Cashflow Policy for the Pension Fund. The policy will set out the current and forecast cashflow position (including sensitivities), the target level of cash balances to be held, the potential to generate income from existing investment portfolios, and potential actions as the cashflow position heads towards turning negative
17. Hymans Robertson also produced an initial paper to discuss the approach to the 2019 Valuation, which set out a number of principles which could shape changes to the Funding Strategy Statement. This paper was due to be discussed at a meeting with the Directors of Finance for the major employers within the Fund on 22 November 2018, and an update from that meeting will be provided to the Committee as appropriate.

Data Quality

18. 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. This issue is covered fully in the separate report on the administration improvement plan elsewhere on this agenda.

ESG Reporting

19. 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.
20. Brunel has appointed Hermes EOS as voting and engagement provider. Hermes will work in partnership with Brunel and its appointed fund managers to deliver voting and engagement services in accordance with the position set out by Brunel in their recently published Stewardship Policy. The policy covers the approach of Brunel to voting and engagement matters and was developed in consultation with clients.
21. The Pension Fund has been working with Brunel on the development of ESG reporting through its representation on the Responsible Investment subgroup. Brunel are undertaking detailed assessments of providers of ESG scoring. The reporting in this area is likely to include ESG scores as well as an analysis of trends over various time periods. It is also intended that there will be some carbon metrics reporting to assist in the assessment of climate related risks. There are no agreed standards for ESG reporting and a wide range of methods are used in producing scores; the Pensions and Lifetime Savings Association are due to undertake some work in this area to try and develop a more consistent approach. Officers will continue to work with Brunel on this topic so that ESG data can be incorporated into the Brunel quarterly reporting to clients as portfolios continue to transition over to Brunel.

Member Self-Service

22. 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.
23. All deferred and active members have been invited to activate their on-line account. It is expected that take up of this facility will increase significantly now we have uploaded the 2018/19 Annual Benefit Statements to members on-line accounts.

24. Pensioner and Deferred Members who have already activated their accounts have taken advantage of the on-line tools to amend their beneficiary nominations for death grants, and to submit on-line queries to Pension Services. Further functionality will be added going forward.

Budget 2018/19

25. We have reviewed the income and expenditure of the Fund for the second quarter of 2018/19 against the budget. The latest forecast position is included in the annex to this report. On the administration side, the figures reflect the current staffing vacancies and predict an end of year underspend of just over £150,000 based on the current recruitment programme to fill vacant posts, and after allowing for the third-party payments for the various improvement and backlog projects agreed previously by this Committee.
26. On the Investment Side, fees payable to Fund Managers is currently showing a £200,000 underspend, largely reflecting the savings on fees on the passive portfolios following the tender exercise run by Brunel. There is also a £157,000 underspend showing against the Custody line reflecting an overprovision in the budget, with the costs allowed for both within the Brunel contract costs and as a standalone item. On the Brunel Contract costs, a special reserve matter regarding the private market arrangements has been agreed which is estimated to add £34,000 to our costs this year, but will deliver additional savings in future years. A further £26,000 is subject to a current special reserved matter where Brunel has sought to bring in additional resources to manage the risks to delays in the transition programme.

Training Plan

27. Following the last meeting of the Committee, Members were invited to submit proposals for further training sessions, as well as attend externally run sessions, where details had been provided through the Pensions Investment Team. Subjects identified for future sessions include the Fund Valuation process, and a further presentation on managing and monitoring the ESG implications of the Fund's investments. Members are reminded that they can submit any further items to any of the Fund's Officers.

RECOMMENDATION

28. **The Committee is RECOMMENDED to:**
- (a) note the progress against the key service priorities and budget included within the Business Plan 2018/19; and**
 - (b) agree any further subjects they wish to be included in future training plans.**

Lorna Baxter
Director of Finance

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

November 2018

	Budget	Forecast Outturn	Variance
	2018/19	2018/19	2018/19
	£'000	£'000	£'000
Administrative Expenses			
Administrative Employee Costs	1,523	1,425	-98
Support Services Including ICT	608	608	0
Printing & Stationary	61	80	19
Advisory & Consultancy Fees	115	35	-80
Other	40	44	4
Total Administrative Expenses	2,347	2,192	-155
Investment Management Expenses			
Management Fees	8,415	8,216	-199
Custody Fees	159	2	-157
Brunel Contract Costs	650	710	60
Total Investment Management Expenses	9,224	8,928	-296
Oversight & Governance			
Investment Employee Costs	247	240	-7
Support Services Including ICT	11	13	2
Actuarial Fees	40	60	20
External Audit Fees	24	34	10
Internal Audit Fees	14	14	0
Advisory & Consultancy Fees	65	75	10
Committee and Board Costs	39	38	-1
Total Oversight & Governance Expenses	440	474	34
Total Pension Fund Budget	12,011	11,594	-417

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Division(s): N/A

PENSION FUND COMMITTEE – 7 DECEMBER 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. Any comments from the Pension Board are included in their report to this meeting.
2. The risk register presented to the March 2016 Committee meeting was the first produced in the new format, which introduced the concept of a target level of risk and the need to identify mitigation action plans to address those risks that were currently not at their target score. This report sets out any progress on the mitigation actions agreed for those risks not yet at target, and identifies any changes to the risks which have arisen since the register was last reviewed.
3. A number of the mitigation plans are directly linked to the key service priorities identified in the Annual Business Plan for 2018/19. This report should therefore be considered in conjunction with the business plan report elsewhere on this agenda.

Comments from the Pension Board

4. The Local Pension Board was generally happy with the risk register as presented to its meeting on 26 October 2018. They raised no material issues for the Committee to consider further.

Latest Position on Risks

5. There have been limited changes to the risk register in the last quarter, with the main changes being made in the comments column to reflect the latest position on the mitigation work as set out in the Business Plan Review elsewhere on this Committee's agenda.
6. No new risks have been identified and added to the register during this quarter.

RECOMMENDATION

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

Lorna Baxter
Director of Finance

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

November 2018

Risk Register

Identification of Risks:

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

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

Key to Scoring

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

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Likelihood

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

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	December 2018	Now working with new Actuary and Major Employers 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	December 2018	Actuary has developed draft long term cash forecast, and now looking at sensitivities, and income generating investment options.
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	December 2018	Working with new Actuary on Improved Reports – slipped as a result of priority work on Improvement Plan.
4	Under performance of asset managers or asset classes	Financial	Loss of key staff and change of investment approach.	Long Term -Pension deficit not closed.	Financial Manager	Quarterly review Meeting, and Diversification of asset allocations.	3	2	6			3	2	6		At Target
5	Actual results varies to key financial assumptions in Valuation	Financial	Market Forces	Long Term -Pension deficit not closed.	Service Manager	Moderation of assumptions at point of valuation. Asset allocation to mirror risk. Sensitivity analysis included in Valuation report.	3	2	6			3	2	6		At Target
6	Loss of Funds through fraud or misappropriation.	Financial	Poor Control Processes within Fund Managers and/or Custodian	Long Term -Pension deficit not closed	Financial Manager	Review of Annual Internal Controls Report from each Fund Manager. Clear separation of duties.	3	1	3			3	1	3		At Target
7	Employer Default - LGPS	Financial	Market Forces, increased contribution rates, budget reductions.	Deficit Falls to be Met By Other Employers	Pension Services Manager	All new employers set up with ceding employing underwriting deficit, or bond put in place.	3	2	6		March 2019	3	2	6	March 2019	No further action subject to planned review of Funding Strategy Statement Key risks accepted as education sector.

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		
8	Inaccurate or out of date pension liability data – LGPS and FSPS	Financial & Administrative	Late or Incomplete Returns from Employers	Errors in Pension Liability Profile impacting on Risks 1 and 2 above.	Pension Services Manager	Monitoring of Monthly returns	4	1	4	Delivery against data quality standards.	June 2018	3	1	3	December 2018	Need to work with Scheme Advisory Board and Aquila Heywood to develop an agreed standard Data Quality Report, and then address outstanding issues.
9	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative	Late or Incomplete Returns from Employers	Late Payment of Pension Benefits.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	3	1	3		June 2018	3	1	3		At Target
10	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative	Late or Incomplete Returns from Employers	Improvement Notice and/or Fines issued by Pension Regulator.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	4	2	8	Improve process for monthly returns (iConnect)	March 2019	4	1	4	December 2018	Implementation Plan for iConnect at Committee for approval.
11	Insufficient resources to deliver responsibilities – LGPS and FSPS	Administrative	Budget Reductions	Breach of Regulation	Service Manager	Annual Budget Review as part of Business Plan.	4	2	8	Need to fill current staff vacancies, and develop robust performance reporting arrangements	June 2018	4	1	4	December 2018	Significant progress in addressing backlog of work. Focus now on bringing staff levels up to approved levels.
12	Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Governance	Poor Training Programme	Breach of Regulation	Service Manager	Training Review	4	2	4	Develop Needs Based Training Programme.		4	1	4		Initial Training Day held – Further training to be identified and undertaken.
13	Insufficient Skills and Knowledge amongst – LGPS and FSPS Officers	Administrative	Poor Training Programme and/or high staff turnover	Breach of Regulation and Errors in Payments	Service Manager	Training Plan. Control checklists.	3	1	3			3	1	3		At Target
14	Key System Failure – LGPS and FSPS	Administrative	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme	4	1	4			4	1	4		At Target

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		
15	Breach of Data Security – LGPS and FSPS	Administrative	Poor Controls	Breach of Regulation, including GDPR	Pension Services Manager	Security Controls, passwords etc. GDPR Privacy Policy.	4	1	4			4	1	4		At Target
16	Failure to Meet Government Requirements on Pooling	Governance	Inability to agree proposals with other administering authorities.	Direct Intervention by Secretary of State	Service Manager	Full engagement in Project Brunel	5	1	5			5	1	5		At Target
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	1	4			4	1	4		At Target

Division(s): N/A

PENSION FUND COMMITTEE – 7 DECEMBER 2018

Implementation Plan for I-Connect

Report by the Director of Finance

Introduction

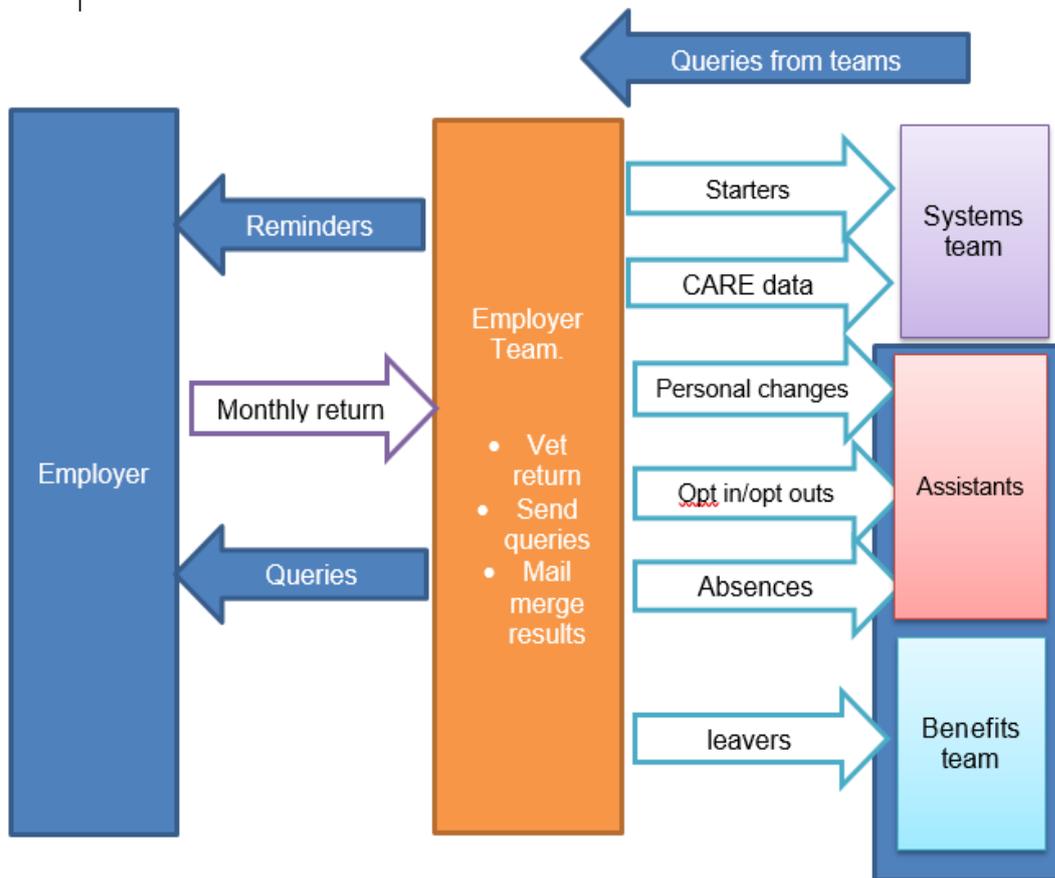
1. Oxfordshire Pension Fund currently has over 18,500 active members and an average of 200 active scheme employers. During the period of a pension year this results in over 2,400 LGPS Monthly Administration returns, 2,400 Monthly Contribution returns and 200 end of year returns. That is over 5,000 returns that need to be processed.
2. The flow of data is paramount to the effective administration of the Pension Fund. As members are aware, over the past couple of years the Oxfordshire County Council Pension Fund has been on The Pension Regulators radar since we reported the breach for non- issue of Annual Benefit Statements. Given there are more demands on accurate and regular data updates and this increasing scrutiny on the data, a more robust solution is required rather than the current manual intervention in operation.
3. Using the LGPS Monthly Administration return as an example excluding any administration associated with chasing non-returns, and querying returns, the initial vetting administration alone equates to over 1200 hours per year administration (100 per month), before the information has hit the pension system. This is based using the average 30 minutes validation procedure, which is used to vet data and transfer information in to a format suitable for the benefit team administration. Additional to this process we are currently logging all starters/leavers and indexing all changes to the pension records manually.
4. Looking at the option open to the Pension Fund in terms of reducing manual intervention, it was identified that our current pension software provider Heywood's offers a product called I-Connect.

What is I-connect?

5. I-connect is a data platform used by Employers and the Pension fund for data interactions. Data can be taken directly from payroll systems and synchronised directly on to the Pension Altair system.
6. The data up load is designed to automatically transfer information required for benefit administration on to the Altair pension system. In addition, it will identify all starters, leavers, salary and member changes without the need for manual intervention. All Task currently created by an Administrator will be generated automatically by the I-connect system.

Current process

7. The below chart shows an overview of the current process, only once this process is completed is the information available to the teams to process.



8. The benefits and disadvantages of the current process are as follows:

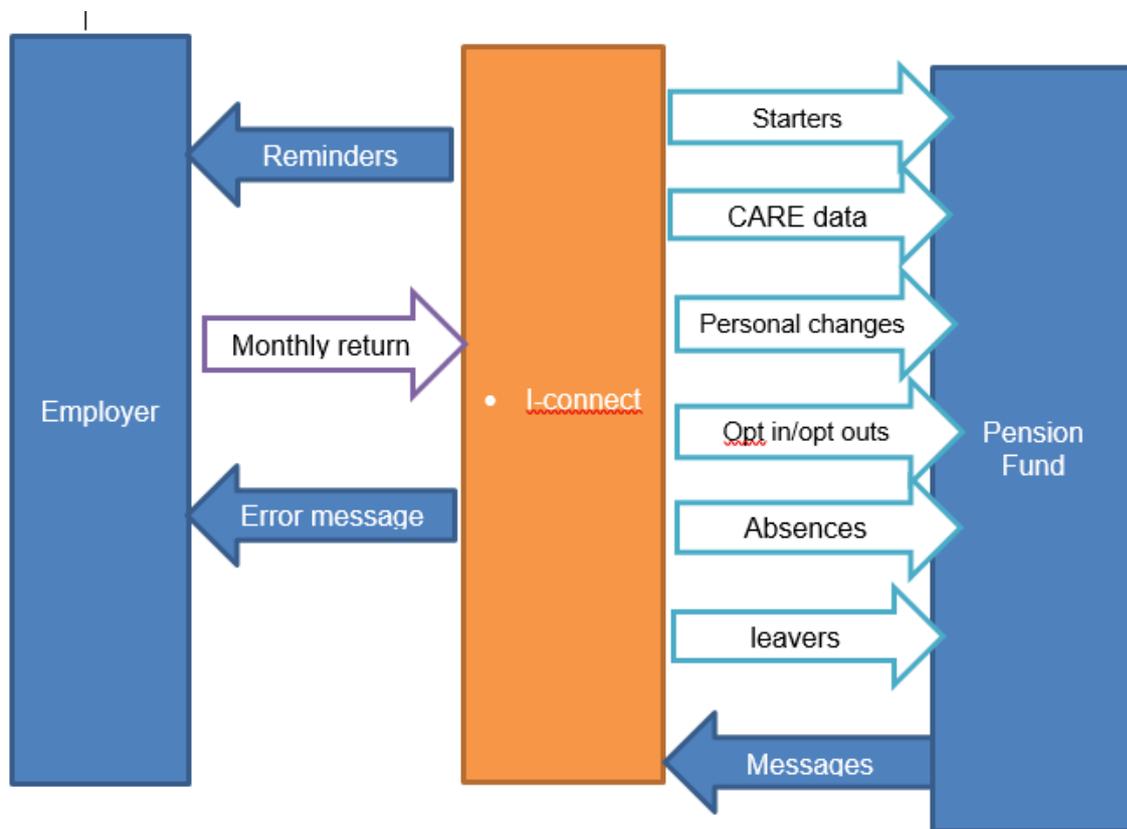
Pros

- Majority of checks and tolerances are done prior to uploaded.
- Can electronically see data that is uploaded on to the system
- Was an initial good solution to the 2014 CARE system

Cons

- Manual chases/Escalation
- Manual intervention at all stages required
- Use of excel spreadsheet and mail merges time consuming
- Administration time to maintain spreadsheet.
- Storage of information on shared drive/System
- Monitoring of a large number of emails
- Any delay in employer teams/system team effects benefit team admin.
- Manual setting up of tasks

I-connect process



9. The benefits and disadvantages of the proposed process are as follows:

Pros

- Automated Service
- Sends reminders to ensure deadlines are met
- Instantly reject incorrectly formatted returns
- Hold data on a dash board for employers
- Both Employer and Pension fund can run report
- Data transfer upload is not reliant on Pension resources
- No administration required until information on the system

Cons

- Open door for Employers to upload information onto our pension system
- Cannot see the file that has been uploaded onto the systems, the need to extract via reports to validate is required.
- Manual mistakes can be made and will go on to system.
- Tolerances set are for the whole payroll record, not individual members

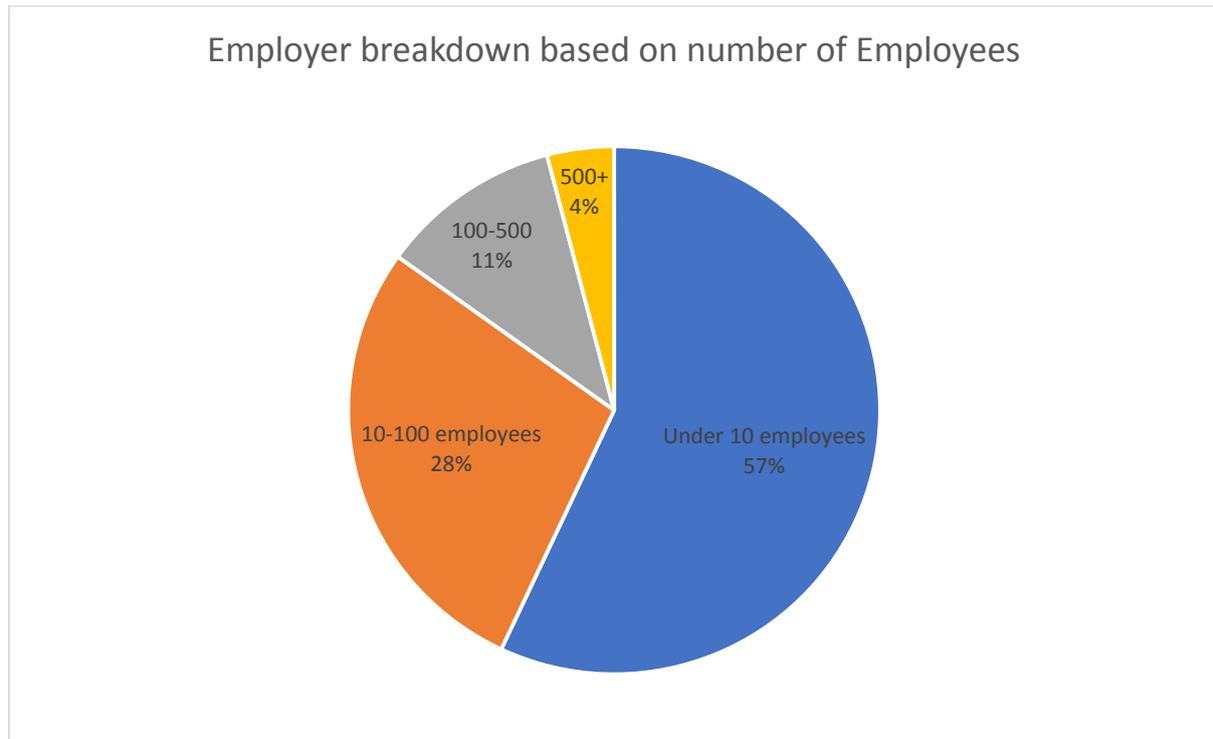
Implementation

10. The I-Connect Implementation project has been initially set up to run over a two-year period. In the September 2018 we set out our first steps to employers in Talking Pensions, our pension's newsletter, including a request to express an interest to be included in our first trial Phase.
11. Employers that have registered an interest include
 - Oxford Diocesan trust (500+)
 - Oxford Brookes University (1000 plus employees)
 - Sanctuary Housing (5)
 - Henley Town Council (24)
 - Aspirations (89)

Payroll Providers

 - Dataplan
 - EPM
12. We have identified 5 stages to I-Connect
 - 1) Contact with Oxfordshire Pension Fund
 - 2) Payroll Extract – to check formatting
 - 3) Send extract to the Oxfordshire Pension Fund- for testing
 - 4) Member match records and create links – 3-month data
 - 5) Go Live
13. Phase one of employer testing will commence 01 December 2018 and is due to end 31 March 2019. This is our most important phase and is scheduled to take the most amount of time. This testing phase will be used to identify technical/employer and pension fund issues. To ensure we cover all areas and employer base we will include a large, medium and small employer in our testing.
14. Oxfordshire Pension Fund will use the trial to:
 - Fine tune reporting requirements
 - Escalate any issues to system supplier
 - Update process with in teams to reflect changes
 - Update communications.
 - Provide any necessary training with the help of Heywood's.
 - Identify any changes to stages (timescales)
15. Employers will be required to:
 - Produce a payroll extract in line with the I-Connect Specification (very small employers may choose to manually input data direct to I-Connect)
 - Participate in a data matching exercise

- Liaise with Oxfordshire pension fund to clear any queries before can move to next stage.
 - Feedback any issues concerns during the period.
16. The first phase will create a robust testing period for the next phase of onboarding employers and enable us to move through the 5 stages effectively.
17. Using an analysis of our current employers as shown below, we will determine the phase two participants and how to target the communications for maximum effective impact.



18. Factors that need to be considered (review over the January 2019 period)
- Administration time taken for each employer
 - Data queries for each employer
 - Ease for employer
 - Employer interest
19. Once implemented it is intended that:
- For all new employers from 01 April 2020, the only option for data transfer is I-Connect
 - Additional Costs will be levied on current scheme Employers not using I-Connect

Staffing

20. There are currently two staff working wholly on I-Connect. In the initial phase no additional staff are required. Based on the first phase and the progress

made, staff will be reviewed in February 2019 in time for March Pension Fund Committee.

Cost

21. The cost of the I-Connect software is met through an annual service charge, which is increased in line with the contract provisions. The initial annual charge is set at £23,020. There is a further cost of £12,000 to cover the consultancy and project management resources provided by Aquila Heywood.
22. At the current time it is unclear what costs scheme employers may incur in developing the extract file from their payroll systems to feed into I-Connect. These costs will need to be reviewed as part of Phase 1 of the implementation.

Key Milestones in Project Plan

23. A full project plan for the implementation of I-Connect has been developed and is available to Members on request. The key milestones from the full project plan have been extracted and included in the draft Improvement Plan submitted to the Pension Regulator and covered elsewhere on the agenda. They are repeated below for completeness. It is proposed that monitoring the progress of the implementation project is included in the Quarterly updates on the Improvement Plan.

TASK	ASSIGNED TO	PROGRESS	START	END
Key Mile stones				
Statement of works Signed off	Sally Fox	100%	01/09/2018	13/09/2018
I-connect at Team Meeting	Jules Skelly	100%	10/10/2018	10/10/2018
Employer volunteers - Request through Talking Pensions	Jules Skelly	100%	01/10/2018	31/10/2018
In- House I connect testing	Jules/David		01/11/2018	30/11/2018
Review of Procedures/Processes	Jules/Vic		15/11/2018	31/12/2018
Employer testing Group	Employer team/Employer		01/12/2018	31/03/2019
Trial Employer testing	Employer team/Employer		01/01/2019	15/04/2019
Send information out to next Employer Phrase.	Employer team/Employer		25/02/2019	01/03/2019
Go Live - with Trial Employers	Employer team/Employer		01/04/2019	15/04/2019
Emboarding of Additional employers	Employer team/Employer		01/04/2019	31/07/2019

RECOMMENDATION

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

- (a) note the project plan; and
- (b) monitor progress against the plan as part of the quarterly updates on the overall Data Improvement Plan

Lorna Baxter
Chief Finance Officer

Background papers: Nil
Contact Officer: Sally Fox, Pensions Manager,
Tel: (01865) 323854

TABLE 1

**OXFORDSHIRE COUNTY COUNCIL PENSION FUND
OVERALL VALUATION OF FUND AS AT 30th SEPTEMBER 2018**

Investment	COMBINED PORTFOLIO 01.07.18	Baillie Gifford UK Equities		Wellington Global Equities		Brunel Pension Partnership Passive Equities		Legal & General Fixed Interest		UBS Global Equities and Property		Other Investments		COMBINED PORTFOLIO 30.09.18		Target %
	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	
EQUITIES																
UK Equities	700,111	443,702	96.4%	20,069	7.3%	182,183	41.3%	0	0.0%	38,048	8.2%	0	0.0%	684,002	27.1%	26.0%
<u>Overseas Equities</u>																
North American Equities	150,423	0	0.0%	153,010	55.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	153,010	6.1%	
European & Middle Eastern Equities	53,752	0	0.0%	58,480	21.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	58,480	2.3%	
Japanese Equities	11,610	0	0.0%	13,121	4.7%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	13,121	0.5%	
Pacific Basin Equities	-	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Emerging Markets Equities	15,985	0	0.0%	19,829	7.2%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	19,829	0.8%	
UBS Global Pooled Fund	279,739	0	0.0%	0	0.0%	0	0.0%	0	0.0%	290,803	62.5%	0	0.0%	290,803	11.5%	
L&G World Developed Equities Fund	227,586	0	0.0%	0	0.0%	258,839	58.7%	0	0.0%	0	0.0%	0	0.0%	258,839	10.3%	
Total Overseas Equities	739,095	0	0.0%	244,440	88.3%	258,839	58.7%	0	0.0%	290,803	62.5%	0	0.0%	794,082	31.5%	28.0%
BONDS																
UK Gilts	146,355	0	0.0%	0	0.0%	0	0.0%	151,615	32.5%	0	0.0%	0	0.0%	151,615	6.0%	
Corporate Bonds	108,450	0	0.0%	0	0.0%	0	0.0%	117,587	25.2%	0	0.0%	0	0.0%	117,587	4.6%	
Overseas Bonds	38,957	0	0.0%	0	0.0%	0	0.0%	34,364	7.4%	0	0.0%	0	0.0%	34,364	1.4%	
Index-Linked	155,762	0	0.0%	0	0.0%	0	0.0%	156,090	33.4%	0	0.0%	0	0.0%	156,090	6.2%	
Total Bonds	449,524	0	0%	0	0.0%	0	0.0%	459,656	98.4%	0	0.0%	0	0.0%	459,656	18.2%	21.0%
ALTERNATIVE INVESTMENTS																
Property	166,085	0	0.0%	0	0.0%	0	0.0%	0	0.0%	133,829	28.8%	32,858	8.0%	166,687	6.6%	8.0%
Private Equity	173,968	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	179,160	43.4%	179,160	7.1%	9.0%
Multi Asset - DGF	113,646	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	115,844	28.0%	115,844	4.6%	5.0%
Infrastructure	5,032	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	7,171	1.7%	7,171	0.3%	3.0%
Total Alternative Investments	458,731	0	0.0%	0	0.0%	0	0.0%	0	0.0%	133,829	28.8%	335,033	81.1%	468,862	18.6%	25.0%
CASH	123,932	16,375	3.6%	12,202	4.4%	0	0.0%	7,278	1.6%	2,391	0.5%	78,125	18.9%	116,371	4.6%	0.0%
TOTAL ASSETS	2,471,393	460,077	100.0%	276,711	100.1%	441,022	100.0%	466,934	100.0%	465,071	100.0%	413,158	100.0%	2,522,973	100.0%	100.0%

% of total Fund

18.23%

10.97%

17.48%

18.51%

18.43%

16.38%

100.00%

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

Asset	Market Value 01.07.18	%	Net Purchases and Sales						Changes in Market Value						Market Value 30.09.18	%
			UBS	Baillie Gifford	Legal & General	Wellington	Brunel	Other	UBS	Baillie Gifford	Legal & General	Wellington	Brunel	Other		
	£000		£000	£000	£000	£000		£000	£000	£000	£000		£000	£000		
EQUITIES																
UK Equities	700,111	28	0	6,137	(185,087)	(2,386)	185,087	0	2,837	(5,734)	(14,688)	629	(2,904)	0	684,002	27
US Equities	150,423	6	0	0	0	(5,943)	0	0	0	0	0	8,530	0	0	153,010	6
European & Middle Eastern Equities	53,752	2	0	0	0	4,356	0	0	0	0	0	372	0	0	58,480	2
Japanese Equities	11,610	0	0	0	0	(299)	0	0	0	0	0	1,810	0	0	13,121	1
Pacific Basin Equities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Emerging Market Equities	15,985	1	0	0	0	2,047	0	0	0	0	0	1,797	0	0	19,829	1
Global Pooled Funds	507,325	21	0	0	(247,894)	0	247,894	0	11,064	0	20,308	0	10,945	0	549,642	21
Total Overseas Equities	739,095	30	0	0	(247,894)	161	247,894	0	11,064	0	20,308	12,509	10,945	0	794,082	31
BONDS																
UK Gilts	146,355	6	0	0	19,231	0	0	0	0	0	(13,971)	0	0	0	151,615	6
Corporate Bonds	108,450	4	0	0	0	0	0	0	0	0	9,137	0	0	0	117,587	5
Overseas Bonds	38,957	2	0	0	(10,132)	0	0	0	0	0	5,539	0	0	0	34,364	1
Index-Linked Bonds	155,762	6	0	0	2,268	0	0	0	0	0	(1,940)	0	0	0	156,090	6
ALTERNATIVE INVESTMENTS																
Property	166,085	7	551	0	0	0	0	(1,709)	126	0	0	0	0	1,634	166,687	7
Private Equity	173,968	7	0	0	0	0	0	(463)	0	0	0	0	0	5,655	179,160	7
Multi Asset - DGF	113,646	5	0	0	0	0	0	0	0	0	0	0	0	2,198	115,844	5
Infrastructure	5,032	0	0	0	0	0	0	1,904	0	0	0	0	0	235	7,171	0
SUB TOTAL	2,347,461	95	551	6,137	(421,614)	(2,225)	432,981	(268)	14,027	(5,734)	4,385	13,138	8,041	9,722	2,406,602	95
CASH *	123,932	5	203	(2,041)	(14,261)	4,151	0	4,387	0	0	0	0	0	0	116,371	5
GRAND TOTAL	2,471,393	100	754	4,096	(435,875)	1,926	432,981	4,119	14,027	(5,734)	4,385	13,138	8,041	9,722	2,522,973	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 30th SEPTEMBER 2018

COMBINED PORTFOLIO (BY FUND MANAGER)

FUND MANAGER	% Weighting of Fund as at 30th September 2018	QUARTER ENDED	12 MONTHS ENDED	THREE YEARS ENDED	FIVE YEARS ENDED	TEN YEARS ENDED
		30th September 2018	30th September 2018	30th September 2018	30th September	30th September 2018
		RETURN	RETURN	RETURN	RETURN	RETURN
		%	%	%	%	%
BAILLIE GIFFORD UK EQUITIES	18.2%	-0.4	9.7	13.7	9.0	11.7
BENCHMARK		-0.8	5.7	11.4	7.4	9.1
VARITAION		0.4	4.0	2.3	1.6	2.6
WELLINGTON GLOBAL EQUITIES	11.0%	5.8	12.1	17.7	12.4	
BENCHMARK		5.7	13.5	19.4	13.6	
VARITAION		0.1	-1.4	-1.7	-1.2	
BRUNEL - L&G UK EQUITIES - PASSIVE	7.2%	-1.6				
BENCHMARK		-1.5				
VARITAION		-0.1				
BRUNEL - L&G WORLD DEVELOPED EQUITIES - PASSIVE	10.3%	4.4				
BENCHMARK		4.5				
VARITAION		-0.1				
L&G FIXED INCOME	18.5%	-0.9	0.9	4.8	6.0	6.9
BENCHMARK		-1.2	0.9	4.8	5.9	6.6
VARITAION		0.3	0.0	0.0	0.1	0.3
IN-HOUSE PROPERTY	1.3%	3.5	17.8	12.9	10.4	
BENCHMARK		1.6	8.8	7.1	10.4	
VARITAION		1.9	9.0	5.8	0.0	
PRIVATE EQUITY	7.1%	3.7	14.9	19.5	17.0	11.5
BENCHMARK		-0.1	4.9	10.0	8.3	10.9
VARITAION		3.8	10.0	9.5	8.7	0.6
INFRASTRUCTURE	0.3%	4.0	2.0			
BENCHMARK		1.2	4.5			
VARITAION		2.8	-2.5			
UBS GLOBAL EQUITIES	13.0%	4.4	14.6	19.8	12.5	11.8
BENCHMARK		5.7	13.5	19.8	13.5	11.8
VARITAION		-1.3	1.1	0.0	-1.0	0.0
UBS PROPERTY	5.4%	0.7	7.8	7.2	10.6	6.6
BENCHMARK		1.6	8.8	7.1	10.4	5.9
VARITAION		-0.9	-1.0	0.1	0.2	0.7
INSIGHT DIVERSIFIED GROWTH FUND	4.6%	1.9	1.7	4.5		
BENCHMARK		1.2	4.5	3.8		
VARITAION		0.7	-2.8	0.7		
IN-HOUSE CASH	3.1%	0.2	0.5	0.4	0.4	1.0
BENCHMARK		0.2	0.7	0.5	0.4	0.5
VARITAION		0.0	-0.2	-0.1	0.0	0.5
TOTAL FUND	100.0%	1.9	8.8	13.1	9.9	9.4
BENCHMARK		1.4	7.1	11.8	9.3	9.6
VARIAION		0.5	1.7	1.3	0.6	-0.2

TABLE 4

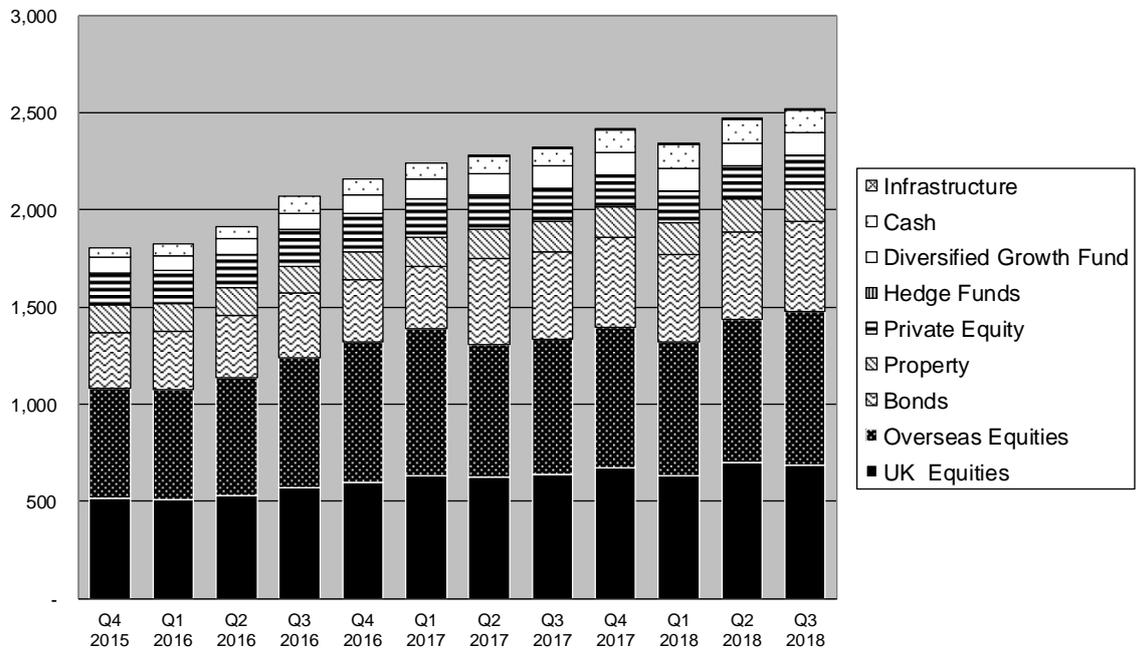
OXFORDSHIRE COUNTY COUNCIL PENSION FUND**TOP 20 HOLDINGS AT 30/09/2018**

ASSET DESCRIPTION	MARKET VALUE £	TOTAL FUND %
<u>DIRECT HOLDINGS</u>		
1 HG CAPITAL TRUST PLC	38,099,800	1.51
2 PRUDENTIAL PLC	23,118,845	0.92
3 ROYAL DUTCH SHELL B SHS EUR0.07	22,475,173	0.89
4 STANDARD LIFE PRIVATE EQ ORD	15,979,286	0.63
5 BHP BILLITON PLC COMMON STOCK	15,918,063	0.63
6 ST JAMESS PLACE PLC	15,531,710	0.62
7 DIAGEO PLC	15,239,669	0.60
8 BUNZL PLC	14,983,910	0.59
9 F&C PRIVATE EQTY TST ORD GBP0.01	14,310,400	0.57
10 BRITISH AMERICAN TOBACCO PLC	13,144,935	0.52
11 RIO TINTO	11,677,364	0.46
12 LEGAL & GENERAL GROUP PLC	11,031,242	0.44
13 UNILEVER PLC	10,771,838	0.43
14 3I GROUP PLC	10,585,799	0.42
15 RELX PLC COMMON STOCK	10,286,399	0.41
16 HSBC HOLDINGS PLC	10,266,299	0.41
17 HARGREAVES LANSDOWN PLC	10,156,332	0.40
18 ASHTEAD GROUP PLC	10,042,780	0.40
19 UK TSY 0 1/2 2022 BONDS REGS 07/22 0.5	9,536,373	0.38
20 TSY 1 1/4 2055 I/L GILT BONDS REGS 11/55 1.25	9,524,875	0.38
TOP 20 HOLDINGS MARKET VALUE *	292,681,092	11.61
* Excludes investments held within Pooled Funds		
<u>POOLED FUNDS AT 30/09/2018</u>		
1 UBS LIFE GLOBAL EQUITY ALL COUNTRY FUND A	328,851,062	13.03
2 L&G WORLD (EX UK) EQUITY INDEX	258,839,371	10.26
3 L&G UK EQUITY INDEX	182,182,765	7.22
4 LEGAL AND GENERAL TD CORE PLUS	176,390,918	6.99
5 INSIGHT BROAD OPPORTUNITIES FUND	115,843,951	4.59
TOTAL POOLED FUNDS MARKET VALUE	1,062,108,067	42.09
TOTAL FUND MARKET VALUE	2,522,972,951	

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

MARKET VALUE OF TOTAL FUND

TOTAL FUND MARKET VALUE BY ASSET CLASS



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OXFORDSHIRE COUNCIL PENSION FUND – 7 DECEMBER 2018

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

Economy

1. While US economic growth continues to be strong, estimates for other regions are being revised downwards. China's 3rd quarter growth rate of 6.5% year – on –year was the lowest since 2011. The IMF recently revised down its estimates for global growth in 2018 and 2019 from 3.9% to 3.7% for each year.
(In the table below the bracketed figures show the forecasts made in August)

Consensus real growth (%)						Consumer prices latest (%)
	2015	2016	2017	2018E	2019E	
UK	+2.3	+2.0	+1.6	+1.3 (+1.3)	+1.4	+2.4(CPI)
USA	+2.4	+1.6	+2.3	+2.9 (+2.8)	+2.5	+ 2.7
Eurozone	+1.5	+1.6	+2.3	+2.1 (+2.2)	+1.8	+ 2.1
Japan	+0.6	+0.9	+1.7	+1.1 (+1.1)	+1.2	+ 1.3
China	+6.9	+6.7	+6.8	+6.6 (+6.6)	+6.2	+ 2.3

[Source of estimates: The Economist, October 6th, 2018]

2. On August 2nd the Bank of England increased the interest rate from 0.5% to 0.75%, its highest level since 2009, and on September 26th the Federal Reserve raised US interest rates once more by 0.25%, to the 2 – 2.25% range. A further rise in US rates is expected in December, given the strong labour market data coming from the US.
3. US trade policy has constantly been in the headlines. A trade deal with Mexico and Canada was signed at the end of September, to replace NAFTA. The imposition of tariffs by US and China on each others' exports escalated as more categories of goods were earmarked by each country, and the US imposed trade sanctions on Iran after withdrawing from the Iran nuclear deal. Pressure was building on many countries to review their contacts with Saudi

Arabia after a US-based journalist was murdered at the Saudi consulate in Istanbul in October.

4. In the UK Budget on October 29th, the Chancellor published OBR forecasts showing UK growth at 1.3% this year, rising to 1.6% in 2019, but the falling back to 1.4% in 2020 and 2021. Although the government's borrowing requirement is expected to be £11.9bn less than previously estimated this fiscal year, with progressively bigger improvements in future years, the actual deficit will not narrow significantly as spending on the NHS will increase by £7.4bn in 2019/20 rising to £27.6bn in 2023/4. With the introduction of higher personal tax bands being brought forward by one year, the fiscal deficit will still be running at more than 1% of GDP in 2021/2. There was an underlying implication that a new Budget would be required if the Brexit negotiations were to result in no deal.
5. The new Italian government's plan to run a fiscal deficit of 2.4% of GDP – compared with a previous promise of just 0.8% – provoked consternation in the EU, and caused a widening of the yield spread of Italian government bonds relative to bunds. After electoral setbacks in Bavaria and Hesse, Angela Merkel announced she would step down as leader of the CDU party in December, and from the post of Chancellor in 2021.

Markets

Equities

6. Overseas Equities advanced strongly during the quarter, led again by the US market, while UK equities weakened slightly. Emerging Markets have lagged Developed Markets by a wide margin over the past year, due to the impact of the strong dollar on the balance sheets of Emerging Market companies and to the slowdown in China. The subsequent market movements in October are described in paragraph 9.

	Capital return (in £, %) to 30.9.18		
Weight %	Region	3 months	12 months
100.0	FTSE All-World Index	+5.0	+10.7
56.8	FTSE All-World North America	+8.0	+18.0
8.3	FTSE All-World Japan	+4.1	+11.4
12.0	FTSE All-World Asia Pacific ex Japan	-1.0	+2.2
14.8	FTSE All-World Europe (ex-UK)	+2.9	-0.8
5.7	FTSE All-World UK	-1.7	+1.6
9.4	FTSE All-World Emerging Markets	-0.6	-0.9

[Source: FTSE All-World Review, September 2018]

7. Health Care and Technology were the strongest sectors during the quarter, prior to their setbacks in October.

Capital return (in £, %) to 30.9.18			
Weight %	Industry Group	3 months	12 months
15.6	Technology	+7.6	+27.1
11.4	Consumer Services	+5.3	+20.8
11.2	Health Care	+11.7	+16.4
6.6	Oil & Gas	+3.1	+16.3
100.0	FTSE All-World	+5.0	+10.7
13.0	Industrials	+6.4	+9.2
4.5	Basic Materials	0.7	+5.5
21.2	Financials	+3.2	+3.6
10.9	Consumer Goods	+1.1	+0.6
2.9	Utilities	+1.0	-0.4
2.7	Telecommunications	+5.2	-4.0

[Source: FTSE All-World Review, September 2018]

8. After a negative quarter, the UK equity market is showing only marginal gains over the past year, and is lower than its level at the end of 2017.

(Capital only%, to 30.9.18)	3 months	12 months
FTSE 100	-1.7	+1.9
FTSE 250	-2.5	+2.2
FTSE Small Cap	-1.0	+1.9
FTSE All-Share	-1.8	+1.9

[Source: Financial Times]

UK FTSE All-Share



Internal

9. In October equity markets experienced sharp falls, and high volatility, as the 10-year US government bond yield rose above 3%, reaching 3.2%. Together with worries about the escalation of tariffs being imposed by US and China, equities recorded falls of 5% or more during October, as shown in this table. At one stage in late October the S&P 500 index was showing a fall of 10% from the all-time high it had reached in September.

Capital return (in £, %) to 31.10.18	
Region	1 month
FTSE All-World Index	- 5.6%
FTSE All-World North America	-5.1%
FTSE All-World Japan	-6.9%
FTSE All-World Asia Pacific ex Japan	-8.4%
FTSE All-World Europe (ex-UK)	-6.1%
FTSE All-World UK	-5.1%
FTSE All-World Emerging Markets	-5.7%

[Source: FTSE All-World Review, October 2018]

10. Some of the sharpest falls were seen in the previously thriving Technology sector, with Industrials, Oil & Gas and Basic Materials also very weak.

Capital return (in £, %) to 31.10.18	
Industry Group	1 month
Technology	-7.2%
Consumer Services	-6.3%
Health Care	-4.7%
Oil & Gas	-7.6%
FTSE All-World	-5.6%
Industrials	-8.6%
Basic Materials	-7.3%
Financials	-4.3%
Consumer Goods	-3.6%
Utilities	+1.2%
Telecommunications	-2.3%

[Source: FTSE All-World Review, October 2018]

Bonds

11. Prices of 10-year government bonds fell (and yields accordingly rose), and in particular the yield on the 10-year Treasury exceeded 3%. This has not been driven by higher expected inflation, but rather by the increase in the real yield on the bond.

10-year government bond yields (%)					
	Dec 2015	Dec 2016	Dec 2017	June 2018	Sept 2018
US	2.27	2.46	2.43	2.84	3.04
UK	1.96	1.24	1.23	1.28	1.44
Germany	0.63	0.11	0.43	0.30	0.47
Japan	0.27	0.04	0.05	0.03	0.12

[Source: Financial Times]

US Treasury Generic 10 Year



Internal

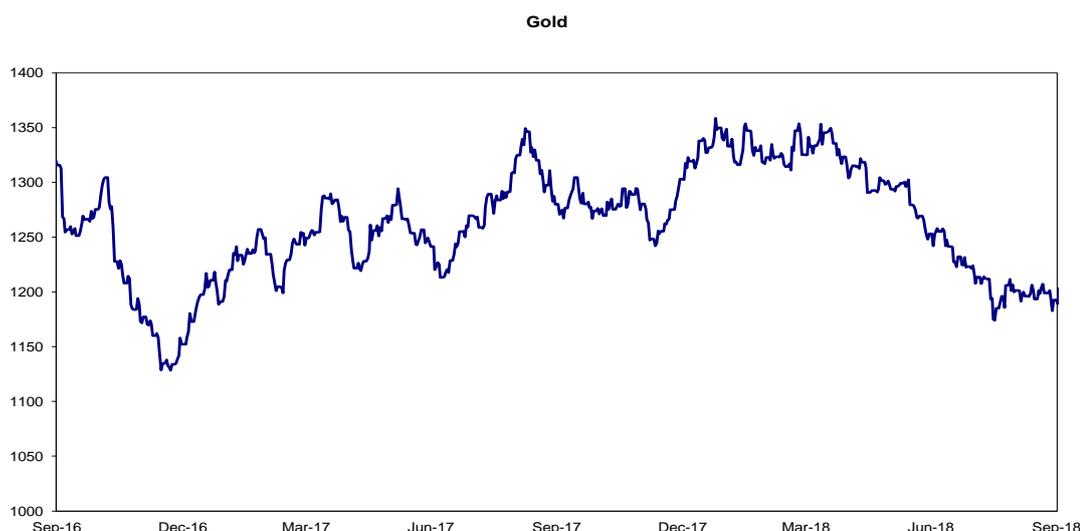
Currencies

12. Sterling oscillated either side of \$1.30 during the quarter, depending on whether or not the prospects for an orderly Brexit were thought to be improving. The range of movements between the three major currencies has been narrow over the year.

	30.9.17	30.6.18	30.9.18	£ move (%)	
				3m	12m
\$ per £	1.342	1.320	1.304	-1.2	-2.8
€ per £	1.135	1.131	1.123	-0.7	-1.1
¥ per £	151.0	146.2	148.1	+1.3	-1.9

Commodities

13. The Oil price rose 5% in the quarter, on fears that supplies from Iran may be restricted when the US-imposed sanctions come in to force. At \$83/barrel at the end of September, Brent crude stands 50% above its price one year ago. Meanwhile the gold price has continued to drift lower – possibly as a reaction to the strong dollar and rising US interest rates.



Internal

Property

14. Industrials continued to lead the way within the UK property market, while Retail is extremely weak, and sentiment depressed, following the store closures announced by several renowned High Street names. Some of the largest listed UK Property companies are trading at 30% discounts to stated NAV, implying that the market expects further downgrades in property valuations.

	3-month (%)	12-month
All Property	+ 1.7	+ 9.9
Retail	+ 0.1	+ 3.9
Office	+ 1.8	+ 8.0
Industrial	+ 3.5	+20.8

[MSCI UK Monthly Index of total returns, September 2018]

Outlook

15. US equity markets have finally reacted to the move in the 10-year bond yield above 3% and the prospect of slower corporate profits growth next year once the effect of the recent corporate tax cuts has worn off. The impact of the mid-term election results - where the Democrats regained control of the House, but the Republicans consolidated their control of the Senate - will not be known until the new Congress is formed, but the initial reaction of US equities has been positive.

16. Of broader concern is the development of the trade tariffs threatened by US and China. If no agreement is reached, and the maximum range of tariffs imposed, there could be severe effects on world trade, higher input costs for US and Chinese companies and negative consequences for corporate profitability and consumer prices.
17. For the UK, the uncertainty regarding the outcome of Brexit negotiations with the EU remains the big cloud on the horizon, both for its impact on the UK economy and the possible realignment of the domestic political landscape. There are many reasons to expect continued volatility in global equity markets.

Peter Davies

Senior Adviser – MJ Hudson Investment Advisers

November 9th, 2018

[Graphs supplied by Legal & General Investment Management]

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PENSION FUND COMMITTEE – 7 DECEMBER 2018

FUND MANAGER MONITORING ARRANGEMENTS

Report by the Director of Finance

Introduction

1. Each year the Pension Fund Committee considers the arrangements for monitoring the performance of its Fund Managers. This report sets out the proposed schedule for 2019/20, and recommends the Committee to approve the arrangements.

Proposed Arrangements

2. Under the current arrangements, the performance of all Fund Managers is reviewed at least every six months, either by the full Committee, or by officers in conjunction with the Independent Financial Adviser (IFA) to the Fund. The active equity managers, property fund manager, fixed income and passive equity manager, and diversified growth fund manager have previously attended committee once a year with the two private equity managers attending once every two years in alternate years.
3. As portfolios have started transferring to Brunel during 2018/19, the fund manager monitoring arrangements for 2019/20 have been prepared based on the latest transition timetable produced by Brunel. Meetings with fund managers have only been scheduled where the Pension Fund continues to have a contractual relationship with the manager at the time of the meeting. As Brunel takes on more portfolios the Pension Fund will put in place arrangements for the attendance of Brunel representatives at Committee.
4. Officers and the IFA will continue to monitor manager performance during the year and regularly report to the Pension Fund Committee. In line with the schedule agreed last year it is proposed that officers and the IFA will not meet with the fund managers during the quarter immediately following their presentations to the committee, unless there are concerns regarding the manager's performance, or other issues to be addressed.
5. The proposed detailed monitoring arrangements are as follows:

	Committee	Officer/IFA meetings
Quarter 1 Committee 07 June 2019	Insight	Legal and General Private Equity
Quarter 2 Committee 06 September 2019	Legal and General	Wellington Private Equity
Quarter 3 Committee 06 December 2019	Partners Group Private Equity	Insight

Quarter 4 Committee 06 March 2020		Legal and General Private Equity
--------------------------------------	--	-------------------------------------

RECOMMENDATION

- 5. The Committee is RECOMMENDED to approve the Fund Manager monitoring arrangements as set out in the report.**

**Lorna Baxter
Director of Finance**

Background papers: Nil

**Contact Officer: Gregory Ley, Financial Manager, Pension Fund
Investment; Tel (01865) 323978**

November 2018