



To: Members of the Local Pension Board

Notice of a Meeting of the Local Pension Board

Friday, 18 January 2019 at 10.30 am

Room 3 - County Hall, New Road, Oxford OX1 1ND

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

Yvonne Rees
Chief Executive

January 2019

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

Membership

Chairman – Mark Spilsbury

Scheme Members:

Alistair Bastin	Stephen Davis	Sarah Pritchard
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Employer Members:

Councillor Bob Johnston	One vacancy	District Councillor Sandy Lovatt
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Notes:

- ***Date of next meeting: 26 April 2019***

Declarations of Interest

The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

- (a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
- (b) provide false or misleading information on registration, or
- (c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?

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

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

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

What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?.

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

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

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

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

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

List of Disclosable Pecuniary Interests:

Employment (includes *“any employment, office, trade, profession or vocation carried on for profit or gain”*.), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members’ conduct guidelines.

<http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/> or contact Glenn Watson on **07776 997946** or glenn.watson@oxfordshire.gov.uk for a hard copy of the document.

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

AGENDA

1. **Welcome by Chairman**
2. **Apologies for Absence**
3. **Declarations of Interest - see guidance note opposite**
4. **Petitions and Public Address**
5. **Minutes (Pages 1 - 8)**

To approve the minutes of the meeting held on 26 October 2018 (**LPB5**) and to receive information arising from them.

6. **Review of the Annual Business Plan (Pages 9 - 16)**

The Board is invited to review the latest position against the Annual Business Plan for 2018/19, as considered by the Pension Fund Committee at its meeting on 7 December 2018; and to offer any views back to the Committee (**LPB6**).

7. **Risk Register (Pages 17 - 22)**

This is the latest risk register as presented to the Pension Fund Committee on 7 December 2018 (**LPB7**). The Board is invited to review the report and offer any further views back to the Committee.

8. **Pension Board Constitution (Pages 23 - 34)**

The report (**LPB8**) proposes changes to the current Constitution of this Pension Board following the discussion at the last two meetings. The Board is recommended to agree changes to be recommended to the Pension Fund Committee for adoption.

9. **Monitoring Investment Expenditure (Pages 35 - 38)**

This item has been added to the Agenda at the request of one of the scheme member representatives. The report provides a detailed breakdown on the investment management costs included in the 2017/18 Annual Report and Accounts, alongside the performance information for the Fund Managers covering the same period (**LPB9**).

The Board is invited to consider the information the information contained in the report, determine what conclusions it can draw from the data, and advise the Pension Fund Committee accordingly.

10. 2019 Fund Valuation (Pages 39 - 42)

This item has been added to the Agenda at the request of one of the scheme member representatives. The report (**LPB10**) sets out the key steps and timetable within the 2019 Valuation process to enable the Board to determine its role in the process.

The Board is invited to consider the information and timescales identified in the report; and determine what further role it would wish to undertake within the process.

11. EXEMPT ITEMS

The Board is **RECOMMENDED** to exclude the public for the duration of items 12, 13 and 14 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.

12. Exempt Minute - 26 October 2018 meeting (Pages 43 - 44)

To approve the exempt Minute of the meeting held on 26 October 2018 as a correct record (**LPB12**).

(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.*

13. Improvement Plan (Pages 45 - 52)

This report (**LPB13**) is the latest in the series of reports to the Pension Fund Committee and this Board on the Fund's approach to employer management. It includes the latest version of the Improvement Plan which is aimed at ensuring the Fund meets its statutory targets in terms of data quality and services to scheme members and employers.

(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 disclosure would distort the proper process of free negotiations with another party).*

The Board is invited to note the latest Improvement Plan and to offer any further comments to the Pension Fund Committee.

14. Independent Financial Adviser (Pages 53 - 58)

This item has been added to the Agenda at the request of one of the scheme member representatives. It allows the Board to review the confidential report presented to the meeting of the Pension Fund Committee on 7 December 2018 regarding the extension of the current contract for the provision of independent financial advice to the Committee. This report is attached at **LPB14** and the Board is invited to provide any comments to the Pension Fund Committee.

(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).*

READMISSION OF PRESS AND PUBLIC

15. Items to include in report to the Pension Fund Committee

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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:

Independent Chair: 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 [a schedule of addenda tabled at the meeting][the following additional documents:] and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports [agenda, reports and schedule/additional documents], copies of which are attached to the signed Minutes.

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 regarding 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 Mr Bastin 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 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 as they were not a decision-making body, there were no circumstances where the Board was exposed to an insurable risk, 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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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

LOCAL GOVERNMENT PENSION SCHEME - LOCAL PENSION BOARD OF OXFORDSHIRE PENSION FUND COMMITTEE CONSTITUTION

Introduction

1. This document sets out the terms of reference of the Local Government Pension Scheme Local Pension Board of Oxfordshire Pension Fund Committee (the 'Administering Authority') a scheme manager as defined under Section 4 of the Public Service Pensions Act 2013. The Local Pension Board (hereafter referred to as 'the Board') is established in accordance with Section 5 of that Act and under regulation 106 of the Local Government Pension Scheme Regulations 2013 (as amended).
2. The Board is established by the Administering Authority and operates independently of the Committee. Relevant information about its creation and operation are contained in these Terms of Reference.
3. The Board is not a committee constituted under Section 101 of the Local Government Act 1972 and therefore no general duties, responsibilities or powers assigned to such committees or to any sub-committees or officers under the constitution, standing orders or scheme of delegation of the Administering Authority apply to the Board unless expressly included in this document.
4. Except where approval has been granted under regulation 106(2) of the Regulations the Board shall be constituted separately from any committee or sub-committee constituted under Section 101 of the Local Government Act 1972 with delegated authority to execute the function of the Administering Authority.

Interpretation

5. The following terms have the meanings as outlined below:

'the Act'	The Public Service Pensions Act 2013.
'the Code'	means the Pension Regulator's Code of Practice No 14 governance and administration of public service pension schemes.
'the Committee'	means the committee who has delegated decision making powers for the Fund in accordance with Section 101 of the Local Government Act 1972.
'the Fund'	means the Fund managed and administered by the Administering Authority.

'the Guidance'	means the guidance on the creation and operation of local pension boards issued by the Shadow Scheme Advisory Board.
'the Regulations'	means the Local Government Pension Scheme Regulations 2013 (as amended from time to time), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended from time to time) including any earlier regulations as defined in these regulations to the extent they remain applicable and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended from time to time).
'Relevant legislation'	means relevant overriding legislation as well as the Pension Regulator's Codes of Practice as they apply to the Administering Authority and the Board notwithstanding that the Codes of Practice are not legislation.
'the Scheme'	means the Local Government Pension Scheme in England and Wales.

Statement of purpose

6. The purpose of the Board is to assist the Administering Authority in its role as a scheme manager of the Scheme. Such assistance is to:
 - (a) secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme and;
 - (b) to ensure the effective and efficient governance and administration of the Scheme.

It should be noted that the role of the Board is to assist the Pension Fund Committee. It does not replace the Committee nor can it make decisions which are the responsibility of the Pension Fund Committee.

Duties of the Board

7. The Board should at all times act in a reasonable manner in the conduct of its purpose. In support of this duty Board members should be subject to and abide by the principles of public conduct contained in the Members' Code of Conduct which forms part of the County Council's Constitution. These principles are themselves based upon the Seven Principles of Public Conduct.

Establishment

8. The Board is established on 1 April 2015 subsequent to approval by the Oxfordshire Pension Fund Committee on 13 March 2015 and ratification by County Council on 14 April 2015.

Membership

9. The Board shall consist of 6 voting members, as follows:

3 Member Representatives; and

3 Employer Representatives.

10. There shall be an equal number of Member and Employer Representatives.
11. There shall also be 1 other representative who is not entitled to vote.

Member representatives

12. Member representatives shall either be scheme members¹ or have capacity to represent scheme members of the Fund.
13. Member representatives should be able to demonstrate their capacity² to attend and complete the necessary preparation for meetings and participate in training as required.
14. In light of the requirement for Board members to have the appropriate knowledge and understanding substitutes shall not be appointed.
15. The 3 Member representatives shall be appointed following a transparent recruitment process which should be open to all Fund members and be approved by the Administering Authority. This will comprise of a nomination, or self-nomination process followed by an interview conducted by the Chairman and Deputy Chairman of the Pension Fund Committee and one other member; and two representatives from the main trade unions.

Employer representatives

16. Employer representatives shall be elected members, office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.

¹ Active, deferred or pensioner members

² See paragraphs 5.16 to 5.20 of the Guidance which outlines what 'capacity' in this context means.

17. Employer representatives should be able to demonstrate their capacity³ to attend and complete the necessary preparation for meetings and participate in training as required.
18. In light of the requirement for Board members to have the appropriate knowledge and understanding substitutes shall not be appointed.
19. The 3 Employer representatives shall be appointed following a transparent recruitment process which should be open to all employers in the Fund and be approved by the Administering Authority. This will comprise of an interview conducted by the Chairmen and Deputy Chairman and 1 other member of the Pension Fund Committee. The Employers Forum shall also be given the opportunity to offer advice to the Administering Authority on all nominated candidates.

Other members

20. 1 other member, whose function will be that of independent chairman to the Board, shall be appointed to the Board by the agreement of both the Administering Authority and the Board.

Appointment of chairman

21. Subject to the meeting arrangements in paragraphs 33 to 35 below a chairman shall be appointed for the Board using the process listed below

An independent chairman to be appointed by the Administering Authority but shall count as an 'other' member under paragraphs 20 above. In this respect the term independent means having no pre-existing employment, financial or other material interest in either the Administering Authority or any scheme employer in the Fund or not being a member of the Fund. The appointment of the chairman shall be subject to the passing of a motion to confirm by a majority of the employer and member representatives of the Board.

Duties of chairman

22. The chairman of the Board:
 - (a) Shall ensure the Board delivers its purpose as set out in these Terms of Reference,
 - (b) Shall ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered; and
 - (c) Shall seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

³ See paragraphs 5.16 to 5.20 of the Guidance which outlines what 'capacity' in this context means.

Notification of appointments

23. When appointments to the Board have been made the Administering Authority shall publish the name of Board members, the process followed in the appointment together with the way in which the appointments support the effective delivery of the purpose of the Board.

Terms of Office

24. The term of office for Board members is 4 years.
25. In the interests of retaining relevant knowledge and understanding on the Board, all Board members can seek to be re-appointed for further terms of office, as long as they still meet the criteria necessary to be able to act as a representative of scheme employers or scheme members. Such extensions may be made by the Administering Authority with the agreement of the Board. For members appointed to the initial Board, the Pension Fund Committee can agree an extension of up to 2 years to enable the replacement of members on a phased basis, so that not all the knowledge and understanding is lost at the same time.
26. Board membership may be terminated prior to the end of the term of office due to:
- (a) A member representative appointed on the basis of their membership of the scheme no longer being a scheme member in the Fund.
 - (b) A member representative no longer being a scheme member or a representative of the body on which their appointment relied.
 - (c) An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
 - (d) A Board member no longer being able to demonstrate to the Oxfordshire Pension Fund Committee their capacity to attend and prepare for 3 Board meetings in any 12 month period, or to participate in required training.
 - (e) The representative being withdrawn by the nominating body and a replacement identified.
 - (f) A Board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.
 - (g) A Board member who is an elected member becomes a member of the Committee.
 - (h) A Board member who is an officer of the Administering Authority becomes responsible for the discharge of any function of the Administering Authority under the Regulations.
 - (i) A serious breach of the Code of Conduct in the opinion of the Monitoring Officer
 - (j) A serious failure to comply with the Knowledge and Understanding Policy in the opinion of the Monitoring Officer
 - (k) Resignation of the member concerned.

Conflicts of interest⁴

27. All members of the Board must declare to the Administering Authority on appointment and at any such time as their circumstances change, any potential conflict of interest arising as a result of their position on the Board.
28. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the Scheme.
29. On appointment to the Board and following any subsequent declaration of potential conflict by a Board member, the Administering Authority shall ensure that any potential conflict is effectively managed in line with both the internal procedures of the Board's Conflicts of Interest policy and the requirements of the Code.

Knowledge and understanding (including Training)⁵

30. Knowledge and understanding must be considered in light of the role of the Board to assist the Administering Authority in line with the requirements outlined in paragraph 6 above. The Board shall establish and maintain a Knowledge and Understanding Policy and Framework to address the knowledge and understanding requirements that apply to Board members under the Act. That policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed and updated.
31. Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board's knowledge and understanding policy and framework.
32. Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board. Each Board Member must be satisfied that they have the appropriate degree of knowledge and understanding and be able to demonstrate this as required.

Meetings

33. The Board shall as a minimum meet 4 times each year
34. Meetings shall normally take place at County Hall, Oxford at a time to be agreed with the Chair of the Board which maximises the assistance to be provided to the Pension Fund Committee.

⁴ See section 7 of the Guidance for more information on Conflicts of Interest.

⁵ See section 6 of the Guidance for more information on Knowledge and Understanding.

35. The chairman of the Board, in consultation with the chairman of the Pension Fund Committee and Board members may call additional meetings. Urgent business of the Board between meetings may, in exceptional circumstances, be conducted via communications between members of the Board including telephone conferencing and e-mails.

Quorum

36. The quorum for a Board meeting will comprise the Chairman, one representative of scheme employers and one representative of scheme members.
37. A meeting that becomes inquorate may continue but any decisions will be non-binding.

Board administration

38. The Chairman shall agree an Agenda with the 'Board Secretary' prior to each Board meeting.
39. At each meeting, members of the Board may propose matters to be included on the agenda for the next meeting of the Board.
40. Any member of Local Pension Board shall be entitled to give notice to **the Board Secretary** ~~Proper Officer~~ that s/he wishes an item relevant to the functions of the Board to be included on the agenda for that **Board**, provided that notice of the request is received by the **Board Secretary** ~~Proper Officer~~ by 2.00 p.m. on the tenth working day before the meeting of the Board. The item will be for oral report unless 20 working days' prior notice is given to enable a report to be prepared.
41. The agenda and supporting papers will be issued at least 5 clear working days (where practicable) in advance of the meeting except in the case of matters of urgency.
42. A late item of business **(one requested after the tenth working day before the meeting of the Board)** may **only** be added to the agenda of an ordinary meeting if the Chairman agrees that the item is urgent and cannot reasonably wait for the next ordinary meeting of the Board.
43. Draft minutes of each meeting including all actions and agreements will be recorded and circulated to all Board members within 15 working days after the meeting. These draft minutes will be subject to formal agreement by the Board at their next meeting. Any decisions made by the Board should be noted in the minutes and in addition where the Board was unable to reach a decision such occasions should also be noted in the minutes.
44. The minutes may with the agreement of the Board, be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt

information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

45. The Board Secretary shall ensure that Board members meet and maintain the knowledge and understanding as determined in the Board's Knowledge and Understanding Policy and Framework and other guidance or legislation.
46. The Board Secretary shall arrange such advice as is required by the Board subject to such conditions as are listed in these Terms of Reference for the use of the budget set for the Board. The Board may be supported in its role and responsibilities through the appointment of advisors. To this end the Board should seek to establish a reciprocal arrangement with a neighbouring Local Pension Board, which allows it to obtain independent advice from the Officers and Advisors to the neighbouring Pension Fund Committee, to minimise the additional costs chargeable to the Pension Fund.
47. The Board Secretary shall ensure an attendance record is maintained along with advising the Administering Authority on allowances and expenses to be paid under these terms.
48. The Board Secretary shall liaise with the Administering Authority on the requirements of the Board, including advanced notice for officers to attend and arranging dates and times of Board meetings.

Public access to Board meetings and information

49. The Board meetings will be open to the general public (unless there is an exemption under relevant legislation which would preclude part (or all) of the meeting from being open to the general public).
50. The following will be entitled to attend Board meetings in an observer capacity:
 - (a) *Members of the Committee,*
 - (b) *Any person requested to attend by the Board.*

Any such attendees will be permitted to speak at the discretion of the Chairman.

51. In accordance with the Act the Administering Authority shall publish information about the Board to include:
 - (a) The names of Board members and their contact details.
 - (b) The representation of employers and members on the Board.
 - (c) The role of the Board.
 - (d) These Terms of Reference.
52. The Administering Authority shall also publish other information about the Board including:

- (a) Agendas and minutes
 - (b) Training and attendance logs
 - (c) An annual report on the work of the Board should be produced by the Board for inclusion in the Fund's own annual report; and it should be presented to the Pension Fund Committee within 6 months following the end of the municipal year.
53. All or some of this information may be published using the following means or other means as considered appropriate from time to time:
- (a) On the Fund's website.
 - (b) As part of the Fund's Annual Report.
 - (c) As part of the Governance Compliance Statement.
54. Information may be excluded on the grounds that it would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

Expenses and allowances

55. The Administering Authority shall meet the travel, subsistence and carers expenses of Board members, in line with those payable under the County Council's Member's Allowance Scheme. These expenses will be paid in respect of attendance at Board meetings, and all training events deemed appropriate for meeting the knowledge and understanding requirements of Board members.
56. The Administering Authority shall pay a special responsibility allowance to the Independent Chairman of the Board in respect of the performance of their duties as the Chairman, including agenda planning, chairing Board meetings, and reporting to the Pension Fund Committee. This payment will be in line with the special responsibility allowance payable to co-opted Committee members as identified under the County Council's Member's Allowances Scheme. In addition to expenses paid under paragraph 52 above, the chairman is entitled to claim expenses when required to attend meetings of the Pension Fund Committee.

Budget

57. The Board is to be provided with adequate resources to fulfil its role. The Administering Authority will allocate an annual budget which is managed by and at the discretion of the Board. All costs of the Board will be chargeable to the Pension Fund. The budget will include cover for the costs of allowances and expenses for Board members, the costs of obtaining appropriate advice and support and the costs of all appropriate training programmes. Any expenditure on independent advisers outside of the budget provision will be subject to the prior approval of the Pension Fund Committee Chairman.

Core functions⁶

58. The first core function of the Board is to assist⁷ the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- a) *Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.*
- b) *Review management, administrative and governance processes and procedures in order to ensure they remain compliant with the Regulations, relevant legislation and in particular the Code.*
- c) *Review the compliance of scheme employers with their duties under the Regulations and relevant legislation.*
- d) *Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.*
- e) *Assist with the development of and continually review scheme member and employer communications as required by the Regulations and relevant legislation.*
- f) *Monitor complaints and performance on the administration and governance of the scheme.*
- g) *Assist with the application of the Adjudication of Disagreements Process.*
- h) *Review the complete and proper exercise of Pensions Ombudsman cases.*
- i) *Review the implementation of revised policies and procedures following changes to the Scheme.*
- j) *Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.*
- k) *Review the complete and proper exercise of employer and administering authority discretions.*
- l) *Review the outcome of internal and external audit reports.*
- m) *Review draft accounts and Fund annual report.*
- n) *Review the compliance of particular cases, projects or process on request of the Committee.*
- o) *Any other area within the statement of purpose (i.e. assisting the Administering Authority) the Board deems appropriate.*

⁶ In determining the role of the Board, further information can be found in paragraphs 3.27 to 3.29 of the Guidance.

⁷ Please see paragraph 3.28 of the Guidance for more information on what assisting the Administering Authority means.

59. The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:
- a) *Assist with the development of improved customer services.*
 - b) *Monitor performance of administration, governance and investments against key performance targets and indicators.*
 - c) *Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.*
 - d) *Monitor investment costs including custodian and transaction costs.*
 - e) *Monitor internal and external audit reports.*
 - f) *Review the risk register as it relates to the scheme manager function of the authority.*
 - g) *Assist with the development of improved management, administration and governance structures and policies.*
 - h) *Review the outcome of actuarial reporting and valuations.*
 - i) *Assist in the development and monitoring of process improvements on request of Committee.*
 - j) *Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.*
 - k) *Any other area within the statement of purpose (i.e. ensuring effective and efficient governance of the scheme) the Board deems appropriate.*
60. In support of its core functions the Board may make a request for information to the Committee with regard to any aspect of the Administering Authority's function. Any such request should be reasonably complied with in both scope and timing.
61. In support of its core functions the Board may make recommendations to the Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

Reporting⁸

62. The Board should in the first instance report its requests, recommendations or concerns to the Committee. In support of this any member of the Board may attend a Committee meeting as an observer
63. Requests and recommendations should be reported under the provisions of paragraphs 57 and 58 above.
64. The Board should report any concerns over a decision made by the Committee to the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.

⁸ See section 8 of the Guidance for more information on Reporting.

65. On receipt of a report under paragraph 61 above the Committee should, within a reasonable period consider and respond to the Board. The response may be in the form of a written response directly to Board members for subsequent submission to the next meeting.
66. Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.
67. Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee under paragraph 61 and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.
68. The appropriate internal route for escalation is to the Monitoring Officer or/and the Section 151 Officer as appropriate.
69. The Board may report concerns to the LGPS Scheme Advisory Board for consideration subsequent to, but not instead of, using the appropriate internal route for escalation.
70. Board members are also subject to the requirements to report breaches of law under the Act and the Code [and the whistleblowing provisions set out in the Administering Authority's whistle blowing policy].

Review of terms of reference

71. This Constitution shall be reviewed on each material change to those parts of the Regulations covering local pension boards and at least every 2 years.
72. These Terms of Reference were adopted on 13 March 2015.

.....
Signed on behalf of the Administering Authority

.....
Signed on behalf of the Board

Published 5 March 2015

OXFORDSHIRE LOCAL PENSION BOARD – 18 JANUARY 2019

MONITORING INVESTMENT EXPENDITURE

Report by the Director of Finance

Introduction

1. This report has been provided to the Board at the request of one of its scheme member representatives. Specifically, the request was to provide a breakdown of the investment costs described in the Fund's 2018 annual report, showing the fees paid to each fund manager for each mandate in the year to 31 March 2018. The request stated that the information will enable the Board to explore the relationship between cost and performance, following the report on Monitoring Investment Expenditure to the last meeting of the Board.

Management Expenses 2017/18

2. The Fund's Annual Report and Accounts for 2017/18 included in the Fund Account Statement for the Year Ended 31 March 2018 management expenses totalling £10,925,000. This figure was further broken down in the notes to the accounts as follows:

Note 11 – Management Expenses

Administrative Costs	£ 2,013,000
Investment Management Expenses	£ 8,186,000
Oversight & Governance Costs	<u>£ 726,000</u>
	£10,925,000

The Investment Management Expenses figure was further broken down in note 13 to the accounts as follows:

Management Fees	£ 8,129,000
Custody Fees	<u>£ 57,000</u>
	£ 8,186,000

3. Within these figures, it is the Management Fees of £8,129,000 which are paid to the Fund Managers for managing the individual mandates awarded to them by the Pension Fund Committee, and it is this figure that is therefore further analysed as part of this report.
4. The table at Annex 1 provides the requested breakdown of the £8,129,000 between the various Fund managers employed by the Fund during 2017/18. To provide some context, the table also includes a simple average mandate size (mid - point between the mandate size as at 31 March 2017 and 2018), and the investment performance for the year compared to the mandate's benchmark.

5. Against a total mandate size of £2.3bn, the management expenses of £8,129,000 represents an average fee of 0.35% or 35 bps. Across the Fund as a whole, the Fund outperformed its benchmark by 1.7%, which represents additional investment performance of £39m in cash terms.
6. Over the course of the year, there has been considerable variation between the investment performance of the various fund managers. As all fund managers are paid ad valorem fees rather than performance fees, there is no direct relationship between the fees paid in 2017/18 and the performance achieved. Over the longer term, it is likely that the performance of the Fund Managers will vary relative to each other, as the wider financial environment offers greater or lesser support to their asset class and/or investment style. We would not though expect to see similar variations in the patterns of fees paid.
7. **The Board is invited to consider the information contained in the report, determine what conclusions it can draw from the data and advise the Pension Fund Committee accordingly.**

Lorna Baxter
Director of Finance

Contact Officer: Sean Collins, Service Manager (Pensions); Tel: 07525 783103

January 2019

Annex 1 - Fund Manager Fees 2017/18

Fund Manager	Fees as per 2017/18 Accounts	Average Mandate size 2017/18	Performance		
	£000	£000	Actual	Benchmark	Variation
UK Equities - Baillie Gifford	955	414,541	6.4	1.0	5.4
Global Equities - Wellington	1,023	267,448	1.3	2.5	-1.2
Passive UK Equities - LGIM	85	182,093	1.4	1.1	0.3
Passive Global (ex-UK) Equities - LGIM	280	209,891	2.8	2.7	0.1
Fixed Income - LGIM	1,016	403,166	1.1	1.2	-0.1
<u>In-House Property</u>					
- Bridges Fund Management	347				
- Partners Group	622				
	969	30,667	11.5	10.1	1.4
<u>Private Equity</u>					
- Adams Street	748				
- Epiris	317				
- Longwall Ventures	146				
- Partners Group	745				
	1,956	182,668	11.6	4.1	7.5
Infrastructure - Partners Group	217	1,823 *			
Global Equities - UBS	831	308,243	5.4	2.9	2.5
Property - UBS	233	125,647	10.2	10.1	0.1
Diversified Growth Fund - Insight	564	107,049	3.5	3.8	-0.3
In-House Cash	-	58,580	0.3	0.4	-0.1
Total	8,129	2,291,813	4.1	2.4	1.7

* Mandate held for less than 1 year.

OXFORDSHIRE LOCAL PENSION BOARD – 18 JANUARY 2019

2019 FUND VALUATION

Report by the Director of Finance

Introduction

1. This report has been provided to the Board following a request of one of its scheme member representatives. The objective of the report is to set out the key stages within the 2019 Fund Valuation and the associated timescales, so that the Board can consider its involvement in the process and can future agenda items accordingly.

2019 Fund Valuation - Context

2. Whilst known as the 2019 Fund Valuation, the process for the valuation started in 2018 and will not conclude until the end of March 2020. This is the first Fund Valuation to be completed for the Oxfordshire Fund since the appointment of Hymans Robertson as Fund Actuary, and as such will follow a slightly different approach to those valuations completed by Barnett Waddingham in recent years.
3. The key output from the 2019 Fund Valuation process is to set the employer contribution rates for the three years from 1 April 2020. In undertaking the work, the Fund Actuary must be guided by the Funding Strategy Statement agreed by the Pension Fund Committee, as well as the relevant professional and actuarial standards.
4. The results of the valuations completed for each of the English and Welsh Administering Authorities will be scrutinised by the Government's Actuarial Department (GAD) under Section 13 of the Public Sector Pensions Act 2013. Under the Act, GAD must provide an opinion on four separate areas:
 - Compliance – whether each Fund's valuation has been completed in accordance with the scheme's regulations
 - Consistency – whether each Fund's valuation is not inconsistent with other LGPS valuations
 - Solvency – whether contribution rates have been set to ensure assets will cover 100% of estimated pension liabilities over an appropriate period, and the scheme employers between them have sufficient financial capacity to fund the expected contributions
 - Long-Term Cost Efficiency – whether contribution rates have been set to ensure the long - term efficiency of the Fund, such that sufficient contributions are being collected to cover current benefit accrual, and deficit periods have not been inappropriately extended.

5. Where GAD identifies that a fund valuation has failed one or more their tests in the above 4 areas, it has the power to require the scheme manager to take remedial action.

2019 Valuation – Key Stages and Timescales

6. The 2019 Fund Valuation process kicked off in 2018 with a number of preliminary meetings between the Fund Actuary and officers of the Administering Authority. The purpose of these initial meetings was for Hymans Robertson to set out their broad approach to the valuation process, some initial thinking about key financial assumptions, and to agree an approach for engaging with scheme employers.
7. A further meeting was then held with the Directors of Finance (or their nominees) of the main employers within the Fund (the County, City and District Councils and Oxford Brookes University) to set out the broad approach to be followed, and to receive feedback from them about what they hoped to see from the 2019 process. In particular the Fund Actuary was keen to understand the risk appetite of the main scheme employers, and their preference for stability in future contribution rates, over potentially lower short-term rates with greater future volatility.
8. Other work which was kicked off during 2018 was a review of the financial covenant of the major scheme employers and the options open to the Administering Authority for dealing with those employers with weaker financial covenants, including the shortening of recovery periods, looking at taking security against other assets held by the scheme employer and/or looking at setting up lower risk investment strategies and higher contribution rates.
9. A final key area of work which was begun during 2018, was a review of the data requirements for the 2019 valuation, looking at current data quality, and timescales and processes for data submission.
10. Over the first 3 months of 2019, there will be follow up work to that started during 2018, including a wider scheme employer briefing provided by the Fund Actuary at the annual Scheme Employer's Forum on 11 January 2019, and the collection of scheme employer data, including contract lengths for transferee admission bodies, any pooling or financial guarantee arrangements etc.
11. After 31 March 2019, the effective date of the 2019 Fund Valuation, the Fund Actuary will look to finalise the financial assumptions to be used within the process, taking into account actual financial data as at 31 March 2019. It is expected that the financial assumptions will be finalised in May 2019.
12. The outcome of the employer discussions will need to be reflected in the Funding Strategy Statement. It is proposed to take any changes to the Funding Strategy Statement to the June meeting of the Pension Fund Committee for initial discussion. The Funding Strategy Statement will not

though be agreed until later in 2019/20 following full consultation with scheme employers.

13. Data for the 2019 Fund Valuation will be provided to the Fund Actuary during June/July 2019 following the checking of the end of year returns received by the scheme employers. The Fund Actuary can work with less than perfect data, but where they need to make assumptions to fill in gaps in the data provided, they will take a cautious approach, which can lead to employer contribution rates being set higher than they would have been with perfect data.
14. The Fund Actuary hopes to produce high level results at the level of the Fund as a whole by the end of August. The initial results for individual employers will then follow during September and October. This will allow the initial results to be reviewed against the expectations and wishes set out in the initial employer discussions, and earlier decisions refined where appropriate. Any final changes to the Funding Strategy Statement will also be made during this period, prior to the formal consultation with the scheme employers.
15. The final approval of the Funding Strategy Statement is scheduled for the March 2020 Pension Fund Committee. The Final 2019 Valuation results report is also scheduled to be issued in March 2020.
16. **The Board is invited to consider the information and timescales identified in the report; and determine what further role it would wish to undertake within the process.**

Lorna Baxter
Director of Finance

Contact Officer: Sean Collins, Service Manager (Pensions), Tel: 07525 783103

January 2019

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