



To: Members of the Local Pension Board

***Notice of a Meeting of the Local Pension Board***

**Friday, 26 April 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

To be decided

Committee Officer: **Julie Dean**  
Tel: 07393 001089; Email: [julie.dean@oxfordshire.gov.uk](mailto:julie.dean@oxfordshire.gov.uk)

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**Membership**

Chairman – Mark Spilsbury

**Scheme Members:**

Alistair Bastin	Stephen Davis	Sarah Pritchard
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**Employer Members:**

Lisa Hughes	Councillor Bob Johnston	District Councillor Sandy Lovatt
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**Notes:**

- ***Date of next meeting: to be decided***

## 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](mailto: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 (LPB5) and to receive information arising from them.

## 6. **EXCLUSION OF PRESS AND PUBLIC**

The Board is **RECOMMENDED** to exclude the public for the duration of Item 7 since it is likely that if they were present during this item 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 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.

## 7. **EXEMPT MINUTES - 18 JANUARY 2019 (Pages 9 - 12)**

To approve the exempt Minutes of the meeting held on 18 January 2019 as a correct record (LPB7).

*(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.*

## **READMISSION OF PRESS AND PUBLIC**

## **8. Employer Management - Improvement Plan (Pages 13 - 28)**

This report (**LPB8**) is the latest in a series of reports to the Pension Fund Committee and this Board on the Fund's approach to employer management. It included 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.

## **9. Review of the Annual Business Plan (Pages 29 - 48)**

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 8 March 2019; and the Annual Business Plan for 2019/20, as agreed at the same meeting; and to offer any views back to the Committee (**LPB9**).

## **10. Risk Register (Pages 49 - 54)**

The Board is invited to review the latest Risk Register, as updated after consideration by the Pension Fund Committee on 8 March 2019 (**LPB10**); and to offer any further views back to the Committee.

***The Board is invited to note the latest Risk Register and to offer any further comments to the Pension Fund Committee.***

## **11. Responsible Investment Statement (Pages 55 - 62)**

The Board is invited to consider the Responsible Investment Position Statement, as agreed by the Committee following their meeting on 8 March 2019, and to offer any views back to the Committee in advance of the June 2019 discussion on the Investment Strategy Statement (**LPB11**).

***The Board is RECOMMENDED to note the statement.***

## **12. Items to Include in the Board's Report to the Pension Fund Committee**

The Board is invited to confirm the issues it wishes to include in its latest report to the Pension Fund Committee on 7 June 2019.

## **13. Items to be Included in the Agenda for the next Board Meeting**

Members are invited to identify any issues they wish to add to the Agenda for the next meeting of this Board.

The Board is advised that the following reports will be included on this Agenda, together with the usual items:

- Annual report on the Work of the Pension Board
- Latest Monitoring report on Fund Manager Fees.

#### **14. Date of Next Meeting**

Members are advised that the Chairman is unable to attend the meeting scheduled for 19 July 2019 but has indicated that he would be available on Friday 12 July or Friday 26 July. The Board is asked to determine on which date it would prefer to meet.

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## LOCAL PENSION BOARD

**MINUTES** of the meeting held on Friday, 18 January 2019 commencing at 10.30 am and finishing at 12.20 pm

**Present:**

**Voting Members:** Mark Spilsbury – in the Chair

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

**Officers:**

Whole of meeting S. Collins, S. Fox and J. Dean

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

**1/19 WELCOME BY CHAIRMAN**

(Agenda No. 1)

The Chairman welcomed all to the meeting.

With regard to the vacancy on the Employer's side, Sean Collins reported that he intended to take the matter to the next Employers Group at the beginning of February. He hoped to have someone in place by the next meeting.

**2/19 APOLOGIES FOR ABSENCE**

(Agenda No. 2)

There were no apologies for absence.

**3/19 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE OPPOSITE**

(Agenda No. 3)

There were no declarations of interest submitted.

**4/19 PETITIONS AND PUBLIC ADDRESS**

(Agenda No. 4)

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

## **5/19 MINUTES**

(Agenda No. 5)

The Minutes of the last meeting held on 26 October 2019 were approved and signed as a correct record.

With regard to the vacancy on the Employer's side, Sean Collins reported that he intended to take the matter to the next Employers Group at the beginning of February. He hoped to have someone in place by the next meeting.

With regard to Minute 45/18 – 'Review of the Annual Business Plan' Sean Collins confirmed that the first investment performance report would be reported to the Oversight Board on 31 January and would be circulated to Members of the Board, commenting also that it would be the first draft and it would evolve over time. He was also asked if there would be a main report going to Committee in relation to ESG investment. He responded that the main conversation regarding this would be at Brunel. The Chairman added that the Investment Strategy would come before the Board for comment to the Committee as part of the 2019 Valuation process – the timetable for which was set down in the current Agenda (Agenda Item 10).

## **6/19 REVIEW OF THE ANNUAL BUSINESS PLAN**

(Agenda No. 6)

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 its meeting on 7 December 2018, and to offer its views to the Committee (LPB6).

Sean Collins reported that work on the full report on the transition to the UK active equity portfolio was ongoing. However, it was known that it was likely that fund management fees would be lower than assumed in the business case.

In response to a question from the Board, Sean Collins reported that the Business Plan would be submitted to the 8 March meeting of the Pension Fund Committee, and to the 26 April meeting of the Board. Members of the Board were sent a copy of the Committee papers as a matter of routine.

In relation to paragraph 17 of the report, Sean Collins reported that a meeting about the Business Plan had taken place between the new Actuary, Hymans Robertson and with most of the large Employers. This was a new approach and had been the first time the Employers had been engaged with the process. In part, Hymans was endeavouring to ascertain what the appetites for risk were and what they valued the most. The key factor which arose from this meeting was that they valued contribution rate stability above short – term contribution rate reductions. It was intended to ask their views for key matters, all of which would be brought back to the Board and the Employers for discussion prior to submission to the June or September meeting of the Committee.



With regard to Environmental, Social and Governance (ESG) issues within investment decision making (paragraph 10 of the report), Sean Collins reported that the first quarterly report from Brunel Pension Partnership (BPP) to clients, as portfolios continued to transition over, would contain data on this topic. This would be shared with the Committee and the Board, together with advice on how this could be used in public to address any issues. The Board welcomed this improved reporting that would be provided by BPP and also requested that consideration be given to including this very fast-moving subject on the Training Plan.

It was **AGREED**: to

- (a) note the progress against the key service priorities and budget included within the Business Plan 2018/19 and, in particular to welcome the improved reporting that would be provided by BPP in relation to ESG matters; and
- (b) request that consideration be given to including ESG matters in future training plans.

## 7/19 **RISK REGISTER**

(Agenda No. 7)

The Board reviewed the latest Risk Register report which was submitted to the Committee at its last meeting on 7 December 2018 (**LPB7**).

Sean Collins reported that climate change and the risks to returns had been raised at the Employers Forum which had taken place the week prior to this meeting. The Chief Responsible Investment Officer from Brunel had given reassurance that all ESG factors were looked at and a Board member added that she had stated that Brunel did consider climate change amongst other ESG factors as a risk to future investment returns.

Some members of the Board spoke of the importance of the risks being reported in the public domain and that there was a transparency to this. Sean Collins stated that there was already a large amount of mitigation in relation to climate change already being undertaken by the fund managers to ensure that it did not become a long-term risk. The ESG elements of the Independent Strategy Statement would set out how it was monitored and how the Committee could ensure that this had the desired effect.

The Board considered whether to recommend the Committee to consider making an investment into the BPP passive low carbon mandate by reducing its investment in the BPP passive equities mandate. This needed to be balanced alongside Risk 2 'Investment Strategy aligned with Pension Liability Profile' and how we ensure sufficient robustness for the Fund to meet its obligations.

It was **AGREED** to **RECOMMEND** the Committee to consider:

- (a) including climate change on the risk register as a separate risk; and
- (b) make an investment into the BPP passive low carbon mandate by reducing its investment in the BPP passive equities mandate(s).

## **8/19 PENSION BOARD CONSTITUTION**

(Agenda No. 8)

The Board considered changes to its current Constitution (LP8) following discussions at the last two meetings. It was asked to agree the changes for recommendation to the Pension Fund Committee for approval.

A consensus in relation to all the changes was not reached and it was therefore decided not to include the changes made to paragraph 42.

## **9/19 MONITORING INVESTMENT EXPENDITURE**

(Agenda No. 9)

At the request of one of the scheme member representatives the Board considered a report (LPB9) which provided a breakdown of the investment management costs included in the 2017/18 Annual Report and Accounts, alongside the performance information of the Fund Managers covering the same period. The Board was invited to consider the information contained in the report (LPB9) and determine what conclusions it could draw from the data and to advise the Pension Fund Committee accordingly.

In response to analysis of the performance given by the scheme member, Mr Collins clarified that some were new allocations thus making it both too early and inaccurate to scrutinise performance based on costs. Moreover, some required time to come to fruition. He further advised that the Committee did not look specifically at fees, but it looked at the net performance of the investments over time. He gave some examples of fund managers' turning around bad performance over time, and vice-versa. He also assured the Board that the Committee was very active in keeping account of performance.

The Board both thanked Mr Collins for the reports he had provided on this matter and welcomed them.

It was **AGREED** that a similar report monitoring fees against each mandate be provided to the Board in 6 months' time.

## **10/19 2019 FUND VALUATION**

(Agenda No. 10)

At the request of one of the scheme members, the Board considered a report (LPB10) which set out the key steps and the timetable for the 2019 Fund Valuation process, in order to gain a better understanding of the Board's role in the process.

Mr Collins assured the Board that the key Committee reports would also be submitted to the Board for comment. He added that should the Board determine that something had not been taken account of, then the Committee would not sign it off until it could take account of the Board's comments at its next meeting. This was welcomed by the Board.

**11/19 EXEMPT ITEMS**

(Agenda No. 11)

**RESOLVED:** to exclude the public for the duration of Items 12, 13 and 14 since it was 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****12/19 EXEMPT MINUTE - 26 OCTOBER 2018 MEETING**

(Agenda No. 12)

The exempt minute from the meeting of 26 October 2018 was approved and signed as a correct record (LPB12).

*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 Board asked if staff recruitment was still a challenge for the Pensions Team. Sean Collins responded that, whilst it remained a challenge, the Team was in a better position in terms of its ability to resolve queries and data issues. The Team was currently getting into position for the end of year.

In response to a question about whether a market premium had been considered, Mr Collins stated that the Pension Fund Committee had already advised that any option to help the situation should not be ignored, including the possibility of applying supplements.

**13/19 IMPROVEMENT PLAN**

(Agenda No. 13)

The Board considered the latest in the series of reports to the Pension Fund Committee (LPB13) and this Board on the Fund's approach to employer management. It included the latest version of the Improvement Plan which was aimed at ensuring the Fund met its statutory targets in terms of data quality and services to scheme members and employers.

*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.*

Sean Collins reported on current actions being taken in respect of the Improvement Plan.

The Board thanked Mr Collins for the detailed report.

It was **AGREED** to note the major improvements being made and implemented, and to support the actions being taken.

**14/19 INDEPENDENT FINANCIAL ADVISER**

(Agenda No. 14)

This item had been added to the Agenda at the request of one of the scheme member representatives. It allowed the Board to review the confidential report presented to the meeting of the Pension Fund Committee on 7 December 2018. The report was attached at LPB14 and the Board was invited to provide any comments to the Pension Fund Committee.

*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.*

It was **AGREED** to note the report.

**READMISSION OF PRESS AND PUBLIC**

**15/19 ITEMS TO INCLUDE IN REPORT TO THE PENSION FUND COMMITTEE**

(Agenda No. 15)

- Various ESG matters, as highlighted above in the ‘Review of Annual Business Plan’ and ‘Risk Register’ items; and
- ‘Monitoring Investment Expenditure’ item.

..... in the Chair

Date of signing .....



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

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Division(s): N/A

## **PENSION FUND COMMITTEE – 8 MARCH 2019**

### **IMPROVEMENT PLAN**

#### **Report by the Director of Finance**

##### **Introduction**

1. At their December 2018 meeting the Committee considered the draft Improvement Plan which had been submitted to the Pension Regulator at the end of September 2018. At the time of the December meeting, we had not received the formal feedback from the Pension Regulator.
2. The December Committee also received the draft implementation plan for iConnect. Whilst iConnect is not seen as a pre-requisite for the delivery of the Improvement Plan, it is seen as a key step for delivering long term improvements to the current arrangements, and so the Committee agreed to monitor progress as part of future reports on the Improvement Plan.
3. Since the December Committee we have had further correspondence with the Pension Regulator on the Improvement Plan, and following amendments, they have stated that they are happy with the revised plan. This report covers the main changes in the final Improvement Plan and sets out the progress against achieving the Plan.

##### **Comments from the Pension Regulator and the Revised Plan**

4. The formal comments on the draft Improvement Plan were received from the Pension Regulator (tPR) by letter on 20 December 2018. The comments, and the responses, which we submitted on 8 January 2019 are set out below:
  - tPR was concerned that the Plan did not clearly set out who was responsible for the various elements of the Plan. Our response clarified that the Committee had overall responsibility for delivery of the Plan and that day to day operational responsibility was delegated to the Service Manager – Pensions. Responsible officers for each task were included on the plan, and a footnote was added to cover those lines where responsibility was split across a team.
  - tPR felt that there were insufficient milestones included within the plan, to enable those responsible to track progress over the period of the Plan. The revised Plan includes more interim steps to ensure progress can be monitored and early warning given if the Plan is not on target for success.
  - tPR felt there was a lack of clarity over the risks to the delivery of the Plan. A risk register has been added as a new sheet to the Plan, including the mitigation strategies for each of the risks identified.

- tPR were unclear on the engagement of the Pension Fund Committee and the Pension Board with the Plan. In our response, we re-iterated that the Committee is the ultimate owner of the Plan and responsible for its delivery, supported by the Pension Board. The Plan was revised to include the regular reporting to both bodies to ensure both were in a position to meet their responsibilities.
  - tPR felt that the overall objectives of the Plan were not explicit, and it was unclear on how the success of the work would be judged. In response, we have added a new front sheet which sets out the project objectives, and the individual target scores against the key statutory responsibilities.
  - tPR were unclear on the targets for data quality in light of the national work to produce a standard approach to the calculation of data quality scores. In our response, we have confirmed that the data quality targets set out in the front sheet are based on the definitions used in making the 2017/18 return. If we receive national guidance which indicates a significant change to the way the data quality scores should be calculated, then we will review the appropriateness of the targets and advise tPR accordingly.
5. The other major change to the revised plan (as contained in Annex 1) was to include the detailed implementation plan for iConnect.
  6. The Pension Regulator responded on 16 January 2019 to confirm that they were now happy with the Plan and did not require any further changes. They did make a few comments in terms of improving future presentation and sought further clarification about our approach to data quality but confirmed that we should proceed with delivery of the revised Plan as now drafted.
  7. The Pension Regulator also asked for an update on the current position in respect of the 2017/18 annual benefit statements. We have confirmed that there are still 16 ABS outstanding, all in respect of employees of Edwards and Ward.
  8. We have provided a full report to the Regulator on the performance of Edwards and Ward, who have a number of contracts with both maintained and academy schools for the provision of school meals. Initially Edwards and Ward failed to provide the necessary pension provision for the out-sourced staff, placing a number of staff into the NEST scheme.
  9. Once we became aware of the issue, we took advice from Legal Services on the best approach to restoring the statutory pension protection to the out-sourced staff, and required Edwards and Ward to enter admission agreements in respect of each out-sourced contract and provide data returns and pension contributions back-dated to the start of each contract.
  10. Despite the provision of support to Edwards and Ward, they have been very slow in addressing the outstanding issues. Officers attended a meeting in March 2018 at Edwards and Ward head office in East Sussex and re-iterated the required information and the deadlines for its provision. Following further

failures to meet the agreed deadlines, a second meeting was attended in East Sussex during November, which agreed a final deadline for all outstanding information of 30 November 2018.

11. Unfortunately, Edwards and Ward again failed to provide the majority of the outstanding data and have failed to provide any updates on the outstanding position since missing the deadlines. In accordance with the Administration Strategy, we have now issued a fine of £13,500 which represents a charge of £150 for each outstanding end of year return and each year where we are missing a monthly data return.

### **Progress against Improvement Plan Milestones**

12. Progress against the End of Year actions has largely been in line with the planned timescales. We have issued the general communications and have had a good response to the request to provide senior escalation points in the event of non-compliance with the timetable. We have just appointed a new Senior Administrator to support the process, and next steps are to allocate a team member to each employer and initiate contact with employers to ensure no known issues
13. Work on the monthly returns though is behind target, impacted in part by key staff absences over the last 6 months. Additional staff have now been allocated to support this task with a view to bringing it back into target for the March returns, so there are no knock-on implications for the work once we start receiving the end of year returns at the end of April.
14. The major concern remains on the level of vacancies held across the various teams within Pension Services. As covered in the Administration report elsewhere on the agenda, the initial round of recruitment was unsuccessful, and we are still carrying vacancies in key positions. We continue to work with colleagues in HR to identify new approaches to filling the outstanding vacancies and are continually looking to re-allocate work in line with the key priorities identified to meet the Plan.
15. In respect of data quality, as noted above the Regulator queried our decision to remove certain tests where the data 'fail' does not impact on the scheme benefits for the member. We have provided further clarification to the Regulator on this on 30 January 2019. We have indicated that we will be happy to discuss these points further with the LGA and the Scheme Advisory Board as part of the process of designing a comprehensive set of standard data quality tests to ensure we are measuring relevant data items against relevant records.
16. We are currently reviewing our records to identify any missing data to determine the action we need to take to resolve these. We have met with our software supplier and have provided examples of data 'fails' where the information held on our system is accurate. The software provider is reviewing these cases to see if the reports can be amended to take these circumstances into account.

17. Work is underway to run a procurement exercise to identify an address tracing agency with a view to undertaking another address tracing exercise which will complete in time for the issue of benefit statements in August 2019.
18. In respect of the iConnect project, we are currently in the employer testing stage, for phase one we are working with 17% of our employees, just over 3400 members. The table below provides an update where we are with each employer.

<b>I-Connect</b>				
Number	Employer	Active members	Payroll	Notes
00014	DIDCOT TOWN COUNCIL	14	Sharon	awaiting date
00017	HENLEY ON THAMES TOWN COUNCIL	24	Liz	Feb onboarding meeting
00031	WITNEY TOWN COUNCIL	15	Sharon	awaiting Date
00032	CARTERTON TOWN COUNCIL	6	Tan	TESTING
00034	OXFORD BROOKES UNIVERSITY	1836	Sarah	Awaiting file - for data matching
00075	CHALGROVE PARISH COUNCIL	2	Jo	awaiting Date
00084	FARINGDON TOWN COUNCIL	12	Sally	TESTING
00086	SANCTUARY HOUSING	5	John	TESTING
00097	UNITED LEARNING TRUST	305	Cat	Data Matching
00102	OLD MARSTON PC	1	Tim	TESTING
00110	OXFORD SPIRES ACADEMY	109	EPM	Data Matching
00119	GILLOTTS SCHOOL	50	Data plan	Awaiting file - for data matching
00130	ASPIRATIONS ACADEMY TRUST	91	Data plan	Awaiting file - for data matching
00136	OXFORD DIOCESAN TRUST	662	John	TESTING
00153	DOMINIC BARBERI ACADEMY	290	EPM	linked to 00110
00179	RAMSDEN PARISH COUNCIL	1	Jon	TESTING
00254	GEMS Didcot Primary Academy	11	Data plan	Awaiting file - for data matching

**Awaiting File** – Employer is currently producing a CSV to test with I-Connect and data Matching

**TESTING** – First file received, data matching taken place and employer uploading alongside main Monthly submission. Go live date April 2019 (maybe before)

**Awaiting Date** – been in contact with employer waiting for them to confirm a training date.

**Data Matching** – File received, currently checking quality of data and Data matching against Altair (Pension System)

19. Key tasks undertaken include:

- Setting up *training sessions* for employers and helping them create file extract.

- Looking at *processes* with in the Pensions team and how iConnect will impact these. The main review has been carried out however we will continue during testing period to pick up anomalies using the Live data.
- *Data matching* – this includes matching records, amending any payroll reference changes, creating missing records. Oxford Diocesan Trust alone had 122 members in conflict and 42 unmatchable. These have now been resolved with the help of the employer.
- Creating Multi payroll providers (MPP) — this means a payroll provider like Data Plan only has to do one return.
- Reaching out to Smaller employers to try and onboard these in quieter periods.
- Looking at Administration strategy to include iConnect
- *Reporting* – setting up reports to test the data coming in from Employers. Data tests being applied by not limited to are:
  - *CARE v Contributions Monthly*
  - *CARE v Contributions Year to data*
  - No CARE pay
  - Final pay checks

20. The key challenges faced include:

- Internal processes need to change – trying to think of every what if scenario so these can be tested.
- TUPE transfers is a concern, education of employer to reiterate the need to let us know before transfer.
- Managing and updating payroll number changes, this had to be done before the DATA matching process could happen.
- Casual Employees – the number of casual employees are increasing. This will impact iConnect and the end of year if records are not closed now effectively.
- Working with employer to create a working extract file, not all employers understand CSV or the background to the data we require.
- Keeping momentum going with some smaller parish councils, feedback has been that pensions is a small part of their role and they are normally only one person doing all types of roles.
- The interest in iConnect has slowed down...we will be working on communication, websites, targeting getting some testimonials from our current employers in phase one.

21. The next key steps in the process include:

- Continuing to meet with team to discuss processes and workflow task management
- Plan phase 2 which will commence 01/04/2019 – aim is to get Oxfordshire County Council and Oxford City Council on board. This equates to 9600 members nearly 50% membership.
- Continue testing and feeding back to Employers with the aim to go LIVE April 2019

- Set up an iConnect section on the Oxfordshire County Council Pension web pages.
- Keep targeting smaller employers, and those employers who already use iConnect with other LGPS schemes. Also look at providing employers with a provisional staging date to keep momentum going.
- Use the iConnect data to help the end of year process. Any employer currently in the phase 1 of testing we will be able to start the end of year process on receipt of their March 2019 file.

## **RECOMMENDATION**

- 22. The Committee is RECOMMENDED to note the latest position with regard to the implementation of the Improvement Plan.**

Lorna Baxter  
Director of Finance

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

February 2019

## Project Objectives

The Improvement Plan is designed to ensure that the Oxfordshire Pension Fund as administered by the Pension Fund Committee delivers against its statutory duties as set out below. These duties include a mix of annual responsibilities in terms of information requirements to scheme members, the annual submission of our data quality score, and a series of on-going responsibilities to scheme members and scheme employers based on their movements in and out of the Fund, deaths retirements etc. The ultimate objective of this revised improvement plan is to deliver the target scores as set out below. The success against the annual targets will be measured once a year as per the target date (with interim measures against the milestones set out in the plan indicating the likelihood of success), whereas success against the on-going responsibilities will be measured monthly.

## Annual Statutory Responsibilities

	Target Date	Target Score	Comments
Issue Annual Benefit Statement to all Active Scheme Members	31/08/19	100%	A score above 98% would not be regarded as a material breach of duty for the Fund as a whole, but could still require individual scheme employers to be reported for a material breach if a significant number of their statements were still outstanding
Issue Annual Benefit Statement to all Deferred Scheme Members	31/08/19	100%	
Issue Pension Savings Statements to those above Annual Allowance	06/10/19	100%	
Return Data Quality Scores to the Pension Regulator - Common Data	06/11/19	98%	Score based on definitions included in reports from Aquila Heywood dated 25 October 2018
Return Data Quality Scores to the Pension Regulator - Scheme Specific Data	06/11/19	98%	

## On-Going Statutory Responsibilities

	SLA (days)	Target % of cases within SLA	Comments
Annual Allowance	10	90	The statutory deadlines are, in general, two months, although there are some variations to these which extend beyond the two months. For the purposes of monitoring and reporting we will use the two month deadline. This will also apply to divorce cases where the deadline is in excess of two months. The only deadline under two months is that of retirements where benefits are being paid after NPA where information about benefits should be provided within one month.
APC	10	90	
Data Changes	10	90	
Deaths	10	95	
Deferred Benefits	40	90	
Divorces	10	95	
Estimates - employer	10	90	
Estimates - member	10	90	
General Queries - employer	10	90	
General Queries - member	10	90	
Re-employments	40	90	
Refund of Benefits	10	95	
Retirements	10	95	
Starters / PPF	40	90	
Transfer In	10	90	
Transfer Out	10	95	

## Ownership of the Improvement Plan

The Improvement Plan is owned by the Pension Fund Committee in its role as Scheme Manager under the relevant Regulations. The Committee is ultimately accountable for the delivery of the Plan. Day to day management of the plan is delegated to the Service Manager - Pensions, who will manage the plan with the support of the Pension Services Management Team. The Plan identifies owners for the individual tasks, who will be responsible for reporting through to the Management Team and ultimately the Pension fund Committee on performance against their elements of the plan.

<b>End of Year 2018/19 and Issuance of Annual Benefit Statements</b>	<b>Comments</b>	<b>Owner*</b>	<b>Due date</b>	<b>Status</b>	<b>Comments on Status</b>
<b>End of Year Return</b>					
Issue Scheme Employer Questionnaire re 2017/18 Exercise		BH	26/10/18	Completed	Feedback requested in Talking Pensions - 1 response
Hold Employer Forum to Discuss Results of Questionnaire		BH	30/11/18	Completed	Forum not held in light of limited feedback received.
Prepare Briefing for All Employers to Set out any Key Changes		BH/SJC	21/12/18	Completed	Talking Pensions January
Confirm Senior Escalation Point with All Scheme Employers		BH	21/12/18	Completed	E-mail sent to all employers 20/12/2018, responses being chased. Second e-mail sent 15/01/2019
Prepare/Review templates for 2018/19 Returns		BH	14/01/19	Completed	
Allocate Member of Employer Team to Lead for Each Scheme Employer		BH	14/01/19		Subject to recruitment
Get in touch with employers by phone to confirm who our contacts are for the annual return	Final chase of escalation points	Employer team	18/01/19	Completed	E-mail sent to all employers 20/12/2018
Annual returns emails to be drafted	Included FAQ information, reminder about AVC's.	BH	16/01/19	Completed	
Returns to be sent out w/c 21 January 2019 (include dates for training days)		Employer team	25/01/19	Completed	
Contact all employers who have had previous issues to check receipt support needed	Telephone call	Employer team	28/02/19		Subject to employer allocation / recruitment
Run Employer Training Sessions on Completion of End of Year Return		SAF/BH/JW/RO	15/03/19		Waiting for response from scheme employers
Week before the April deadline send a reminder to High level contacts that the data is required by 30 April	Copy to any 3rd party payroll providers	Employer team	23/04/19		
Review receipt of end of year returns and issue initial escalation letter for all missing returns	Report numbers to SJC/SF	BH	03/05/19		
Review receipt of outstanding returns and issue final escalation letter	Report numbers to SJC/SF	BH	17/05/19		
Issue Breach Report to Pension Regulator for non-compliance where end of year return still outstanding		SF	24/05/19		
Complete review of all end of year returns received by 30 April deadline	Check formatting of data, completeness of return, and contributions balance to those paid over during year (within agreed tolerances)	Employer Team	10/05/19		
Send end of year review queries to employer	Report numbers to SJC/SF	Employer team	10/05/19		
Review Receipt of end of year Queries and issue final escalation letter for any outstanding	Report numbers to SJC/SF	BH	24/05/19		
Issue Breach Report to Pension Regulator for non-compliance where end of year return queries still outstanding		SF	31/05/19		
Complete Provisional Runs of end of year data	Report numbers to SJC/SF	BH/RS	31/05/19		
Send Provisional Run queries to scheme employers, where these stop end of year file data being loaded	Queries to include missing starters, missing leavers, un-matched pay reference numbers, formatting errors in data, mis-match between number of employee records	Employer team	03/06/19		
Work with Scheme Employers to resolve provisional run queries, escalating as necessary		Employer team	28/06/19		
Issue Breach Report to Pension Regulator for non-compliance where end of year data can not be loaded due to outstanding queries		SF	28/06/19		
Final Load of Actual Data including monthly CARE data, and issue queries on errors to scheme employers (e.g. pay variation to previous year outside agreed tolerances, and/or inconsistent with contributions recorded and received.	Process will start from 3 June for those employers with no errors on provisional run, with regular daily runs as queries are resolved on remaining employers. Weekly reports of numbers to SJC/SF	BH/RS	05/07/19		
Review receipt of query responses and issue initial escalation letter	Report numbers to SJC/SF	BH	19/07/19		
Issue final escalation letter	Report numbers to SJC/SF	BH	26/07/19		



Issue Breach Report to the Pension Regulator where outstanding queries mean that data is not sufficient to issue annual benefit statement		SF	02/08/19		
Issue Annual Benefit Statements	Daily runs from 5 August starting with those scheme members who have requested a paper statement.	RS	31/08/19		
<b>Monthly returns - MARS</b>		<b>Owner</b>	<b>Due date</b>		
Review First 6 month returns and identify any missing returns	remind employer (5 days)	BH/SF/JF	31/10/18	Completed	21/11/18
Escalate All Employers with Missing Returns	Chase - Fine to follow	BH/SF/JF	18/01/19		
Identify All Scheme Employers Where Active Membership has Ceased	Fine	BH/SF/JF	31/10/18		
Ensure All Records For Ceased Employers have been loaded and validated	Chase - Fine to follow	BH/SF/JF	30/11/18		
Review First 6 months CARE data, and identify any inconsistencies. Raise queries with employers		BH	30/11/18	Completed	
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)		
<b>Communication</b>		<b>Owner</b>	<b>Due date</b>	<b>Status</b>	
Write to Scheme employers (see line 8 above)	Administration guide, TPR letter	BH	21/12/18	Completed	Talking Pensions January
Email templates/acknowledgements to finalise	MARS/EOY	BH	18/01/19	Completed	
Update team at team meeting	EOY process.	BH/SAF	25/01/19		
Pension Fund Forum	Administration update, confirm eoy coming out	SAF	11/01/19	Completed	
Monthly updates - talking pensions	To include key changes from previous years, key dates (including highlighting earlier due date for March MARS return as 19 April is a Bank Holiday)	JW/RO	31/01/19		
Monthly updates - talking pensions	To include reminder of key dates and importance of timely and accurate returns in respect of both statutory duties and impact on 2019 Valuation Results	JW/RO	28/02/19		
Monthly updates - talking pensions	Pick up issues identified	JW/RO	31/03/19		
<b>Staffing</b>		<b>Owner</b>	<b>Due date</b>	<b>Status</b>	
Review Current Staff Structure in Light of Recent Experience		SJC/SAF	19/10/18	Completed	
Agree new structure and Appropriate Division of Duties		SJC/SAF	19/10/18	Completed	
Revise Job Descriptions, Grades and Person Specifications including suitability of apprenticeships with County HR		SJC/SAF	02/11/18	Completed	
Implement new structure		SAF	02/11/18	Completed	
Recruitment		Team Leaders	30/11/18	Completed	
Recruitment - interviews		Team Leaders	07/12/18		Interviews w/c 07/01/19
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		

Governance and Reporting					
Identify all statutory responsibilities and associated timescales		SAF	26/10/19	Completed	Included in Objectives Sheet of this Improvement Plan
Develop portfolio of performance measures that measure achievement of statutory functions and provide early warnings of potential breaches of targets	To include monthly statistics for the on-going statutory duties, the progress statistics identified above against the tasks within the end of year process and regular updates on data quality scores	SAF	31/01/19		
Determine frequency and timetable of manager reviews of performance data and schedule in diaries	Will be a mix of weekly, monthly and ad hoc reports		31/01/19		
Present Performance Report to Pension Fund Committee and agree schedule of interim reports to be sent to Committee members between the quarterly meetings	Copies to be provided to Pension Board members	SAF	08/03/19		
Data Quality					
Hold workshop with Aquila Heywood to review results of 31 August 2018 Report		SAF/RS	26/10/18	Completed	04/12/18
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	18/01/19		SC discussing with LGA
Produce Action Plan to Improve Data Quality Scores where they fall below 98% in Revised Report		SAF	21/12/18	Completed	See below:
Common Data - addresses. Re-Run missing address report		RS	31/01/19	Completed	5246 missing addresses for LGPS status 1,2,4,9
Common Data - addresses - chase responses to letters seeking confirmation of new addresses		RS	29/03/19		Ongoing - identifying cases involved with view to sending out letters in early March
Common Data - addresses - run procurement exercise to identify address chasing agency		SF	29/03/19		
Common Data - addresses - re-run address tracing exercise with new agency		RS	30/04/19		
Common Data - addresses - send out confirmation letters to new addresses identified		RS	31/05/19		
Common Data - addresses - update records on receipt of confirmation of new address from scheme member		RS	30/08/19		
Scheme Specific Data - CARE and Salary Checks - Run reports to confirm latest status	Work completed on previous errors since the last report as at end of August 2018	RS	28/02/19		
Scheme Specific Data - CARE and Salary Checks - Update Records with Missing Data		RS/Benefits Team	30/04/19		
Scheme Specific Data - Annual Allowance - Re-Check Data updated since last data quality report	Majority of work on 2017/18 records completed in September 2018 after August data quality extract - error rate therefore mainly reflected timing issue.	RS	31/01/19		
Scheme Specific Data - Annual Allowance - Bulk Update for any outstanding Records		RS	29/03/19		
Scheme Specific Data - Annual Allowance - Determine any process changes (if any) required for 2018/19 data.		RS	29/03/19		
Footnote					
* The Owner represents the officer responsible for the delivery of each given task on the stated deadline. Where the owner is shown as a team, this is because the work has been allocated out across all team members, each with responsible for a given set of scheme employers, or individual scheme member tasks as appropriate. The relevant team leader is responsible for managing the work of the team to ensure that all individual members meet their deadlines and the overall task is completed to deadlines.					

Improvement Plan - Risk Register

Ref	Risk	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			Further Action Required	Data for Completion of Action	Target Risk Rating			Comments
					Impact	Likelihood	Score			Impact	Likelihood	Score	
1	Lack of suitably qualified and experienced staff	Work not completed to deadline and/or required standards	Sally Fox	Current Recruitment on-going. Have explored option of bringing in apprenticeships	5	3	15	Need to put in place contract for provision of interim support	28/02/19	5	1	5	
2	Lack of Timely Returns from Employers	Project Deadlines missed, resulting in material breach of regulations	Becky Herman	Early communication of deadlines. Telephone contact for all those late last year. Escalation and fines policy in place.	4	2	8	Ensure timely performance reporting of data returns against deadlines to ensure escalation process works effectively, so reducing impact of delay		2	2	4	
3	Lack of Accurate Returns from Employers	Project Deadlines missed, resulting in material breach of regulations	Becky Herman	Early communication of requirements, and training programme arranged. Telephone contact for all those with issues last year. Escalation and fines policy in place.	4	2	8	Ensure timely performance reporting of quality of data returns to ensure escalation process works effectively, so reducing impact of delay		2	2	4	
4	Technical Failure of System	Deadlines missed, or inaccurate information published to scheme members and/or employers	Rachael Salsbury	System on hosted arrangement with regular disaster recovery checks. Clear validation process in place for system upgrades	5	1	5			5	1	5	
5	Legislative Changes	All work delayed whilst impact of changes clarified and systems updated - new work backlogs	Chris Thompson/Vicki Green	Regular review of LGA bulletins to ensure timely update of our processes.	3	2	6	Respond to any future Government Consultations to ensure timely of proposed changes allows system and process changes to be put in place in advance		1	2	2	
6	Changes in Actuarial Factors issued by GAD	All work delayed whilst awaiting new factors - new work backlogs	Chris Thompson/Vicki Green	Regular review of LGA bulletins, and communications from GAD to ensure timely update of our processes.	3	2	6	Clear Communication to all impacted scheme members so they are aware of delays whilst we await new factors - look to bring in temporary staff to clear backlog if necessary		1	2	2	

**Key to Ratings**

Impact

5	Severe - Project Failure and Material Breach Reported to tPR
4	Major - significant number of scheme employer breaches reported to tPR
3	Moderate - significant number of individual complaints
2	Minor - Individual employer breaches reported to tPR
1	Insignificant - individual complaints

Likelihood

4	Very Likely - over 75% probability
3	Likely - 50% to 75% probability
2	Possible - 20% to 50% probability
1	Unlikely - less than 20% probability

# Implementation of I-Connect

Project Lead - Jules Skelly

Project Start:	01 September 2018
Display Week:	1

TASK	ASSIGNED TO	PROGRESS	START	END
<b>Setting up contract/decisions</b>				
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
GDPR requirements	Jules	100%	02/10/2018	07/10/2018
Committee update (Project Plan) PFC december	Jules		31/10/2018	16/11/2018
Look at Resources - staffing	Jules/Sal	100%	15/10/2018	31/10/2018
Review Resources - Staffing PFC	Jules/Sal	100%	15/11/2018	30/11/2018
Speak to Philip Berkshire Pension Fund	Jules	100%	29/11/2018	29/11/2018
New employers - straight to I-connect PFC decision	PFC	100%	31/12/2018	31/12/2018
Employer to be staged over a two year period - Plan phases			01/12/2018	31/12/2020
I-connect at Team Meeting	Jules		14/01/2019	14/01/2019
Staffing and resourcing review			01/02/2019	15/02/2019
<b>Setting UP Altair</b>				
Action from Sow - ICNCT4 report	Jules Skelly	100%	27/09/2018	05/10/2018
Action from Sow - ICNCT2 report	Jules Skelly	100%	27/09/2018	05/10/2018
Action from Sow Scheme Location -report TEST and LIVE	Jules/John	100%	27/09/2018	05/10/2018
Add new data Views - Add to roles TEST	Rachael	100%	27/09/2018	05/10/2018
Workflow processes - TEST	John	100%	05/10/2018	31/10/2018
Member Tidy up - NI etc - TEST	Jules	100%	27/09/2018	05/10/2018
Member Tidy up - NI Etc - LIVE	Jules Skelly	100%	27/09/2018	05/10/2018
Action from Sow URL - sign up	Jules Skelly	100%	27/09/2018	05/10/2018
Action from Sow Check Dashboard availability	Jules Skelly	100%	27/09/2018	05/10/2018
Action from Sow Set Logins up, Rach, Sally, David (Sally does not need	Jules Skelly	100%	27/09/2018	05/10/2018
Add new data Views - Add to roles LIVE	Rachael		31/01/2019	31/01/2019
<b>I-Connect set up</b>				
User Acceptance Testing	Jules	100%	01/10/2018	05/10/2018
Telephone call 05/10/2018 re acceptance testing	Jules		05/10/2018	05/10/2018
Decision re employer access	Jules	100%		31/10/2018
i-Connect multiple payroll extract file specification - look at Mandatory		100%	01/12/2018	31/12/2018
Target Setting - Employers Per month?			31/03/2019	31/03/2019
<b>Employer onboarding</b>				
Employer create payroll Extract - Talking pension Volunteer	Jenny Wylie	100%	01/10/2018	31/10/2018
Create Employer guidance templates - Final Pay		100%	01/11/2018	30/11/2018
Choose Test Employer/s	Julie	100%	20/11/2018	25/11/2018
Employer log on creation			01/01/2019	01/01/2019
Create Payrolls (see Employer sheet)			01/12/2018	01/12/2018
Data Matching (See Employer sheet)			02/12/2018	31/12/2018
<b>Task Testing</b>				
ICOSTART Starters/Re-enrolments	David	100%	01/11/2018	30/11/2018
ICOPTOU Opt Out	David	100%	01/11/2018	30/11/2018
ICOPTIN Opt In	David	100%	01/11/2018	30/11/2018
ICOLEAVE Leaver	David	100%	01/11/2018	30/11/2018
EXCONT Contribution Exception	David	100%	01/11/2018	30/11/2018
EXADDCO Additional Contribution Exception	David	100%	01/11/2018	30/11/2018
EXCARE CARE Exception	David	100%	01/11/2018	30/11/2018
Reason For leaving configuration				
Reset up tasks Ltest and Live				
<b>Process Reviews</b>				
<b>Starter process</b>				
How to bulk generate PFC letter	Jules	100%	01/01/2019	31/01/2019
How to deal with Pay ref changes	Jules	100%	01/01/2019	31/01/2019
How to deal with NI changes	Jules	100%	01/01/2019	31/01/2019
How to Deal with Post number changes	Jules	100%	01/01/2019	31/01/2019

TASK	ASSIGNED TO	PROGRESS	START	END
<b>Re-employment Process</b>				
How do starters tie in with Altairs Auto link	further testing		01/01/2019	31/01/2019
How do we identify starters	Jules	100%	01/01/2019	31/01/2019
<b>Leavers over 55 process</b>				
IS there an easy way to split/report on leavers?			01/01/2019	31/01/2019
How do we obtain final pay - decision around forms v MARS	jules		01/01/2019	31/01/2019
<b>Leavers under 55</b>				
IS there an easy way to split/report on leavers?			01/01/2019	31/01/2019
How do we obtain final pay - decision around forms v MARS			01/01/2019	31/01/2019
<b>Unpaid leave</b>				
How do we pick up APC's?			01/01/2019	31/01/2019
<b>Estimates</b>				
What pay do we use for Final pay?			01/01/2019	31/01/2019
<b>MSS - availability</b>				
What do we want available to members?			01/01/2019	31/01/2019
Can it flag to member no monthly return received?			01/01/2019	31/01/2019
<b>Member Adress Update</b>				
MSS v I-connect how to resolve			01/01/2019	31/01/2019
Data quality - Issue of correctly entered addresses			01/01/2019	31/01/2019
Member details update			01/01/2019	31/01/2019
How I-connect flags changes - report to task?			01/01/2019	31/01/2019
<b>New employer process</b>				
What information do we need to provide			01/01/2019	31/01/2019
PFC - essential for new employers	Jules	100%	01/01/2019	31/01/2019
Setting up process			01/01/2019	31/01/2019
<b>Closing employers</b>				
removing access to system	Jules	100%	01/01/2019	31/01/2019
How long after scheme closed should access be given	Jules	100%	01/01/2019	31/01/2019
<b>Employer changes</b>				
Payroll provider? Whats the best process			01/01/2019	31/01/2019
<b>TUPE cases</b>				
no starters needed, move to new employer required - outside ERM?			01/01/2019	31/01/2019
Process - employer Team			01/01/2019	31/01/2019
New starters/ not in scheme			01/01/2019	31/01/2019
<b>Contribution return</b>				
Set up meeting with Investment Team.	Jules	On Hold	01/01/2019	31/01/2019
<b>ERM</b>				
Investigate ERM population - Strain costs/cash received	Jules	On Hold	01/01/2019	28/02/2019
Can you have access to report only on these areas?	jules	100%	01/01/2019	28/02/2019
<b>Additional Actions</b>				
Meeting with Investment Re contibution return			16/01/2019	16/01/2019
Status 2 - For Project meeting			07/02/2018	

TASK	ASSIGNED TO	PROGRESS	START	END	
<b>Employers Onboarding</b>		ASSIGNED TO	Staging Date	START	END
00000	Oxfordshire County Council - FIRE service	0		00/01/1900	
00001	OXFORDSHIRE COUNTY COUNCIL	0		00/01/1900	
00002	WEST OXFORDSHIRE DISTRICT COUNCIL	0		00/01/1900	
00003	SOUTH OXFORDSHIRE DISTRICT COUNCIL	0		00/01/1900	
00004	CHERWELL DISTRICT COUNCIL	0		00/01/1900	
00005	VALE OF WHITE HORSE D C	0		00/01/1900	
00006	OXFORD CITY COUNCIL	0		00/01/1900	
00007	ABINGDON TOWN COUNCIL	0		00/01/1900	
00011	A2 DOMINION HOUSING	0		00/01/1900	
00012	CHIPPING NORTON TOWN COUNCIL	0		00/01/1900	
00014	DIDCOT TOWN COUNCIL	0		00/01/1900	
00017	HENLEY ON THAMES TOWN COUNCIL	David		16/01/2019	
00018	KIDLINGTON PARISH COUNCIL	0		00/01/1900	
00022	OXFORD ARCHAEOLOGICAL UNIT LTD	0		00/01/1900	
00027	SWALCLIFFE PARK SCHOOL TRUST	0		00/01/1900	
00028	THAME TOWN COUNCIL	0		00/01/1900	
00030	WALLINGFORD TOWN COUNCIL	0		00/01/1900	
00031	WITNEY TOWN COUNCIL	David		00/01/1900	
00032	CARTERTON TOWN COUNCIL	David		03/01/2019	
00033	WOODSTOCK TOWN COUNCIL	0		00/01/1900	
00034	OXFORD BROOKES UNIVERSITY	Julie		08/10/2018	
00036	BICESTER TOWN COUNCIL	0		00/01/1900	
00037	SUTTON COURTENAY PARISH COUNCIL	0		00/01/1900	
00040	THE HENLEY COLLEGE	0		00/01/1900	
00048	CHINNOR PARISH COUNCIL	0		00/01/1900	
00060	North Hinksey Parish Council	0		00/01/1900	
00061	WITNEY AND DISTRICT CITIZENS ADVICE BUREAU	0		00/01/1900	
00063	OXFORD COMMUNITY WORK AGENCY	0		00/01/1900	
00064	MARCHAM PARISH COUNCIL	0		00/01/1900	
00065	EYNSHAM PARISH COUNCIL	0		00/01/1900	
00070	CUMNOR PARISH COUNCIL	0		00/01/1900	
00071	ABINGDON AND WITNEY COLLEGE	0		00/01/1900	
00072	BANBURY TOWN COUNCIL	0		00/01/1900	
00075	CHALGROVE PARISH COUNCIL	David		00/01/1900	
00076	ORDERS OF ST JOHN	0		00/01/1900	
00078	THAMES VALLEY PARTNERSHIP	0		00/01/1900	
00082	OXFORD HOMELESS PATHWAYS	0		00/01/1900	
00084	FARINGDON TOWN COUNCIL	David		03/01/2019	
00085	ACTIVATE LEARNING	0		00/01/1900	
00086	SANCTUARY HOUSING	Julie		21/11/2018	
00088	BERINSFIELD PARISH COUNCIL	0		00/01/1900	
00091	BENSON PARISH COUNCIL	0		00/01/1900	
00092	OYAP TRUST	0		00/01/1900	
00096	VALE CAPITA	0		00/01/1900	
00097	UNITED LEARNING TRUST	Julie		08/01/2019	
00099	OXFORD ACADEMY	0		00/01/1900	
00102	OLD MARSTON PC	David		07/01/2019	
00104	FUSION LIFESTYLE	0		00/01/1900	
00110	OXFORD SPIRES ACADEMY	Julie		24/01/2019	
00113	RADLEY PARISH COUNCIL	0		00/01/1900	
00114	VALE ACADEMY TRUST	0		00/01/1900	
00115	MERCHANT TAYLORS OXON ACADEMY TRUST	0		00/01/1900	
00118	RUSH COMMON SCHOOL (ABINGDON LEARNING TRUST)	0		00/01/1900	
00119	GILLOTTS SCHOOL	Julie		26/11/2019	
00120	BARTHOLOMEW ACADEMY (EYNSHAM PARTNERSHIP)	0		00/01/1900	
00121	CHIPPIN NORTON ACADEMY	0		00/01/1900	
00122	LANGTREE ACADEMY	0		00/01/1900	
00123	RIVER LEARNING TRUST (Incl. 121 Ch. Norton, 176 Wheatley, plus New	0		00/01/1900	
00124	FARINGDON ACADEMY	0		00/01/1900	
00125	HANWELL FIELDS ACADEMY	0		00/01/1900	
00126	MILL ACADEMY	0		00/01/1900	
00127	BURFORD ACADEMY SCHOOL	0		00/01/1900	
00128	LONG HANBOROUGH PARISH COUNCIL	0		00/01/1900	
00129	RIDGEWAY EDUCATION TRUST	0		00/01/1900	
00130	ASPIRATIONS ACADEMY TRUST	Julie		26/11/2019	
00132	Carillion (AMBS) Ltd	0		00/01/1900	

TASK	ASSIGNED TO	PROGRESS	START	END
00133	NORTHERN HOUSE ACADEMY TRUST	0	00/01/1900	
00134	LORD WILLIAMS ACADEMY	0	00/01/1900	
00136	OXFORD DIOCESAN TRUST	Julie	19/11/2018	
00137	MARLBOROUGH ACADEMY SCHOOL	0	00/01/1900	
00138	HOME FARM TRUST SOUTH VALE 1	0	00/01/1900	
00139	HOME FARM TRUST SOUTH VALE 2	0	00/01/1900	
00140	CAMDEN SOCIETY CITY 1	0	00/01/1900	
00141	CAMDEN SOCIETY CITY 2	0	00/01/1900	
00142	CAMDEN SOCIETY NORTH 1	0	00/01/1900	
00143	PROPELLER ACADEMY TRUST	0	00/01/1900	
00144	CAMDEN SOCIETY WEST	0	00/01/1900	
00145	GOSFORD HILL ACADEMY	0	00/01/1900	
00146	COMMUNITY ALLIANCE	0	00/01/1900	
00147	EUROPA SCHOOL UK	0	00/01/1900	
00150	GALLERY TRUST	0	00/01/1900	
00151	BLACKBIRD ACADEMY	0	00/01/1900	
00152	SONNING COMMON PARISH COUNCIL	0	00/01/1900	
00153	DOMINIC BARBERI ACADEMY	Julie	24/01/2019	
00154	LADYGROVE PARK PRIMARY	0	00/01/1900	
00155	ST JOHNS PRIMARY	0	00/01/1900	
00156	MANOR SCHOOL	0	00/01/1900	
00157	WILLOWCROFT PRIMARY SCHOOL	0	00/01/1900	
00158	BLOXHAM PARISH COUNCIL	0	00/01/1900	
00159	ABBEY WOODS ACADEMY	0	00/01/1900	
00160	TYNDALE COMMUNITY SCHOOL	0	00/01/1900	
00162	CHOLSEY PRIMARY SCHOOL	0	00/01/1900	
00163	SKANSKA CONSTRUCTION UK LTD	0	00/01/1900	
00168	FRESH START - BLOXHAM	0	00/01/1900	
00169	BANBURY MUSEUM TRUST	0	00/01/1900	
00170	CATERLINK	0	00/01/1900	
00171	JOHN MASON SCHOOL	0	00/01/1900	
00172	HEYFORDIAN SCHOOL TRUST	0	00/01/1900	
00174	CARA SERVICES LTD	0	00/01/1900	
00177	PAM WELLBEING LTD	0	00/01/1900	
00178	BICESTER LEARNING ACADEMY	0	00/01/1900	
00179	RAMSDEN PARISH COUNCIL	David	15/01/2019	
00180	POPE FRANCIS MULTI ACADEMY	0	00/01/1900	
00184	ENDEAVOUR ACADEMY	0	00/01/1900	
00185	RADCLIFFE ACADEMY TRUST	0	00/01/1900	
00186	SCHOOL LUNCH CO - CHARLTON ON OTMOOR	0	00/01/1900	
00188	RAPID COMMERCIAL CLEANING LTD	0	00/01/1900	
00189	UBICO LIMITED	0	00/01/1900	
00190	GREENWICH LEISURE LTD	0	00/01/1900	
00191	SCHOOL LUNCH CO - ST JOSEPH	0	00/01/1900	
00192	SCHOOL LUNCH CO - ST J FISHER	0	00/01/1900	
00193	SCHOOL LUNCH CO - THE BATT	0	00/01/1900	
00196	SCHOOL LUNCH CO - STANDLAKE	0	00/01/1900	
00197	SCHOOL LUNCH CO - WYCHWOOD	0	00/01/1900	
00198	SCHOOL LUNCH CO - ST MARYS	0	00/01/1900	
00204	SCHOOL LUNCH CO - APPLETON	0	00/01/1900	
00205	SCHOOL LUNCH CO - BISHOP LOVEDAY	0	00/01/1900	
00207	SCHOOL LUNCH CO - HOOK NORTON	0	00/01/1900	
00208	SCHOOL LUNCH CO - EVANGELIST (St John the)	0	00/01/1900	
00209	SCHOOL LUNCH CO - CHESTERTON	0	00/01/1900	
00210	DRAYTON PARISH COUNCIL	0	00/01/1900	
00211	WEST OXFORD SCHOOL TRUST (MATTHEW ARNOLD) (ACER TRUST)	0	00/01/1900	
00212	WARRINER MAT	0	00/01/1900	
00213	ACTIVATE BICESTER COLLEGE	0	00/01/1900	
00216	SCHOOL LUNCH CO - ST KENELMS	0	00/01/1900	
00217	SCHOOL LUNCH CO - NORTH HINKSEY	0	00/01/1900	
00218	SCHOOL LUNCH CO - BADGEMORE	0	00/01/1900	
00219	SCHOOL LUNCH CO - QUEENSWAY	0	00/01/1900	
00220	E&W: Banbury Dashwood	0	00/01/1900	
00221	E&W: Benson CofE Primary	0	00/01/1900	
00227	E&W: St Andrews CofE Primary	0	00/01/1900	
00230	E&W: St Nicolas' Primary Old Marston	0	00/01/1900	
00236	E&W: Brightwell-cum-Sotwell	0	00/01/1900	
00237	CHARTWELLS (WHEATLEY PARK)	0	00/01/1900	
00239	GLF - William Morris School	0	00/01/1900	

TASK	ASSIGNED TO	PROGRESS	START	END
00240	Kennington Parish Council	0	00/01/1900	
00241	Optalis Ltd	0	00/01/1900	
00242	1st Homecare (Oxford) Ltd (Prev. Civicare Oxford Ltd)	0	00/01/1900	
00243	White Horse Federation (Southwold School)	0	00/01/1900	
00244	Capita Five District Councils	0	00/01/1900	
00246	Indigo	0	00/01/1900	
00247	Vinci	0	00/01/1900	
00248	Wyclean Mill Academy	0	00/01/1900	
00249	School Lunch - Witney CP	0	00/01/1900	
00250	School Lunch - Nettlebed	0	00/01/1900	
00251	Groundwork South	0	00/01/1900	
00252	Adderbury Parish Council	0	00/01/1900	
00254	GEMS Didcot Primary Academy	Julie	26/11/2019	
00255	School Lunch - RAF Benson	0	00/01/1900	
00256	Barnardo's	0	00/01/1900	
00257	Alliance in Partnership (Queen Emma)	0	00/01/1900	
00258	SCHOOL LUNCH CO - HENDREDS	0	00/01/1900	
00259	School Lunch Co - Tackley	0	00/01/1900	
00260	Publica	0	00/01/1900	
00261	Hill End Outdoor Education Centre	0	00/01/1900	
00262	APCOA PARKING	0	00/01/1900	
00263	Rapid Clean - Stockham Primary School	0	00/01/1900	
00264	Rapid clean - Manor School Didcot Academy Trust	0	00/01/1900	
00265	Cleantec Services Ltd	0	00/01/1900	
00266	BusyBee Cleaning - Ridgeway End	0	00/01/1900	
00267	St Marys Infant - ODST	0	00/01/1900	
00268	Oxford Direct Services	0	00/01/1900	
00269	School Lunch Company - Blake Cogg	0	00/01/1900	
00270	Energy Kidz	0	00/01/1900	
00271	Kingston Bagpuise with Southmoor	0	00/01/1900	
00272	School Lunch company Orchard Fields	0	00/01/1900	
00273	REGENCY CLEANING - CALDECOTT ABINGDON	0	00/01/1900	
00274	School lunch Company - Wroxton	0	00/01/1900	
00275	Servicemaster - East Oxford	0	00/01/1900	
00276	School Lunch Co - St Christopher's Cowley	0	00/01/1900	
00277	EW South Moreton	0	00/01/1900	
00278	School Lunch Co - St Marys 2 (Cleaning)	0	00/01/1900	
00279	School Lunch Co - Gt Milton	0	00/01/1900	
00280	Maiden Erlegh Trust	0	00/01/1900	
00281	EW Stockham	0	00/01/1900	
00282	EW John Henry Newman	0	00/01/1900	
00283	SLC - St Nicolas Abingdon	0	00/01/1900	
00285	TNS Catering - Lord Williams	0	00/01/1900	
00286	Clean Genie - St Marys Bicester* All staff opted out ?	0	00/01/1900	
00287	ABS Catering - CC St James	0	00/01/1900	
00288	EW Ridgeway Children	0	00/01/1900	
00289	EW St Johns Wallingford	0	00/01/1900	
00291	EW Vale Academy Trust at Fitzwaryn School	0	00/01/1900	
00292	Alliance in Partnership - The Cooper School	0	00/01/1900	
00293	Cater Link Ltd - Dominic Barberi	0	00/01/1900	
00294	Fresh Start Catering Limited - St Mary's Catholic Primary School	0	00/01/1900	
00295	Fresh Start Catering - Bure Park Primary School	0	00/01/1900	
00296	Edwards and Ward - Sutton Courtenay C of E Primary School	0	00/01/1900	
00297	Regency Cleaning Services - Meadowbrook College (Radcliffe Academy)	0	00/01/1900	
00298	Oxfordshire LEP	0	00/01/1900	
00299	Rapid Commercial Cleaning Services - Clanfield C of E Primary School	0	00/01/1900	
00000	0	0	00/01/1900	
00000	0	0	00/01/1900	
	0	0	00/01/1900	



Division(s): N/A

## **PENSION FUND COMMITTEE – 8 MARCH 2019**

### **BUSINESS PLAN 2019/20**

#### **Report by the Director of Finance**

##### **Introduction**

1. This report sets out the business plan for the Pension Fund for 2019/20. The Plan sets out the key objectives of the Fund, details the key service activities for the year, and includes the proposed budget and cash management strategy for the service.
2. The report also reviews the progress against the key service priorities included in the 2018/19 Plan as context for setting the key priorities going into the next financial year.
3. The key objectives for the Oxfordshire Pension Fund are set out on the first page of the Business Plan for 2019/20 (contained in annex 1) and remain consistent with those agreed for previous years. These are summarised as:
  - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pensions Regulator
  - To achieve a 100% funding level
  - To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
  - To maintain as near stable and affordable employer contribution rates as possible.
4. Part A of the plan sets out the broad service activity undertaken by the Fund. As with the key objectives, these are unchanged from previous years. The service priorities for the forthcoming financial year are then set out in more detail in Part B. These priorities do not include the business as usual activity which will continue alongside the activities included in Part B.

##### **Key Service Priorities – A review of 2018/19**

5. The service priorities included in the 2018/19 Plan and the latest position on each is as follows:

##### Contribute to the planning and delivery of the asset transition programme for the Brunel Pension Partnership.

There were three measures of success set out in the initial business plan which were the successful transition of all public equity assets to the new Brunel portfolios by 31 March 2019, establishment of the private market portfolios to allow investment during 2018/19 and initial transitions managed in line or better than assumptions within the business case.

As previously reported, the timescale for the transition of the public equity assets has been slipped in light of the experience of the initial transition. This was to allow for a more in-depth procurement process which should lead to better outcomes, improving the overall position against the business case. Whilst the passive and UK equities have successfully transitioned, the global equity portfolios are not now expected to transition until November 2019 and March 2020.

The transitions to date have been in line or better than the business case, so successfully delivering measure three within our business plan. We have also made our initial investments to the private markets in line with the second measure of success, although work is continuing on the client assurance process to ensure that the overall arrangements are being developed in line with client expectations.

Review the Funding Strategy and Investment Strategy Statements to meet the requirements of future cash flows and employer covenants and risk appetites.

This objective required joint working with the Fund Actuary and the major employers within the scheme, with the two measures of success being around the management of cash flows to ensure all pension liabilities are met as they fall due with minimal impact on employer contribution rates and the two Statements were reviewed and aligned to feed into the 2019 Valuation process.

Following discussions with Hymans Robertson, the Actuary to the Fund, it was determined that the deadlines for this work could be slipped back into 2019/20 to better meet the requirements of the 2019 Valuation timetable.

Work though has been proceeding with initial meetings held with the major scheme employers, and more detailed follow up meetings held with Oxford Brookes University. This work will be incorporated into the report on Scheme policies to be presented to the June meeting of this Committee.

In the meantime, cashflow remains positive. Over the first 10 months of 2018/19, the total cash received in respect of members benefits exceeded the cost of payments in respect of members benefits by an average of just over £1m a month.

Develop more sophisticated management arrangements to ensure all Pension Fund data is received and stored in accordance with the requirements of the Pension Fund Regulator.

The three measures of success for 2018/19 on this objective were no issues raised by the Pension Regulator, annual benefit statements issued in accordance with statutory deadlines and reduced levels of queries and complaints received from scheme members. Delivery against these targets has been covered elsewhere on this agenda throughout the year, with significant improvements recorded relative to previous years, but some further improvements still required to bring us fully into line with the measures of success we have targeted.

Develop a more robust approach to monitoring the performance of Fund Managers, in respect of their delivery against the Funds governance responsibilities.

The measures of success targeted for this objective were to regularly publish benchmark data within the open sessions of the Committee's agenda, alongside a clear audit trail of the process for reviewing the performance of fund managers. Work has continued throughout the year on this objective in association with Brunel.

Whilst the quarterly report to the end of December 2018 from Brunel included a commentary section on responsible investment, the first set of portfolio level ESG reports are not now expected until the end of March 2019 quarter.

Improving scheme member communications

Work completed during 2018/19 included moving the default position for the publication of the annual benefit statements from paper to the electronic portal, allowing scheme members to log onto their account and view their statement as required.

Work is now on-going to transfer more of our current paper processes to the portal, including the issuance of standard letters, and the development of the self-help facilities for members.

6. Work against the 2018/19 business plan has been undertaken inside the budget provision agreed for the year, as seen in the table below.

	Budget	YTD	%	Forecast Outturn	Variance
	2018/19	2018/19		2018/19	2018/19
	£'000	£'000		£'000	£'000
<b>Administrative Expenses</b>					
Administrative Employee Costs	1,523	1,048	69	1,304	-219
Support Services Including ICT	608	617	101	623	15
Printing & Stationary	61	90	148	105	44
Advisory & Consultancy Fees	115	20	18	30	-85
Other	40	45	112	55	15
<b>Total Administrative Expenses</b>	<b>2,347</b>	<b>1,820</b>	<b>78</b>	<b>2,117</b>	<b>-230</b>
<b>Investment Management Expenses</b>					
Management Fees	8,415	35	0	8,194	-221
Custody Fees	159	2	1	2	-157
Brunel Contract Costs	650	685	105	685	35
<b>Total Investment Management Expenses</b>	<b>9,224</b>	<b>722</b>	<b>8</b>	<b>8,881</b>	<b>-343</b>
<b>Oversight &amp; Governance</b>					
Investment Employee Costs	247	178	72	240	-7
Support Services Including ICT	11	12	108	15	4
Actuarial Fees	40	167	416	95	55
External Audit Fees	24	20	85	34	10
Internal Audit Fees	14	10	69	14	0
Advisory & Consultancy Fees	65	63	96	75	10
Committee and Board Costs	39	35	91	40	1
<b>Total Oversight &amp; Governance Expenses</b>	<b>440</b>	<b>485</b>	<b>110</b>	<b>513</b>	<b>73</b>
<b>Total Pension Fund Budget</b>	<b>12,011</b>	<b>3,027</b>	<b>25%</b>	<b>11,511</b>	<b>-500</b>

7. As previously reported the main variations have been the underspend against pensions administration staffing costs due to the level of vacancies experienced during the year, the underspend against fund management fees and the underspend against custodian fees, both of which are directly linked in to the transfer of responsibilities to Brunel.

### Service Priorities for 2019/20

8. For 2019/20 it is proposed to take all five of the key priorities from the current year forward and amend the actions and measures of success to reflect the progress during the current year. The detail of the key actions and measures

of success are set out in Part B of the Business Plan. A summary of each of the 5 key priorities is as follows.

9. In respect of Brunel, the key priority for 2019/20 is seen as the development of comprehensive client reports, which will provide assurances on the processes and performance of the Brunel company, as well as on the investment performance itself. This is seen as increasingly important as more assets are transition to the Brunel portfolios and Brunel takes on its full responsibility for the selection and monitoring of the underlying fund managers. We have retained measures of success relating to the transition of the outstanding assets and for monitoring delivery against the initial business cased.
10. The second priority focusses on the 2019 Valuation, including the need to manage the risks associated with cash flow and employer covenants, and to develop funding and investment strategies which reflect these factors as well as the risk appetites of individual scheme employers. The work will build on that undertaken during 2018/19, leading to a revised funding strategy statement, and the publication of the 2019 Valuation results. Key to success will be maintaining good communications with scheme employers, so that final Valuation results are published on a timely basis, with no major shocks.
11. The third priority focusses on delivery of the Improvement Plan as discussed elsewhere on this agenda. The measures of success are set as compliance with our statutory targets and those included in our service level agreements with scheme employers, meeting our data quality target scores and the successful implementation of iConnect. If we are successful in delivering these, then we should also be successful in delivering the final measure of success of having no issues raised by the Pension Regulator.
12. The fourth priority maintains the focus on 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.
13. The final priority proposed in the 2019/20 Business Plan is the continued development of Member Self Service. This should allow scheme members access to their records to undertake amendments to their core data and view key information on their pension benefits, so releasing pension administrator time to focus on the other priorities.

### **Budget 2019/20**

14. Part C of the Business Plan sets out the Fund's budget for 2019/20 and compares it with the budget for 2018/19. Overall there is an increase in the budget from £12,011,000 to £12,698,000. The main elements of this variation are explained in more detail below. A report comparing the Pension Fund budget for the full 2018/19 financial year against the actual expenditure will be produced for the June 2019 Committee meeting.

15. The administrative staffing budget has simply been increased for the impact of inflation. The support services budget for administration has increased from £608,000 to £634,000 due to an allowance for the replacement of scanners and printers.
16. There has been an increase in the budget for printing and stationary to allow for additional printing requirements arising from the annual address chasing exercise and letters to scheme members on the activation of member self-service.
17. The advisory and consultancy fees budget for administration has increased by £45k, this includes address tracing services, retendering of the software contract, and the latest stage of the Guaranteed Minimum Pension reconciliation exercise.
18. The increase in the budget for Brunel contract costs reflects the increase in work being undertaken by Brunel as more portfolios are set-up and Brunel continues to progress its services as per the business plan. The contract costs are based on the 2019/20 Brunel budget that has been signed off by all client funds. Custody fees are now paid by Brunel and form part of the contract cost for the Fund.
19. The budget for actuarial fees has been increased by £120k as during 2019/20 the actuary will undertake the triennial valuation of the Pension Fund including work on scheme employer covenants.
20. External audit fees have been increased as the Fund is now charged a separate fee for assurance work undertaken on the provision of data to the actuary for the production of accounting reports for scheme employers.
21. A separate line has been added for subscriptions and memberships and includes the Local Government Association, Pensions & Lifetime Savings Association, Chartered Institute of Public Finance Accountants (CIPFA) Pensions Network, and the Local Authority Pension Fund Forum.

### **Training Plan**

22. A Training Plan for Committee Members has not been included within the Business Plan. A training programme will be developed through the year to include topical subjects which are likely to include further training on the 2019 Valuation and on interpreting the new ESG reporting data from Brunel.

### **Cash Management**

23. The final section of the business plan, Part D, provides the annual cash management strategy for the Fund. The Strategy is based on the Treasury Management Strategy for the Council but has a significantly reduced number of counter-parties reflecting the lower sums of cash involved, and the wider set of alternative investment classes open to the Pension Fund.

## **RECOMMENDATION**

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

- (a) approve the Business Plan and Budget for 2019/20 as set out at Annex 1;**
- (b) approve the Pension Fund Cash Management Strategy for 2019/20;**
- (c) delegate authority to the Director of Finance to make changes necessary to the Pension Fund Cash Management Strategy during the year, in line with changes to the County Council's Treasury Management Strategy;**
- (d) delegate authority to the Director of Finance to open separate pension fund bank, deposit and investment accounts as appropriate; and**
- (e) delegate authority to the Director of Finance to borrow money for the pension fund in accordance with the regulations.**

Lorna Baxter  
Director of Finance

Contact Officer: Sean Collins, Tel: 07554 103465

February 2019

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**Oxfordshire Pension Fund: Business Plan 2019/20**

**Service Manager - Pensions: Sean Collins**

**Service Definition:**

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

**Our Customers:**

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

**Key Objectives:**

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

## Part A: Service Activities

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

## Part B – Service Priorities

<b>Task</b>	<b>Actions</b>	<b>Measures of Success</b>
<p>Contribute to the planning and delivery of the continued development of the Brunel Pension Partnership.</p>	<p>Work with the Company and Client Group to develop the client reporting and assurance processes.</p> <p>Work with the Company, Client Group and Transition Managers on delivery of the remaining transition plan.</p> <p>Work with the company and Client Group to monitor the development of the Partnership against the initial Business Case.</p>	<p>Development of comprehensive client reporting, providing assurance on the processes and performance of the Brunel company.</p> <p>Delivery of the outstanding asset transitions in accordance with the revised Transition Plan and the initial business case.</p> <p>Delivery of robust financial reports monitoring all elements of the business case, including company and investment costs, investment performance and transition costs.</p>
<p>Manage the 2019 Valuation, including the review the Funding Strategy and Investment Strategy Statements to meet the requirements of future cash flows, and employer covenants and risk appetites.</p>	<p>Work with the large scheme employers to understand their key strategic direction in so far as it relates to their LGPS workforce, and their risk appetite.</p> <p>Work with the Fund Actuary to develop a technical model which allows liability, contribution and investment income forecasts to be modelled for the potential scenarios discussed with the scheme employers.</p> <p>Review employer covenants and the different risk appetites expressed by employers and determine any changes required to the Funding Strategy Statement.</p>	<p>Cash flows managed to ensure all pension liabilities are met as they fall due, with minimal impact on employer contribution rates.</p> <p>Investment Strategy and Funding Strategy Statements reviewed and aligned to meet risk and cash flow levels consistent with the 2019 Valuation process.</p> <p>Delivery of the 2019 Valuation results to time, and to the satisfaction of scheme employers.</p>
<p>Delivery of the current Improvement Plan to ensure all Pension Fund data is kept in accordance with the requirements of the Pension Fund Regulator</p>	<p>Manage the end of year process in line with the timetable set out in the Improvement Plan.</p> <p>Work with the Scheme Advisory Board on developing a national standard for the</p>	<p>No issues raised by the Pension Regulator.</p> <p>Annual Benefit Statements, Deferred Benefit Statements etc issued in accordance with Statutory Timescales</p> <p>Data Quality Scores equal or</p>

	<p>Data quality Tests, and ensure Oxfordshire data is collected, and measured consistent with these standards.</p> <p>Work with scheme employers to ensure all requirements are understood and data submitted accurately and timely, and all omissions are promptly escalated.</p> <p>Delivery of the iConnect implementation plan as included in the Improvement Plan.</p>	<p>above national standard targets.</p> <p>All business as usual activity completed within targets set in the Service Level Agreements, leading to a reduced level of queries and complaints from Scheme Members.</p> <p>Successful implementation of iConnect.</p>
<p>Finalise a more robust approach to monitoring Fund Manager performance in respect of delivery against the Fund's governance policies.</p>	<p>Review the initial ESG reports developed by Brunel to measure performance against benchmarks, and determine any additional measures which help determine compliance with the agreed ESG policies, and set benchmarks against which to judge Fund Manager performance.</p> <p>Review Fund Manager performance against benchmarks and follow up all exceptions as part of the Committee's regular monitoring of investments</p>	<p>Benchmark data published, and regular reports made publicly available at quarterly Committee meetings.</p> <p>Clear audit trail of fund management review process published.</p>
<p>Improve Scheme Member Communications</p>	<p>Monitor take up of MSS, as well as activity in terms of numbers accessing newsletters etc, and promote increased service usage as appropriate.</p> <p>Develop the functionality of MSS to maximise the use of self-help facilities for scheme members, and the amount of information available electronically.</p>	<p>Reduction in the number of simple tasks being undertaken by the team, in response to paper requests.</p>

## Part C. Budget:

	<b>2019/20 Budget</b>	<b>2018/19 Budget</b>
	<b>£'000</b>	<b>£'000</b>
<b>Administrative Expenses</b>		
Administrative Employee Costs	1,576	1,523
Support Services including ICT	634	608
Printing and Stationery	72	61
Advisory and Consultancy Fees	160	115
Other	60	40
	<b>2,502</b>	<b>2,347</b>
<b>Investment Management Expenses</b>		
Management Fees	8,484	8,415
Custody Fees	0	159
Brunel Contract Costs	1,043	650
	<b>9,527</b>	<b>9,224</b>
<b>Oversight and Governance</b>		
Investment Employee Costs	254	247
Support Services Including ICT	11	11
Actuarial Fees	160	40
External Audit Fees	35	24
Internal Audit Fees	15	14
Advisory and Consultancy Fees	95	65
Committee and Board Costs	49	39
Subscriptions and Membership	50	0
	<b>669</b>	<b>440</b>
<b>Total Pension Fund Budget</b>	<b>12,698</b>	<b>12,011</b>

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## **Part D - Pension Fund Cash Management Strategy 2019/20**

### **Introduction**

1. The Oxfordshire Pension Fund maintains a balance of cash arising from the receipt of employer and employee contributions, and income from internally managed investments. This incoming cash currently exceeds the amount of payments made on behalf of the Fund. The situation is forecast to continue for the whole of 2019/20. Income from portfolios managed by fund managers currently remains within the fund manager's portfolio and is available for re-investment. Were the Pension Fund's cashflow to turn negative based on the current arrangements, income from fund manager portfolios could instead be paid back to the Fund as required to make up any cash shortfall. The cash managed in-house by the Administering Authority, provides a working balance for the fund to meet its short-term commitments and forms 0-5% of the Fund's strategic asset allocation.
2. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 state that administering authorities must hold in a separate bank account all monies held on behalf of the Pension Fund. The regulations also state that the Administering Authority must formulate an investment strategy to govern how the authority invests any Pension Fund money that is not needed immediately to make payments from the fund. This document sets out the strategy for cash for the financial year 2019/20.

### **Management Arrangements**

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

### **Rebalancing**

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

level of cash balances will fluctuate on a daily basis and may be considerably higher than the minimum balance dependent upon the timing of transactions and strategic asset allocation decisions.

### **Investment Strategy**

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

### **Investment of Pension Fund Cash**

9. Management of the Pension Fund's cash balances will be in accordance with the Administering Authority's approved Treasury Management Strategy and policies and procedures.
10. The Pension Fund cash balances will be held predominantly in short-term instruments such as notice accounts, money market funds and short-term fixed deposits. Approved instruments for pension fund cash deposits will be the County Council's list of specified investments for maturities up to 1 year, excluding the Debt Management Account deposit facility which is not available to pension funds and UK Government Gilts which are managed by an external fund manager. The County Council's current approved list of specified investments is attached at appendix 1.
11. Pension Fund deposits will be restricted to a subset the County Council's approved counterparties at the time of deposit and will include the Fund's custodian bank. Approved counterparties as at 31<sup>st</sup> January 2019 are shown in annex 2. There will be a limit of £25m for cash held with each counterparty.

### **Borrowing for Pension Fund**

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



13. Pension Fund management arrangements presume no borrowing normally, but the possibility remains of unexpected pressures occurring and in these circumstances the power would enable the Pension Fund to avoid becoming forced sellers of fund assets due to cashflow requirements.
14. The Director of Finance (S.151 Officer) has delegated authority to borrow money for the Pension Fund in accordance with the regulations but only in exceptional circumstances. It is proposed that the authority to borrow on behalf of the Pension Fund continues to be delegated to the Director of Finance during 2019/20.

Lorna Baxter  
Director of Finance

February 2019

**Oxfordshire County Council 2019/20 Approved Specified Investments for  
Maturities up to one year**

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

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

**Approved Counterparties**

Aberdeen Standard Sterling Liquidity Fund

State Street Bank & Trust Company

Lloyds Bank Plc

Oversea-Chinese Banking Corp

Svenska Handelsbanken

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## OXFORDSHIRE LOCAL PENSION BOARD – 26 APRIL 2019

### RISK REGISTER

#### Report by the Director of Finance

##### Introduction

1. This report presents the latest risk register to the Pension Board following consideration by the Pension Fund Committee at its meeting on 8 March 2019 of the previous advice provided by this Board.

##### Climate Change Risk

2. At the last meeting of this Board, there was a discussion on the impact of future financial returns of the challenges caused by climate change. The Board recommended to the Pension Fund Committee that they added a specific risk associated with the reduction in investment performance attributable to a failure to properly take climate change into account when making investment decisions.
3. The Board further agreed to recommend to the Committee that this risk could be mitigated by switching from the current asset allocation to passive equities to the passive low carbon portfolio established by Brunel.
4. The Committee considered the recommendations from the Pension Board in light of the further officer advice provided within the Committee report. This advice accepted that the risk to long term investment performance from a failure to properly account for various environmental, social and governance (ESG) factors was not reflected in the current risk register. However, it was the view of the officers that this risk was across all ESG issues and should not be restricted solely to the risks associated with climate change.
5. The officer advice also stated that the risks associated with climate change could not simply be mitigated by switching to a low carbon portfolio. There is considerable research into the risks associated with climate change which impact across the full range of companies, including risks to the supply chains, and the physical risk to properties from flooding. These risks apply to both carbon and low carbon companies. Key to mitigating climate change risks therefore is a requirement to actively engage with each potential investment company to understand the risks specific to them and how these risks are being dealt with by management.
6. The Committee discussed the various issues raised and debated whether the current high profile attached to climate change risks was sufficient to justify singling out climate change risk as a specific risk within the risk register. The consensus of the meeting was that each of the ESG factors had the potential to lead to a significant reduction in investment performance if not properly taken into account when making investment decisions, and as such a generic

risk covering all ESG factors should be added to the risk register. This has been added at Risk 6 on the attached register.

7. In terms of mitigation, the Committee were happy that the main mitigation of these risks was requiring all Fund Managers to take ESG factors into account in making all investment decisions, and to actively engage with management to deliver change where necessary. It was agreed though that at present, there was insufficient evidence to monitoring the success of the Committee's ESG Policy and the activity of the Fund Managers. It was noted though that Brunel would be producing ESG monitoring reports, with the first report expected to cover the quarter to end of March 2019, and therefore available for the June 2019 meeting of the Committee.

### **RECOMMENDATION**

8. **The Board is invited to note the latest risk register and offer any further comments to the Pension Fund Committee.**

Lorna Baxter  
Director of Finance

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

April 2019

## 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 vary 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	Under performance of pension investments due to ESG factors, including climate change.	Financial	Failure to consider long term financial impact of ESG issues	Long Term - Pension deficit not closed.	Financial Manager	ESG Policy within Investment Strategy Statement requiring ESG factors to be considered in all investment decisions.	4	2	8	Improve performance monitoring information on ESG scores within current investment portfolios, to identify any policy breaches by fund managers.	June 2019	4	1	4		
7	Loss of Funds through fraud or misappropriation	Financial	Poor Control Processes within Fund Managers and/or Custodian	Long Term - Pension deficit not closed	Financial Manage	Review of Annual Internal Controls Report from each Fund Manager. Clear separation of duties.	3	1	3			3	1	3		At Target



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	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.
9	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.
10	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
11	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.
12	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.
13	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.
14	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
15	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		
16	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
17	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
18	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
19	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

## OXFORDSHIRE LOCAL PENSION BOARD – 26 APRIL 2019

### RESPONSIBLE INVESTMENT STATEMENT

#### Report by the Director of Finance

#### Agenda Summary

Following the last meeting of the Pension Fund Committee on 8 March 2019, the Committee Members agreed a statement on their position with respect to responsible investment. It was the intention of the Committee that this statement would form the basis of a standard response to correspondence received by Committee members and/or the Administering Authority about responsible investment, climate change and dis-investment in fossil fuel companies.

The Statement (included as Annex 1) reflects previous discussions held within the Pension Fund Committee and includes the current ESG policy, extracted from the approved Investment Strategy Statement. It is intended that this Statement is reviewed in line with any changes made to the Investment Strategy Statement.

**The Local Pension Board is RECOMMENDED to note the Statement.**

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## **Oxfordshire Local Government Pension Scheme**

### **Pension Fund Committee Position on Responsible Investing, including matters relating to Climate Change**

The formal position of the Pension Fund Committee on responsible investments is included in the ESG Policy section of the Fund's Investment Strategy Statement, which is available on the Fund's website at:

<https://www.oxfordshire.gov.uk/business/pensions/pension-fund/about-fund>

and is repeated as an Annex to this paper. This document is reviewed annually, with a fundamental review undertaken every three years in line with the Triennial Valuation of the Fund and a review of the Fund's Asset Allocation. The next review is due to complete in March 2020. In line with the guidance, the views of interested stakeholders will be taken into account in completing the next review.

The current position, which explicitly recognises the financial risks associated with environmental, social and governance (ESG) issues including climate change, was developed with the support of the Chief Responsible Investment Officer at the Brunel Company and previously at the Environment Agency Pension Fund. She is internationally recognised as an expert in this field, and a regular award winner for her work in the area of responsible investment.

A key element of the current policy is to avoid blanket decisions, such as the divestment of all fossil fuel companies, but to make investment decisions on the merits of each individual case, and engage directly with companies to ensure they are acting to mitigate key risks. The Committee believes that such a policy both enables them to best meet their fiduciary duties, as well as contributing to the development of a sustainable future for all. The policy allows differentiation between those fossil fuel companies that are working hard to reduce their carbon emissions and switching to renewable sources of energy, and those that have failed to respond appropriately to the challenge.

The Committee has been challenged not only on its policy not to divest in all fossil-free companies, but also on why it doesn't make an allocation to the passive low-carbon and/or sustainable equity portfolios managed by Brunel. It is the Committee's view that it cannot meet its fiduciary duty by blanket decisions that all fossil fuel companies are bad, and all low carbon companies are good. Each investment is examined for investment potential and risks to achieving that potential. This allows the Committee to select those fossil fuel companies that are building a sustainable future through cleaning up their processes and increasing resources developing renewable alternatives. It also allows the Committee to avoid those low-carbon companies that are failing to manage other key ESG risks, including the wider risks associated with climate change. The ability to engage with companies as an active manager, with the ultimate sanction of divesting if the company fails to respond positively to the engagement is also seen as a key benefit of the current policy.

The main area the Committee wishes to develop is the reporting on company performance on ESG issues to enable it to validate its current policy and ensure that the Fund Managers are complying with the policy and that their engagement is effective. This work is being undertaken in conjunction with the Chief Responsible Investment Officer at Brunel, alongside the other Funds within the Brunel Pension Partnership, and it is hoped to have the first ESG report at portfolio level available as part of the quarterly performance report to 31 March 2019.

## **Annex – Extract from the Investment Strategy Statement ESG Policy**

The Committee recognises that environmental, social and corporate governance (ESG) issues, including climate change, can have materially significant investment implications. The Fund therefore seeks to be a responsible investor and to consider ESG risks as part of the investment process across all investments. The objective of responsible investment is to decrease investor risk and improve risk-adjusted returns. Responsible investment principles are at the foundation of the Fund's approach to stewardship and underpin the Fund's fulfilment of its fiduciary duty to scheme beneficiaries.

The Committee's principal concern is to invest in the best financial interests of the Fund's employing bodies and beneficiaries. Its Investment Managers are given performance objectives accordingly. The Council requires its Investment Managers to monitor and assess the environmental, social and governance considerations, which may impact on financial performance when selecting and retaining investments, and to engage with companies on these issues where appropriate. The Council believes that the operation of such a policy will ensure the sustainability of a company's earnings and hence its merits as an investment.

The Investment Managers report at quarterly intervals on the selection, retention and realisation of investments on the Council's behalf and on any engagement activities undertaken. These Reports/Review Meetings provide an opportunity for the Council to influence the Investment Manager's choice of investments and to review/challenge their stewardship activities but the Council is careful to preserve the Investment Manager's autonomy in pursuit of their given performance.

Just because concerns have been registered about a company's performance on ESG issues, doesn't mean our fund managers will be instructed not to invest in that company. It is then through active ownership we aim to drive change. Where engagement is not seen to be resulting in sufficient progress, and so the risk associated with a holding is increasing or not reducing sufficiently, the Fund will consider divesting.

As a passive investor, the Fund accepts that it will hold companies of varying ESG quality due to the requirement to hold all securities in the target index. The committee believes that passive investing offers a number of benefits that need to be weighed against this and requires passive managers to demonstrate effective engagement, as is the case for active managers. It is important to note that ownership of a security in a company does not signify that the Oxfordshire Pension Fund approves of all of the company's practices or its products

The Committee is open to investing in Social Investments; investments where social impact is delivered alongside financial return. The Committee further believes that the goal of social impact is inherently compatible with generating sustainable financial returns by meeting societal needs. The Fund has made investments in this area and will continue to review whether further opportunities are available that offer an appropriate risk/return profile. Stakeholders' views are taken into account through the representation of different parties on the Pension Fund Committee, which

includes a beneficiaries' representative, and the Local Pension Board, which consists of equal numbers of employer and member representatives.

The Fund will not use pension policies to pursue boycotts, divestment and sanctions against foreign nations and UK defence industries, other than where formal legal sanctions, embargoes and restrictions have been put in place by the Government.

One of the principal benefits, outlined in the Brunel Pension Partnership business case, achieved through the enhanced scale and resources as a result of pooling is the improved implementation of responsible investment and stewardship. Once established and fully operational the Brunel Company will deliver best practice standards in responsible investment and stewardship as outlined in the BPP Investment Principles.

Every portfolio under the Brunel Pension Partnership explicitly includes responsible investment and an assessment of how social, environment and corporate governance considerations may present financial risks to the delivery of the portfolio objectives. These considerations will therefore be taken into account in the selection, non-selection, retention and realisation of assets. The approach undertaken will vary in order to be the most effective in mitigating risks and enhancing investor value in relation to each portfolio and its objectives.

### **Policy on Exercise of Rights**

As an investor with a very long-term investment horizon and expected life, the success of the Oxfordshire Pension Fund is linked to long term global economic growth and prosperity. Actions and activities that detract from the likelihood and potential of global growth are not in the long-term interests of the Fund. Since the Fund is a long-term investor, short-term gains at the expense of long-term gains are not in the best interest of the Fund. Sustainable returns over long periods are in the economic interest of the Fund.

The Fund recognises that encouraging the highest standards of corporate governance and promoting corporate responsibility by investee companies protects the financial interests of pension fund members over the long term. Stewardship activities include monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure and corporate governance, including culture and remuneration.

The Fund's commitment to actively exercising the ownership rights attached to its investments reflects the Fund's conviction that responsible asset owners should maintain oversight of the way in which the enterprises they invest in are managed and how their activities impact upon customers, clients, employees, stakeholders, and wider society.

The routes for exercising ownership influence vary across asset types and a range of activities are undertaken on the Fund's behalf by Fund Managers including engagement with senior management of companies, voting of shares, direct representation on company boards, presence on investor & advisory committees and participation in partnerships and collaborations with other investors. Where the



Pension Fund invests in pooled vehicles it will seek to gain representation on investor committees if considered appropriate.

In practice the Fund's Investment Managers are delegated authority to exercise voting rights in respect of the Council's holdings. Voting decisions are fully delegated to fund managers, while recognising that the Fund maintains ultimate responsibility for ensuring that voting is undertaken in the best interests of the Fund.

The Fund will exercise its voting rights in all markets and its investment managers are required to vote at all company meetings where practicable. Market conventions in some countries may mean voting shares is not in the best interests of the Fund, for example where share-blocking is in operation.

The Fund has appointed an external company to monitor the Fund's proxy voting at the whole fund level. The Fund receives reports detailing where votes cast by Fund Managers differ to the template vote recommended by the provider. The monitoring service also includes the production of an annual report for the Fund summarising and analysing the voting activity for the Fund including at Fund Manager level. These reports are used to inform the Fund and to enable discussion with Fund Managers where appropriate.

Our approach to Stewardship, including the exercising of rights attached to investments is outlined above and is consistent with the requirements of the UK Stewardship Code. During 2017 we will develop this further by becoming signatories to the code and clearly demonstrating our position in relation to all seven principles. As part of the Brunel Pension Partnership (BPP) we are actively exploring opportunities to enhance our stewardship activities.

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