

Public Document Pack

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 11 September 2020 at 10.00 am

Please note that due to guidelines imposed on social distancing by the Government the meeting will be held virtually.

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

Notes:

- ***Date of next meeting: 4 December 2020***
- ***The formal meeting of the Committee will be preceded by a private training session at 9.30 am delivered by Hymans Robertson on the Good Governance Project and the results of the National Knowledge Assessment.***



Yvonne Rees
Chief Executive

September 2020

Committee Officer: **Deborah Miller**
Tel: 07920 084239; E-Mail: deborah.miller@oxfordshire.gov.uk

Membership

Chairman – Councillor Kevin Bulmer
Deputy Chairman - Councillor Nicholas Field-Johnson

County Councillors

Ian Corkin
Mark Lygo
Charles Mathew

John Sanders
Roz Smith
Lawrie Stratford

Alan Thompson

District Councillors (Co-optees - Voting)

Alaa Al-Yousuf

Jo Robb

Declarations of Interest

The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

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

Whose Interests must be included?

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

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

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

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

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

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

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

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

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

List of Disclosable Pecuniary Interests:

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

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

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

AGENDA

1. **Apologies for Absence and Temporary Appointments**
2. **Declarations of Interest - see guidance note**
3. **Minutes** (Pages 1 - 10)

To approve the minutes of the meeting held on 5 June 2020 (**PF3**) and to receive information arising from them.

4. **Petitions and Public Address**

This meeting of the Pension Fund Committee will be held virtually in order to conform with current guidelines regarding social distancing. Normally requests to speak at this public meeting are required by 9 am on the day preceding the published date of the meeting. However, during the current situation and to facilitate these new arrangements, we are asking that requests to speak are submitted by no later than 9am four working days before the meeting i.e. 9 am on 7 September 2020. Requests to speak should be sent to Deborah.miller@oxfordshire.gov.uk together with a written statement of your presentation to ensure that if the technology fails then your views can still be taken into account. A written copy of your statement can be provided no later than 9 am 2 working days before the meeting.

Where a meeting is held virtually and the addressee is unable to participate virtually their written submission will be accepted

Written submissions should be no longer than 1 A4 sheet.

5. **Minutes of the Local Pension Board**

10:20

A copy of the unconfirmed Minutes of the Local Pension Board, which met on 17 July 2020 is attached for information only (**PF5**). **To Follow**

6. **Report of the Local Pension Board** (Pages 11 - 12)

10:25

In a response to a request from the Chairman of Pension Fund Committee to have a dedicated item on each Committee agenda for the work of the Local Pension Board, attached at (**PF6**) is the report by the Independent Chairman of the Local

Pension Board. It invites the Committee to respond to the key issues raised by the Pension Board at its most recent meeting on 17 July 2020.

The Committee is RECOMMENDED to note the comments of the Board as set out below and confirm whether they are happy to have their draft minutes available to the Board in advance of them being agreed by the next meeting of the Committee itself.

7. Review of the Annual Business Plan 2020/21 (Pages 13 - 18)

10:35

This report will review progress against the key objectives and budget set out in the 2020/21 Business Plan. Full reports on the objectives in respect of implementing the Climate Change Policy and improving the Governance of the Fund are included later on in the agenda.

The Committee is RECOMMENDED to note the progress against the key service priorities and the budget as set out in their annual business plan for 2020/21.

8. Climate Change Policy Implementation Plan Update (Pages 19 - 22)

10:50

This report will be the first of a regular report to update the Committee on progress in implementing the Climate Change Policy agreed at their meeting in June 2020.

The Committee is RECOMMENDED to:

- (a) note the report;***
- (b) endorse the Fund applying to join the Climate Action 100+ initiative and The Institutional Investors Group on Climate Change.***

9. Governance Review (Pages 23 - 52)

11:15

This report responds to the service priority included within the Business Plan for 2020/21 to review the governance of the Fund in light of the increased focus on this issue from the Pension Regulator and the Scheme Advisory Board. The main report which has been produced by Hymans Robertson also includes the findings from the recent National Knowledge Assessment and proposes a further review of our governance arrangements and a detailed training plan to address the weaknesses identified within the results of the Assessment.

The Committee is **RECOMMENDED** to:

- (a) *note the update provided by Hymans Robertson at Annex 1 and in particular, the results of Oxfordshire's participation in the National Knowledge Assessment;*
- (b) *agree to ask Hymans Robertson to undertake the proposed governance review, and to ask Officers to finalise the details of the review with Hymans Robertson including the fee payable; and*
- (c) *agree the proposed training programme and ask Officers to continue to work with Hymans Robertson to develop appropriate options for each of the subjects to be covered. Members are asked to provide any preferences for on-line, face-to-face or written training delivery.*

10. Risk Register (Pages 53 - 60)

11:40

This report updates the Committee on the Fund's Risk Register, updating the position on risks reported to the last meeting and adding in new risks identified in the intervening period.

The Committee is RECOMMENDED to note the changes to the risk register and offer any further comments.

11. Administration Report (Pages 61 - 80)

11:50

This report updates the Committee on the key administration issues including the iConnect project, service performance measurement and any write offs agreed in the last quarter.

The Committee is RECOMMENDED to:

- (a) *note this report;*
- (b) *agree to delegate the preparation of a response on the consultation of changes to the Fire Service Pension Scheme to the Director of Finance following consultation with the Fire Service Pension Board, and*
- (c) *agree the response to the consultation on the extension of the Statutory Underpin in the LPGP as set out in Annex 2, amended as appropriate.*

12. GMP Reconciliation Project (Pages 81 - 84)

12:00

This report (**PF12**) details the provisional outcome of the scheme's GMP reconciliation exercise and seeks members views on what parameters should be applied to the final run.

The Committee is RECOMMENDED to confirm:

- a) ***That no trivial threshold amount should be applied to any identified member records;***
- b) ***That any underpayments identified should be paid to members as soon as possible on receipt of a final report from ITM, and interest paid in line with LGPS Regulations;***
- c) ***There should be no recovery of any historic overpaid pension identified by this exercise, and that members should be given 3 months written notice before any reduction identified by this exercise is applied to their pension in payment.***

13. Annual Report and Accounts (Pages 85 - 114)

12:10

The Committee will be invited to accept the draft Annual Report and Accounts for the Pension Fund.

The Committee is RECOMMENDED to note the report.

14. Budget Outturn 2019/20 (Pages 115 - 118)

12:15

This report analyses the actual spend by the Oxfordshire County Council Pension Fund during 2019/20 against the budget and highlights the reasons for any material variances.

The Committee is RECOMMENDED to receive the report and note the out-turn position.

15. EXEMPT ITEMS

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

THE REPORTS RELATING TO THE EXEMPT ITEMS ARE PUBLIC. ANY EXEMPT INFORMATION WILL BE REPORTED ORALLY.

16. Overview and Outlook for Investment Markets (Pages 119 - 126)

12:25

The attached report of the Independent Financial Adviser (**PF16**) sets out an overview of the current and future investment scene and market developments across various regions and sectors. The report itself does not contain exempt information and is available to the public. The Independent Financial Adviser will also report orally and any information reported orally will be exempt information.

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

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

since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the fund managers involved and would prejudice the position of the authority's investments in funding the Pension Fund.

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

17. Overview of Past and Current Investment Position (Pages 127 - 188)

12:40

The Independent Financial Adviser will review the investment activity during the past quarter, present a summary of the Fund's position as at 31 March 2020, and highlight any key performance issues, with reference to Tables and Graphs, and the Investment Performance Reports produced by Brunel.

18. Summary by the Independent Financial Adviser

12:55

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

19. Corporate Governance and Socially Responsible Investment (Pages 189 - 200)

13:00

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

Pre-Meeting Briefing

There will be a pre-meeting briefing on Wednesday 9 September at 11.00 am for the Chairman, Deputy Chairman and Opposition Group Spokesman.

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 5 June 2020 commencing at 10.00 am and finishing at 11.25 am.

Present:

Voting Members: Councillor Kevin Bulmer – in the Chair

Councillor Nicholas Field-Johnson (Deputy Chairman)
Councillor Ian Corkin
Councillor Mark Lygo
Councillor Charles Mathew
Councillor John Sanders
Councillor Roz Smith
Councillor Lawrie Stratford
Councillor Alan Thompson
District Councillor Alaa Al-Yousuf
District Councillor Jo Robb

Other Members in Attendance: Councillor Bob Johnson and Mr Alister Bastin, Local Pension Board

District Council Representatives: District Councillor Alaa Al-Yousef
District councillor Jo Robb

By Invitation: Peter Davies, Independent Financial Advisor

Officers: Director of Finance, Lorna Baxter, Sean Collins, Gregory Ley; Deborah Miller (Law & Governance).

| Agenda Item | Officer Attending |
|--------------------|--------------------------|
|--------------------|--------------------------|

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.

101/20 MINUTES

(Agenda No. 3)

The Minutes of the Meetings held on 3 March 2020 and 5 May 2020 were approved and signed as an accurate record.

Matters Arising

Minute 10/20 – Sean Collins reported that they had now paid the death grant to the Daughter and received no comment and had paid the death grant to the Son and had received thanks for all the hard work from the team. Officers were currently progressing the setting up of a trust fund for the Granddaughter with her family.

Minute 8/20 – Sean Collins reported that all six members of the Local Pension Board had completed the Assessment, but that only 6 out of 11 members of the Committee had completed it. The Chairman apologised for not completing the Assessment. He hoped they would still produce a realistic view of the statement of knowledge of the Committee. He had asked Sean to investigate whether there was any further training to keep the Committee up to date with relevant knowledge. Sean Collins undertook to send a link round to the online courses.

Councillor Roz Smith reported that she had completed the Assessment twice it had not worked.

102/20 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

The Committee received the following address:

Ms Al Chisholm addressed the Committee on behalf of Fossil Free Oxfordshire. She congratulated the Committee and its officers for travelling a huge distance in the Fund's response to climate change over the past year. She recognised two particularly positive elements contained in the Climate Change Policy and Implementation Plan. They welcomed the adoption of the 1.5 °C target and the important commitment to keep abreast of climate science as it developed. They also applauded the target to reduce the portfolio's GHG emissions by 7.6% each year. They further supported the proposal to invest 100% of the £250M global equity mandate in Brunel's Sustainable Global Equities portfolio with the caveat that we would like Brunel to publish the GHG emissions and Fossil Fuel exposure data for that fund.

She then highlighted two areas where they strongly believed the documents needed to be further developed if those targets were to be feasible and people were able to have confidence in them.

The first was the need for a visible plan that more clearly set out a series of actions and milestones to reach the laudable aims to make those annual emissions reductions and to invest in line with a 1.5 °C limit. The plan should give dates by which each milestone would be achieved. She called on OPF to:

1. confirm how, and by when, the 7.6% p.a. target was to be measured across the portfolios. They would like to see an outline of the methodology it proposed to use to create estimates of actual reductions; how investment metrics (which should be absolute, not relative emissions) relate to the 7.6% p.a. target and how metrics would be used to exclude investments. Any methodology used must be realistic, for example, Carbon-capture and storage scenarios should only be considered when backed up by detailed plans and committed investments.

Establishing this methodology should not be considered a prerequisite to the following elements of the plan; instead the objective should be to demonstrate the progress of the plan.

2. make a formal request of Brunel to provide funds that would enable OPF to meet its 7.6% p.a. target including zero carbon passive and actively managed funds, and ensure that Brunel is reducing GHG emissions in *all* their portfolios by at least 7% PA, as stated in Brunel's Climate Change Policy.
3. work with Brunel and the other Brunel pension funds to develop a plan to implement the funds developed in response to (1 & 2) and develop a plan to integrate those funds into the OPF portfolio.
4. reduce the emissions of the portfolio immediately by excluding obvious outlier investments and not wait until a baseline is produced for the 7.6% p.a. assessments. Any credible "engagement and selective divestment" strategy would start by excluding any fossil fuel company still exploring for or developing new fossil fuel reserves, because this fundamentally cannot be aligned with 1.5 °C warming. Recent analysis from the Transition Pathway Initiative ¹ (see graph below) demonstrated that no fossil fuel company was adhering to this scenario, and that even those in the vanguard of committing to some degree of emission reductions were far from meeting that target. No historical analysis of engagement with fossil fuel companies existed which could be used to justify continued investments in fossil fuel companies.
5. review the entire policy in 2022 including a) the effectiveness of the engagement process as stated at point 10 of the implementation plan and; b) progress on reducing GHG emissions.

The second respect in which, in their view, further work was required, related to Point 30 in the Investment Strategy which they believed was based on two false premises. The first was the implication that scheme members would not support an ethically informed decision to exclude fossil fuel investments from their pensions (yet you report majority support for blanket divestment from those who responded to the consultation exercise). They believed that scheme members deserved to have a voice in this process but were not successfully reached by the consultation, so they called upon the Committee to proactively seek their views on investing in fossil fuels. They believed such a consultation would reveal support for immediately excluding from the fund any companies that continue to explore or develop new fossil fuel reserves. The second was the implication that considering ethical issues was at odds with "the best long-term financial interests of the Members." Climate change threatened the stability of the entire financial system, so acting on this ethical issue was entirely consistent with protecting scheme members' long-term financial interests.

The Chairman thanked Ms Chisholm for her address and confirmed that the timescale matter had been considered and would be addresses during their discussions later in the Agenda under the Investment Strategy.

103/20 INVESTMENT STRATEGY

(Agenda No. 5)

In March, this had Committee reviewed its Investment Strategy Statement and completed the fundamental review of its asset allocation following on from the triennial Fund Valuation. For the first time, the Investment Strategy Statement included a Climate Change Policy as an annex to the document.

As required under the relevant Regulations and guidance, the Committee agreed to consult all key stakeholders on the draft Statement approved at the March meeting. This process was undertaken over a 6-week period from the beginning of April to the middle of May. The Committee now had before it a report, which set out the key issues raised in the consultation responses and recommended the Committee to approve the final Investment Strategy Statement including the changes to the draft Statement set out in this report.

In the view of the number of the consultation responses highlighting key issues in the implementation of the Climate Change Policy rather than any specific changes to the Policy itself, it was felt that the report needed to be considered alongside the Climate Change Policy Implementation Plan included on today's agenda.

The Chairman indicated that it was his intention to take item 5 and 6 together, as they were interrelated. This was agreed by the Committee

In introducing the report, Mr Collins set out the approach they took to the consultation. All possible steps had been taken to reach all members of the scheme including, sending out the consultation to all employers asking them to share it with all scheme members. Officers also made the consultation available on the Website and notified scheme members by newsletter. 27 responses had been received and the responses were set out in Annex 2.

The vast majority of consultation responses had talked about the Climate Change Policy which was expected as it was the main new area of the consultation. The main areas of the consultation were set out in Annex 1. The vast majority of the consultation responses were very supportive of the policy and the direction of travel. The main comments were in relation to it be strengthened slightly to make it more explicit in certain areas.

The report sets out the four main key response areas. There was agreement that the Paris Agreement should be used as a benchmark, together with a comment about tightening up targets on that. There were more people wanting blanket divestment in fossil fuels, although those who accepted the position, wanted greater clarity around the engagement targets that were being set and the sanctions that would follow. Metrics were also provided, and these were set out in the report. Other issues that people raised were also included in the report. These were set out in terms of what had been done in terms of changing the Investment Strategy Statement and Policy; the issues we thought were issues of detail rather than issue of principle had been set out in the implementation plan. There were also a few details that they thought they could not respond to and those were also set out in the report.

The Investment Statement Strategy and Climate Change Policy set out at Annex 3, showed track changes where changes had been made as a result of the consultation, including the strengthening the commitment section to make it clear that we are targeting the 1.5 maximum increase in temperature. On reflection, he acknowledged that the original draft was not very clear on that point.

There was also comments around interim targets, so they had amended that section to talk about the requirement for interim targets and that would be covered later in the implementation plan. They had also strengthened the section on engagement to make it clear that within the implementation they would be setting targets and they would also be setting sanctions. They also intended to improve the risk management arrangements to make them more robust, so that there would be an opportunity to pick up unintended consequences of any investments and to ensure any risks were properly balanced.

The issues that they had felt unable to respond to were around the lack of understanding around the council's fiduciary duty which was paramount. That did not mean that ethical issues were not taken into account, and the policy made it clear that in particular they took account of climate change risks, because there could be significant financial risk resulting from climate change. They had not changed the policy in terms of blanket divestment as he believed nothing new had been raised. A couple of responses indicated that they would wish to see more individual member choice in the selection of investments. The scheme was a defined benefit scheme, so the risk was not taken by members, but by the employers and taxpayers, which was why it was a Committee decision on how the allocation was made.

One response was regarding the court case brought by the Solidarity campaign in respect of Government Guidance which they had disputed. The court ruled in favour of the Solidarity campaign and stated that government couldn't provide guidance to tell us that we had to invest in line with government foreign policy and government defence policy. The court had said that the guidance was going beyond the power that the government had. As a consequence, officers had deleted the line from the Investment Strategy Statement which was in line with the previous guidance.

Councillor Jo Robb questioned whether there were any defined benefits schemes that offered that kind of choice to individual members? Mr Collins responded that he was not aware of any.

Mr Gregory Ley then introduced Item 6 (Climate Change Policy Implementation Plan). In introducing the report, he explained that the Implementation Plan before Members was in respect of the revised Policy document following the consultation. Paragraph 2 of the report set out the key target from the implementation plan which was to reduce annual emissions by 7.6% which linked back to the 1.5 temperature goal of the Paris Agreement.

Paragraph 5 onwards of the report set out the actions that were the immediate priorities to deliver the 7.6% reduction. Paragraph 6 required a decision from the Committee regarding what to do about the transition of the Global Equity portfolio currently managed by UBS. Initially, it was planned to put it into the global core Brunel Fund, but there was now a proposal around the sustainable Global Equities

portfolio. At Annex 1 there was a report from the Independent Financial Adviser, recommending a 50/50 split between the two portfolios. The Committee were also able to change that percentage.

The report further made a commitment to continue to work with all the stakeholders who had been involved throughout the process and had proved to have been extremely helpful.

Councillor Nick Field-Johnson queried if officers could explain the concerns around the passive equity low carbon fund, and what alternatives were being explored.

Mr Ley responded that the passive low carbon had already been decided at the last Committee and that now the suggestion was to move into a 'no carbon fund'. The Chairman explained that the problem currently, was that there were no 'no carbon funds' for the Committee to move the money into.

Ms Jo Robb asked sought clarification as to how discussions were going with Brunel relating to the 2.5% the Committee had earmarked for low carbon fund that recognised Scope 3 emissions. Mr Ley responded that they were waiting for the Implementation Plan to be approved so that they could then have detailed discussions with Brunel about what they were trying to achieve.

Councillor John Sanders questioned whether it was likely that the net zero emissions timescale target of 2050 would brought forward from 2050? The Chairman indicated that it was very difficult to say at this current time, but that it was under constant review, with a view to moving faster in the future.

Councillor Roz Smith questioned how the carbon reduction targets right across the board were being assessed to check they were being met? She hoped once there was all the data, they could move quicker to divest from fossil fuels.

The Chairman reiterated that the Investment Strategy would be reviewed every year and therefore the target could be reviewed every year. Mr Ley confirmed that Brunel would be responsible for providing the information to enable the Committee to assess performance against targets. They already received some carbon metrics through from Brunel, but it was only the listed equities portfolios. There was still work to be done on finding a metric for the other portfolios, bonds and other markets. There was nothing at this stage to cover the whole market.

All investments would be moved to Brunel and Brunel would be leading on monitoring. Metrics still needed a lot of improvement and the Council would be working with Brunel with regard to developing the kind of metrics needed to meet out climate change policy and investment strategy. Brunel would produce regular reports backs on how investments were going together with data as part of the regular performance reports.

Ms Jo Robb questioned whether it was known when the metrics would be available and sought an assurance that the metrics would be transparent in terms of Scope 1,2, and 3 emissions. She also questioned being able to make the 7.6% reduction whilst they remained invested in carbon intensive assets. Mr Collins was unable to

comment on timescales, however, Ftse had developed an index for sovereign bonds. The Corporate Bonds would be picked up by the same indices as the equities. There was measurement of property through GRESB. We will be continually improving the metrics over the next couple of years.

Ms Jo Robb further questioned how the Committee felt about the suggested specific date for a review and in particular the Fossil Free Oxfordshire suggested date of 2022? Mr Ley commented that they had undertaken to do an Annual Review so all policies would be fully reviewed by 2022, which was also consistent with the stocktake planned by Brunel .

Councillor Lygo questioned when the Committee would be meeting with Brunel, to enable the Committee to ask more detailed questions around divestment. Mr Collins confirmed it would be at the December Meeting. Councillor Lygo proposed and it was AGREED that the Committee at its September Meeting agree the questions to put forward to Brunel so that Brunel had the answers for the Meeting. The Chairman requested that the Committee send their questions into Mr Collins or Mr Ley.

Peter Davies, Independent Financial Advisor referred the Committee to Annex 1 which set out where the funds equities were currently invested, as a lot had changed since the end of December and to access the sustainable global equities fund. He pointed out that it did have a slightly different bias in its make-up to the world index, so he was suggesting that the marginal increase in risk was the reason for only putting half of the UBS money into it, but he would be happy to go along with the officer recommendation of all the UBS money going into the sustainable global equities fund.

The Chairman felt that the Committee should go with the 100% as there was minimal difference in risk between the two portfolios. Councillor Mark Lygo indicated that he would be happy to second that proposal.

Councillor Roz Smith indicated that she would also be in support of moving 100% and asked the Chairman to put the recommendation to the Committee.

The recommendation was put the Committee and was AGREED by 10 votes to 0, with 1 abstention.

Councillor Charles Mathew abstained on the basis that he thought the Committee should not be going to 100% without knowing all the facts and without knowing the effect of the decision, particularly at this very unstable time.

Councillor Corkin acknowledged how far the Committee had come on the issue to very angry presentations and protests to mutual understanding and agreement through working in partnership with stakeholders. He commended officers for all their work.

Councillor Mark Lygo expressed the importance of continued joint working with the stakeholders and reiterated that there would be further workshops in the future to promote and welcome joint working. He lamented the fact that there had not been comms around the issue.

Mr Alaa Al-Yousef expressed the continuing importance of attending conferences to keep up to date with the industry.

Councillor Ian Corkin undertook to pick up the comms issue.

RESOLVED: (nem con) to consider the responses to the recent consultation exercise and approve the changes to the draft documents as set out in the report and incorporated in Annex 3.

104/20 CLIMATE CHANGE POLICY IMPLEMENTATION PLAN

(Agenda No. 6)

The Committee had before it a report, which set out how the Pension Fund plans to implement its Climate Change Policy (hereinafter referred to as 'the Policy'). The key commitment of the Policy was to transition investment portfolios to net-zero Greenhouse Gas Emissions (GHG) by 2050, consistent with seeking to limit the temperature increase to 1.5°C above pre-industrial levels. The actions in the implementation plan had been developed to work towards delivery of this commitment. The Policy required the Fund to establish intermediate targets in pursuit of the commitment. The discussion and debate on this item was taken under item 5.

RESOLVED: to

- (a) adopt the Climate Change Policy Implementation Plan; and
- (b) (on a motion by Councillor Mark Lygo, seconded by Councillor Kevin Bulmer and carried by 10 votes to 0, with 1 abstention) to determine committing 100% of the UBS portfolio to the Sustainable Global Equities portfolio.

105/20 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 7)

The Committee had before it a report which set out an overview of the current and future investment scene and market developments across various regions and sectors. The report itself did not contain exempt information and was available to the public. The Independent Financial Adviser will also report verbally, and any information reported orally will be exempt information.

Mr Peter Davies, Independent Financial Advisor in introducing his report, referred the Committee to the table at page 1 of the report, the economic consensus forecasts had been downgraded quite a bit since writing the report, and the UK consensus now stood at -8.7% for this year and the USA slightly lower at -3.8%, and the eurozone - 8%, but those were very sensitive to as when lockdown was relaxed and Government support received etc.

Markets had recovered quite a lot since the end of March and in round numbers if the overall fund fell by £370m in the first quarter (13.5%), then at the moment it had recovered a half of that (£185m) since so the position was not looking anywhere as near as bad as at the end of March, but was nevertheless a fall since the start of the year of 7% which was very substantial in historical terms.

The big test would come when Government support such as Furlough pay was tapered off and Government funding to companies had been fully invested and which companies would still be going concerns come the Autumn. It would take some time to see what the total effects were and that was true of the listed market and the bond market and also through the private equity market. Looking at the companies they were invested in, there was not a big exposure to the leisure industries, not through Adam Street and very little through the listed portfolio, but there will still be a case where companies are in difficulties and it would be a while before the Committee saw the extent of that.

Councillor Nick Field-Johnson questioned what the Committee's outgoing were going to be and what the liability of the fund would be over the next 5 years and over the next 10 years to ensure we had ample coverage. He asked whether the Committee could have a brief report on this matter.

Mr Collins reported that the Committee had received a report on that as part of the Asset Allocation report back in March. M J Hudson had carried out a piece of work to look at the matter. At the time, they were basing it on what their projections of what the Asset Allocations decisions would be. That now needed to be updated. The figures from the Actuary suggest in the main that the contributions received were more than sufficient to pay for the pensions going out for the next five years. The key question was the investments they were making in the private markets and how quickly that money was called and where the money for that would come from. He had been in discussions with other officers regarding this issue and it was felt that there were significant cash reserves that would help them meet those demands, but were working with Brunel and would update the M J Hudson figures and get a report sent out to all members of the Committee.

Councillor Roz Smith expressed her concern in relation to the property market and the level of unemployment in the UK and USA, and wondered if Peter had a view on how the dollar was going to hold up and the effect on the Ftse share price?

Mr Davies reported that the dollar had been a bit weaker recently, but not dramatically, and that the dollar was still the reserve currency. Even when the US was in recession as were all the other major economies, he didn't believe there would be a run on the dollar, he believed it would remain the stable currency. He believed more a more worrying issue was the supply chains restocking and the maximum would now be just in case. Although the property market was suffering the industrial market was very strong.

RESOLVED: to receive the report.

..... in the Chair

Date of signing

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PENSION FUND COMMITTEE – 11 SEPTEMBER 2020

REPORT OF THE PENSION BOARD

Report by the Independent Chairman of the Pension Board

RECOMMENDATION

The Committee is RECOMMENDED to note the comments of the Board as set out below, and confirm whether they are happy to have their draft minutes available to the Board in advance of them being agreed by the next meeting of the Committee itself.

Introduction

1. At the first meeting of the new Pension Fund Committee on 23 June 2017, it was agreed at the suggestion of the Chairman, that each future meeting of the Committee should receive a written report from the Pension Board, setting out the key elements of their work and any matters which the Board wished to draw to the Committee's attention.
2. This report reflects the discussions of the Board members at their meeting on 17 July 2020. The meeting was chaired by Paul Blacker, the Director of Finance at Gloucestershire County Council as the Gloucestershire Pension Fund had not yet appointed a new Head of Pensions to replace Mark Spilsbury who retired earlier in the year. Five members of the Board attended the virtual meeting, with apologies from Lisa Hughes, one of the three scheme employer representatives.

Matters Discussed and those the Board wished to bring to the Committee's Attention

3. In line with the reduced agenda discussed at the June Pension Fund committee meeting, the Board had a reduced agenda for their meeting. The Board noted that they had not received the normal risk register report as this had not been presented to the Committee in June. However, they asked that this should be included on all agendas going forward, irrespective of whether the Committee had had the opportunity to review it, given the importance they attached to it in fulfilling their role. This was agreed.
4. Following the request at their January 2020 meeting, the Board reviewed the confirmed minutes of the Pension Fund Committee meeting of March 2020. They raised the question as to why they did not have the minutes of the most recent Committee meeting in June 2020. It was explained that these had not been included as they were still in draft and had not been confirmed by the Committee. The Board noted that the Committee receives its own unconfirmed

minutes, and that there would be a significant time delay if they were restricted to confirmed minutes only. This would inhibit their ability to carry out their scrutiny role in a timely manner. Therefore, they requested that the unconfirmed minutes of the Pension Fund Committee are included on their future agendas. The Committee are invited to consider the request.

5. The Board reviewed the reports received by the June Committee on the Investment Strategy Statement report and Climate Change Implementation Plan. The Board questioned why the Committee had not moved the full passive allocation to the low carbon passive fund. It was explained that the Committee had accepted the shortfalls in terms of the way the current low carbon fund was constructed with the inclusion of companies with high Scope 3 carbon emissions, and those that played a key roll in the fossil free industry whilst having low carbon emissions themselves. It was further explained that the Committee had been happy to allocate 5% of their assets to the low carbon portfolio to demonstrate direction of travel but had asked Brunel to look to develop a further passive fund more closely aligned to the Paris Agreement. Once this further passive fund was available, the Committee would review its position. The Board agreed to note the difference of opinion between themselves and the Committee on this matter. The Board also noted that Alistair Bastin would continue to represent the scheme members on the Climate Change Policy Working Group.
6. The Board received a report to update them on the position of the administrative services, including the latest performance figures, an update on the staffing position and the impact of remote working. The Board welcomed the report and offered no further comments.
7. Finally, the Board reviewed the annual report on their activities. The Board accepted the report with the addition of the training record of the Board members during the past year. This is now included in the Fund's Annual Report and Accounts for which an item appears elsewhere on today's agenda.

Paul Blacker

Interim Independent Chairman of the Pension Board

Contact Officer: Sean Collins

Tel: 07554 103465

August 2020

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| Division(s): N/A |
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PENSION FUND COMMITTEE – 11 SEPTEMBER 2020

REVIEW OF THE ANNUAL BUSINESS PLAN 2020/21

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to note the progress against the key service priorities and the budget as set out in their annual business plan for 2020/21.

Introduction

1. This report sets out the progress against the key service priorities included in the 2020/21 Annual Business Plan for the Pension Fund as agreed at the March meeting of this Committee. It also sets out the latest position against the agreed budget for the year.
2. The key service priorities need to be seen in the context of the objectives for the Oxfordshire Pension Fund as set out on the first page of the Business Plan. These are summarised as:
 - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pensions Regulator
 - To achieve a 100% funding level
 - To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
 - To maintain as near stable and affordable employer contribution rates as possible.

Key Service Priorities for 2012/21

3. There were 4 key service priorities agreed in the 2020/21 Plan and the latest position on each is as follows.
4. Contribute to the continued development of the Brunel Pension Partnership. There were three areas of development set out in the initial business plan which were around the development of a comprehensive suite of client assurance reports, the continued successful transition of assets to the new Brunel portfolios and meeting the objectives set out in the business case.
5. There is now a full suite of client assurance reports presented to the Client Group each quarter with a summary report presented to the subsequent meeting of the Oversight Board. Whilst these reports are subject to revision as their review becomes a key part of the business as usual work of the Client

Group and the Oversight Board, it is believed that they are sufficient to provide the appropriate assurance on Brunel's management of the assets invested through their portfolios.

6. The most recent reports, due to be presented to the Oversight Board at its meeting on 3 September 2020 included only one amber rating. This related to the Secured Income portfolio where the time taken to complete the initial investments exceeded the initial expectations, with further delays now as a result of the Covid-19 pandemic. The position is being closely monitored by the Client Group.
7. The papers presented to the Oversight Board also included the results of the first Client Survey of Brunel performance on the operational element of their service agreement not measured through the investment assurance reports. The survey found the Funds were generally satisfied with Brunel's performance awarding an average rating of Good. An action plan has been developed to review those areas identified where further improvements could be made.
8. In terms of asset transitions, these have been delayed during the Covid-19 pandemic but planning for the transition to the sustainable equity portfolio is now well progressed with a target date of the end of September. The procurement exercise for the main fixed income portfolios has also now been kicked off with target for the transition set as first quarter of 2021. With the transition of the property portfolio to the responsibility of Brunel, Brunel are now responsible for just over 50% of Oxfordshire's assets. Call off against the commitments to the private market portfolios has been slower than initially assumed and this continues to be reviewed.
9. The transitions to date have largely been in line or better than the business case, so successfully delivering measure three within our business plan.
10. Implementing the Climate Change Policy. This priority looked to develop the implementation plan, and in particular develop new metrics to enable the Committee and all stakeholders to monitor progress against implementing the policy. There is also a target to work with Brunel to ensure there is a full range of portfolios aligned with the Paris Agreement through which the Fund can deliver its investment strategy. There is a full progress report elsewhere on the agenda.
11. Improve the Governance Arrangements of the Fund. This service priority was added to the annual business plan in light of the increased focus on this area from the Pension Regulator and the national Scheme Advisory Board. Again, there is a full report on this priority elsewhere on today's agenda setting out the context to this item, the results of the recent National Knowledge Assessment and proposal for next steps.
12. Improving the efficiency and effectiveness of engagement with scheme employers and members. A key element of this priority was to increase automation through the completion of the roll out of iConnect to automate the

return of member data from scheme employers, and the increased functionality of the Member Self Service system.

13. The completion of the rollout of iConnect to all employers has been delayed as a result of the Covid-19 pandemic and the pressures on both Pension Services and scheme employers over recent months, including the collection and validation of all end of year data and the production of Annual Benefit Statements to members. With the year-end processes now largely complete, attention will be refocussed on transitioning the final employers across to iConnect, though it may be prudent to delay the final implementation to April 2021 to avoid transitioning our two biggest employers (the County Council and Brookes University) in the middle of a financial year.
14. Since the beginning of the financial year, we have gone live with increased functionality on Members Self Service (MSS) with the ability of members to produce their own pension benefit estimates. We are continuing to monitor the numbers taking advantage of this facility and the impact on the number of estimate requests received within Pension Services. We are expecting a further take up of MSS over the next few weeks as members log in to see their annual benefit statements and/or pension savings statements. We will continue to report the % of membership who have activated their account within the Administration Report included elsewhere on this agenda.
15. Work against the 2020/21 business plan has been undertaken largely in line with the agreed budget with just a couple of major exceptions forecast at this time. The table below shows the actual expenditure during the first quarter of the financial year compared to budget, as well as an end of year forecast.
16. The vacancies within the Pension Services team have been discussed elsewhere on this agenda within the Administration report. Whilst we have just run a successful recruitment campaign it is likely that as a result of the vacancies held during the first part of the year, there will be a total underspend in the region of £200,000.
17. The second area forecast to underspend is fund manager fees, where we are expecting a total underspend of £374,000. The actual fees paid in 2020/21 will be highly dependent on the future market movements through to 31 March 2021 and the results of the future procurement exercises carried out by Brunel, so it is possible that there could be significant further variation in this figure by the end of the financial year.

| | Budget | YTD | % | Forecast Outturn | Variance |
|--|---------------|--------------|-----------|---------------------|-------------|
| | 2020/21 | 2020/21 | | 2020/21 | 2020/21 |
| | £'000 | £'000 | | £'000 | £'000 |
| Administrative Expenses | | | | | |
| Administrative Employee Costs | 1,391 | 278 | 20 | 1,191 | -200 |
| Support Services Including ICT | 694 | 483 | 70 | 694 | 0 |
| Printing & Stationary | 72 | 25 | 34 | 72 | 0 |
| Advisory & Consultancy Fees | 165 | 14 | 9 | 165 | 0 |
| Other | 59 | 14 | 24 | 59 | 0 |
| Total Administrative Expenses | 2,381 | 814 | 34 | 2,181 | -200 |
| Investment Management Expenses | | | | | |
| Management Fees | 10,374 | 2,322 | 22 | 10,000 | -374 |
| Custody Fees | 25 | 7 | 28 | 25 | 0 |
| Brunel Contract Costs | 1,028 | 527 | 51 | 1,028 | 0 |
| Total Investment Management Expenses | 11,427 | 2,856 | 25 | 11,053 | -374 |
| Oversight & Governance | | | | | |
| Investment Employee Costs | 259 | 60 | 23 | 259 | 0 |
| Support Services Including ICT | 11 | 8 | 71 | 16 | 5 |
| Actuarial Fees | 160 | 107 | 67 | 180 | 20 |
| External Audit Fees | 35 | 6 | 16 | 35 | 0 |
| Internal Audit Fees | 15 | 0 | 0 | 15 | 0 |
| Advisory & Consultancy Fees | 106 | 13 | 12 | 100 | -6 |
| Committee and Board Costs | 50 | -1 | -1 | 40 | -10 |
| Subscriptions and Memberships | 50 | 13 | 26 | 50 | 0 |
| Total Oversight & Governance Expenses | 686 | 206 | 30 | 695 | 9 |
| Total Pension Fund Budget | 14,494 | 3,876 | 27 | 13,929 | -565 |

Training Plan

18. Part D of the Business Plan sets out the broad Training Plan for Committee Members, based on the draft Policy previously agreed by the Committee. The report elsewhere which reviews the governance of the Fund and the results of the recent National Knowledge Assessment includes a proposed training programme to address those areas of greatest weakness highlighted by the assessment. The Training Plan will be updated following the discussion on that item.

19. Due to the Covid-19 pandemic most of the planned training and conference programmes have been revised, with many cancelled and others switched to virtual sessions only. As a consequence, we have not circulated the normal level of training opportunities to Committee Members and we have not booked any Committee Member onto a training session this year. Cllr Nicholas Field-Johnson has though successfully completed all 11 modules of the Pension Regulators on-line training programme and submitted his results through to be included on the training record.

Lorna Baxter

Director of Finance

Contact Officer: Sean Collins Tel: 07554 103465

August 2020

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PENSION FUND COMMITTEE – 11 SEPTEMBER 2020

CLIMATE CHANGE POLICY IMPLEMENTATION PLAN UPDATE

Report by the Director of Finance

RECOMMENDATIONS

The Committee is RECOMMENDED to:

- (a) note the report;**
- (b) endorse the Fund applying to join the Climate Action 100+ initiative and The Institutional Investors Group on Climate Change**

Introduction

1. At the June 2020 meeting the Pension Fund Committee agreed a Climate Change Policy Implementation Plan that set out how the fund will look to deliver against its Climate Change Policy. This report is the first update on delivery against the implementation plan and will form a standing item on Pension Fund Committee agendas.

Update on the Climate Change Policy Implementation Plan

2. Further to the decision by the Pension Fund Committee at the 05 June 2020 meeting to move the full UBS global equity mandate to the Brunel Global Sustainable Equities portfolio the Fund has been working with Brunel, UBS and the transition manager towards a 30 September transition date.
3. Officers held a meeting with Brunel in June, at the meeting the development of further passive or index-based portfolios that better align with the Fund's climate change policy was discussed. Brunel confirmed that this is also an area of focus for them and would form part of the passive product review due to take place in early 2021.
4. In addition, officers met with their counterparts at the Avon Pension Fund to discuss future expectations for product development at Brunel. In September there will be a Brunel Client Group meeting where priorities for new portfolios will be discussed and the Fund will be raising the issue that it expects all portfolios to be Paris aligned.
5. Officers are continuing to investigate additional metrics to those already provided by Brunel in order to assess portfolios' alignment with the Fund's Climate Change Policy. Brunel are also exploring what climate metrics they can develop and in particular are looking at metrics for private markets where they have an ongoing project investigating appropriate measures.
6. This is a complex area with issues inherent in all metrics currently available. In particular, in trying to measure against the target reductions in greenhouse gas

emissions some metrics do not account for scope 3 emissions (indirect emissions that occur in a company's value chain). This does not therefore provide the full picture of emissions, for example a car manufacturer could reduce their emissions by producing cars more efficiently but at the same time could be producing more polluting cars which would only form part of their scope 3 emissions.

7. Adding in scope 3 emissions, however, does not solve the measurement issues. Firstly, scope 3 data is not widely reported by companies and as such rely on estimation techniques, bringing with it a level of uncertainty. Secondly, and more importantly, the use of scope 3 data results in the double counting of emissions. For example, scope 3 emissions for a manufacturer will include transportation costs, and at the same time those transportation emissions will be included as scope 1 for the transportation companies themselves. The Pension Fund's intention was to assess absolute emissions, the double counting problem would not be an issue if a portfolio were static as the level of double counting would stay the same and you could assess against the 7.6% annual reduction target but once you get movement of companies in a portfolio as a result of trading the use of absolute emissions to assess against the annual reduction target is no longer valid.
8. At the meetings with Brunel and Avon there was also discussion around how to improve reporting on engagement in terms of measuring the success of engagement activity and how this is then reported. Brunel will also be having further discussions with their engagement provider Hermes on reporting options.
9. Brunel are currently working with The Institutional Investors Group on Climate Change on the development of their Paris Aligned Investment Initiative. This piece of work aims to explore how investors can align their portfolios with the goals of the Paris Agreement including methods for assessing alignment. Brunel are participating in testing the outputs of the work using data from their portfolios. It is hoped that the work will lead to the ability to assess alignment with the Paris Agreement across the Brunel portfolios.
10. Officers have investigated the various investor groups focusing on climate change that the Fund could join. At this stage it is recommended that the Pension Fund join the Climate Action 100+ initiative and The Institutional Investors Group on Climate Change. Both of these bodies are well established with clear goals that align with those of the Pension Fund and benefit from the support of a wide investor base.
11. Members should note that Faith Ward, the Chief Responsible Investment Officer at Brunel is scheduled to attend the December 2020 meeting of this Committee when all the above issues can be discussed in more depth.

LORNA BAXTER
Director of Finance

Background Papers: None

Contact Officers: Gregory Ley, Financial Manager

August 2020

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PENSION FUND COMMITTEE – 11 SEPTEMBER 2020

GOVERNANCE REVIEW

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to:

- (a) note the update provided by Hymans Robertson at Annex 1 and in particular, the results of Oxfordshire's participation in the National Knowledge Assessment;**
- (b) agree to ask Hymans Robertson to undertake the proposed governance review, and to ask Officers to finalise the details of the review with Hymans Robertson including the fee payable; and**
- (c) agree the proposed training programme and ask Officers to continue to work with Hymans Robertson to develop appropriate options for each of the subjects to be covered. Members are asked to provide any preferences for on-line, face-to-face or written training delivery.**

Introduction

- 2. This report responds to the service priority included in the 2020/21 Business Plan to review the governance arrangements for the Fund. This service priority in turn reflected the increased focus on good governance from both the Pension Regulator and the national Scheme Advisory Board.
- 3. Hymans Robertson were appointed by the Scheme Advisory Board to undertake the Good Governance Project to facilitate an investigation and develop approaches for enhancing governance arrangements in the LGPS. They were also responsible for the LGPS National Knowledge Assessment which this Committee agreed to complete at its March 2020 meeting.
- 4. We therefore requested Hymans Robertson to provide a governance update covering the work on the Good Governance project and its draft findings, and the results of the National Knowledge Assessment. We also asked Hymans Robertson to propose next steps for the Committee to consider in reviewing and strengthening their governance arrangements.
- 5. Annex 1 of this report sets out the update from Hymans Robertson, which summarises the results of the Oxfordshire Committee and Board members who undertook the National Knowledge Assessment, with the more detailed findings included in Appendix 2.

6. Hymans Robertson propose 2 key next steps in their report. The first of these is a training programme which sets out to address i) the areas requested by Members, and ii) the weaknesses identified from the results in the National Knowledge Assessment. The proposal is to implement the training plan over the next 18-month period. Officers support the proposal and recommend that the Committee agree the programme, and ask Officers to continue to work with Hymans Robertson to produce specific proposals about the delivery mechanism for each subject, and to confirm the timetable for each subject in line with national priorities and standard Committee business.
7. The second proposal is for Hymans Robertson to undertake a detailed review of our governance arrangements and to report back to a future meeting of this Committee on further actions that could be taken to improve our overall governance arrangements. Again, Officers support the proposal and recommend the Committee to agree to the proposed review. Officers previous experience of working with the Pension Regulator is that they will seek re-assurance about whether the Committee has the appropriate skills and knowledge to undertake their responsibilities and will welcome a pro-active approach to addressing any issues.

LORNA BAXTER
Director of Finance

Contact Officer: Sean Collins Tel: 07554 103465

August 2020

Oxfordshire Pension Fund: Governance Update

Overview

This paper covers the governance of the Oxfordshire Pension Fund, including :

- 1 The Scheme Advisory Board's Good Governance review – providing the context for that project and how it relates to the Fund's participation in the National Knowledge assessment (NKA)
- 2 Committee and Pension Board's participation in the LGPS National Knowledge Assessment – background and key findings
- 3 Suggested next steps, including Committee training plan and governance review

1. Scheme Advisory Board – Good Governance review

In January 2019 the LGPS Scheme Advisory Board ("SAB") commissioned Hymans Robertson to assist in delivering a review of governance across the LGPS. This review was termed the 'Good Governance' project.

This review recognised the Pension Regulator's ("TPR") push to increase governance and administration standards in pension schemes, including public service pension schemes, for which it has oversight responsibility.

TPR's sustained push to increase governance standards at LGPS funds can be traced through its:

- Code of Practice 14 document – which sets out the expectations, roles and responsibilities of the officers, decision makers (Committee) and Pension Board as regards to governance and administration standards
- 21st Century Trustee campaign – launched in summer 2019 and designed to raise the standards of those responsible for pension schemes
- 2018/2019 'deep dive' into 10 LGPS funds – 10 funds of varying sizes were chosen and assessed based on the main components of the Code of Practice 14.

The purpose of the SAB Good Governance review was to examine existing governance arrangements and consider ways in which gaps could be identified and addressed, good practice shared more widely, and greater transparency provided.

The SAB was clear that only recommendations that retained a link with local democratic accountability were to be considered.

Following Hymans Robertson's review, proposals were set out in 6 main areas (see **Appendix 1** for detail and proposals relating to the below areas):

- General;
- Conflicts of Interest;
- Representation;
- Knowledge, understanding and training;
- Service delivery for the LGPS function; and
- Compliance and Improvement

Some of the key recommendations set out in the review included:

- Each LGPS fund must have a single named officer who would be responsible for all LGPS related activity for their Fund;
- Each fund must produce a conflicts of interest policy;
- A requirement for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively
- Administering authorities to publish a policy setting out their approach to the delivery, assessment and recording of training
- Each administering authority reporting the fund's performance against an agreed set of indicators designed to measure standards of service

Key for the development of the National Knowledge Assessment are the **Knowledge and Understanding** recommendations within the Good Governance report. Within that section are recommendations that Pension Committees hold a similar level of knowledge to that of the Local Pension Board. The report stated that *"while there exists a statutory duty on members of local pension boards to maintain an appropriate level of knowledge and understanding to carry out their role effectively, no such statutory duty applies to those sitting on s101 committees"*. It then continues by stating *"the Guidance should mandate a similar knowledge and understanding requirement for those carrying out a delegated decision-making role on s101 committees"*.

The Good Governance report states that training should be provided in a *"supportive environment"* and *"members will not be required to undertake a test, although it is recognised that best practice would include assessments or other means to identify gaps in knowledge"*.

It was on the basis of the governance standards expected by TPR and specifically the SAB Good Governance review, that Oxfordshire Pension Fund made the decision to take part in the NKA.

2. Oxfordshire Pension Fund – LGPS National Knowledge Assessment (NKA) results

The full Oxfordshire Pension Fund NKA results report can be found within **Appendix 2**

Hymans Robertson completed an initial insight into Committee and Pension Board knowledge and understanding level with the 2018 National Confidence assessment ("NCA"). That assessment's objective was to gain an understanding of the **confidence** Committee and Pension Board members felt on the 8 topics of the CIPFA knowledge and skills framework:

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

The NCA highlighted a relatively strong level of confidence across the 8 topics from participant funds (over 40 LGPS funds took part).

Following the NCA, the next step was to assess the knowledge and understanding levels of the Committee and Pension Board. To provide greater insight, funds would also be benchmarked on their results, giving participating funds a further metric to gauge the knowledge levels of both of the groups and as a collective. This was to be completed as a National Knowledge Assessment (NKA).

The NKA assessed Committee and Pension Board members over the same 8 areas as the NCA via an online multiple-choice assessment.

The Oxfordshire Pension Fund Committee and Pension Board took part in this assessment through March to May 2020.

The key findings for the Oxfordshire Pension Fund are:

- As a combined group (Committee and Board participants) the Fund average scores ranked within the middle of participating funds
- Regrettably the Committee ranked 18th out of 18 funds' Committee results
- More encouragingly the Board ranked 3rd out of 18 funds' Boards results
- Committee results highlight particularly low scores on the areas of "Actuarial Methods, Standards and Practices" and "Committee Role and Pension Legislation".
- As a combined group, engagement level was high (ranking 3rd out of 18). However, though 100% of Board members participated, only 55% of Committee members participated
- The Fund's NKA participants identified the following topics as suggested areas for training
 - Impact of the 'McCloud' ruling
 - Environmental, Social and Governance; and
 - Best Practice Pension Administration.

3. Suggested next steps - Committee training plans and governance review

Following the results of the NKA and with the expectation placed on LGPS funds from TPR and the Good Governance project, we have suggested two key next steps:

- A. Training plan
- B. Governance review

A. Training plan

The objective of the training plan will be to bridge current knowledge gaps to meet the expectations of the various regulatory and guidance requirements.

To achieve this objective, the Fund will aim for strong compliance with the CIPFA Knowledge and Skills Framework and the Pension Regulator Code of Practice to meet the skills set within that Framework. Attention will also be given to any guidance issued by the SAB and The Pensions Regulator.

The delivery of this accompanying Training Plan will be the responsibility of Fund officers. However, each individual with a requirement to attain knowledge and skills under this plan has a personal responsibility to ensure they meet the required standards and must fully engage with the process.

Committee members will be supported with their knowledge and understanding requirements via:

- training sessions (expected to take place prior to formal meetings);
- access to targeted online training modules (for completion in own time over quarter); and
- being provided topical and relevant information papers.

Members should also be given the option to seek additional training via external courses such as those provided by the Local Government Association.

Fund officers will confirm the best delivery mechanism for training subjects and increasing members knowledge and understanding.

When considering training for members of the Pension Committee it is recognised that individuals may have different learning styles. The Fund should seek, where possible, to ensure flexibility in the manner in which training is provided to support these different learning styles.

The proposed Committee training plan will cover the period to 31 March 2022. Topics have been selected on the basis of the lowest scoring results of the NKA and on the training topics requested from participants. The proposed training plan for the Committee is detailed below. Please note that training topics are subject to change depending on the relevance to Fund business and LGPS topical issues.

| | |
|---------|--|
| Q4 2020 | <ul style="list-style-type: none"> • The impact of COVID-19 on the Fund (Assets, Funding and Administration) • Good Governance Project update • The impact of “McCloud” ruling |
| Q1 2021 | <ul style="list-style-type: none"> • Environmental, Social and Governance issues • Government Actuary’s Department, Section 13 • Actuarial methods, standards and practices – covering general actuarial issues |
| 2021/22 | <ul style="list-style-type: none"> • Procurement and Relationship Management • Best practice Pension Administration • Climate change risk • The Role of the Committee and Pensions Legislation • Pension Governance • Valuation training sessions – purpose, role, outcomes etc. This has been timed to coincide with the 2022 Actuarial Valuations. |

(Pension Board Members will also be invited to join any training event)

B. Governance review

Alongside the training plan, we would suggest conducting a governance review. This review would assess the current levels of strength and uncover any areas of weakness within the Funds existing governance framework, comparing that evidence against known best practice arrangements. The review will also give consideration of the;

- themes and ideas emerging from the Scheme Advisory Board's Good Governance Review;
- requirements and expectations of the Pensions Regulator with regard to good governance; and
- LGPS Regulations and the Public Service Pensions Act 2013.

The proposal is that the review would include;

- Interviewing the Chairs of the Committee and Local Pension Board plus senior officers.
- Remote observation of a Committee and Local Pension Board meeting.
- Production of an effectiveness survey to be completed by members of the Committee and Local Pension Board.
- A review of the Fund's effectiveness against the requirements of TPR's Code of Practice 14 (or any replacement thereof) and other relevant codes.
- A review of the Fund's policies, agendas and committee agendas.

The finding of the review will report back to the Committee and Board by making recommendations in respect of;

- Areas where the Fund falls short of current best practice
- Areas where the Fund is ahead of current best practice
- Resource and / or skill deficits in relation to any of the above
- Areas where the Fund will have to make changes in order to meet requirements arising from the Good Governance Review

We will also provide a statement setting out our assessment of the overall effectiveness of the Fund's governance arrangements.

Prepared by: -

Ian Colvin

Head of LGPS Benefits Consulting

Andrew McKerns

Benefit and Governance Consultant

24 August 2020

For and on behalf of Hymans Robertson LLP

Appendix 1

Recommendations of the Scheme Advisory Board's Good Governance Review

| Area | Proposal |
|---|--|
| A. General | A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. ("the Guidance"). |
| | A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. ("the LGPS senior officer"). |
| | A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be co-signed by the LGPS senior officer and S151. |
| B. Conflicts of interest | B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, with specific reference to key conflicts identified in the Guidance. |
| | B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB. |
| C. Representation | C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party. |
| D. Knowledge and understanding | D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively. |
| | D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding. |
| | D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements. |
| | D.4 CIPFA should be asked to produce appropriate guidance and training modules for s151 officers. |
| E. Service Delivery for the LGPS Function | E.1 Each administering authority must document key roles and responsibilities relating to the LGPS and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of delegation and constitution and be consistent with role descriptions and business processes. |
| | E.2 Each administering authority must publish an administration strategy. |
| | E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service. |
| | E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be |

| | |
|-------------------------------|--|
| | satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year. |
| F. Compliance and improvement | F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts. |
| | F.2 LGA to consider establishing a peer review process for LGPS Funds. |

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LGPS

National Knowledge Assessment

HYMANS  ROBERTSON



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Oxfordshire Pension Fund

June 2020

National Knowledge Assessment

Overview

Following the success of the 2018 LGPS National Confidence Assessment, Hymans Robertson continued the journey to understand and develop knowledge levels in the LGPS with the 2020 LGPS National Knowledge Assessment (NKA). The NKA's key goal is to provide LGPS funds with an insight into the pensions specific knowledge and understanding of the people who hold decision making and oversight responsibility within their organisations.

18 LGPS funds and over 200 members have participated in this first ever National Knowledge Assessment of Pension Committee ('Committee') and Pension Board ('Board') members. The findings from this assessment will provide LGPS Funds with a quantitative report of the current knowledge levels of the individuals responsible for running their fund, aiding the development of more appropriately targeted and tailored training plans for both groups. This report is also a key document in evidencing your fund's commitment to training.

Background

The Oxfordshire Pension Fund ("the Fund") agreed to participate in the NKA using our online assessment. This report provides the participants' results broken down into 8 key areas. The online assessment opened in mid-March and closed at the end of May, and there were weekly progress updates provided to the Fund confirming participation levels. Each participant received their individual results report following completion of the assessment.

Challenging test

This was a challenging multiple-choice assessment of participants knowledge and understanding of relevant subject areas. There was no expectation that participants would score 100% on each subject area tested. Rather the goal was to gain a true insight into members' knowledge in the areas covered by the CIPFA Knowledge and Skills Framework and the Pensions Regulator's (TPR) Code of Practice 14.

Why does this matter?

In recent years there has been a marked increase in the scrutiny of public service pension schemes, including the 100 regional funds that make up the LGPS across the UK. The Public Service Pensions Act 2013 introduced new governance legislation, including the requirement for Local Pension Boards to be set up and extended the remit of the Pensions Regulator to public service schemes as set out in its Code of Practice 14¹. Additionally, the Ministry of Housing, Communities and Local Government ("MHCLG") in England & Wales and Scottish Ministers in Scotland, and their respective Scheme Advisory Boards have emphasised the need for the highest standards of governance in the LGPS. This includes ensuring that all involved in the governance of public sector funds can evidence they have the knowledge, skills and commitment to carry out their role effectively.

While fund officers may deal with the day-to-day running of the funds, members of the Committee play a vital role in the scheme, and to exercise their roles effectively must be able to address all relevant topics including investment matters, issues concerning funding, pension administration and governance.

¹ Governance and administration of public service pension schemes – issued April 2015



Recent events

The introduction of Markets In Financial Instruments Directive II (MIFID II) in January 2018 required Committee members to evidence their knowledge in order to be treated as professional investors. Also, in late 2019 the Scheme Advisory Board for England and Wales began a review of governance arrangements for LGPS funds. This project – termed ‘Good Governance’ – addressed stakeholder knowledge and skills. A clear recommendation of the Good Governance project is that the knowledge levels already statutorily required of Board members should also be required of Committee members. These recent events have reaffirmed that LGPS funds should evidence the training provided and current knowledge and understanding levels retained within their Committee and Board.

We would encourage the use of these results to better understand the areas where Committee and Board members feel comfortably informed, but crucially where further training may be of benefit.

In keeping with the theme of increased external scrutiny, it is important not only that the Committee and Board have confidence in their roles, but also that the Fund can demonstrate the steps taken to facilitate this. We would suggest you keep a record of the process used to assist the Committee and Board with training and development. This report should form part of the overall training records for both groups.

Approach

The members of the Oxfordshire Pension Fund Committee and Board were invited to complete an online knowledge assessment. In total there were 6 respondents from the Committee and there were 7 respondents from the Board. Each respondent was given the same set of 47 questions on the 8 areas below:

| | | | |
|---|---|---|--|
| 1 | Committee Role and Pensions Legislation | 5 | Procurement and Relationship Management |
| 2 | Pensions Governance | 6 | Investment Performance and Risk Management |
| 3 | Pensions Administration | 7 | Financial Markets and Product Knowledge |
| 4 | Pensions Accounting and Audit Standards | 8 | Actuarial Methods, Standards and Practices |

Under each subject heading, there were at least 5 multiple choice questions to answer. Each question had 4 possible answers, of which one answer was correct. This allows us to build a picture of the knowledge levels of each individual member in each of the topics, but crucially to help inform you of the overall levels of knowledge in each area.



Results

The responses for all members who participated have been collated and analysed. For each section we have shown:

- The Fund's overall ranking against other participating LGPS funds
- The average score for each of the 8 subject areas, for both the Committee and Board.
- Each average score benchmarked for both groups against the other NKA participant funds' Committee and Board for each of the 8 subject areas
- Engagement levels for both the Committee and Board and how these levels rank against other LGPS funds

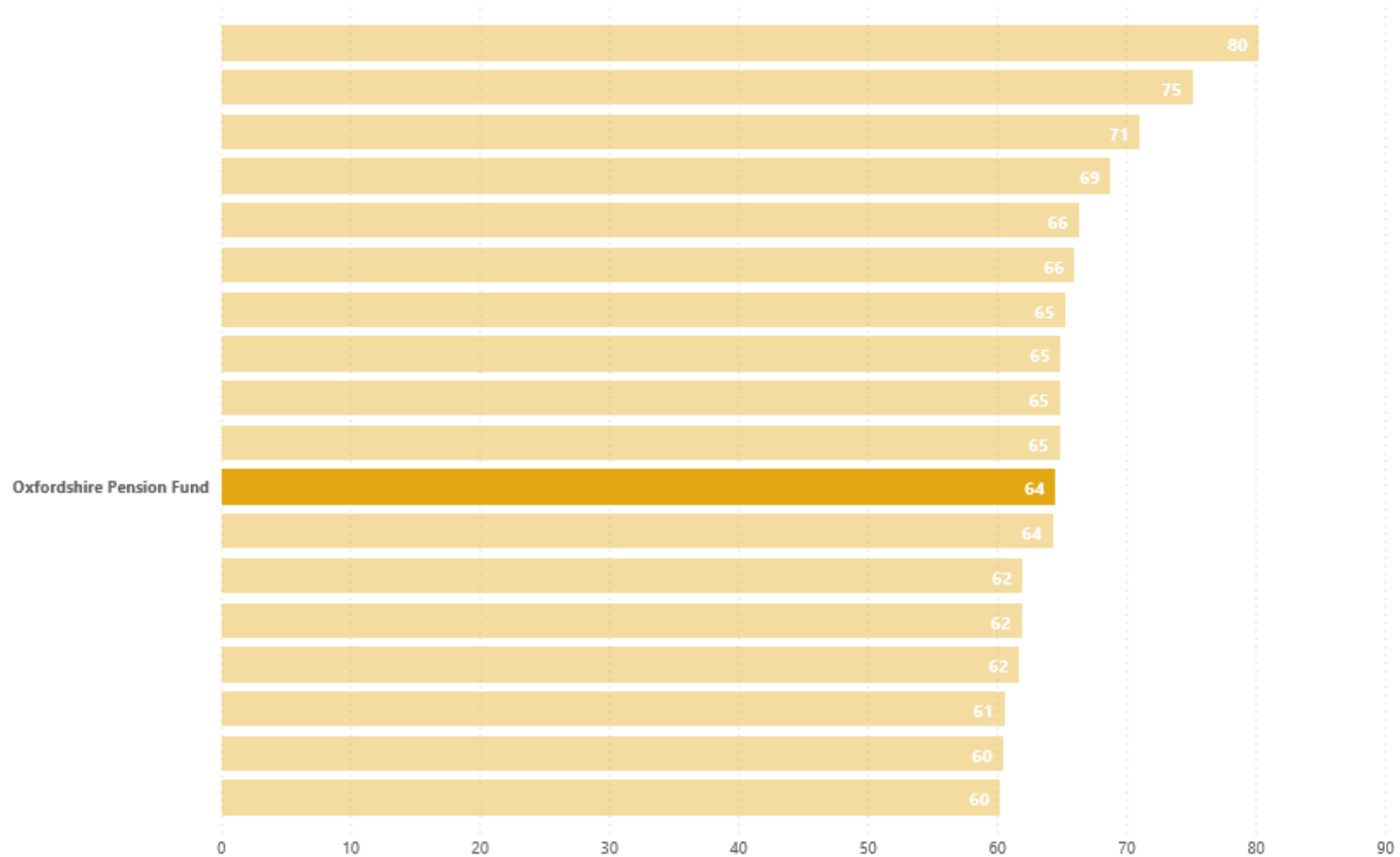
Based on the results and the responses received from participants we have also completed a proposed training plan for the Fund over the next 18 months, as well as some other "next steps" to consider.



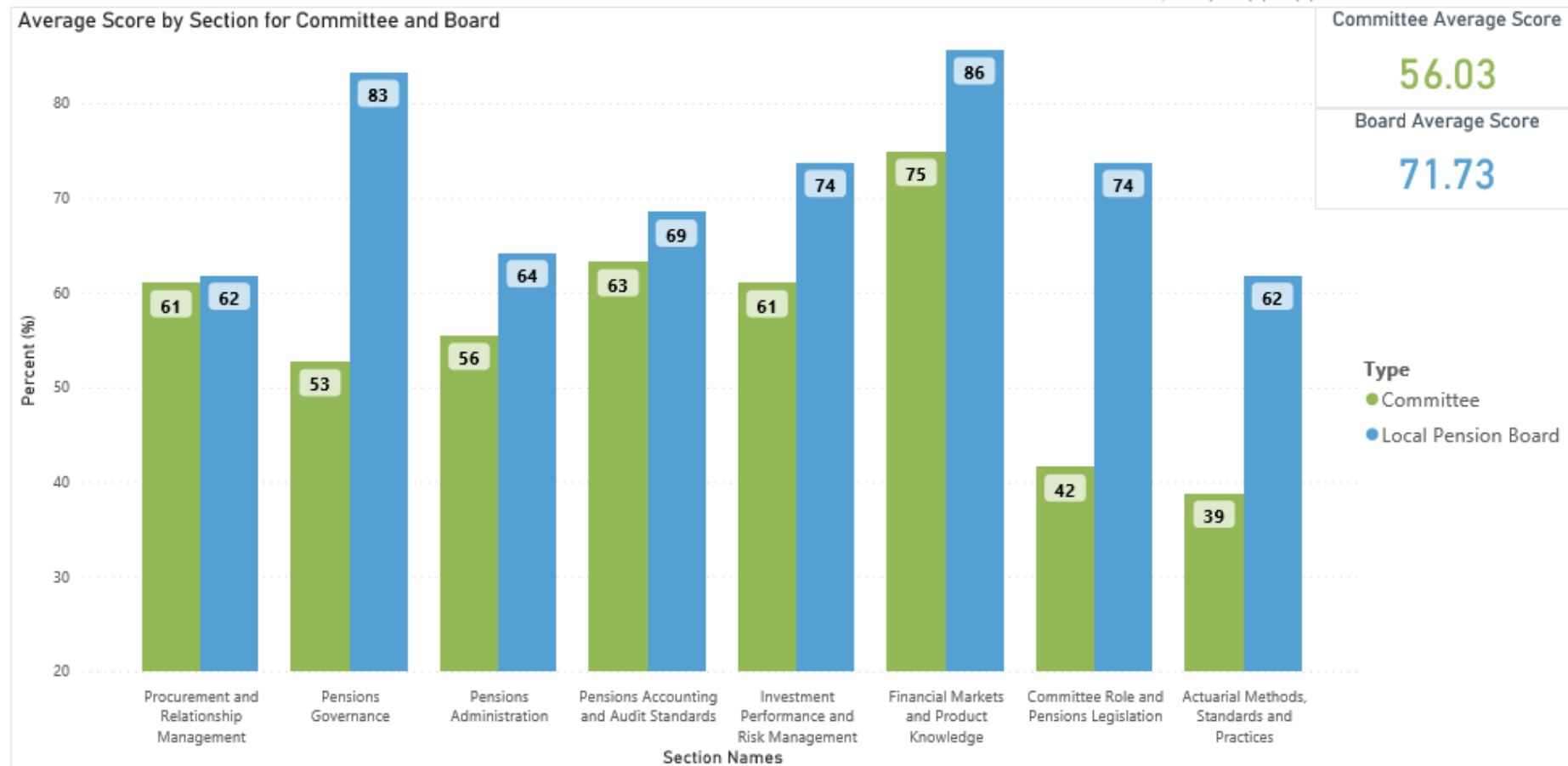
Overall Results

The table below shows how the overall average score for your Fund compares with that of all other funds who took part in the Assessment. The “score” shown below is the average score of all participating Committee and Board members from each Fund. The Oxfordshire Fund is 11th out of 18 Funds.

Fund Ranking



For each of the assessment's 8 areas we have shown the results of both the Committee and Board. These have been shown in the order in which the sections appeared in the survey. There is also a summary showing the average scores across all sections for the Committee and Board.

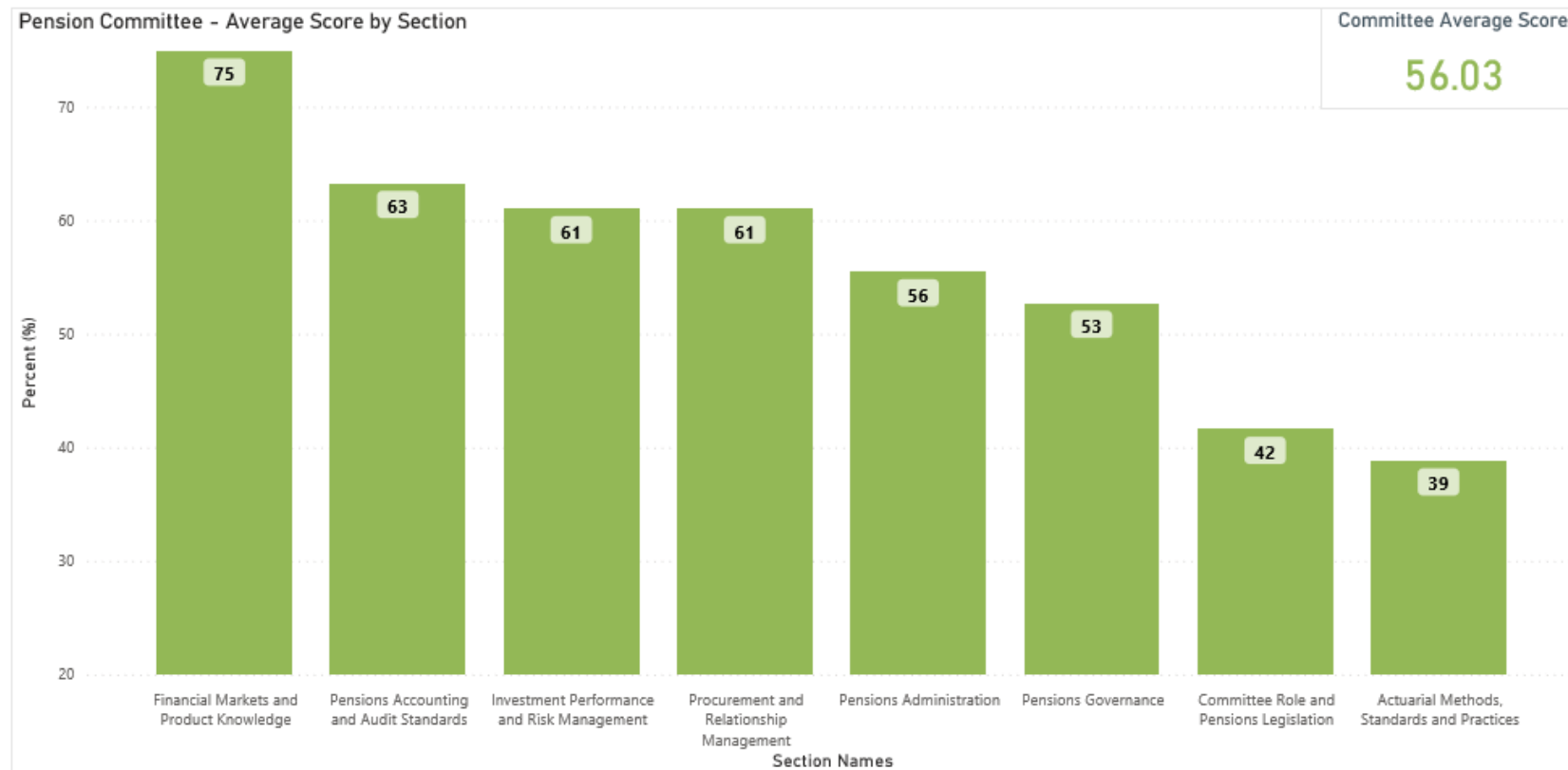


There is a stark difference between the knowledge levels in specific areas of the Board and Committee. The Board outscored the Committee in all areas. The biggest differences in scores were on the topics of pension governance and the role of the committee & pensions legislation.

Performance in each area

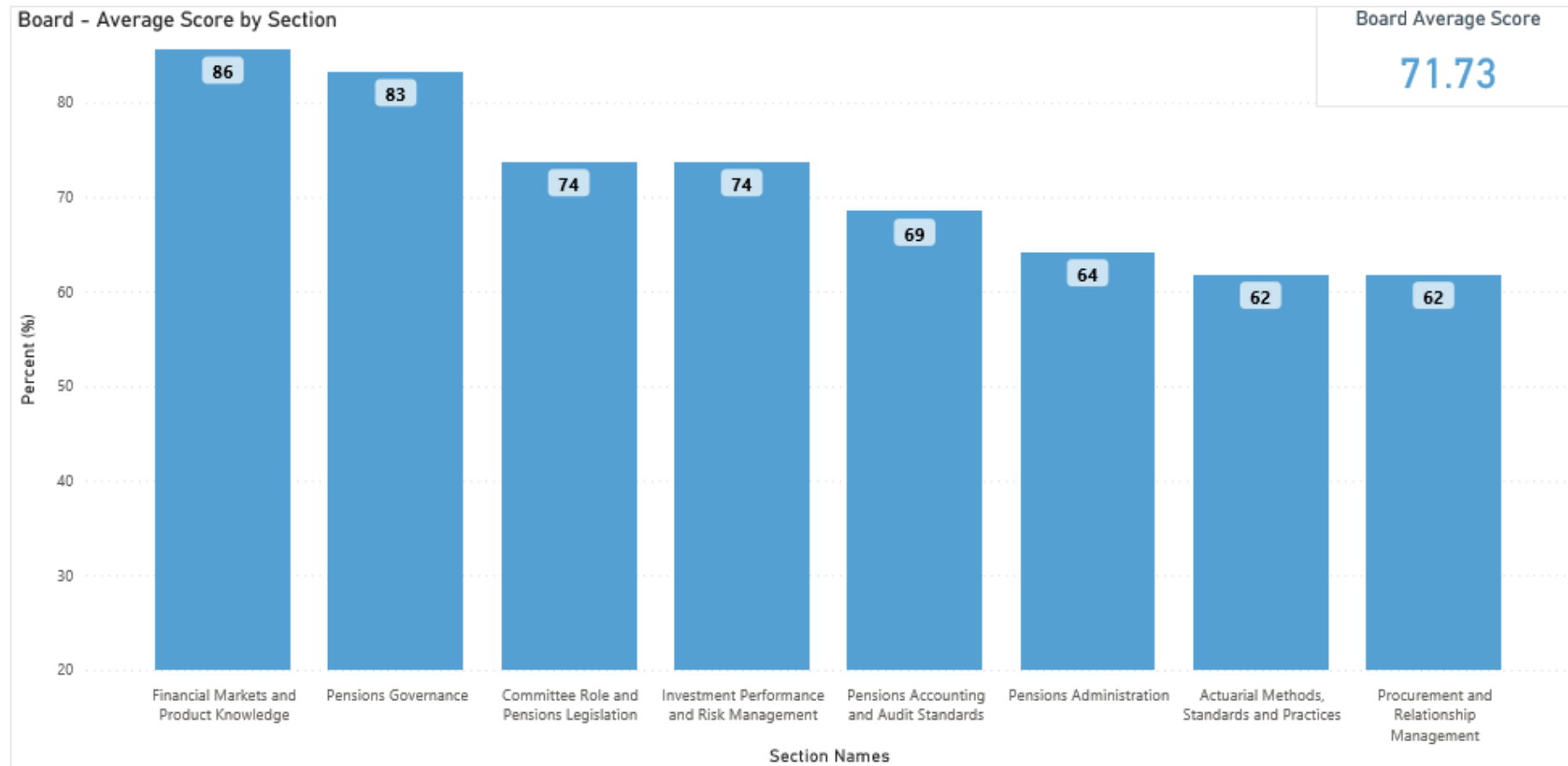
The results can be ranked for each section from the highest score (greatest knowledge) to lowest score (least knowledge). This is shown separately for both the Committee and the Board. The intention is that training plans and/or timetables can be tailored to focus on the areas of least knowledge, whilst ensuring the Committee and Board maintain the high level of knowledge in the stronger areas.

Pension Committee



Financial markets and product knowledge was the highest scoring area for the Committee. Perhaps surprisingly, the role of the Committee and pensions legislations was particularly low scoring and would be an area to focus training efforts on, alongside actuarial methods.

Pension Board



The financial markets and product knowledge was also the highest scoring area for the Board. Questions on the committee's role and pension governance were also answered strongly which is encouraging.

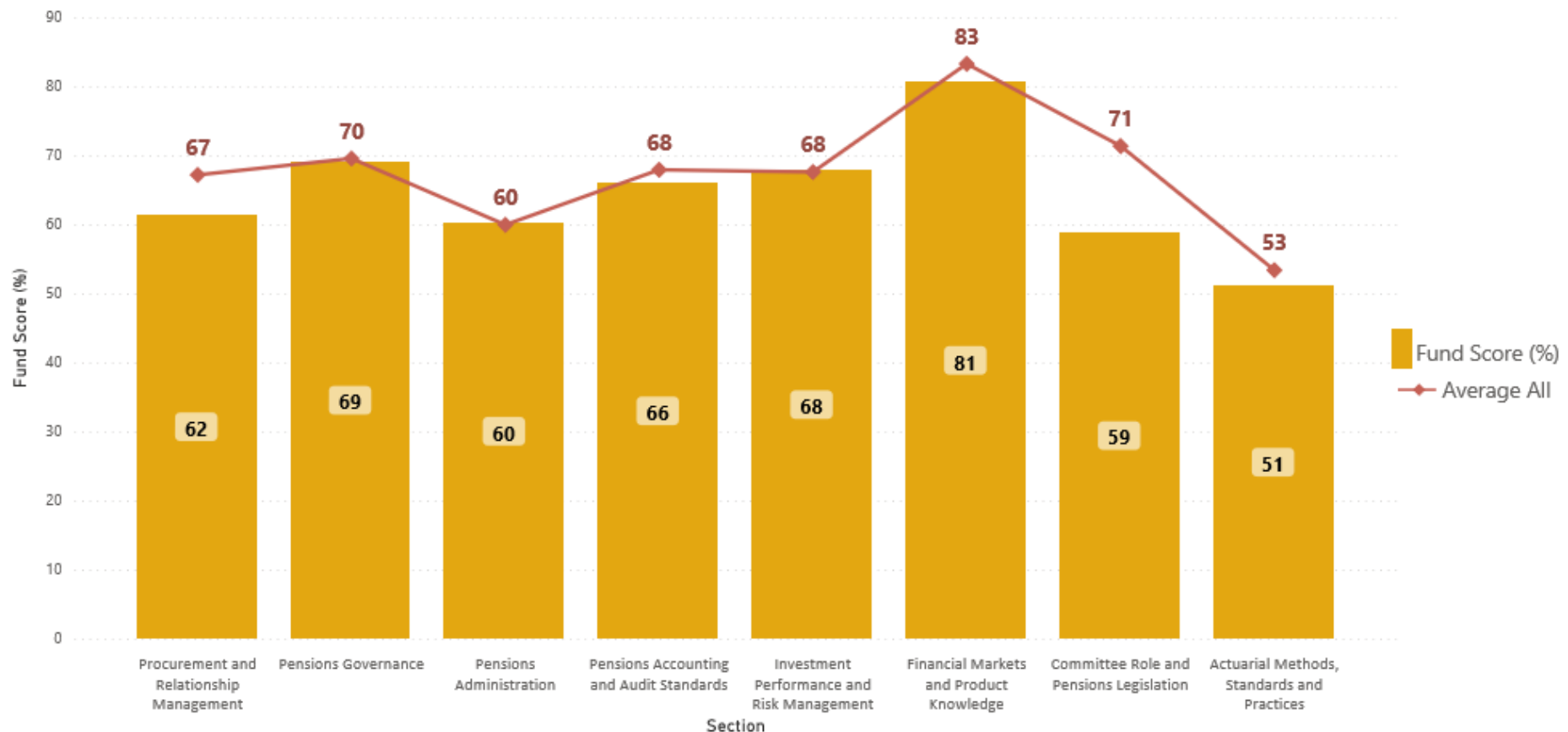
It does appear that the Board's knowledge across most areas is generally very good, actuarial methods and procurement would be the key areas to focus on. This is highlighted further in the following section which compares the Oxfordshire results, with all participating funds' results.

Benchmarking

As this assessment is being conducted at national level across a number of LGPS funds we are able to provide details of how your Fund's results compare to those across the average of all funds who have taken part to date. We have provided a comparison of the results for both your Fund's Committee and Board, versus the average scores nationally for each group. This gives an idea of the knowledge levels across these groups, relative to the national average.

Committee and Board combined

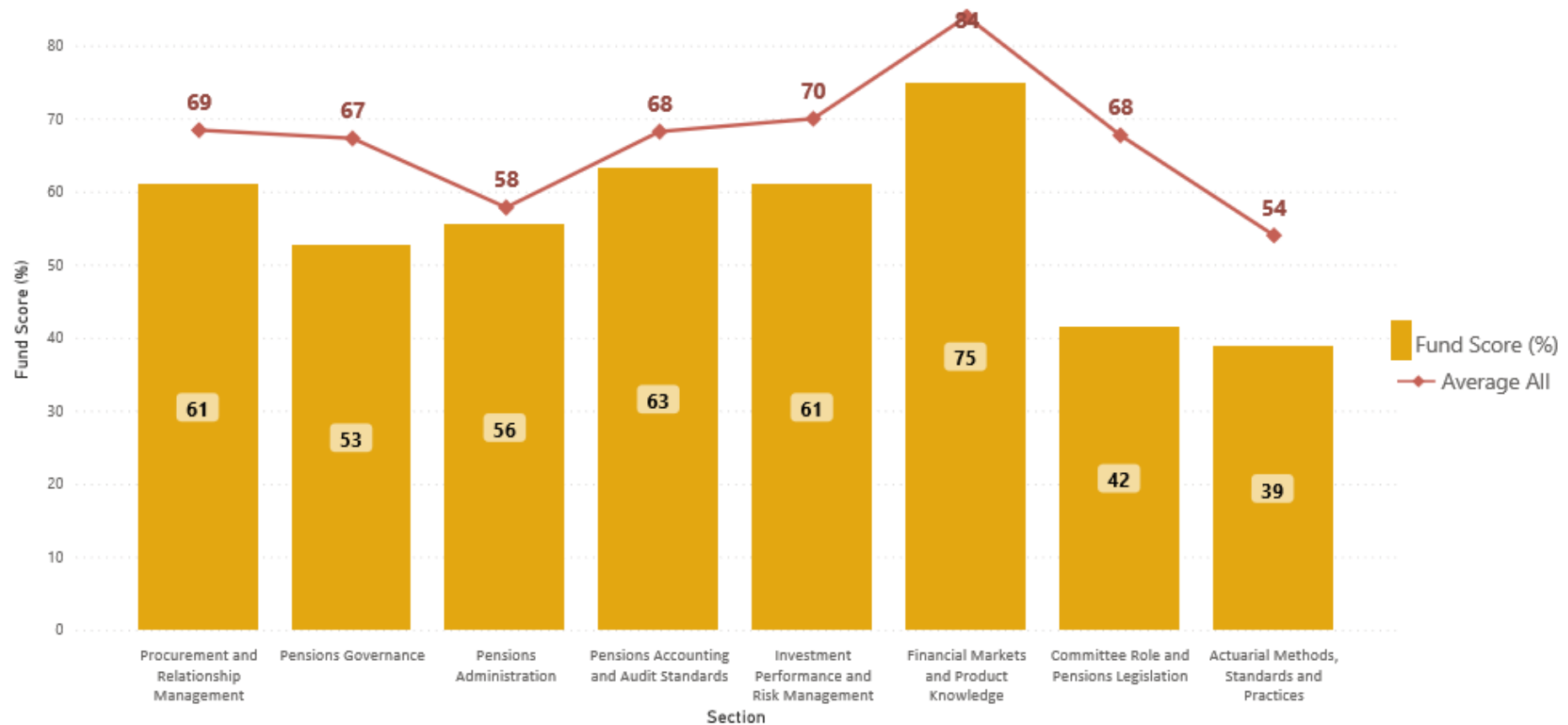
Oxfordshire Pension Fund vs. Average across all funds



Pension Committee

The following chart shows how your Fund's Committee scored in each section, versus the national average of all Committee members who took part.

Oxfordshire Pension Fund vs. Average across all funds

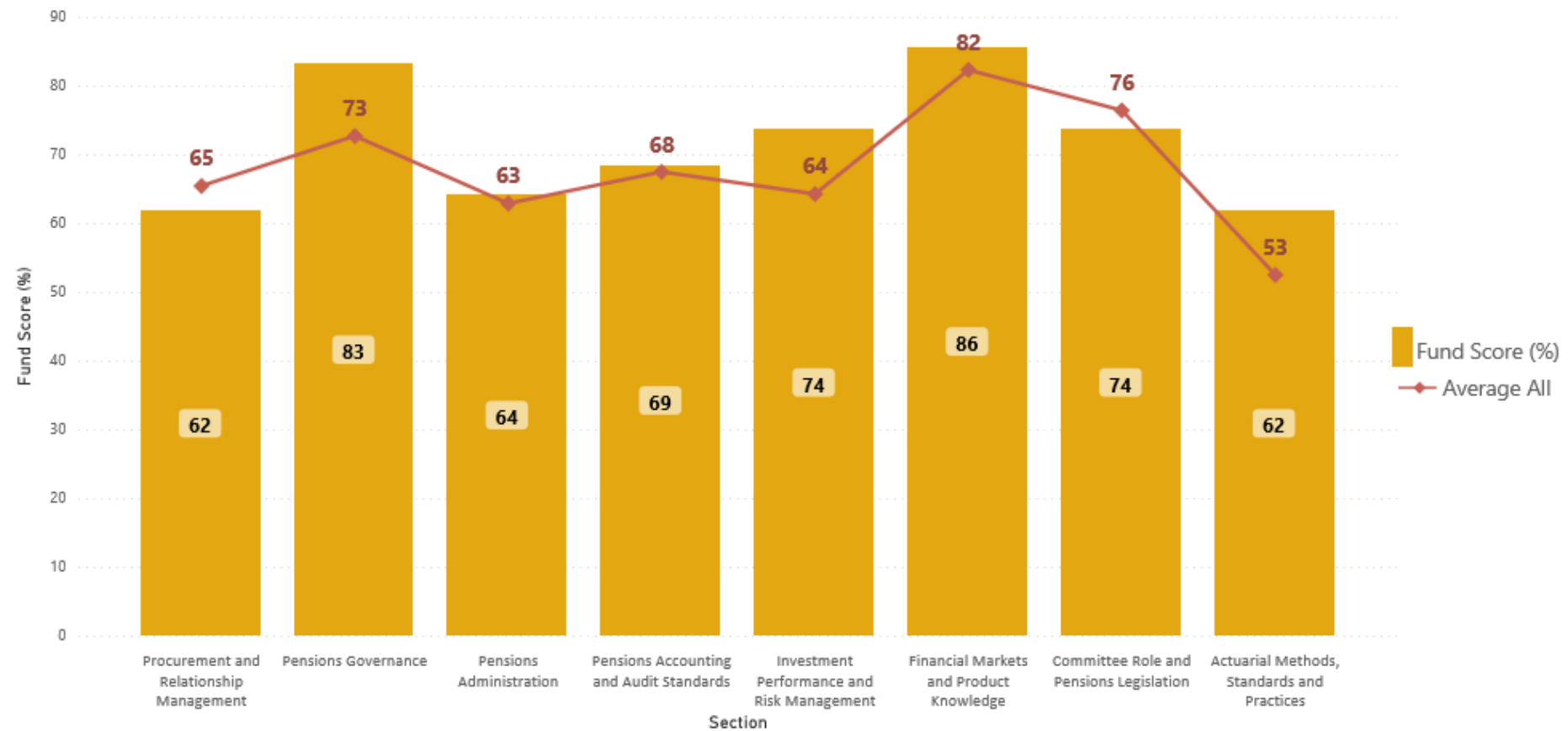


The Committee ranked 18th out of 18 Funds' Committee results

Pension Board

The chart below shows how your Fund's Board scored in each section, versus the national average of all Board members who took part.

Oxfordshire Pension Fund vs. Average across all funds



The Board ranked 3 out of 18 Funds' Board results. This highlights the difference between the Board and Committee results.

Commentary

It is very encouraging that 13 participants from your Fund took part in the assessment. The results were positive for the Board, but the Committee scored lowest in comparison to other participant funds Committee scores. It is clear that there are areas of greater knowledge levels as well as areas in which knowledge should be developed over time. We would fully expect there to be gaps in the knowledge of all members, no matter their role on the Committee/Board, their tenure or indeed their background in terms of pensions experience. The most important thing to emphasise is that not everybody needs to be an expert in all areas, rather there should be a spread of knowledge across your Committee and Board which is supported by advice from officers and professional advisors.

Just as important as gaining the relevant knowledge and understanding expected of a Pension Committee or Board is the application of that knowledge and understanding, including the utilisation of an individual's own background and perspective. To supplement a Fund's training plan, we recommend that case study analysis is also included as part of both the Committee and Board training plans, allowing time for reflection on how both groups react and act on issues.

Committee

The results show that financial markets and product knowledge has the highest levels of knowledge, but that the areas to focus any specific training on might be actuarial methods, governance, as well as the role of the Committee and pensions legislation, which you might expect to be stronger for the Committee.

Local Pension Board

The results show that the highest levels of knowledge relate to pension governance and financial markets, but that the areas to focus any specific training on might be actuarial methods and procurement for the Board. The next step would be to try and develop the knowledge of the lower scoring areas.

You might already have a training plan in place, in which case you could use these results to tailor the specific training and with the knowledge of these results, ensure it aligns with your priorities.



Engagement

One of the key areas that we recommend funds focus on is Committee and Board engagement. With the ever-increasing pace of change in the pensions and investments world, member engagement is critical to maintaining strong collective knowledge. There is an expectation that they need to be not only willing, but keen to develop their knowledge and understanding across the raft of topics upon which they will need to make, or ratify, decisions.

Overall engagement

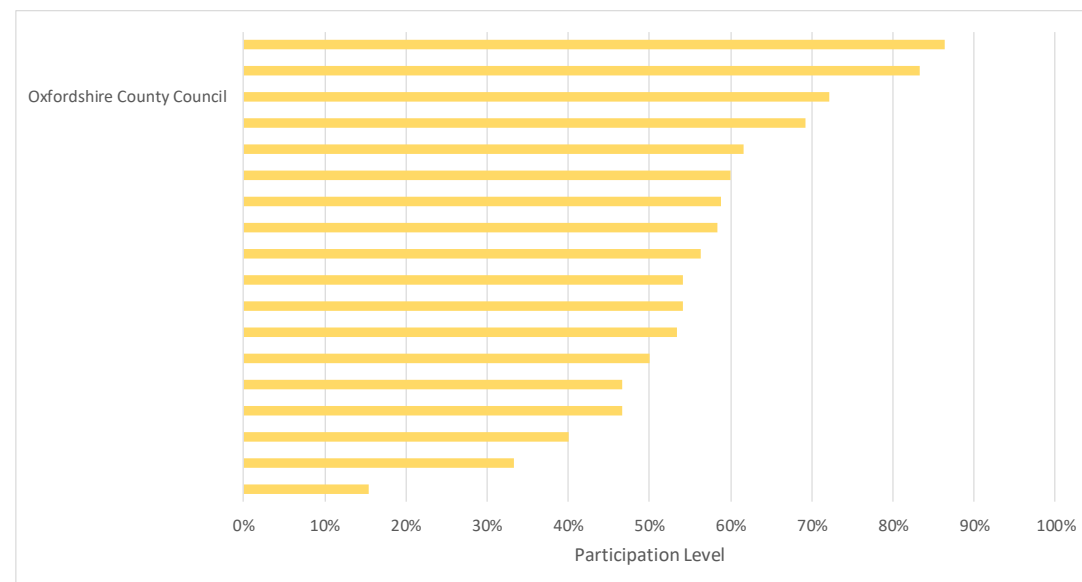
One measure of the engagement of members is their willingness to participate in training. As such, we have used the participation level of this survey to measure the engagement of your Committee and Board members. The table below shows the breakdown of the total number of participants from the Oxfordshire Pension Fund, as a proportion of those who could have responded.

| | Participants | Total Number | Participation rate |
|--------------|--------------|--------------|--------------------|
| Committee | 6 | 11 | 55% |
| Board | 7 | 7 | 100% |
| Total | 13 | 18 | 72% |

We understand that different Committees function in different ways and have different numbers of members. We therefore draw no conclusions or make any inferences from these results. The information is simply being provided to the Fund officers, as they will be best placed to draw any conclusions.

Engagement benchmarking

The chart below shows how your Fund's participation level compares with that of all other funds who took part.



Commentary on engagement

That 13 participants from your Fund, and that all members of the Board, took part in the assessment is very encouraging. The Fund ranked number 3 in engagement levels and that is just as significant as the knowledge ranking position. With the number of changes to the LGPS in recent years, it is vital that Committee and Board members remain abreast of the latest developments and feel confident that they have the knowledge required to make the decisions required of them. Their level of engagement is a key driver of this.

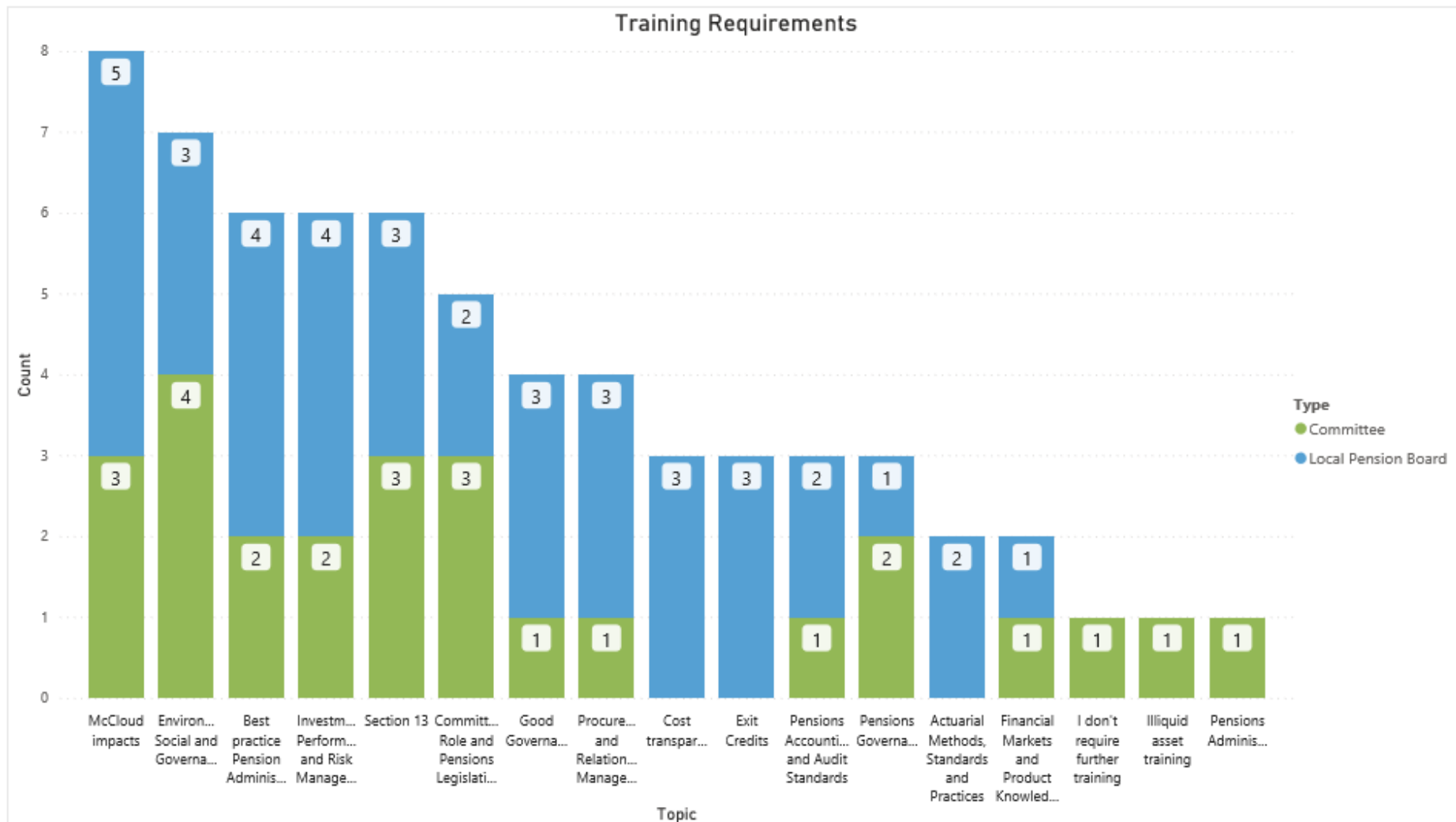
Overall engagement seems to be at an excellent level, however it is important to maintain and improve, this, particularly in the current climate where face-to-face meetings and therefore delivery of training sessions might be difficult for some time to come.



Training feedback from participants.

One of the final sections of the survey asked participants to indicate which topics they would like to receive training on. There was a list of options available, covering a broad spectrum of the topics we believe are most relevant to allowing Committee and Board members to effectively perform their roles. Members were also given the option to indicate any other areas in which they would benefit from further training.

The table below summarises the areas in which members indicated training would be beneficial.



In the addition to the pre-defined list of training, we also asked participants for comment and areas in which they feel further training would be beneficial. We have provided a selection of these comments below:

“Climate change and the attendant risk to the Fund”

“Fixed income instruments”

Suggested Training Plan

We have put together a summarised training plan below, picking out the key areas for development based on participant assessment results and the training requests.

| | |
|--------------|--|
| 2020/21 – Q3 | <ul style="list-style-type: none"> The impact of COVID-19 on the Fund + actuarial methods and Section 13 |
| 2020/21 – Q4 | <ul style="list-style-type: none"> The impact of McCloud – this was the topic most requested by the Oxfordshire participants |
| 2021/22 – Q1 | <ul style="list-style-type: none"> Procurement + climate change risk and ESG |
| 2021/22 – Q2 | <ul style="list-style-type: none"> For the committee – the role of the Committee and pensions legislation For the Board – pensions administration which was one of the lower scoring areas for the Board |
| 2021/22 – Q3 | <ul style="list-style-type: none"> For the Committee – pension governance For the Board – pensions accounting and audit standards |
| 2021/22 – Q4 | <ul style="list-style-type: none"> Valuation training sessions – purpose, role, outcomes etc. This has been timed to coincide with the 2022 Actuarial Valuations. |



Training support

Tools such as this online assessment offer different ways for members to take part in training. There might be more options for online training sessions which you could take advantage of. We have noted some training materials and websites below which might help you deliver focussed sessions to your Committee and Board and keep them informed on the most pertinent pension areas.

- CIPFA Knowledge and Skills Framework
- [TPR Public Service Toolkit](#)
- [LGA fundamental training – currently a ‘physical’ attendance course](#)
- [LGA monthly bulletins](#)
- Hymans Robertson Training videos for Committee and Board members (details noted below)

Navigating the LGPS
Online training course for PC and PB members

HYMANS ROBERTSON

For members

- An online course covering all aspects of the refreshed CIPFA Knowledge & Skills Framework and TPR's Code of Practice 14
- Consists of 10-15 minute presentations with supplementary learning materials
- Work at your own pace

For funds

- Cost effective training for new and existing members
- Regular feedback on the progress of members to demonstrate compliance

Coming Soon

Hymans Robertson LLP is authorised and regulated by the Financial Conduct Authority

Next Steps

Based on the results we would suggest that there should be consideration to the following next steps:

- This report should be **reviewed** by the funds officers and results shared with the Committee and Board
- Set up a **structured training plan** for the next 18 months covering the main areas highlighted in this report
- Plan for the **delivery** of training over a 6-month period while meeting restrictions might continue to be in place
- Consider the most **pressing** training requirements in the coming months, to ensure members have the required knowledge such as the effect of COVID-19 on assets and liabilities and how this might develop over time
- **Assess** the tools available to the Fund to assist with training.
- Consider ways of **maintaining** and **increasing** the engagement of both the Board and Committee. This could include providing them with more information, training materials, briefing notes etc.
- Ensure that the Fund's training strategy is up to date and **appropriate** for purpose
- Look to conduct a **case study workshop** with your Committee and Board. This will gain officers a further insight into the **practical application** of both groups knowledge and understanding. This could be presenting various scenarios e.g. how the administration teams will deal with the McCloud judgement and allowing group discussion on how the Committee and Board would deal with selected case studies in their role as decision makers and oversight bodies. Hymans Robertson can facilitate a case study workshop for your Committee and Pension Board, as well as preparing an observation report for the Fund.

Hymans Support

We are happy to run training sessions, and/or provide training materials covering any of the topics covered in this report. The value of a face-to-face session for this type of training lies in members being able to ask relevant questions and interrogate the trainer on the specific areas they want to develop knowledge in. We understand that at present this will exclude physical attendance, but we are happy to set up video conference calls to assist with the ongoing training of both groups now. We will very soon be releasing our Hymans LGPS online training support that will give a comprehensive but bitesize training course.

We will be producing an NKA report discussing and analysing the results at the national level. A copy of this will be made available to the Fund when that report is complete.



If you wish to discuss the contents of this report further, please get in touch with either myself, Alan or Robbie.

Prepared by Hymans Robertson LLP.



Andrew McKerns

LGPS Governance, Administration and Projects (GAP) Consultant



Alan Johnson

LGPS Governance, Administration and Projects (GAP) Consultant



Reliances and Limitations

This report has been prepared for the Oxfordshire Pension Fund.

This report must not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety.

Hymans Robertson LLP do not accept any liability to any party unless we have expressly accepted such liability in writing.

This report has been prepared by Hymans Robertson LLP, based upon its understanding of legislation and events as at June 2020.



| |
|------------------|
| Division(s): N/A |
|------------------|

PENSION FUND COMMITTEE – 11 SEPTEMBER 2020

RISK REGISTER

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to note the changes to the risk register and offer any further comments.

Introduction

1. At their meeting on 11 March 2016, the Committee agreed that the risk register should form a standard item for each quarterly meeting. A copy of the report also goes to each meeting of the Pension Board for their review. Any comments from the Pension Board are included in their report to this meeting.
2. The risk register presented to the March 2016 Committee meeting was the first produced in the new format, which introduced the concept of a target level of risk and the need to identify mitigation action plans to address those risks that were currently not at their target score. This report sets out any progress on the mitigation actions agreed for those risks not yet at target, and identifies any changes to the risks which have arisen since the register was last reviewed.
3. A number of the mitigation plans are directly linked to the key service priorities identified in the Annual Business Plan. This report should therefore be considered in conjunction with the business plan report elsewhere on this agenda.

Comments from the Pension Board

4. As the risk register was not updated and presented to the virtual meeting of the Committee in June, it was not included on the Board's agenda when they met on 17 July 2020. There are therefore no new comments from the Board. The Board did though agree that the Risk Register will be presented to every future meeting of the Board, irrespective on whether it has been updated in the meantime, so the Board can comment on any changes in risk levels as they perceive them.

Latest Position on Existing Risks/New Risks

5. Since the risk register was last updated in March, there have been a number of significant events, including the Covid-19 pandemic, the publication of the consultation on changes to the LGPS Regulations as a consequence of the McCloud case, and the revision of the Committee's Investment Strategy

Statement including the new Climate Change Policy. The risk register has been updated in light of these events. One risk has been lowered, and two increased. There are now 4 risks which require regular review.

6. The risk where the overall rating has been lowered is risk 2 on the register, the risk that there will be insufficient liquid resources to pay pensions as they fall due. This risk was taken into account when agreeing the new asset allocation in March, when specifically, the Independent Financial Adviser reduced the allocations proposed to the private markets by the independent consultants due to concerns around liquidity. This risk is now at target.
7. Risk 5, which is the risk that actual financial results will differ significantly to those assumed in the actuarial valuation has not been amended as part of this quarters review. Whilst the investment markets saw a significant fall at the outbreak of the Covid-19 pandemic, the results were within the scenarios included by Hymans Robertson within their modelling. It is also the case that many of the markets have now recovered much of the initial short-term losses. At this stage therefore there is no reason to increase the risk that actual long term performance will be outside the parameters assumed by the Actuary.
8. We have again retained the assessment on Risk 6 as Amber reflecting the increased attention to ESG issues including Climate Change both locally and nationally. Whilst the risk has been part mitigated by adoption of the Climate Change it is clear more work needs to be undertaken on developing the framework for monitoring compliance with the strategy, and for agreeing metrics and targets before the risk can be fully mitigated.
9. The potential impact of risk 8, the risk of employer default has been increased from moderate to major, and the rating amended to Amber to reflect the financial pressure on scheme employers as a result of the Covid-19 pandemic. The main concern is around the HE/FE sector due to the potential losses of income from student fees and accommodation charges, their weaker financial covenant when compared to the tax raising bodies, and the relative size of their past service deficits. The risk of default has not been amended from possible, but impact increased to reflect the loss to the Fund if one of the major scheme employers was to default. The risk will be mitigated through ongoing discussions with the major scheme employers, especially as student numbers for the 2020/21 become clearer, with further actions including seeking a legal charge against assets explored as appropriate.
10. At this stage we have not amended the risk scores for Risk 19 which including the option for the HE/FE sector to withdraw from the LGPS if the Government determine to implement proposals included in their consultation exercise last year, but the likelihood of this risk will need to kept under regular review as the Government's intentions become clearer, and the financial impact of the pandemic on the HE/FE bodies becomes clearer.
11. The other risk where we have increased the risk rating to Amber and increased the likelihood from unlikely to possible is the risk 13 around intervention from the Pension Regulator in respect of the skills and knowledge of the Committee.

The increased risk reflects the relative scores measured by the recent National Knowledge Assessment where the Committee was ranked 18th out of the 18 Funds who completed the assessment. The report elsewhere on this agenda proposes actions to mitigate this risk including an early independent review of our governance arrangements and a specific training programme based around the areas of weakness within the Assessment scores, and other areas highlighted by individual members within their responses.

12. One fourth risk scored Amber is the new risk 20 from the March register which covers the implications of the proposed new Regulations seeking to remedy the Court decisions in the age discrimination cases brought by McCloud and Sargeant. We now know that the proposals involve bringing a wider group of scheme members within the current protection arrangements, initially only offered to those with 10 years of retirement.
13. The proposed changes will involve the Administering Authority having to complete 2 calculations for each scheme member to determine whether they are better off under the new 2014 CARE arrangements, or the previous final salary arrangements. The additional calculation to determine a member's pension entitlement under the previous final salary arrangements will require data not routinely maintained on the pension's software since the scheme changes in 2014. Whilst Oxfordshire has continued to collect this data from scheme employers since 2014, it has not been fully validated or loaded to the pension record. The data has not been provided where members have transferred into the Oxfordshire Fund since 2014.
14. There is therefore a significant risk that for certain scheme members, the Fund will not hold the data required to carry out the final salary pension entitlement, and/or will not be able to obtain/validate it from the scheme employer who could be outside the Oxfordshire Fund, have ceased to exist, no longer be a member of the Oxfordshire Fund, or changed their payroll provider since 2014. It is also likely that in some cases the information will need to be obtained/validated from multiple employers. There is a significant risk therefore that the required calculations will not be possible in all cases.
15. The second element of this risk relates to the increased administrative effort required from both the scheme employers and the Administering Authority in order to meet the increased requirements. Even where it maybe possible to obtain the necessary data, there maybe insufficient resources to complete the task. As this is a task that will impact across the whole of the LGPS, it is unlikely that there will be sufficient agency resource to fill all the gaps.
16. We are current working with the Fund Actuary to identify the members who will be in scope for the extended protection, and to set up a project to load and validate the data we have already received, and to work with scheme employers and other Funds to collect the outstanding data. The Project Team will also review the resources necessary to undertake the work required and will determine whether to seek to make temporary appointments to the internal teams, or seek to outsource the additional work to a 3rd party.

17. Another key aspect of the project will be to work with the Scheme Advisory Board on producing clear guidelines on how to calculate benefits in those cases where it is not possible to collect historic data to mitigate the risk of future claims against the Fund.

LORNA BAXTER

Director of Finance

Contact Officer: Sean Collins

Tel: 07554 103465

August 2020

Risk Register

Identification of Risks:

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

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

Key to Scoring

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

Likelihood

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

RAG Status/Direction of Travel

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

PF10

| Ref | Risk | Risk Category | Cause | Impact | Risk Owner | Controls in Place to Mitigate Risk | Current Risk Rating | | | RAG Status and Direction of Travel | Further Actions Required | Date for completion of Action | Target Risk Rating | | | Date of Review | Comment |
|-----|--|---------------|--|--|-------------------|--|---------------------|------------|-------|------------------------------------|--|-------------------------------|--------------------|------------|-------|----------------|--|
| | | | | | | | Impact | Likelihood | Score | | | | Impact | Likelihood | Score | | |
| 1 | Investment Strategy not aligned with Pension Liability Profile | 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 | 1 | 4 | ↔ | | | 4 | 1 | 4 | Aug 2020 | At Target |
| 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 | 1 | 4 | ↓ | | | 4 | 1 | 4 | Aug 2020 | At Target |
| 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 | 1 | 3 | ↔ | | | 3 | 1 | 3 | Aug 2020 | At Target |
| 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 | Aug 2020 | 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 | Aug 2020 | 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. | March 2021 | 4 | 1 | 4 | Aug 2020 | Climate Change Policy presented to March 2020 Committee – more work to be undertaken to develop framework and metrics to monitor compliance. |

PF10

| Ref | Risk | Risk Category | Cause | Impact | Risk Owner | Controls in Place to Mitigate Risk | Current Risk Rating | | | RAG Status and Direction of Travel | Further Actions Required | Date for completion of Action | Target Risk Rating | | | Date of Review | Comment |
|-----|---|----------------------------|---|---|--------------------------|---|---------------------|------------|-------|------------------------------------|---|-------------------------------|--------------------|------------|-------|----------------|--|
| | | | | | | | Impact | Likelihood | Score | | | | Impact | Likelihood | Score | | |
| 7 | Loss of Funds through fraud or misappropriation. | 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 | Aug 2020 | At Target |
| 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 under-writing deficit, or bond put in place. | 4 | 2 | 8 | ↑ | Review impact of Covid-19 on major employers, particularly HE/FE sector | | 3 | 2 | 6 | Aug 2020 | Impact score raised as risk of default to be reviewed in respect of some of the major employers. |
| 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 | 3 | 1 | 3 | ↔ | | | 3 | 1 | 3 | Aug 2020 | At Target |
| 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 | ↔ | | | 3 | 1 | 3 | Aug 2020 | 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 | 1 | 4 | ↔ | | | 4 | 1 | 4 | Aug 2020 | At Target |
| 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 | 1 | 4 | ↔ | | | 4 | 1 | 4 | Aug 2020 | At Target |
| 13 | Insufficient Skills and Knowledge on Committee – LGPS and FSPS | Governance | Poor Training Programme | Breach of Regulation | Service Manager | Training Review | 4 | 2 | 8 | ↑ | Review of current governance arrangements to be proposed, plus development of training plan following NKA results | | 4 | 1 | 4 | Aug 2020 | Risk likelihood increased in light of recent NKA scores, where Committee ranked 18/18 Funds completing assessment. |
| 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 | Aug 2020 | 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 | Aug 2020 | At Target |

PF10

| Ref | Risk | Risk Category | Cause | Impact | Risk Owner | Controls in Place to Mitigate Risk | Current Risk Rating | | | RAG Status and Direction of Travel | Further Actions Required | Date for completion of Action | Target Risk Rating | | | Date of Review | Comment |
|-----|---|----------------|---|--|--------------------------|---|---------------------|------------|-------|------------------------------------|--|-------------------------------|--------------------|------------|-------|----------------|--|
| | | | | | | | Impact | Likelihood | Score | | | | Impact | Likelihood | Score | | |
| 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 | Aug 2020 | 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 | Aug 2020 | 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 | Aug 2020 | 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 | ↔ | Need to Review in light of current Government consultation to switch HE and FE employers to Designating Bodies. | | 4 | 1 | 4 | Aug 2020 | At Target |
| 20 | Insufficient Resource and/or Data to comply with consequences of McCloud Judgement | Administrative | Significant requirement to retrospectively re-calculate member benefits | Breach of Regulation and Errors in Payments | Pension Services Manager | Engagement through SAB/LGA to understand potential implications and regular communications with scheme employers about potential retrospective data requirements. | 4 | 3 | 12 | ↔ | Establish project plan. Respond to consultation, and work with SAB to seek guidance on mitigating key risks where data not available. Look to bring in additional resources. | On-Going | 2 | 2 | 4 | Aug 2020 | New Regulations now subject to consultation, so greater understanding of scale of work involved. |

| |
|------------------|
| Division(s): N/A |
|------------------|

PENSION FUND COMMITTEE – 11 SEPTEMBER 2020

ADMINISTRATION REPORT

Report by the Director of Finance

RECOMMENDATIONS

The Committee is RECOMMENDED to:

- (a) note this report;**
- (b) agree to delegate the preparation of a response on the consultation of changes to the Fire Service Pension Scheme to the Director of Finance following consultation with the Fire Service Pension Board, and**
- (c) agree the response to the consultation on the extension of the Statutory Underpin in the LPGP as set out in Annex 2, amended as appropriate.**

Introduction

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

Staffing

- 2. At present the team is carrying vacancies for 2 senior administrators; 4.50 administrators and 2 administrative assistants. An additional senior administrator vacancy has been created by the secondment of a member of staff who will be covering the current team leader's maternity leave which starts at the beginning of October.
- 3. The senior administrator vacancies were not filled internally so these jobs will need to be advertised externally. The administrator posts have been advertised externally with over 200 responses received. Following an arduous selection process 4 candidates have been appointed and will be joining the team shortly.
- 4. Both administrative assistant roles are out to advert, and it is hoped that appointments will follow shortly. The advertisement was closed early following receipt of over 50 applications.
- 5. With such a high level of new recruits' team leaders are now setting out a training plan for our new entrants whilst maintaining the through put of work for the overall team.

6. The employer team will, now that end of year is completed, be moving to their new operating structure so that team members will deal with a specific group of scheme employers for all contact with the Fund.

Data

7. Scheme employers are required to submit both data and contribution payments by 19th of month following payroll. Data returns are currently being made either via MARS or i-connect. Late MARS returns have been recorded for six scheme employers in April and May; 3 scheme employers in June and 2 scheme employers in July. All returns were chased and subsequently received, so no fines have been issued.
8. The data for the i-connect returns is not so clear cut given that employers are moving across to the new system and where payroll changes are taking place returns have been delayed, at our request, whilst member records are moved and data is locked down so that it cannot be overwritten. Where necessary chases for data returns have been made. A new system report will enable better monitoring of the incoming returns.
9. As identified by the Pension Board's review of the Pension Regulator's Code of Practice 14, the performance reporting should include a regular review of the receipt of pension contributions from scheme employers and members. This report has been developed and will be provided as an addendum to this report.
10. The address tracing exercise is now underway. A system report is due to be run shortly for review following end of year process, so that overall data quality scores can be checked ahead of the annual submission to The Pension Regulator.

Workloads and Performance

11. The statistics are attached at annex 1. There are 4 subjects which failed to meet the SLA standard during the latest quarter – retirements; IFA out; Transfers out and HR estimates.
12. Retirements - one case required 2 recalculations so took longer to complete process; a couple of cases were stuck in checking for a number of days. This issue has been raised with senior administrators to ensure regular review. Other cases were out of specification by one day due to pressure of work.
13. Transfer outs / Interfunds / HR Estimates – the majority of these cases are sat with one administrator and this performance issue is being addressed as part of their monthly reviews
14. Further workload monitoring and reporting to enhance the analysis of pending cases on system is underway and this information will be included from next quarter.

Complaints

15. In 2020 two complaints have been recorded. One of these is a case from 2019 which has been re-opened by the Pension Ombudsman:

| Year | Number of Complaints | Percentage of Active Membership |
|------|----------------------|---------------------------------|
| 2019 | 06 | 0.03% |
| 2018 | 21 | 0.10% |
| 2017 | 28 | 0.14% |

Projects

16. MSS / Benefit Projections - Members can now use MSS to run benefit projections online. Some issues with the calculation have been identified in non-standard cases which need to be resolved. We are monitoring the take up of this enhancement and the impact of workloads within the Team itself..
17. Administration to Pay - this project was due to be completed in December 2018 and has been subject to continual delays. Initial testing raised a number of queries which had to be referred back to our software supplier, the solution, re-testing and further referrals have gone around several cycles which are now coming to conclusion.
18. The second element to be resolved is that of coding for the costing files produced. Work is in progress to determine which codes need to be overwritten. A revised implementation date of July 2020 was agreed but has again not been met. This will be discussed at next meeting, in early September, to review and resolve.
19. Frozen Refunds - historically, there has been a large number of these records held on our system. These arise from members with a short period of employment which doesn't meet the vesting period and so they have no entitlement to a benefit, only a refund of contributions. Many of these are short term, casual employees who live overseas. Therefore, tracing them and getting a response to correspondence is an ongoing challenge.
20. Regulations changed in 2014 requiring the Fund to make payment of any refund within 5 years of date of leaving. This is the first element of the project which can now be considered business as usual as we are now up to date in making those refunds since 2014.
21. The second element is checking where we hold a frozen refund that the member has become re-employed in LGPS and once identified would become a transfer out to the new scheme employer.
22. GMP Reconciliation - please see separate report on this agenda
23. Address Tracing – being carried out as part of our data quality monitoring. This is being carried out by Target - data has been uploaded and initial tracing letters are now being sent.

24. I-connect - 153 Employers currently LIVE - 30 employers left detailed below. (numbers may vary as employers have started and left)

25. The i-connect project finish date has been delayed due to

- End of year additional resource required.
- New employers
- Issues with larger employers and i-connect over writing information if not closed down correctly
- Issue with address data on file – OCC has the main problem.
- Additional work caused by TUPE; Payroll moves (examples below)

| | | | | | | |
|-------|-------------|---------------------------------|-----|-----------------------|------------|------------------------------|
| 00133 | TUPE | Northern House | 28 | i-connect - i-connect | 01/02/2020 | moving to Gallery trust |
| 00001 | TUPE | OCC - Orion | | MARS - i-connect | 01/02/2020 | TUPE in to Gallery Trust |
| 00001 | TUPE | OCC - Christopher Rawlings | | MARS - i-connect | 01/02/2020 | TUPE into ODST |
| 00001 | TUPE | OCC - Finmere | | MARS - MARS | 01/03/2020 | TUPE into Warriner MAT |
| 00001 | TUPE | OCC - Botley | | MARS - MARS | 01/03/2020 | TUPE in to ACER Trust (FS4S) |
| 00332 | NEW | Leafield Parish Council | 1 | | 01/04/2020 | Wef 01/04/2020 |
| 00150 | PAYROLL CHG | Gallery trust | 124 | i-connect - i-connect | 01/02/2020 | Moving Payroll to Dataplan |
| 00129 | PAYROLL CHG | Ridgeway Education Trust | 158 | | 01/04/2020 | Moving payroll to EPM |
| 00124 | PAYROLL CHG | Faringdon Academy | 245 | | 01/04/2020 | Moving payroll WEF Orovia |
| 00134 | PAYROLL CHG | Thame Partnership Academy Trust | 236 | | 01/04/2020 | Moving payroll WEF Orovia |
| 00180 | PAYROLL CHG | Pope Francis | 133 | | 01/04/2020 | Moving payroll to EPM |
| 00001 | TUPE | OCC- Mabel Pritchard | | MARS - i-connect | 01/06/2020 | TUPE into Gallery Trust |
| 00001 | TUPE | OCC. Spingfield | | MARS - i-connect | 01/04/2020 | TUPE into Gallery Trust |
| 00001 | TUPE | OCC- St Johns | | i-connect - i-connect | delayed | TUPE to Pope francis |
| 00099 | TUPE | Oxford Academy | | | 01/05/2020 | TUPE to RLT |
| 00086 | Movement | Charter and Banbury | | | 01/04/2020 | move together |
| 00153 | TUPE | St Joesph | | | 01/04/2020 | TUPE to Pope francis |
| 00185 | Rebrokering | Radcliffe Academy | | | TBC | Moving to CSAT |
| 00160 | Rebrokering | Tyndale Community School | | | TBC | Moving to ODST |

26. There are a few employers with on-going issues:

| | | | |
|-------|--|---|----------------|
| 00324 | Ecoclean Services Limited | 6 | current issues |
| 00262 | APCOA PARKING | 1 | current issues |
| 00273 | REGENCY CLEANING - CALDECOTT ABINGDON | 1 | current issues |
| 00297 | Regency Cleaning Services - Meadowbrook Coll | 2 | current issues |

27. EcoCleen – linked to Rapid Clean – currently looking to resolve issues with the contributions being taken – ready to go live once sorted. Employer has been trained

28. APCOA Parking – issue with getting employer onboard, telephones seemed to be disconnected during furlough. Contact has now been made and now on track for September LIVE date.

29. The last employers are, in the majority, ready to go and have been tested, the reason for delaying the LIVE date has been due to the above workload and managing the resources to cover the incoming data.

30. The following employers will be live by end of September 2020

| | | |
|-------------------------|-----|----------------|
| MILL ACADEMY | 97 | September LIVE |
| BERNWODE SCHOOLS TRUST | 114 | September LIVE |
| Chartwells - GLF Aureus | 4 | September LIVE |

31. October 2020 - these employers are scheduled for October, but aim is to clear a large number in September, once end of year work is finished.

| | | | |
|-------|---------------------------------------|-----|--------------|
| 00157 | WILLOWCROFT PRIMARY SCHOOL | 57 | October LIVE |
| 00189 | UBICO | 14 | October LIVE |
| 00003 | SOUTH OXFORDSHIRE DISTRICT COUNCIL | 268 | October LIVE |
| 00005 | VALE OF WHITE HORSE D C | 141 | October LIVE |
| 00040 | THE HENLEY COLLEGE | 90 | October LIVE |
| 00071 | ABINGDON AND WITNEY COLLEGE | 294 | October LIVE |
| 00076 | ORDERS OF ST JOHN | 44 | October LIVE |
| 00099 | OXFORD ACADEMY | 59 | October LIVE |
| 00127 | BURFORD ACADEMY SCHOOL | 96 | October LIVE |
| 00211 | WEST OXFORD SCHOOL TRUST (MATTHEW ARN | 209 | October LIVE |
| 00239 | GLF - William Morris School | 115 | October LIVE |
| 00317 | Camden 1 | 9 | October LIVE |
| 00318 | Camden 2 | 6 | October LIVE |
| 00319 | Camden 3 | 0 | October LIVE |
| 00320 | Camden 4 | 1 | October LIVE |
| 00084 | ACTIVATE LEARNING | 681 | October LIVE |

32. The batch of employers scheduled to go Live in November 2020 are:

| | | | |
|-------|-----------------------------------|-----|---------------|
| 00280 | Maiden Erlegh Trust | 23 | November LIVE |
| 00256 | Barnardo's | 3 | November LIVE |
| 00002 | WEST OXFORDSHIRE DISTRICT COUNCIL | 5 | November LIVE |
| 00146 | COMMUNITY ALLIANCE | 138 | November LIVE |
| 00260 | Publica | 150 | November LIVE |

33. Oxfordshire County Council and Oxford Brookes University - We are still working with our two largest employers Oxfordshire County Council and Oxford Brookes. The Go live date for these is potentially going to be moved to April 2021.
34. This is to do with the amount of work in amending file not to set up duplicate records, locking down existing CARE and contribution figures for re-employments, post changes and TUPE's, to ensure data does not get overwritten. A final decision will be made in November 2020 when we have assessed the amount of work that will be needed. Testing is still ongoing. Slowed down since March due to end of year work.
35. National Fraud Initiative (NFI) – there are still a couple of outstanding cases – chasing for updates on these.
36. McCloud / Sergeant – This will be a major project with significant resource implications. We are currently working with our Actuary to establish the numbers impacted by the proposed changes and will then set up a project team to draw up a full project plan. (see section on Government Announcements below for further information)
37. Accessibility – The project is underway to review and update the web pages. The aims of this project is to make the website accessible in line with the Web Content Accessibility Guidelines (WCAG) which come into force on 23 September 2020. WCAG is a recognised set of recommendations for improving web accessibility for users with impairment to vision, hearing, mobility

and / or thinking and understanding. As well as meeting these guidelines, a secondary aim of the project is to make the website easier to navigate around and more user focussed.

38. Our website hosted by Oxfordshire County Council is accessible and meets the WCAG deadline for people who access technology in alternative ways, for example screen readers, magnifiers or through voice commands. We are looking to move as much content out of PDF format as possible, although some PDF content is allowed under the guidelines within certain parameters.
39. There is still some work to do in terms of “readability”. Our Communications Officer is working with colleagues in the Web team to simplify and streamline the content and make it more understandable and we plan to roll out the new Member pages before the September deadline. The Employer pages will follow soon after but will not be complete by 23 September 2020.
40. Although we are disappointed that we will not have the whole project complete by the WCAG deadline, unfortunately the pace of this work is largely reliant on the availability of the OCC Web team, as we do not have the expertise in house to make the changes required.
41. Our member self service module My Oxfordshire Pension, hosted by Heywood, has been declared accessible by Heywood in its “out of the box” form. Any changes made locally may not meet the guidelines and may fail accessibility tests. We have been advised that the main issue with our self-service module is that there is insufficient colour contrast and that this is easy to fix, but again we need the expertise of a web professional to make this change. This will be changed in time to meet the WCAG deadline.
42. Additional Voluntary Contributions (AVC) – project to compare our records with those of Prudential

Member Self Service

43. Sign up for this service currently stands at 42.16% (+2.27%) of active members; 28.89% (+1.93%) of deferred members and 39.77% (+2.78%) % of pensioner members. The number of members actively choosing to opt out of member self-service are: active 1.33% (+.05%); deferred 2.71% (-0.02%) and pensioners 35.98% (-.034%). From February 2020 members are able to run online calculations (estimates) of their benefits which, it is hoped, will increase the take up of this service.
44. Since the introduction of MSS this has been promoted as our main method of communication with scheme members and there have been annual exercises to encourage further take up. Therefore, it is hugely disappointing that having sent out emails to say that annual benefit statements are now available to view that the system has crashed several times during the week of writing this report. This has not just affected the Oxfordshire Fund but other Funds across the country. This matter is being raised with our software suppliers and an update will be provided at the committee meeting.

Employers

45. Edwards & Ward – an employer who had been previously highlighted to this committee as a scheme employer with multiple issues around data submission for various contracts has worked with the team to resolve all outstanding issues including that of underpaid contributions.
46. Generally, since the start of lockdown there has been a decrease in the number of outsourcings and academy conversions although there are indications that this might change in the next month or so.
47. At the start of lockdown there was discussion with some employers about how to treat furlough pay and from that some concerns were raised about continued membership of the LGPS which have, generally, faded away. There is one scheme employer where these conversations have continued, and they have been referred back to the letting authority. Monitoring of employers continues.

End of Year and Production of Annual Benefit Statements (ABS)

48. At the time of writing this report 19,142 ABS have been issued for members of 160 scheme employers. This represents 93% of active membership. It is still hoped to run the majority of the outstanding statements by the end of the month in accordance with the requirements under the Regulations.
49. So far, one employer has been identified as needing a post ABS review to discuss how their data quality and data submissions can be improved. A full review of the end of year will be carried out to learn any lessons which can improve the process further for future years.
50. A verbal update on the final numbers issued by the statutory deadline will be given at the committee meeting.

Write Off

51. Since the last report in March write offs of £62.59 have been agreed in 15 cases where pensioner has died.

Government Announcements

52. There have been four key announcements by the Government since the last meeting of the Committee in June. The first of these was a three part announcement on 16 July 2020 regarding the Government's response to the McCloud and Sergeant Court cases, where the Courts ruled against the Government, and declared the transition arrangements established under the major changes to the schemes following the Hutton review breached the age discrimination legislation.
53. In the first part of the announcement, the Treasury set out its proposed response in respect of the public sector schemes excluding the LGPS where

changes had come into effect from 1 April 2015. For this Committee this first announcement is relevant to the Fire Service Pension schemes. The transition arrangements for firefighters were very different from the changes under the LGPS in that those protected scheme members remained in the old scheme, whilst everyone else was moved to the new scheme (some on a phased basis). The proposed remedy is based on providing members with choice between which scheme they want to belong to, with a key consultation question in respect of when members make that choice – either immediately or at the time of retirement.

54. Given the complexity of this consultation document (and the fact that the lead officer within the Pensions Service Team for the Fire schemes also plays a critical role in producing the Annual Benefit Statements for all Fire and LGPS staff), it has not been possible to produce a draft response in time for this Committee. It is proposed to draft a response in conjunction with the Fire Service Pension Board for submission to the Government before the consultation closes on 11 October 2020.
55. The second part of the announcement on 16 July came from the Ministry for Housing, Communities and Local Government and proposed the changes to the LGPS Regulations to remedy the age discrimination identified in the McCloud/Sergeant cases. In short, the proposal is to define all scheme members who were active members in the 2008 Scheme on 31 March 2012, and who have membership in the 2014 scheme without a disqualifying break in service as eligible for underpin protection. This includes all Members who have left the LGPS in the intervening period since 1 April 2014 who meet the criteria.
56. The statutory underpin will apply for all membership for eligible members for the period 1 April 2014 to 31 March 2022 (the date applicable for the initial underpin, as those who qualified had to be within 10 years of their normal retirement date). The membership must be within a single membership record, so any member who has had a break or move between Funds must elect to aggregate previous membership with their current record. The Government is proposing to give those who previously chose not to elect to aggregate a further 12-month window in which they can make an election. Where members are eligible for the statutory underpin, they will receive the higher of the pension calculated under the 2008 and 2014 Regulations for their qualifying membership.
57. The proposals will have a significant impact on staff within Pension Services, and within payroll teams within Scheme Employers. There will be major challenges in ensuring we can retrospectively obtain all the data required to carry out the calculations of the pension benefits under the 2008 Regulations for the period back to 1 April 2014. Whilst we have asked scheme employers to provide this data since 2014, it has not been loaded to the pensions system nor validated, so we may now find data missing or inaccurate. It is also the case that we will not have received the relevant data in from other Funds where a member has transferred to the Oxfordshire Fund since 1 April 2014.

58. These points and others (particularly in respect of the potential issues associated with the annual allowance charge have been included in the draft consultation response included at Annex 2 to this report. Members are asked to provide any comments and to approve the draft (as amended) for submission to the Government by the deadline of 8 October 2020.
59. At this stage it is not possible to calculate the cost of the proposals as final costs will depend on the future service records of all eligible members and the pay awards they receive before their normal retirement date. For older members and those who leave the LGPS in the near future, it is unlikely the cost will be significant as the 2014 Scheme on which current Valuations are based is likely to provide the higher pension based on a higher accrual rate (1/49th of pensionable pay per annum rather than 1/60th) and pay increases lower than CPI, the factor used to annual revalue the CARE pension. For young scheme members, there is the potential for them to see significant increases in pay over the remaining period of their membership, either through promotion or pay increases, which would lead to higher costs where their pension benefits are higher under the 2008 scheme. In the third part of the announcement though, the Government confirmed that they have un-paused the cost control mechanism, so that we may well see further retrospective proposals for changes in the scheme to increase the costs of the public sector schemes back to the minimum thresholds set under the cost control mechanisms.
60. On 20th July the Treasury made a statement in respect of the Goodwin court case, where a member of the Teacher's Pension Scheme brought a case of sex discrimination related to the difference paid to male and female survivors of the death of a female partner. The Government has confirmed their intention to remedy the discrimination and to ensure similar remedies are applied across all public sector schemes. The details of this and the potential costs are not yet known.
61. On 21 July 2020, the Government published their response to the consultation on introducing an exit payment cap of £95,000 on people leaving the public sector. Despite concerns expressed in the consultation responses, the Government have opted to press ahead with their proposals and have published the draft Regulations. These Regulations now require approval in both Houses and will come effective 21 days on receipt of this approval. It is understood the Government is seeking to complete the process before the end of 2020.
62. The draft Regulations confirm that the early retirement costs met by employers will be included in the costs which are capped. This will have implications for high paid and long serving staff, especially those made redundant soon after their 55th Birthday, where the current LGPS Regulations require them to take an unreduced pension. It is hoped that MHCLG will publish changes to the LGPS Regulations to be enacted alongside the introduction of the Exit Payment Cap to deal with this issue and other concerns, likely to be through giving those made redundant the option of deferring their pension, rather than being forced to take a reduction on their pension.

63. Timing of the changes will be critical to the level of additional work on staff within Pension Services, as well as to employers looking to plan financial savings in light of the budget pressures arising from the current pandemic. Of particular concern will be redundancies agreed before the changes are made, but not actioned until after the Regulations become enacted. Any calls for voluntary redundancies will also need to be clear of the potential impact on pension benefits if the new Regulations are enacted before the redundancy.
64. Finally, on 26 August 2020, the Government published their response to last year's consultation on increasing flexibilities in respect of employer contributions. The Government response stated strong support for their key proposals, with a subsequent request to fast track their implementation to support dealing with the financial circumstances associated with the Covid-19 pandemic.
65. The Government have therefore agreed to take forward the following proposals and have published the draft Regulations under which they will be enacted:
 - a. Increase the flexibility for the Administering Authority to request the Actuary to calculate a new employer contribution rate for one of more scheme employers between formal Valuations where there has been a significant change in financial circumstances. The flexibility also applies to the scheme employer, who can also ask for the calculation of a new rate. Further details must be included in the Fund's Funding Strategy Statement
 - b. Provide a formal power to the Administering Authority to spread an exit payment over an agreed timescale. Many Funds have achieved this through side agreements, so the intention here is to introduce greater transparency and consistency, with the detail again to be set out in the Funding Strategy Statement.
 - c. Provide the power for the Administering Authority to allow an employer ceasing to retain any active members to continue to pay secondary contributions to offset any past service deficit, rather than be required to meet a single cessation valuation. Again this is something the Funds including Oxfordshire have previously achieved through side agreements, but the changes including the requirement to set out policy within the Funding Strategy Statement, will improve the transparency and consistency of the arrangements.

Fire Pension Administration Report

Workloads and Staffing

66. To be provided as an addendum to this report.
67. Fire Pension Board was held on 17 June, minutes can be accessed via this link -
<https://intranet.oxfordshire.gov.uk/cms/content/pensions-1>

LORNA BAXTER

Director of Finance

Background papers: None

Contact Officer: Sally Fox - Tel: 01865 323854

August 2020

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| Benefit Administration | | | | | | | | | | | | | | | |
|---------------------------|--|-----------------|---------------------|------------------------|----------------------------|------------------------------|------------------------|----------------------------|------------------------------|------------------------|----------------------------|------------------------------|------------------------|----------------------------|------------------------------|
| Subject | Legal Deadline | SLA Deadline | Standard SLA Target | Apr-20 | | | May-20 | | | Jun-20 | | | Jul-20 | | |
| | | | | Total Number Completed | % Achieved in SLA deadline | % Achieved in Legal deadline | Total Number Completed | % Achieved in SLA deadline | % Achieved in Legal deadline | Total Number Completed | % Achieved in SLA deadline | % Achieved in Legal deadline | Total Number Completed | % Achieved in SLA deadline | % Achieved in Legal deadline |
| APC | | | 90% | 3 | 100.00% | | 0 | 100.00% | | 0 | 100.00% | | 2 | 100.00% | |
| Deaths | Notify dependants of death benefits within 2 months from date of becoming aware of death | 10 working days | 95% | 61 | 98.36% | TBC | 84 | 98.81% | TBC | 90 | 97.78% | TBC | 62 | 95.16% | TBC |
| Retirements | Notify amount of retirement benefits; within 1 months if on or after NPA; or 2 months from date of retirement if before NPA. Retirement Quote no more than 2 months from date of request unless already abother request has been made within 12 months | 10 working days | 95% | 82 | 96.34% | 100.00% | 76 | 94.74% | 100.00% | 97 | 98.97% | 100.00% | 102 | 94.12% | 100.00% |
| Divorce | Provide a quotation 3 months from date of request | 10 working days | 95% | 13 | 100.00% | | 12 | 100.00% | | 8 | 100.00% | | 17 | 100.00% | |
| Interfund In | N/A | 10 working days | 90% | 63 | 98.41% | | 42 | 100.00% | | 60 | 98.33% | | 46 | 100.00% | |
| Transfer In | Obtain transfer information and provide a quotation within 2 months from date of request | 10 working days | 90% | 19 | 100.00% | 100.00% | 14 | 92.86% | 100.00% | 30 | 100.00% | 100.00% | 29 | 100.00% | 100.00% |
| Interfund Out | N/A | 10 working days | 95% | 116 | 47.41% | | 77 | 70.13% | | 69 | 62.32% | | 84 | 86.90% | |
| Transfer out | Provide a quotation 3 months from date of request | 10 working days | 95% | 17 | 94.12% | 100.00% | 19 | 94.74% | 100.00% | 33 | 93.94% | 100.00% | 29 | 86.20% | 100.00% |
| Member Estimate | Provide retrieval quote no more than 2 months from date of request unless there has been a request already in last 12 months | 10 working days | 90% | 34 | 97.06% | 100.00% | 29 | 86.21% | 100.00% | 49 | 83.67% | 100.00% | 88 | 92.05% | 100.00% |
| HR Estimate | N/A | 10 working days | 90% | 2 | 100.00% | | 6 | 83.33% | | 16 | 100.00% | | 4 | 75.00% | |
| Refunds | N/A | 10 working days | 95% | 8 | 100.00% | | 19 | 100.00% | | 27 | 100.00% | | 35 | 100.00% | |
| Leavers* | Inform members who left th scheme of their leaver rights and options no more than 2 months from date of notification | 40 working days | 90% | 243 | 99.59% | 99.59% | 164 | 98.78% | 99.59% | 272 | 98.90% | 98.90% | 316 | 98.42% | 98.90% |
| Re-employments** | N/A | 40 working days | 90% | 67 | 100.00% | | 55 | 100.00% | | 59 | 96.61% | | 61 | 98.36% | |
| Assistants*** | N/A | 10 working days | 90% | 249 | 100.00% | | 347 | 96.35% | | 399 | 89.97% | | 302 | 99.67% | |
| Starters (IPPF) | Send notification of joining the LGPS to | 20 working days | 95% | 48 | 100.00% | 100.00% | 53 | 37.74% | 100.00% | 0 | 100.00% | 100.00% | 0 | 100.00% | 100.00% |
| Totals / Average Overall | | | | 1022 | 95.09% | 99.93% | 997 | 94.00% | 99.93% | 1209 | 94.32% | 99.82% | 1175 | 94.71% | 99.82% |

* Frozen, Deferred, Concurrent
** Elect to Separate, Re-emp quote, Re-emp Actual,
*** Address, Name, Nomination, IFA Requests, Transfer pack

| |
|------------------|
| SLA not met |
| Temp SLA met |
| Standard SLA met |

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Local Government Finance Stewardship
Ministry of Housing, Communities and Local Government
2nd Floor, Fry Building
2 Marsham Street
London
SW1P 4DF

**Pension Services
4640 Kingsgate
Cascade Way
Oxford Business Park South
Oxford
OX4 2SU**

Sent by email to LGPensions@communities.gov.uk

**Sean Collins
Services Manager - Pensions**

11 September 2020

Dear Sir/Madam

Local Government Pension Scheme (England and Wales)

Amendments to the statutory underpin

Thank you for the opportunity to comment on the consultation to amend the arrangements for the Statutory Underpin within the LGPS, following the outcome of the McCloud and Sergeant court cases. This response is sent on behalf of the Oxfordshire Pension Fund Committee who agreed the content at their meeting on 11 September 2020.

We have set out our responses to the 29 questions raised in the consultation document below.

Question 1 – Do you agree with our proposal to remove the discrimination found in the McCloud and Sergeant cases by extending the underpin to younger scheme members?

Yes. We believe this is the most appropriate solution in light of the Court decisions.

Question 2 – Do you agree that the underpin period should end in March 2022?

Yes – we agree this is a suitable date to conclude the underpin as this would be the last date the underpin would impact under the current arrangements given the eligibility requirement that Members had to be 10 years or less from retirement age at 1 April 2012. We do not believe the underpin should be extended any further than necessary to meet the requirements of the Court ruling given the additional complexity it adds to the Scheme.

Question 3 – Do you agree that the revised regulations should apply retrospectively to 1st April 2014?

Yes - This would seem to be a requirement as this was the first date the age discrimination could apply.

Question 4 – Do the draft regulations implement the revised underpin which we describe in this paper?

Yes.

Question 5 – Do the draft regulations provide for a framework of protection which would work effectively for members, employers and administrators?

Whilst we believe that the draft regulations are the best solution for meeting the requirements to remedy the age discrimination found within the current Regulations, there will be significant challenge to implement them effectively. There will be a major challenge for Administering Authorities and Scheme Employers to retrospectively update the records for all eligible members to enable the underpin calculations to be completed. This will particularly be the case where the scheme member has moved between employers in the intervening period (especially where the move meant they transferred pension benefits for the relevant period between Funds), or where a scheme employer has had multiple payroll providers during the intervening period.

For the arrangements to work effectively, there needs to be very clear guidance communicated to all Administering Authorities, Scheme Employers and Scheme Members to set out how the underpin calculation should be completed where it has not been possible to retrospectively collect all the scheme data required.

Question 6 – Do you have other comments on technical matters related to the draft regulations?

No

Question 7 – Do you agree that members should not need to have an immediate entitlement to a pension at the date they leave the scheme for underpin protection to apply?

Yes – we believe this is the most equitable solution for those deemed to be eligible members in terms of their membership record. Any other solution risks bringing further discrimination cases, including from those eligible members made redundant before reaching their minimum retirement age.

Question 8 – Are there any other comments regarding the proposed underpin qualifying criteria you would like to make?

No

Question 9 – Do you agree that members should meet the underpin qualifying criteria in a single scheme membership for underpin protection to apply?

Yes – otherwise the proposal introduces a further level of complexity and administrative difficulty, especially where a member has membership records across more than one Fund which may not be brought into payment at the same time.

Question 10 – Do you agree with our proposal that certain active and deferred members should have an additional 12-month period to decide to aggregate previous LGPS benefits as a consequence of the proposed changes?

Yes – we believe it is only equitable to provide such members with a further opportunity to consider aggregation given the potential change in financial consequences of their decision. Administering Authorities should be given discretion within the Regulations to extend the 12

month period to allow for exceptional cases where it was not possible for the scheme member to complete the election within the 12 month period.

Question 11 – Do you consider that the proposals outlined in paragraphs 50 to 52 would have ‘significant adverse effects’ in relation to the pension payable to or in respect of affected members, as described in section 23 of the Public Service Pensions Act 2013?

No

Question 12 – Do you have any comments on the proposed amendments described in paragraphs 56 to 59?

No.

Question 13 – Do you agree with the two-stage underpin process proposed?

We understand the rationale for the two-stage approach and the fact that the underpin calculation will be based on the final salary as at normal retirement age in the 2008 Scheme (with cost of living adjustments as appropriate), even if the member continues in active membership after this date. We are concerned though that this does introduce additional complexity which will make understanding of their pension arrangements more difficult for scheme members.

Question 14 – Do you have any comments regarding the proposed approaches outlined above?

As noted in Q13, this is going to require excellent communications with scheme members, particularly in the case where they seek to transfer their pension benefits after accruing underpin protection. We would encourage the Scheme Advisory Board to produce such appropriate communications to ensure a consistency of approach across all Funds and to assist scheme members in understanding their benefits and the implications where seeking a transfer of their pension benefits.

Question 15 – Do you consider there to be any notable omissions in our proposals on the changes to the underpin?

No.

Question 16 – Do you agree that annual benefit statements should include information about a qualifying member’s underpin protection?

Whilst we think it important that the annual benefit statement should include reference to the underpin protection, we do not believe it is helpful to present annual information on the potential value of the underpin, such that each ABS shows two different values for future pension benefits. We believe this additional complexity will not assist the average member and will simply increase the administrative burden on administering authorities in seeking to respond to member queries. We believe the ABS for an eligible member should include a statement that that underpin protection applies and therefore the value quoted on the ABS is the minimum pension benefit receivable on retirement at the dates quoted.

Question 17 – Do you have any comments regarding how the underpin should be presented on annual benefit statements?

Include in response to Q16 above.

Question 18 – Do you have any comments on the potential issue identified in paragraph 110?

This is an area of significant concern. We agree that it is not appropriate to carry out an annual allowance calculation each year on the basis of the underpin protection, as there is no change to the actual pension benefits until the underpin crystallisation date. Any annual allowance charge made in an intervening year on the basis of the underpin protection applying therefore carries the risk that a member will pay tax on a benefit that will not actually be received.

The proposed approach to assess the annual allowance charge at the point of the underpin crystallisation date though does not appear to be consistent with the approach proposed in the equivalent consultation document from HM Treasury for the remaining public sector schemes. Under paragraphs 2.51 in the main document and B38 of the Annex it is stated that the Government does believe it is fair for an individual to pay a significant annual allowance charge in the year of choice under the deferred choice underpin option, which is directly related to the design of the option itself, and will therefore compensate the individual for the difference in the annual allowance charge between the two options in respect of the remedy years. We do not believe it is equitable for members of the LGPS to be treated any less favourably than members of the other public sector schemes and would expect the Government to put in place equivalent compensation arrangements for LGPS members.

Question 19 – Do the proposals contained in this consultation adequately address the discrimination found in the ‘McCloud’ and ‘Sergeant’ cases?

Yes.

Question 20 – Do you agree with our equalities impact assessment?

The assessments seem reasonable.

Question 21 - Are you aware of additional data sets that would help assess the potential impacts of the proposed changes on the LGPS membership, in particular for the protected characteristics not covered by the GAD analysis (age and sex)?

No.

Question 22 – Are there other comments or observations on equalities impacts you would wish to make?

No.

Question 23 – What principles should be adopted to help members and employers understand the implications of the proposals outlined in this paper?

All communications should make it clear that these changes are a direct consequence of the need to remedy the age discrimination under the existing arrangements, and that they are design to ensure no eligible members are worse off as a result of the changes to the arrangements introduced in 2014. It should be made clear to all eligible members that given the quality of the benefits available under the 2014 Scheme, the underpin protection will not be relevant for the majority of eligible members, but where it is, it will automatically be applied by the Administering Authority and that they are not required to submit a claim.

For scheme employers, it is important to confirm that the provision of the information required to undertake the underpin calculations is a statutory requirement and that they should make all reasonable efforts to provide the data. On the assumption that in the absence of complete data, any guidance issued by the Scheme Advisory Board will err on the side of the scheme member, the communications should ensure that scheme employers understand that there is

likely to be a cost charged through future employer contribution rates where they are unable to provide the requested data.

Question 24 – Do you have any comments to make on the administrative impacts of the proposals outlined in this paper?

There will be significant administrative impacts as a direct consequence of these proposals. The first results from the requirement to retrospectively collect and validate the required data for all eligible scheme members and load this to their pension record. As noted in Q5 above, this is likely to present significant challenges to scheme employers and administering authorities, especially where the scheme member has transferred job in the period since 1 April 2014, or is now employed by a new organisation following an outsourcing or transfer to an academy school and/or where the scheme employer has changed payroll provider.

The second big challenge will be applying the underpin test retrospectively to members who have already retired or left, particularly those who have subsequently died and survivor benefits are now in payment. While administration systems can be adapted to carry out these calculations, there will inevitably be complex cases which will require manual intervention.

The third administrative challenge will be contacting those eligible members who need to be given the further 12-month opportunity to aggregate their current record with a previous membership record.

The scale and complexity of this exercise will also create a significant communications challenge for administering authorities, and scheme employers.

Question 25 – What principles should be adopted in determining how to prioritise cases?

Cases where members have already retired (or died) should be the priority as the underpin could impact on a member's (or survivor's) current retirement income. Thereafter, members closer to their underpin crystallisation date should be prioritised.

Question 26 – Are there material ways in which the proposals could be simplified to ease the impacts on employers, software systems and scheme administrators?

Apart from removing the requirement to calculate the impact of the underpin protection on an annual basis and include two sets of benefit figures on all future annual benefit statements for eligible members there is no obvious way to simplify the proposals whilst addressing the age discrimination issues identified by the Courts. .

Question 27 – What issues should be covered in administrative guidance issued by the Scheme Advisory Board, in particular regarding the potential additional data requirements that would apply to employers?

The key area of guidance to be published by the Scheme Advisory Board should be in respect of the process to be followed where it is not possible to retrospectively collect the data required for an eligible member. The Scheme Advisory Board should provide a framework for employers and administering authorities when making assumptions about service and salary history in the absence of complete information.

Question 28 – On what matters should there be a consistent approach to implementation of the changes proposed?

Given the complexity of the issues and the need to ensure equitable treatment of all members, there should be a consistent approach across all matters in respect of the implementation of the proposed changes. This includes as noted above guidance to administering authorities

and scheme employers on data collection and approach where data is not available, and communications to be shared with scheme members.

Question 29 – Do you have any comments regarding the potential costs of McCloud remedy, and steps that should be taken to prevent increased costs being passed to local taxpayers?

At this time, we are not clear of the potential costs in respect of increased benefits for eligible scheme members or in additional administration staff to implement the changes. Whatever the cost to remedy the age discrimination though, we cannot see how they cannot be passed on the local taxpayers, as all costs to the Pension Fund are recovered by way of an allocation through employer contribution rates, which in turn for the largest scheme employers are in turn funded through the Council tax, unless the Government provides specific earmarked funding. Under the cost control mechanism, the opportunity to pass the cost back to scheme members by way of an increased employee contribution rate or reduced benefits is limited. The Government should recognise the reality of the position and should be transparent with local taxpayers.

We hope you find these responses helpful and we welcome the final proposals from the Government.

Yours sincerely

Sean Collins
Services Manager - Pensions
On behalf of the Oxfordshire Pension Fund Committee

Direct line: 07554 103465
Email: sean.collins@oxfordshire.gov.uk
www.oxfordshire.gov.uk/pensions

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| Division(s): N/A |
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PENSION FUND COMMITTEE – 11 SEPTEMBER 2020

GMP RECTIFICATION REPORT

Report by the Director of Finance

RECOMMENDATIONS

The Committee is RECOMMENDED to confirm:

- a) That no trivial threshold amount should be applied to any identified member records;**
- b) That any underpayments identified should be paid to members as soon as possible on receipt of a final report from ITM, and interest paid in line with LGPS Regulations;**
- c) There should be no recovery of any historic overpaid pension identified by this exercise, and that members should be given 3 months written notice before any reduction identified by this exercise is applied to their pension in payment.**

Introduction

1. Since 2015 there has been a national exercise for pension funds to reconcile the guaranteed minimum pension (GMP) value held on member's records with the values held by HMRC. Whilst the majority of records held by both public and private sector matched to the data held by HMRC, there were a number of discrepancies resulting from incorrect or incomplete information being passed between scheme employers, pension funds and HMRC. With the ending of contracting out and the scaling down of the HMRC team, all Pension Funds were required to reconcile their data with HMRC and agree the correct records.
2. ITM Limited has been undertaking this exercise on behalf of the Oxfordshire Pension Fund. Following corrections to HMRC records identified as incorrect, ITM received the final data cut from HMRC in May and have produced a provisional results report for both LGPS and Fire Pension Scheme. It was the Officers intention to present these reports to the Committee today to support the decisions required on the way forward. Unfortunately, a number of discrepancies have been identified in the reports, and ITM have been asked to undertake further work to correct these and submit revised reports.

Rectification Process and Issues

3. At the start of the project, Officers, in line with their counterparts across the pension sector determined that any GMP amount within £2.00 a week of the value held by HMRC would not be included in the reconciliation project. It was also determined that no work would be undertaken on the pension records of deceased members, though the impact on survivor/dependent pensions would be part of the project.
4. For all records in scope, ITM completed analysis of the data held by HMRC and on the pension record to determine the correct level of GMP. The analysis has identified cases where pensions have been overpaid, and where pensions have been underpaid. It is also the case that due to the complex nature of the GMP calculations, there are individuals where different elements of the pension can have been both underpaid and overpaid.
5. ITM have been asked to provide a report which identifies both the level of over/under payment in pensions currently in payment, and the historic level of all under and over payments. These historic calculations would be based on the State Pension Age (SPA) for pensioner members and for dependent member records it would be from the date of death of the scheme member. No historic calculations would go back beyond April 1978, when GMP was introduced.
6. In order to move to the rectification process ITM are seeking members view on a number of questions. These are detailed below alongside comments from officers. Unfortunately, due to the discrepancies in the draft reports produced by ITM, it has not been possible at this point to quantify the financial impact of any of these decisions. As such, Members may wish to defer decisions to a future meeting, noting that deferral in itself will potentially have financial consequences as set out within the Officer comments below.

Q – is it acceptable to operate a trivial threshold?

The work completed to date has identified that for a number of the members impacted by error in their GMP figure, the total impact on their annual pension is below £10 per annum. ITM are therefore asking whether it is acceptable to define £10 as a trivial threshold and not make any adjustments in respect of these records.

The officers view is that given the £2.00 per week tolerance was applied to the GMP figure at the beginning of this process, it does not make sense to apply further thresholds when the whole purpose of this exercise is to ensure that the correct value of GMP is recorded and the correct pension payment is made.

At this point, we have no reliable data on which to assess the financial impact overall of the operation of a trivial threshold in terms of either the on-going pensions in payment or the historic over and underpayments.

Q – is it acceptable to operate trivial threshold in respect of underpaid members?

The officers view is no trivial thresholds should be applied. If scheme members have been underpaid pension because of an incorrect GMP then this should be corrected. Whilst we do not have an accurate figure of the cost of correcting the underpayment of pensions, Officers believe this decision should be made on the basis of principle rather than a potential saving at the expense of individual members.

Q – whether and how underpaid pensions in payment will be corrected?

It is the intention of Officers that once a final report and supporting data has been provided by ITM, we should write to all pensioners and dependents who have suffered an underpayment of pension, setting out the correct pension they should now be in receipt of, along with the historic underpayment. We would expect to correct the pension in payment and make payment of the historic payments owed as soon as practically possible. In line with LGPS Regulations, we would expect to pay interest on all underpaid amounts. Guidance from the Home Office has indicated they whilst it is not expected that interest would be added to underpayments, Fire Authorities are free to do so, funded from their operational budgets.

Q – whether and how overpaid pensions in payment will be corrected?

The Fund cannot knowingly make incorrect payments to any scheme member. Therefore, the pension in payment must be adjusted to the correct value. However, given the complexities around GMP it would be unfair to assume that the member could have had any knowledge or understanding that this resulted in their pension being overpaid. It is therefore the officer's recommendation that whilst the pension value is corrected, there will not be any recovery of overpaid amounts. Until we receive a corrected report from ITM, it is not possible to confirm the total level of historic overpayments that would need to be written off, but early drafts of the reports suggested the figure could be in the region of £300,000 spread over 200+ pensioners. The maximum historic overpayment identified to date is just under £19,000 to a pensioner member.

The draft reports received from ITM did not identify any Fire cases which require the record to be corrected, but work was still outstanding on a small number of cases. The Home Office guidance has confirmed that no attempt should be made to recover historic overpayments in the case of firefighters.

In many cases, the scheme member will have been in receipt of the overpaid pension for a number of years, and therefore Officers do not believe it is equitable to implement an immediate reduction in pension without providing prior notice. We would recommend a notice period of 3 months. On the assumption that the decision not to seek recovery of historic pension overpayments, the decision to delay correction to current payments will result in the writing off of further overpaid sums. Again, we require a final report from ITM to identify the total on-going monthly overpayment, but the initial draft reports suggested a figure in the region of £2,750.

Q – whether historic overpayments will be clawed back and whether interest will be applied?

See above.

LORNA BAXTER
Director of Finance

Background papers: None
Contact Officer: Sally Fox - Tel: 01865 323854

August 2020

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| Division(s): N/A |
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PENSION FUND COMMITTEE – 11 SEPTEMBER 2020

ANNUAL REPORT AND ACCOUNTS 2019/20

Director of Finance

The Committee is RECOMMENDED to note the report.

1. At the September meeting of the Pension Fund Committee, the annual report and accounts of the Pension Fund are normally presented for noting, including the opinion of the Fund's external auditors.
2. The deadline for publishing the final audited accounts is normally 31st July, however as a result of the COVID-19 pandemic the government issued new regulations moving the deadline for 2019/20 accounts back to 30th November 2020.
3. The audit of the Pension Fund is yet to be completed and as such the financial statements being presented to Committee at this meeting are currently draft. In addition, the Pension Fund is yet to complete the Annual Report which sits alongside the accounts and has a deadline for publication of 1st December 2020.
4. The next Pension Fund Committee meeting is on 4th December and it is intended that the final audited accounts including the annual report will be presented at this meeting.

LORNA BAXTER

Director of Finance

Background Papers: None

Contact Officers: Gregory Ley, Financial Manager

August 2020

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| Fund Account | Notes | 2019 £'000 | 2020 £'000 |
|--|-------|------------------|------------------|
| Contributions and Benefits | | | |
| Contributions Receivable | 6 | -93,726 | -100,833 |
| Transfers from Other Schemes | 7 | -9,949 | -13,021 |
| Other Income | 8 | -465 | -149 |
| Income Sub Total | | -104,140 | -114,003 |
| Benefits Payable | 9 | 88,195 | 89,257 |
| Payments to and on Account of Leavers | 10 | 10,655 | 7,330 |
| Expenditure Sub Total | | 98,850 | 96,587 |
| Net (Additions)/Withdrawals From Dealings With Members | | -5,290 | -17,416 |
| Management Expenses | 11 | 11,030 | 12,433 |
| Net (Additions)/Withdrawals From Dealings With Members Returns on Investments | | 5,740 | -4,983 |
| Investment Income | 12 | -32,698 | -18,378 |
| Commission Recapture | | 0 | 0 |
| Profits and Losses on Disposal of Investments and Changes in Market Value of Investments | 16a | -132,586 | 174,464 |
| Less Taxes on Income | 12 | 244 | 195 |
| Net returns on Investments | | -165,040 | 156,281 |
| Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year | | -159,300 | 151,298 |
| Opening Net Assets of the Scheme | | 2,355,350 | 2,514,650 |
| Closing Net Assets of the Scheme | | 2,514,650 | 2,363,352 |

| Net Assets Statement | Notes | 2019 £'000 | 2020 £'000 |
|--|-------|------------------|------------------|
| Investment Assets | | | |
| Bonds | 16b | 296,805 | 300,087 |
| Equities | 16b | 360,807 | 86,211 |
| Pooled Investments | 16b | 1,581,636 | 1,729,191 |
| Pooled Property Investments | 16b | 172,306 | 161,843 |
| Derivative Contracts | 16c | 1,111 | 3,092 |
| Cash Deposits | 16d | 3,567 | 28,111 |
| Other Investment Balances | 16d | 7,429 | 12,401 |
| Long-Term Investment Assets | 16b | 840 | 840 |
| Investment Liabilities | | | |
| Derivative Contracts | 16c | -384 | -6,166 |
| Other Investment Balances | 16d | -869 | -13,785 |
| Total Investments | | 2,423,248 | 2,301,825 |
| Assets and Liabilities | | | |
| Current Assets | 17 | 91,324 | 62,466 |
| Current Liabilities | 18 | -4,419 | -3,189 |
| Net Current Assets | | 86,905 | 59,277 |
| Long-Term Assets | 19 | 4,497 | 2,250 |
| Net Assets of the scheme available to fund benefits at year end | | 2,514,650 | 2,363,352 |

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 26.

Note 1 – Description of the fund

This description of the Fund is a summary only. Further details are available in the Fund's 2019/20 Annual Report and in the underlying statutes.

General

The Oxfordshire County Council Pension Fund is part of the Local Government Pension Scheme which is a statutory, funded, defined benefit pension scheme. Oxfordshire County Council is the administering body for this pension fund. The scheme covers eligible employees and elected members of the County Council, District Councils within the county area and employees of other bodies eligible to join the Scheme.

The scheme is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

This defined benefit scheme provides benefits related to salary for its members. Pensions paid to retired employees, their dependants, and deferred benefits are subject to mandatory increases in accordance with annual pension increase legislation. The amount is determined by the Secretary of State.

Membership

The majority of fund employers are required to automatically enrol eligible jobholders into the LGPS under the government's auto-enrolment legislation, employees may then choose to opt-out of the scheme. Some

employers will have the option of whether to auto-enrol eligible jobholders into the LGPS or another qualifying scheme.

Members are made up of three main groups. Firstly, the contributors - those who are still working and paying money into the Fund. Secondly, the pensioners - those who are in receipt of a pension and thirdly, by those who have left their employment with an entitlement to a deferred benefit on reaching pensionable age.

Organisations participating in the Oxfordshire County Council Pension Fund include:

- Scheduled Bodies – Local authorities and similar bodies, such as academies, whose staff are automatically entitled to become members of the Fund.
- Admitted Bodies – Organisations that participate in the Fund under an admission agreement between the Fund and the organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.
- Admitted Bodies can be split in to two groups:
 - Community Admission Bodies – these are typically employers that provide a public service on a not-for-profit basis and often have links to scheduled bodies already in the Fund. Housing Corporations fall under this category.
 - Transferee Admission Bodies – these are bodies that provide a service or asset in connection with the exercise of a function of a scheme employer. Typically this will be when a service is transferred from a scheme employer and is to allow continuing membership for staff still involved in the delivery of the service transferred.

Full definitions are contained in The Local Government Pension Scheme (Administration) Regulations 2008.

The table below details the composition of the Fund's membership:

| | As at 31 March 2019 | As at 31 March 2020 |
|---|------------------------|------------------------|
| Number of Contributory Employees in Scheme | | |
| Oxfordshire County Council | 8,529 | 8,290 |
| Other Scheduled Bodies | 11,156 | 11,675 |
| Admitted Bodies | 606 | 532 |
| | 20,291 | 20,497 |
| Number of Pensioners and Dependants | | |
| Oxfordshire County Council | 9,095 | 9,279 |
| Other Scheduled Bodies | 5,710 | 6,008 |
| Admitted Bodies | 993 | 1,052 |
| | 15,798 | 16,339 |
| Deferred Pensioners | | |
| Oxfordshire County Council | 16,114 | 16,061 |
| Other Scheduled Bodies | 9,993 | 10,568 |
| Admitted Bodies | 1,340 | 1,299 |
| | 27,447 | 27,928 |

Unprocessed leavers are included as Deferred Pensioners.

Five Resolution Bodies and twenty Admitted Bodies joined the scheme in 2019/20, with a further forty-seven Admitted Bodies having left the scheme. One Scheduled Body joined a multi-academy trust in 2019/20 with no net impact on membership numbers. In addition, a further Scheduled Body joined a neighbouring LGPS Fund. Overall the changes did not have a significant impact on the membership of the Fund. The Admitted Body employers that joined and left the Fund were mostly small school service contracts with low membership numbers.

Funding

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The contribution from employees is prescribed by statute, and for the year ending 31 March 2020 rates ranged from 5.5% to 12.5% of pensionable pay.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The latest actuarial valuation took place in 2019 and determined the contribution rates to take effect from 01 April 2020. Employer contribution rates currently range from 12.2% to 28.4% of pensionable pay.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service as summarised below.

| | Service Pre 1 April 2008 | Service Post 31 March 2008 |
|----------|---|--|
| Pension | Each full-time year worked is worth $1/80 \times$ final pensionable salary. | Each full-time year worked is worth $1/60 \times$ final pensionable salary. |
| Lump Sum | Automatic lump sum of $3 \times$ pension. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up. | No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up. |

From 1 April 2014 the scheme became a career average scheme, where members accrue benefits based on their pensionable pay in any given year at an accrual rate of $1/49^{\text{th}}$. Accrued pension is indexed annually in line with

the Consumer Prices Index. The normal retirement age is linked to each individual member's State Pension Age.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. Scheme members are now also able to opt to pay 50% of the standard contributions in return for 50% of the pension benefit.

Note 2 – Basis of Preparation

The accounts have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831) prohibits administering authorities from crediting Additional Voluntary Contributions to the Pension Fund. In consequence Additional Voluntary Contributions are excluded from the Net Assets Statement and are disclosed separately in Note 23.

The accounts summarise the transactions of the Pension Fund and detail the net assets of the Fund. The accounts do not take account of the obligation to pay future benefits which fall due after the year-end. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The pension fund has opted to disclose this information in Note 26.

The accounts have been prepared on a going concern basis.

Note 3 – Summary of Significant Accounting Policies

Investments

1. Investments are shown in the accounts at market value, which has been determined as follows:

- (a) The majority of listed investments are stated at the bid price or where the bid price is not available, the last listed traded price, as at 31 March 2020.
- (b) Unlisted securities are included at fair value, estimated by having regard to the latest dealings, professional valuations, asset values and other appropriate financial information;
- (c) Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.
- (d) Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2020.
- (e) Fixed Interest stocks are valued on a 'clean' basis (i.e. the value of interest accruing from the previous interest payment date to the valuation date has been included within the amount receivable for accrued income).
- (f) Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using market quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.
- (g) Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
- (h) All gains and losses arising on derivative contracts are reported within 'Changes in Market Value of Investments'

Foreign Currencies

2. Balances denominated in foreign currencies are translated at the rate ruling at the net assets statement date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.

Contributions

3. Employee normal contributions are accounted for when deducted from pay. Employer normal contributions that are expressed as a rate of salary are accounted for on the same basis as employees' contributions, otherwise they are accounted for in the period they are due under the Schedule of Contributions. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and recovery plan under which they are being paid or on receipt if earlier than the due date.

Employers' pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

The Actuary determines the contribution rate for each employer during the triennial valuations of the Fund's assets and liabilities. Employees' contributions have been included at rates required by the Local Government Pension Scheme Regulations.

Benefits, Refunds of Contributions and Transfer Values

4. Benefits payable and refunds of contributions have been brought into the accounts on the basis of all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities. Transfer values are those sums paid to, or received from, other

pension schemes and relate to periods of previous pensionable employment. Transfer values have been included in the accounts on the basis of the date when agreements were concluded.

In the case of inter-fund adjustments provision has only been made where the amount payable or receivable was known at the year-end. Group transfers are accounted for in accordance with the terms of the transfer agreement.

Investment Income

5. Dividends and interest have been accounted for on an accruals basis. Dividends from quoted securities are accounted for when the security is declared ex-div. Interest is accrued on a daily basis. Investment income is reported net of attributable tax credits but gross of withholding taxes. Irrecoverable withholding taxes are reported separately as a tax charge. In the majority of cases, investment income arising from the underlying investments of the Pooled Investment Vehicles is reinvested within the Pooled Investment Vehicles and reflected in the unit price. It is reported within 'Changes in Market Value of Investments'. Foreign income has been translated into sterling at the date of the transaction. Income due at the year-end was translated into sterling at the rate ruling at 31 March 2020.

Investment Management and Scheme Administration

6. A proportion of relevant County Council officers' salaries, including salary on-costs, have been charged to the Fund on the basis of time spent on scheme administration and investment related business. The fees of the Fund's general investment managers have been accounted for on the basis contained within their management agreements. Investment management fees are accounted for on an accruals basis.

Expenses

7. Expenses are accounted for on an accruals basis.

Cash

8. Cash held in bank accounts and other readily accessible cash funds is classified under cash balances as it is viewed that these funds are not held for investment purposes but to allow for effective cash management. Cash that has been deposited for a fixed period and as such as an investment, has been included under cash deposits.

Listed Private Equity

9. The fund holds a number of investments in listed private equity companies. These are included under equities as the investment is in a company that undertakes private equity related activities rather than an investment in a specific fund that makes private equity investments. This is consistent with the treatment of other equity investments as the fund does not split out any other categories from within equities, for example retail stocks.

Management Fees

10. Management fees have been accounted for based on the latest guidance from the Chartered Institute of Public Finance & Accountancy. Fees have been accounted for where the pension fund has a direct contractual obligation to pay them. This means where fees are deducted in a pooled fund they have been accounted for, but in a fund of funds the fees for the underlying funds are not included, only those the pension fund pays to the fund of funds manager.

involves the use of significant judgements by the managers. The value of unquoted private equity and infrastructure investments at 31 March 2020 was £127.080m (£93.621m at 31 March 2019).

Pension Fund Liability

The pension fund liability is calculated every three years by the Fund's actuary, with annual updates in the intervening years. Methods and assumptions consistent with IAS19 are used in the calculations. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note 26. The estimate of the liability is therefore subject to significant variances based on changes to the assumptions used.

Note 5 – Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date, and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The key judgements and estimation uncertainties that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are:-

Note 4 – Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

Determining the fair value of unquoted private equity investments is highly subjective in nature. Unquoted private equity investments are valued by the investment managers using various valuation techniques and this

| Item | Uncertainties | Potential Impact |
|---|--|---|
| Actuarial Present Value of Promised Retirement Benefits | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. The fund engages an actuarial firm to provide expert advice on the assumptions to be applied. | <p>The actuarial present value of promised retirement benefits included in the financial statements is £3,519m. There is a risk that this figure is under, or overstated in Note 26 to the accounts.</p> <p>Sensitivities to the key assumptions are as follows: A 0.5% p.a. increase in the pension increase rate would result in an approximate 9% increase to liabilities (£316m). A 0.5% p.a. increase in the salary increase rate would result in an approximate increase to liabilities of 1% (£25m). A 0.5% decrease in the real discount rate would result in an approximate 10% increase to liabilities (£344m). A one-year increase in member life expectancy would approximately increase the liabilities by 3-5%.</p> |
| Unquoted Private Equity | Unquoted private equity and infrastructure investments are valued at fair value using recognised valuation techniques. Due to the assumptions involved in this process there is a degree of estimation involved in the valuation. | Unquoted private equity and infrastructure investments included in the financial statements total £127.080m. There is a risk these investments are under, or overstated in the accounts. The Pension Fund relies on specialists to perform the valuations and does not have the information (i.e. the assumptions that were used in each case) to produce sensitivity calculations. Further details are included in Note 27. |

Note 6 – Contributions

| | 2018/19 £'000 | 2019/20 £'000 |
|---------------------------|------------------|------------------|
| Employers | | |
| Normal | -53,554 | -55,799 |
| Augmentation | 0 | 0 |
| Deficit Funding | -15,821 | -19,389 |
| Costs of Early Retirement | -1,320 | -1,488 |
| | -70,695 | -76,676 |
| Members | | |
| Normal | -22,709 | -23,924 |
| Additional * | -322 | -233 |
| | -23,031 | -24,157 |
| Total | -93,726 | -100,833 |

Deficit recovery contributions are paid by employers based on the maximum 22 year recovery period set out in the Funding Strategy Statement. Where appropriate, the Actuary has shortened the recovery period for some employers to maintain as near stable contribution rates for those employers, in line with the Regulations.

*Local Government Scheme Additional Employees contributions are invested within the Fund, unlike AVCs which are held separately, as disclosed in Note 23.

| | Employer Contributions | | Members Contributions | |
|-----------------------------|-------------------------------|------------------|------------------------------|------------------|
| | 2018/19 £'000 | 2019/20 £'000 | 2018/19 £'000 | 2019/20 £'000 |
| Oxfordshire County Council | -28,652 | -30,196 | -9,360 | -9,782 |
| Scheduled Bodies | -33,409 | -38,475 | -11,124 | -11,835 |
| Resolution Bodies | -4,868 | -5,133 | -1,558 | -1,613 |
| Community Admission Bodies | -2,034 | -1,372 | -385 | -372 |
| Transferee Admission Bodies | -1,732 | -1,500 | -604 | -555 |
| Total | 70,695 | -76,676 | -23,031 | -24,157 |

Note 7 – Transfers In

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Individual Transfers In from other schemes | -7,868 | -13,021 |
| Group Transfers In from other schemes | -2,081 | 0 |
| Total | -9,949 | -13,021 |

Note 8 – Other Income

Other Income for 2019/20 of £0.149m (2018/19 £0.465m) reflects the interest resulting from the unwinding of the discount for the long-term receivable recognised for transfers to Magistrates' Courts. The long-term receivable was calculated on a discounted cash flow basis. This resulted in a charge to the fund account in the year the long-term receivable was originally recognised representing the value of the discount. The discount is being written down over a ten-year period. Further information regarding the deferred asset is included in Note 19.

Note 9 – Benefits

| | 2018/19 £'000 | 2019/20 £'000 |
|-------------------------------|------------------|------------------|
| Pensions Payable | 71,839 | 75,227 |
| Lump Sums – Retirement Grants | 13,132 | 11,475 |
| Lump Sums – Death Grants | 3,224 | 2,555 |
| Total | 88,195 | 89,257 |

| | Pensions Payable | | Lump Sums | |
|-----------------------------|------------------|------------------|------------------|------------------|
| | 2018/19 £'000 | 2019/20 £'000 | 2018/19 £'000 | 2019/20 £'000 |
| Oxfordshire County Council | 35,222 | 36,945 | 6,980 | 5,822 |
| Scheduled Bodies | 31,745 | 32,883 | 7,128 | 5,884 |
| Resolution Bodies | 630 | 769 | 712 | 853 |
| Community Admission Bodies | 3,451 | 3,702 | 669 | 918 |
| Transferee Admission Bodies | 791 | 928 | 867 | 553 |

Note 10 – Payment to and on account of leavers

| | 2018/19 £'000 | 2019/20 £'000 |
|--------------------------|------------------|------------------|
| Refunds of Contributions | 651 | 387 |

Note 11 – Management Expenses

| | 2018/19 £'000 | 2019/20 £'000 |
|--------------------------------|------------------|------------------|
| Administrative Costs | 2,242 | 2,712 |
| Investment Management Expenses | 7,334 | 7,865 |
| Oversight & Governance Costs | 1,454 | 1,856 |
| Total | 11,030 | 12,433 |

Within oversight and governance costs are fees paid to the Pension Fund's external auditors of £0.019m (2018/19 £0.030m) for the audit of the Pension Fund's Annual Report and Accounts. No other external audit fees were paid in 2019/20.

A further breakdown of Investment Management Expenses is in Note 13.

Note 12 – Investment Income

| | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| Bonds | -3,750 | -3,647 |
| Equity Dividends | -25,002 | -9,620 |
| Pooled Property Investments | -3,331 | -4,058 |
| Pooled Investments – Unit Trusts & Other Managed Funds | -9 | -302 |
| Interest on cash deposits | -553 | -702 |
| Other – securities lending | -53 | -49 |
| | -32,698 | -18,378 |
| Irrecoverable withholding tax - equities | 244 | 195 |
| Total | -32,454 | -18,183 |

Note 13 – Investment Management Expenses

| | 2018/19 £'000 | 2019/20 £'000 |
|-----------------|------------------|------------------|
| Management Fees | 7,332 | 7,827 |
| Custody Fees | 2 | 38 |
| Total | 7,334 | 7,865 |

Investment Management & Custody Fees are generally calculated on a fixed scale basis with applicable rates applied to the market value of the assets managed. See Note 3 for details of the accounting treatment of management fees.

Note 14 – Securities Lending

The Fund operated a securities lending programme with its custodian State Street Bank and Trust Company for the duration of the financial year. Collateralised lending generated income of £0.049m in 2019/20 (2018/19 £0.053m). This is included within investment income in the Pension Fund Accounts. At 31 March 2020 £8.892m (31 March 2019 £5.344m) of stock was on loan, for which the fund held £10.028m (31 March 2019 £6.006m) worth of collateral. Collateral consists of acceptable securities and government and supranational debt.

Note 15 – Related Party Transactions

The Pension Fund is required to disclose material transactions with related parties, and bodies or individuals that have the potential to control or influence the Pension Fund, or to be controlled or influenced by the Pension Fund. Disclosure of these transactions allows readers to assess the extent to which the Pension Fund might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Pension Fund.

Members of the Pension Fund Committee and the post of Service Manager (Pensions) are the key management personnel involved with the Pension Fund. During 2019/20, the Committee consisted of nine County Councillors, two District Councillors and a beneficiary observer. Members of the Pension Fund Committee are disclosed in the Pension Fund Report

and Accounts. An amount of £0.113m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

| | 2018/19 £'000 | 2019/20 £'000 |
|------------------------------------|------------------|------------------|
| Short Term Benefits* | 95 | 98 |
| Long Term/Post Retirement Benefits | 16 | 16 |
| Total | 111 | 114 |

These figures represent the relevant proportion of the salary and employer pension contributions for the key Council staff, reflecting their work for the Pension Fund.

As the County Council is the designated statutory body responsible for administering the Oxfordshire Pension Fund, it is a related party.

For the 12 months ended 31 March 2020, employer contributions to the Pension Fund from the County Council were £30.196m (2018/19 £28.652m). At 31 March 2020 there were receivables in respect of contributions due from the County Council of £3.466m (2018/19 £3.344m) and payables due to the County Council of £0.760m (2018/19 £0.025m) for support services.

The County Council was reimbursed £1.445m (2018/19 £1.441m) by the Pension Fund for administration costs incurred by the County Council on behalf of the Pension Fund.

Brunel Pension Partnership Ltd (Company Number 10429110)

Brunel Pension Partnership Ltd (BPP Ltd) was formed on the 14 October 2016 and oversees the investment of pension fund assets for the following LGPS

funds: Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire.

Each of the nine Administering Authorities, including Oxfordshire County Council, and the Environment Agency own 10% of BPP Ltd. Pension Fund transactions with BPP Ltd are as follows:

| | 2018/19 £'000 | 2019/20 £'000 |
|-------------|------------------|------------------|
| Income | 0 | 0 |
| Expenditure | 685 | 1,164 |
| Receivables | 263 | 237 |
| Payables | 0 | 0 |

Note 16 – Investments

| | Value at 31 March 2019 £'000 | Value at 31 March 2020 £'000 |
|-------------------------------------|------------------------------------|------------------------------------|
| Investment Assets | | |
| Bonds | 296,805 | 300,087 |
| Equities | 360,807 | 86,211 |
| Pooled Investments | 1,581,636 | 1,729,191 |
| Pooled Property Investments | 172,306 | 161,843 |
| Derivatives: | | |
| - Forward Currency Contracts | 1,111 | 3,092 |
| Cash Deposits | 3,567 | 28,111 |
| Long-Term Investments | 840 | 840 |
| Investment Income Due | 3,966 | 2,805 |
| Amounts Receivable for Sales | 3,463 | 9,596 |
| Total Investment Assets | 2,424,501 | 2,321,776 |
| Investment Liabilities | | |
| Derivatives: | | |
| - Forward Currency Contracts | -384 | -6,166 |
| Management Expenses Due | -869 | -13,785 |
| Amounts Payable for Purchases | 0 | 0 |
| Total Investment Liabilities | -1,253 | -19,951 |
| Net Investment Assets | 2,423,248 | 2,301,825 |

Note 16a – Reconciliation of Movements in Investments and Derivatives

| | Value at 1 April 2019 | Purchases at Cost & Derivative Payments | Sales Proceeds & Derivative Receipts | Change in Market Value | Cash Movement | Increase in Receivables / (Payables) | Value at 31 March 2020 |
|---|--------------------------|--|--|---------------------------|------------------|--|---------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Bonds | 296,805 | | -685,059 | 21,949 | | | 300,087 |
| | | 666,392 | | | | | |
| Equities | | | -352,573 | 11,730 | | | 86,211 |
| | 360,807 | 66,247 | | | | | |
| Pooled Investments | 1,581,636 | 416,347 | -65,953 | -202,839 | | | 1,729,191 |
| Pooled Property Investments | 172,306 | 11,338 | -19,827 | - | | | 161,843 |
| | | | | 1,974 | | | |
| Long-Term Investments | 840 | | | | | | 840 |
| Derivative Contracts | | | | | | | |
| FX | 727 | 10,863 | -10,955 | -3,709 | | | -3,074 |
| Other Investment Balances | | | | | | | |
| Cash Deposits | 3,567 | 241,897 | -228,813 | 339 | 11,121 | | 28,111 |
| Amounts Receivable for | | | | | | | |
| Sales of Investments | 3,463 | | | | | 6,133 | 9,596 |
| Investment Income Due | 3,966 | | | 40 | | -1,201 | 2,805 |
| Amounts Payable for | | | | | | | |
| Purchases of Investments & Management Expenses | -869 | | | | | -12,916 | -13,785 |

Included within the above purchases and sales figures are transaction costs of £0.068m. Costs are also borne by the scheme in relation to transactions in pooled investment vehicles. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable.

There have been no employer-related investments at any time during the year.

Purchases and sales relating to derivative contracts consist of forward foreign exchange contracts that are used for the purpose of currency hedging. Further details are contained in note 16c.

| | Value at 1 April 2018 | Purchases at Cost & Derivative Payments | Sales Proceeds & Derivative Receipts | Change in Market Value | Cash Movement | Increase in Receivables / (Payables) | Value at 31 March 2019 |
|--|--------------------------|--|--|---------------------------|------------------|--|---------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Bonds | 279,802 | 273,511 | -267,925 | 11,417 | | | 296,805 |
| Equities | 713,313 | 162,046 | -517,135 | 2,583 | | | 360,807 |
| Pooled Investments | 1,069,635 | 867,562 | -467,669 | 112,108 | | | 1,581,636 |
| Pooled Property Investments | 161,441 | 13,687 | -8,571 | 5,749 | | | 172,306 |
| Long-Term Investments | 840 | | | | | | 840 |
| <u>Derivative Contracts</u> | | | | | | | |
| FX | -272 | 849,609 | -849,108 | 498 | | | 727 |
| Other Investment Balances | | | | | | | |
| Cash Deposits | 9,698 | 83,301 | -90,322 | 231 | 659 | | 3,567 |
| Amounts Receivable for Sales of Investments | 8,153 | | | | | -4,690 | 3,463 |
| Investment Income Due | 5,076 | | | | | -1,110 | 3,966 |
| Amounts Payable for Purchases of Investments & Management Expenses | -5,821 | | | | | 4,952 | -869 |
| Total | 2,241,865 | 2,249,716 | -2,200,730 | 132,586 | 659 | -848 | 2,423,248 |

Note 16b – Analysis of Investments (excluding Derivative Contracts, Cash Deposits and Other Investment Balances)

| Long-Term Investment Assets | 2018/19 £'000 | 2019/20 £'000 |
|--------------------------------|------------------|------------------|
| Brunel Pension Partnership Ltd | 840 | 840 |
| Total | 840 | 840 |

| Bonds | 2018/19 £'000 | 2019/20 £'000 |
|-------------------------------------|------------------|------------------|
| UK Public Sector | 90,463 | 88,160 |
| UK Other | - | 611 |
| Overseas Public Sector | 56,335 | 42,602 |
| UK Public Sector Index Linked | 150,007 | 162,526 |
| Overseas Public Sector index Linked | | 6,188 |
| Total | 296,805 | 300,087 |

| Equity Investments | 2018/19 £'000 | 2019/20 £'000 |
|---------------------------|------------------|------------------|
| UK Equities | 112,286 | 81,488 |
| Overseas Listed Equities: | | |
| North America | 166,787 | 4,168 |
| Japan | 9,947 | |
| Europe | 49,621 | 555 |
| Pacific Basin | 0 | 0 |
| Emerging Markets | 22,166 | |
| Total | 360,807 | 86,211 |

| Pooled Investment Vehicles | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| UK Registered Managed Funds – Property | 36,649 | 31,152 |

| Total Investments (excluding Derivative Contract, Cash Deposits and Other Investment Balances) | 2018/19 £'000 | 2019/20 £'000 |
|--|------------------|------------------|
| | 2,412,394 | 2,278,172 |

Note 16c – Derivative Contracts

Objectives and policies

The Pension Fund Committee have authorised the use of derivatives by some of their Investment Managers as part of the investment strategy for the pension scheme.

The main objectives and policies followed during the year are summarised as follows:

Forward Foreign Exchange – in order to maintain appropriate diversification of investments within the portfolio and take advantage of overseas investment returns, a proportion of the underlying investment portfolio is invested overseas. To balance the risk of investing in foreign currencies whilst having an obligation to settle benefits in Sterling, a currency hedging programme, using forward foreign exchange contracts, has been put in place to reduce the currency exposure of these overseas investments to the targeted level.

Forward Foreign Exchange (FX)

The scheme had open FX contracts at the year-end as follows:

| Contract | Settlement Date | Currency Bought £'000 | Currency Sold £'000 | Asset value at year end £'000 | Liability value at year end £'000 | Net Forward currency Contracts £'000 |
|---|-----------------|--------------------------|------------------------|----------------------------------|--------------------------------------|---|
| Forward OTC | 3 months | 62,531 GBP | 71,004 EUR | 760 | -1,118 | |
| Forward OTC | 1 month | 32,800 USD | 25,960 GBP | 860 | -378 | |
| Forward OTC | 1 month | 1,800 CAD | 1,051 GBP | | -31 | |
| Forward OTC | 1 month | 2,384,000 JPY | 17,068 GBP | 750 | | |
| Forward OTC | 1 month | 19,700 EUR | 17,127 GBP | 481 | -170 | |
| Forward OTC | 1 month | 1,386 EUR | 1,500 USD | 89 | -71 | |
| Forward OTC | 1 month | 28,674 GBP | 4,113,400 JPY | | -2,071 | |
| Forward OTC | 1 month | 47,423 GBP | 61,692 USD | | -2,310 | |
| Forward OTC | 1 month | 931 GBP | 1,750 AUD | 67 | | |
| Forward OTC | 1 month | 2,233 GBP | 3,792 CAD | 85 | | |
| Forward OTC | 1 month | 9,781 GBP | 120,373 SEK | | -17 | |
| Forward Currency Contracts at 31 March 2020 | | | | 3,092 | -6,166 | -3,074 |
| Prior Year Comparative | | | | | | |
| Forward Currency contracts at 31 March 2019 | | | | 1,111 | -384 | 727 |

Note 16d – Other Investment Balances

| | 2018/19 £'000 | 2019/20 £'000 |
|-----------------------------|------------------|------------------|
| Receivables | | |
| Sale of Investments | 3,463 | 9,596 |
| Dividend & Interest Accrued | 3,742 | 2,492 |
| Inland Revenue | 224 | 313 |
| Other | 0 | 0 |
| | 7,429 | 12,401 |
| Payables | | |
| Purchase of Investments | 0 | -12,879 |
| Management Fees | -850 | -906 |
| Custodian Fees | -19 | 0 |
| | -869 | -13,785 |
| Total | 6,560 | -1,384 |

Cash Deposits

| | 2018/19 £'000 | 2019/20 £'000 |
|----------------------------|------------------|------------------|
| Non-Sterling Cash Deposits | 3,567 | 28,111 |
| Total | 3,567 | 28,111 |

The following investments represent more than 5% of the net assets of the scheme

| | 2018/19 £'000 | % of Total Fund | 2019/20 £'000 | % of Total Fund |
|---|------------------|--------------------|------------------|--------------------|
| UBS Life Global Equities All Countries Fund | 318,980 | 12.68 | 246,806 | 10.44 |
| Brunel HG ALP GLB EQ | 0 | 0.00 | 234,652 | 9.93 |
| L&G World Developed Equity Index Fund | 252,406 | 10.04 | 238,828 | 10.11 |
| L&G UK FTSE All-Share Equity Index | 179,064 | 7.12 | 145,866 | 6.17 |
| L&G Core Plus Bond Fund | 183,473 | 7.30 | 181,708 | 7.69 |
| Brunel UK Equity Fund | 438,172 | 17.42 | 351,250 | 14.86 |
| Insight Broad Opportunities Fund | 115,919 | 4.61 | 136,692 | 5.78 |

Note 17 – Current Assets

| | 2018/19 £'000 | 2019/20 £'000 |
|--------------------------|------------------|------------------|
| Receivables: | | |
| Employer Contributions | 7,922 | 7,857 |
| Employee Contributions | 1,930 | 1,910 |
| Payables: | | |
| Transferred Benefits | -1,251 | 5,290 |
| Cost of Early Retirement | -1,251 | 5,290 |
| Benefits Payable | -1,700 | 1,405 |
| Inland Revenue | 507 | 534 |
| Other | 507 | 534 |
| Cost of Early Retirement | 77,130 | 49,122 |
| Total | 91,324 | 62,468 |
| Staff Costs | -2 | -109 |
| Consultancy | -94 | -66 |
| Other | -77 | -61 |
| Total | -4,419 | -3,189 |

Note 18 – Current Liabilities

Note 19 – Long-Term Assets

| | 2018/19 £'000 | 2019/20 £'000 |
|---------------------------|------------------|------------------|
| Employer Contributions | 4,189 | 2,130 |
| Costs of Early Retirement | 308 | 120 |
| Total | 4,497 | 2,250 |

Long-Term assets for 2019/20 include deferred receivables in relation to the transfer of staff to Magistrates' Courts for which a payment of £21.860m is due to be received in ten equal annual instalments, in line with the national agreement reached between Actuaries on behalf of Pension Funds, and the Government Actuary Department on behalf of the Government.

Note 21 – Top 5 Holdings

| Value of the Fund's Top Five Holdings at 31 March 2020 | £'000 | % of Fund |
|--|--------|-----------|
| HG Capital Trust Plc | 42,935 | 1.81 |
| BMO Private Equity Trust Plc | 11,898 | 0.50 |
| UK Index linked Gilt 0.125 2044 | 11,503 | 0.49 |
| Standard Life European Private Equity Trust | 11,414 | 0.48 |
| 3i Group Plc | 9,072 | 0.38 |

Note 20 - Assets under External Management

The market value of assets under external fund management amounted to £2,221.493m as at 31 March 2020. The table below gives a breakdown of this sum and shows the market value of assets under management with each external managed.

Note 22 – Taxation

The scheme is a 'registered pension scheme' for tax purposes under the Finance Act 2004. As such the Fund is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. However, the Fund cannot reclaim certain amounts of withholding taxes relating to overseas investment income which are suffered in the country of origin.

Note 23 – Additional Voluntary Contributions

| | Market Value 31 March 2019 £'000 | Market Value 31 March 2020 £'000 |
|------------|--|--|
| Prudential | 13,575 | 13,196 |

AVC contributions of £1.316m were paid directly to Prudential during the year. (2018/19 - £1.639m).

The AVC provider to the Fund is the Prudential. The assets of these investments are held separately from the Fund. The AVC provider secures additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement confirming the amounts held in their account and the movements in the year. The Administering Authority does not handle these monies. Instead, if employees decide to pay AVCs their employer (the member body) sends them to Prudential.

Note 24 – Contingent Liabilities and Capital Commitments

As at 31 March 2020 the fund had outstanding capital commitments (investments) totalling £172.000m (31 March 2019 - £92.894m). These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the pooled investments and pooled property fund elements of the investment portfolio. The amounts 'called' by these funds are irregular in both size and timing from the date of the original commitment due to the nature of the investments.

Note 25 – Investment Strategy Statement

Oxfordshire County Council Pension Fund has an Investment Strategy Statement. This is published in the Pension Fund Annual Report and Accounts which is circulated to all scheme employers and is also available on the Council's webpage.

Note 26 - Actuarial Present Value of Promised Retirement Benefits

| | 2019 £m | 2020 £m |
|------------------------------------|------------|------------|
| Present Value of Funded Obligation | 4,134 | 3,519 |

The movement from March 2019 can in part be explained by the normal changes over the year as new benefits are accrued and previous benefits paid out. This explains a decrease in the present value of the Funded Obligation of £204m (2019 - £153m increase).

There has been a decrease in the present value of the Funded Obligation of £411m (2019 - £305m increase) reflecting changes in the financial assumptions used by the actuary as a consequence of changes in the financial markets. The key changes in financial assumptions were:

- A decrease in the assumed level of CPI, and therefore pension increase, to 1.9% from 2.5% (net effect a decrease in Present Value of Funded Obligation)
- A decrease in the assumed level of salary increases to 1.9% from 3.7% (net effect a decrease in Present Value of Funded Obligation)
- A reduction in the discount rate to 2.3% from 2.4% (net effect an increase in Present Value of Funded Obligation).

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government

requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members' benefits, which in turn will give rise to a past service cost for the Fund employers.

Quantifying the impact of the judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Fund's actuary has adjusted GAD's estimate to better reflect the Oxfordshire County Council Pension Fund's local assumptions, particularly salary increases and withdrawal rates. The revised estimate is that total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could be 0.5% higher as at 31 March 2020, an increase of approximately £6m.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

Note 27 - Financial Instruments
Note 27a – Classification of Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities reclassified during the accounting period.

| | Fair Value through Profit & Loss £'000 | 2018/19 Loans & Receivables £'000 | Financial Assets |
|-----------------------------|--|--|---------------------|
| Financial Assets | | | |
| Bonds | 296,805 | | |
| Equities | 360,807 | | |
| Pooled Investments | 1,581,636 | | |
| Pooled Property Investments | 172,306 | | |
| Derivatives | 1,111 | | |

Note 27b – Net Gains and Losses on Financial Instruments**Financial Assets**

| | | |
|------------------------------------|---------|----------|
| Fair Value through Profit and Loss | 132,355 | -174,803 |
| Loans and Receivables | 0 | 0 |
| Financial Assets at Amortised Cost | 231 | 339 |

Financial Liabilities

| | | |
|--|---|---|
| Fair Value through Profit and Loss | 0 | 0 |
| Financial Liabilities Measured at Amortised Cost | 0 | 0 |

| | | |
|--------------|----------------|----------------|
| Total | 132,586 | 174,464 |
|--------------|----------------|----------------|

Note 27c – Valuation of Financial Instruments Carried at Fair Value

Financial instruments have been classified in to one of the following three categories to reflect the level of uncertainty in estimating their fair values:

Level 1

Fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Fair value is based on inputs other than quoted prices included within Level 1 that are observable either directly (i.e., from prices) or indirectly (i.e., derived from prices).

Level 3

Fair value is determined by reference to valuation techniques using inputs that are not observable in the market.

Level 2 includes pooled funds where the valuation is based on the bid price, where bid and offer prices are published, or the net asset value provided by the issuing fund. Within Level 2 there are also listed private equity investments where the market for the security is not deemed active; for

these investments the valuation is based on the most recently available bid price in the market.

Included within Level 3 are pooled private equity investments made in Limited Liability Partnerships where fair value is determined using valuation techniques which involve significant judgements by fund managers due to the unquoted nature of the underlying fund investments. The valuations are obtained from the audited financial statements of the issuing funds and are normally adjusted for cashflows where data does not cover the full financial year for the Pension Fund. Between December 2019 and March 2020 there were significant market movements, primarily resulting from the impact of the COVID-19 pandemic. As such the Fund's normal approach of taking 31 December valuations and adjusting for cashflows is unlikely to be an appropriate approximation of valuations for these funds for 2019/20. Where finalised 31 March 2020 valuations were not yet available the Fund has sought estimated valuations from fund managers.

Some listed private equity investments have been included within Level 3 of the hierarchy where it has been determined that the market for the fund is inactive. These listed private equity investments are valued using the most recently available bid price in the market.

Categorisation of financial instruments within the levels is based on the lowest level input that is significant to the fair value measurement of the instrument.

The following table presents the Fund's financial assets and liabilities within the fair value hierarchy.

| Value at 31 March 2020 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|------------------|------------------|------------------|------------------|
| Financial Assets | | | | |
| Financial Assets at Fair Value through Profit & Loss | 325,414 | 1,677,025 | 290,913 | 2,293,352 |
| Financial Assets at Amortised Cost | 77,719 | 0 | 0 | 77,719 |
| Total Financial Assets | 403,133 | 1,677,025 | 290,913 | 2,371,071 |
| Financial Liabilities | | | | |
| Financial Liabilities at Fair Value through Profit & Loss | -13,786 | -6,166 | 0 | -19,952 |
| Financial Liabilities at Amortised Cost | -390 | 0 | 0 | -390 |
| Total Financial Liabilities | -14,176 | -6,166 | 0 | -20,342 |
| Net Financial Assets | 388,957 | 1,670,859 | 290,913 | 2,350,729 |

| Value at 31 March 2019 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|------------------|------------------|------------------|------------------|
| Financial Assets | | | | |
| Financial Assets at Fair Value through Profit & Loss | 582,547 | 1,708,127 | 130,036 | 2,420,710 |
| Financial Assets at Amortised Cost | 81,247 | 0 | 0 | 81,247 |
| Total Financial Assets | 663,794 | 1,708,127 | 130,036 | 2,501,957 |
| Financial Liabilities | | | | |
| Financial Liabilities at Fair Value through Profit & Loss | -869 | -384 | 0 | -1,253 |
| Financial Liabilities at Amortised Cost | -109 | 0 | 0 | -109 |
| Total Financial Liabilities | -978 | -384 | 0 | -1,362 |
| Net Financial Assets | 662,816 | 1,707,743 | 130,036 | 2,500,595 |

Reconciliation of Movement in Level 3 Financial Instruments

| | UK Equities £'000 | Pooled Private Equity Funds £'000 | Pooled Property Funds £'000 | Pooled Infrastructure Funds £'000 | Long-Term Investments £'000 |
|-----------------------------------|-------------------------|---|--------------------------------------|--|-----------------------------------|
| Market Value 31 March 2019 | 1,458 | 80,563 | 34,117 | 13,058 | 840 |
| Transfers In | 0 | 0 | 132,678 | 0 | 0 |
| Transfers Out | 0 | 0 | 0 | 0 | 0 |
| Purchases | 0 | 24,216 | 540 | 19,223 | 0 |
| Sales | 0 | -10,346 | -7,483 | -1,821 | 0 |
| Unrealised Gains/(Losses) | -401 | -3,612 | 1,296 | 838 | 0 |
| Realised Gains/(Losses) | 93 | 4,961 | 695 | 0 | 0 |
| Market Value 31 March 2020 | 1,150 | 95,782 | 161,843 | 31,298 | 840 |

| | UK Equities £'000 | Pooled Private Equity Funds £'000 | Pooled Property Funds £'000 | Pooled Infrastructure Funds £'000 | Long-Term Investments £'000 |
|-----------------------------------|-------------------------|---|--------------------------------------|--|-----------------------------------|
| Market Value 31 March 2018 | 1,804 | 71,797 | 32,377 | 3,646 | 840 |
| Transfers In | 0 | 0 | 0 | 0 | 0 |
| Transfers Out | 0 | 0 | 0 | 0 | 0 |
| Purchases | 0 | 11,693 | 4,933 | 9,363 | 0 |
| Sales | -523 | -12,946 | -5,525 | 0 | 0 |
| Unrealised Gains/(Losses) | -16 | 3,692 | 2,316 | 49 | 0 |
| Realised Gains/(Losses) | 193 | 6,327 | 16 | 0 | 0 |
| Market Value 31 March 2019 | 1,458 | 80,563 | 34,117 | 13,058 | 840 |

Transfers in are included at the 31 March 2020 market value. For 2019/20 the Pension Fund has included all pooled property funds that were held in Level 2 as at 31 March 2019 in level 3. The decision was made as all of the property funds had a material uncertainty clause included in their valuations. The clause was included as a result of the significantly reduced property market activity stemming from the COVID-19 pandemic.

Level 3 Sensitivities

| Level 3 Investments | Valuation Range +/- | Value at 31 March 2020 £'000 | Valuation on Increase £'000 | Valuation on Decrease £'000 |
|-----------------------------|---------------------|---------------------------------|--------------------------------|--------------------------------|
| UK Equities | 10% | 1,150 | 1,265 | 1,035 |
| Pooled Private Equity Funds | 10% | 95,782 | 105,360 | 86,203 |
| Pooled Property Funds | 3% | 161,843 | 166,698 | 156,988 |
| Pooled Infrastructure Funds | 5% | 31,298 | 32,863 | 29,733 |
| Long-Term Investments | 0% | 840 | 840 | 840 |

| Level 3 Investments | Valuation Range +/- | Value at 31 March 2019 £'000 | Valuation on Increase £'000 | Valuation on Decrease £'000 |
|-----------------------------|---------------------|---------------------------------|--------------------------------|--------------------------------|
| UK Equities | 10% | 1,458 | 1,604 | 1,312 |
| Pooled Private Equity Funds | 10% | 80,563 | 88,619 | 72,507 |
| Pooled Property Funds | 3% | 34,117 | 35,141 | 33,093 |
| Pooled Infrastructure Funds | 5% | 13,058 | 13,711 | 12,405 |
| Long-Term Investments | 0% | 840 | 840 | 840 |

Note 28 – Risk

The Pension Fund is subject to risk in terms of its key responsibility to meet the pension liabilities of the scheme members as they become due. These risks relate to the value of both the assets and the liabilities of the Fund and the timing of when the payment of the liabilities becomes due.

At a strategic level, the main tools used by the Pension Fund to manage risk are:

- The triennial Fund Valuation which reviews the assets and liabilities of the Fund, and resets employer contribution rates to target a 100% Funding Level. The 2019 Valuation estimated that the current Funding Level is 99%.
- The Investment Strategy Statement which sets out the Fund's approach to the investment of funds, and sets out the approach to the mitigation of investment risk.
- The review of the Strategic Asset Allocation to ensure it is appropriately aligned to the Fund's liability profile and to ensure compliance with the Investment Strategy Statement.
- The regular review of the performance of all Fund Managers.

Key elements of the approach to managing the investment risk as set out in the Investment Strategy Statement include:

- Maintaining an element of the asset allocation in assets such as fixed income securities, the behaviour of which closely mirrors that of the Fund's liabilities. The allocation to liability matching assets is regularly reviewed with the intention that the allocation will increase as the maturity of the fund increases, as was the case following the 2016 valuation. Whilst the Fund maintains a high proportion of active members where the payment of liabilities is not due for many decades and remains cashflow positive, the Fund can afford to seek the higher investment returns associated with the more volatile and illiquid asset classes.

- Maintaining an element of the asset allocation in passive equity funds which removes the risk associated with poor manager performance (though retaining the market risk).
- Ensuring a diversification amongst asset classes, and in particular an allocation to alternative asset classes for which performance has historically not correlated to equity performance.
- Ensuring a diversification of Fund Managers and investment styles (e.g. some with a growth philosophy, some with a value philosophy) to mitigate the risk of poor manager performance impacting on asset values.
- The Fund's policy on ensuring Environmental Social & Governance factors are taken into account in investment decisions. During 2019/20 the Fund has developed a Climate Change Policy dealing with how it will manage climate change related risks and opportunities. The policy was developed as the Fund sees climate change as single most significant risk to long-term investment performance given its systemic nature.

The key risks associated with the level of liabilities stem from the level of initial pension benefit payable, the indexation of this benefit and the time the benefit is in payment for. These risks largely lie outside the control of the Pension Fund. Changes to the scheme were made in 2014 with the aim of making the scheme more sustainable including; linking the normal retirement age to future estimates of life expectancy to bring stability to the length of time benefits are in payment, a change in the calculation of benefits to career average revalued earnings to avoid the sudden hike possible in final benefits possible under a final salary scheme, and a switch in the basis of indexation to CPI which is generally lower than the RPI alternative.

The Actuary, when completing the 2019 Valuation, undertook sensitivity analysis calculations to look at the impact on potential liabilities and the funding level. A variation of 0.1% per annum in the discount rate would move the calculated funding level from 99% down to 98% or up to 100%. A change in the CPI assumption of 0.1% per annum would lead to a reduction in the funding level to 98% or an increase to 100%. A change to

the rate of mortality improvement of 0.25% would move the funding level down to 98% or up to 100%.

In terms of the investment in the various Financial Instruments open to the Pension Fund, the Fund is exposed to the following risks:

- Credit risk – the possibility of financial loss stemming from other parties no longer being able to make payments or meet contractual obligations to the Pension Fund.
- Liquidity Risk – the possibility that the Pension Fund might not have the funds available to meet its payment commitments as they fall due.
- Market Risk – the possibility that the Pension Fund may suffer financial loss as a consequence of changes in such measures as interest rates, market prices, and foreign currency exchange rates.

Credit Risk

The Pension Fund's credit risk is largely associated with the Fund's investments in Fixed Interest and Index Linked Securities, Cash Deposits and Short Term Loans, where there is a risk that the other parties may fail to meet the interest or dividend payments due, or fail to return the Fund's investment at the end of the investment period.

At 31 March 2020 the Fund's exposure to credit risk predominantly related to the following investments:

| Investment Category | 31 March 2019 £'000 | 31 March 2020 £'000 |
|----------------------------|------------------------|------------------------|
| UK Government Gilts | 90,463 | 88,160 |
| UK Corporate Bonds | 183,473 | 181,708 |
| UK Index Linked Gilts | 150,007 | 163,137 |
| Overseas Government Bonds | 56,335 | 48,789 |
| Non-Sterling Cash Deposits | 3,567 | 28,111 |
| Cash Balances | 77,159 | 49,122 |
| Total | 561,004 | 559,027 |

The Pension Fund manages the credit risk by ensuring a diversification of investments both in terms of product and in terms of redemption dates, whilst limiting investments made to sub-investment grade bonds to those made through pooled funds. Corporate Bonds are held through a pooled fund vehicle and up to 15% of holdings can be invested in sub-investment grade bonds. Cash held in sterling at 31 March 2020 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

| | Rating | Balance at 31 March 2019 £'000 | Rating | Balance at 31 March 2020 £'000 |
|------------------------------|--------|---|--------|---|
| Money Market Funds | | | | |
| Aberdeen Standard | AAA | 21,000 | AAA | 20,000 |
| State Street Global Advisors | AAA | 57,644 | AAA | 45,162 |
| Bank Current Accounts | | | | |
| Lloyds Bank Plc | A+ | 1,950 | A+ | 1,547 |
| State Street Bank & Trust | AA+ | 132 | AA+ | 10,524 |
| Total | | 80,726 | | 77,233 |

The Pension fund has no experience of default against which to quantify the credit risk against the current investments.

Liquidity Risk

Liquidity risk represents the risk that the Fund will be unable to meet its financial obligations as they fall due. At the present time, the liquidity risk is seen, relatively, as the greatest threat to the Pension Fund, although the absolute risk itself is still seen to be very low, particularly in the short term.

During 2019/20 the Pension Fund received/accrued income related to dealings with members of £114.0m (2018/19 £104.1m) and incurred expenditure related to dealings with members of £109.0m (2018/19 £109.9m). There were further receipts/accruals of £18.4m (2018/19 £32.7m) in respect of investment income, against which need to be set

taxes of £0.2m (2018/19 £0.2m). The net inflow was therefore £23.2m (2018/19 £26.6m).

The figures show that the Fund is still cashflow positive at the whole fund level. A cash flow forecast is maintained for the Fund to understand and manage the timing of the Fund's cash flows. On a daily basis, the Fund holds a minimum of £40m of cash in call accounts and money market funds to meet benefit payments due, drawdowns from fund managers, and other payments due from the Fund. The Fund has also looked at longer-term cashflow forecasts to gain a greater understanding of when the balance of pension payments and contributions may become negative so as to consider how this may affect the Fund's investment strategy in the future. The Fund has already taken some steps in this regard including allocating to the Secured Income portfolio offered by Brunel Pension Partnership.

The Fund would need to experience a significant change in either the levels of contributions received, and/or the levels of benefits payable, as well as the loss of all current investment income, before it might be required to liquidate assets at financial loss.

There are risks in this area going forward as a result of continuing reductions in public expenditure, and the resulting impact on active scheme membership. The reductions in public sector expenditure will impact on the liquidity of the Pension Fund both in terms of a reduction in contributions receivable as the workforce shrinks, as well as an increase in benefits payable as staff above the age of 55 are made redundant and become entitled to early payment of their pension. There are changes to the Scheme being consulted on that could impact on scheme membership levels although these changes would be expected to impact gradually over time. In addition, some employers are adopting models that have the potential to reduce scheme membership.

However, as noted above, for the Fund to reach a position where it is forced to sell assets and therefore face a potential financial loss, (as well as to forego future investment returns which have been assumed to meet pension liabilities in the future), the net movement in cash would need to be of a scale deemed unlikely in the medium-term. The Pension Fund will seek to mitigate these risks through working with employers to understand the potential for any significant membership changes and by monitoring the fund's cashflows. The fund will also provide advice to the Government on the impact of any proposals for change, as well providing clear communication to current scheme members of the on-going benefits of scheme membership and the personal risks to their future financial prospects of opting out at this time.

Market Risk

The whole of the Pension Fund's investment asset base is subject to financial loss through market risk, which includes the impact of changes in interest rates, movements in market prices and movements in foreign currency rates. However, as noted above under the liquidity risk, these financial losses are not automatically realised, as all assets held by the Pension Fund are done so on a long-term basis. Subject to the liquidity risk above, it is likely to be many years into the future before any assets will be required to be realised, during which time market risk will have the opportunity to even itself out.

Market risk is generally managed through diversification of investments within the portfolio in terms of asset types, geographical and industry sectors, and individual securities.

Whilst widespread recession will drive down the value of the Fund's assets and therefore funding level in the short term, this will have no direct bearing on the long-term position of the Fund, nor the contribution rates for individual employers. Under the LGPS Regulations, the Fund Actuary is required to maintain as near stable contribution rate as possible, and as such the Valuation is based on long term assumptions about asset values, with all short-term movements smoothed to reflect the long-term trends.

Interest Rate Risk

The direct exposure of the fund to interest rate risk and the impact of a 100 basis point movement in interest rates are presented in the table below. This analysis assumes that all other variables remain constant:

| Asset Type | Carrying Amount as at 31 March 2020 £'000 | Change in Year in the Net Assets Available to Pay Benefits | |
|---|--|--|---------------|
| | | +1% £'000 | -1% £'000 |
| Cash and Cash Equivalents | 28,111 | 281 | -281 |
| Cash Balances | 49,122 | 491 | -491 |
| Bonds | 474,996 | 4,750 | -4,750 |
| Total Change in Assets Available | 552,229 | 5,522 | -5,522 |

| Asset Type | Carrying Amount as at 31 March 2019 £'000 | Change in Year in the Net Assets Available to Pay Benefits | |
|---|--|--|---------------|
| | | +1% £'000 | -1% £'000 |
| Cash and Cash Equivalents | 3,567 | 36 | -36 |
| Cash Balances | 77,159 | 772 | -772 |
| Bonds | 480,278 | 4,803 | -4,803 |
| Total Change in Assets Available | 561,004 | 5,611 | -5,611 |

In the short term, interest rate risk is difficult to quantify in that it impacts directly on both the price of fixed interest and index linked securities as well as the discount factor used to value liabilities. Increases in interest rates which will drive down security prices and asset values will also reduce the future pension liabilities and therefore improve funding levels rather than worsen them.

Currency Risk

Currency risk concerns the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund is exposed to foreign exchange risk on financial instruments that are denominated in currencies other than the Fund's functional currency (£GBP). Risks around foreign currency rates are mitigated in part by allowing the Fund Managers to put in place currency hedging arrangements up to the value of the stock held in a foreign currency (also see note 16c).

The table below shows the impact a 10.0% weakening/strengthening of the pound against the various currencies would have on the assets available to pay benefits.

This analysis assumes that all other variables remain constant.

| Currency Exposure - Asset Type | Asset Values as at 31 March 2020 | Change in Year in the Net Assets Available to Pay Benefits | |
|---|-------------------------------------|--|----------------|
| | | +10.0% | -10.0% |
| | £'000 | £'000 | £'000 |
| Overseas Equities | 4,723 | 472 | -472 |
| Pooled Global Equities | 786,596 | 78,660 | -78,660 |
| Pooled Private Equity (LLPs) | 81,755 | 8,176 | -8,176 |
| Pooled Property | 42,092 | 4,209 | -4,209 |
| Infrastructure | 19,915 | 1,991 | -1,991 |
| Cash | 28,111 | 2,811 | -2,811 |
| Total Change in Assets Available | 963,192 | 96,319 | -96,319 |

| Currency Exposure - Asset Type | Asset Values as at 31 March 2019 | Change in Year in the Net Assets Available to Pay Benefits | |
|---|-------------------------------------|--|----------------|
| | | +10.0% | -10.0% |
| | £'000 | £'000 | £'000 |
| Overseas Equities | 248,521 | 24,852 | -24,852 |
| Pooled Global Equities | 571,387 | 57,139 | -57,139 |
| Pooled Private Equity (LLPs) | 69,957 | 6,996 | -6,996 |
| Pooled Property | 44,940 | 4,494 | -4,494 |
| Infrastructure | 13,058 | 1,306 | -1,306 |
| Cash | 3,567 | 357 | -357 |
| Total Change in Assets Available | 951,430 | 95,144 | -95,144 |

Other Price Risk

Other price risk represents the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or foreign exchange risk.

All investments in securities present a risk of loss of capital. The maximum risk is the fair value of the financial instrument.

The effect of various movements in market price are presented in the table below along with the effect on total assets available to pay benefits assuming all other factors remain constant:

The Local Government Pension Fund Accounts

| Asset Type | Value as at 31 March 2020 £'000 | Percentage Change % | Value on Increase £'000 | Value on Decrease £'000 |
|--|--|---------------------------|-------------------------------|-------------------------------|
| UK Equities | 81,489 | 10.0 | 89,638 | 73,340 |
| Pooled UK Equities | 497,115 | 10.0 | 546,827 | 447,404 |
| Global Equities | 4,723 | 10.0 | 5,195 | 4,251 |
| Diversified Growth Fund | 136,692 | 3.0 | 140,792 | 132,591 |
| Pooled Global Equities | 786,596 | 10.0 | 865,256 | 707,937 |
| UK Bonds | 88,160 | 5.0 | 92,568 | 83,752 |
| Overseas Bonds | 48,789 | 5.0 | 51,229 | 46,350 |
| UK Index Linked Bonds | 163,137 | 5.0 | 171,294 | 154,980 |
| Pooled Corporate Bonds | 181,708 | 5.0 | 190,794 | 172,623 |
| Infrastructure | 31,298 | 5.0 | 32,863 | 29,733 |
| Pooled Private Equity (LLPs) | 95,782 | 10.0 | 105,360 | 86,204 |
| Pooled Property | 161,843 | 3.0 | 166,699 | 156,988 |
| Long-Term Investments | 840 | 0.0 | 840 | 840 |
| Cash | 77,233 | 0.0 | 77,233 | 77,233 |
| Total Assets Available to Pay Benefits | 2,355,405 | | 2,536,588 | 2,174,226 |

| Asset Type | Value as at 31 March 2019 £'000 | Percentage Change % | Value on Increase £'000 | Value on Decrease £'000 |
|--|--|---------------------------|-------------------------------|-------------------------------|
| UK Equities | 112,286 | 10.0 | 123,514 | 101,057 |
| Pooled UK Equities | 617,237 | 10.0 | 678,960 | 555,513 |
| Global Equities | 248,521 | 10.0 | 273,373 | 223,669 |
| Diversified Growth Fund | 115,920 | 3.0 | 119,397 | 112,442 |
| Pooled Global Equities | 571,387 | 10.0 | 628,526 | 514,248 |
| UK Bonds | 90,463 | 5.0 | 94,986 | 85,940 |
| Overseas Bonds | 56,335 | 5.0 | 59,152 | 53,518 |
| UK Index Linked Bonds | 150,007 | 5.0 | 157,508 | 142,507 |
| Pooled Corporate Bonds | 183,473 | 5.0 | 192,646 | 174,299 |
| Infrastructure | 13,057 | 5.0 | 13,711 | 12,405 |
| Pooled Private Equity (LLPs) | 80,562 | 10.0 | 88,619 | 72,507 |
| Pooled Property | 172,306 | 3.0 | 177,475 | 167,136 |
| Long-Term Investments | 840 | 0.0 | 840 | 840 |
| Cash | 80,726 | 0.0 | 80,726 | 80,726 |
| Total Assets Available to Pay Benefits | 2,493,120 | | 2,689,433 | 2,296,807 |

Note 29 - Actuarial Valuation

The contribution rates within the 2019/20 Pension Fund Accounts were determined at the actuarial valuation carried out as at 31 March 2016.

This valuation showed that the required level of contributions to be paid to the Fund by the County Council for the year ended 31 March 2020 was 19.9% of Pensionable Pay. The corresponding rates of contribution that are required from the major participating employers for this period are:

| | % Pay | Additional Monetary Amounts £'000 |
|-------------------------------------|-------|-----------------------------------|
| South Oxfordshire District Council | 12.9 | 812 |
| West Oxfordshire District Council | 15.8 | - |
| Cherwell District Council | 14.9 | - |
| Oxford City Council | 20.6 | - |
| Val of White Horse District Council | 13.2 | 716 |
| Oxford Brookes University | 14.4 | 606 |

The funding policy of the scheme is set out in the Funding Strategy Statement and can be summarised as follows:-

- To enable Employer contribution rates to be kept as stable as possible and affordable for the Fund's Employers.
- To make sure the Fund is always able to meet all its liabilities as they fall due.
- To manage Employers' liabilities effectively.
- To enable the income from investments to be maximised within reasonable risk parameters.

The actuarial method used to calculate the future service contribution rate for most Employers was the Projected Unit Method with a one year control period. The Attained Age Method has been used for some Employers who do not permit new employees to join the fund. These calculations draw on the same assumptions used for the funding target.

The market value of the Fund's assets at the valuation date was £1,842m. The smoothed market value (the six month average of the market value straddling the valuation date) of the Fund's assets at the valuation date was

£1,825m representing 90% of the Fund's accrued liabilities, allowing for future pay increases. The Actuary has certified contribution rates for all Fund employers from 1 April 2017, which subject to the financial assumptions contained in the valuation, would result in the deficit being recovered over a period of no more than 22 years.

The contribution rates have been calculated using assets at their smoothed market value and financial assumptions which are consistent with the assets being taken at their smoothed market value. The main financial assumptions were as follows:

| Assumptions for the 2016 Valuation | Annual Rate % |
|------------------------------------|---------------|
| Pension Increases | 2.4 |
| Short-Term Pay Increases* | 2.4 |
| Long-Term Pay Increases | 3.9 |
| Discount Rate | 5.4 |

*Short-term pay increases are for the period to 31 March 2020.

Assumptions are also made on the number of leavers, retirements and deaths. One of the important assumptions is the mortality of existing and future pensioners. Mortality rates have been based on up to date national standard tables adjusted for the recent experience of the Oxfordshire County Council Pension Fund and make allowance for an expectation of further improvements in mortality rates in the future.

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| |
|------------------|
| Division(s): N/A |
|------------------|

PENSION FUND COMMITTEE – 11 SEPTEMBER 2020

PENSION FUND BUDGET OUTTURN REPORT FOR THE YEAR ENDED 31 MARCH 2020.

Report by the Director of Finance

RECOMMENDATIONS

The Committee is RECOMMENDED to receive the report and note the out-turn position.

Introduction

1. In March 2019 the Pension Fund Committee agreed a budget in respect of the Pension Fund for the 2019/20 financial year. The production of an annual budget is in accordance with a recommendation of best practice set out in the CIPFA Principles for Investment Decision Making in the Local Government Pension Scheme.
2. Annex 1 compares the outturn figures against the budget and shows the variations for each budget line. The overall outturn position was an underspend of £270,000. The reasons for any material variations are explained below.

Scheme Administration Expenses

3. **Administrative Employee Costs** were underspent by a total of £390,000 which reflects the number of vacancies across the team during the year.
4. Other administrative expenses were overspent by £260,000 due to an overspend on ICT as a result of software licencing costs to be paid at time of contract renewal. This is offset by underspends of £37,000 on printing and stationery as the team move to more online communications; £142,000 on Advisory and Consultancy Fees as a result of delays to the GMP project, and Other Costs of £48,000, which is largely a saving on postage costs.

Investment Management Expenses

5. **Fund Management Fees.** Although a budgeted sum is agreed for this item it is not possible to accurately estimate the annual charges because they are linked to the market values of the assets being managed, which continually fluctuate. Management fees for 2019/20 were £283,000 below the budgeted amount. Part of the reason for the underspend was linked to the sharp falls in global markets

as a result of the COVID-19 pandemic which meant any fees based on assets under management were lower than originally forecast. Part of the underspend also reflects fee savings on transition to the new pooled vehicles managed by Brunel.

6. Budget and actuals for management fees are based on the CIPFA guidance and as such, include management fees that are borne by the fund but are not invoiced. The Pension Fund is invoiced for some management fees but for investments in pooled funds management fees are typically deducted at source so are factored into the price of units in the pooled fund.
7. No budget was included for **Custody Fees** in the 2019/20 budget as these were initially planned to be paid by Brunel and included in their invoices to the Fund. It was subsequently decided that Funds would continue to pay custody fees to the custodian direct.
8. Brunel costs were £121,000 higher than budget. The reason for this was that Brunel issued a cost adjustment invoice for £119,000 during the year relating to the 2018/19 financial year. The cost was a result of Brunel applying the Pricing Policy agreed by Client Funds during 2018/19 to costs already charged to clients. The Pricing Policy set out how different cost should be apportioned between clients, the overall amount paid by clients as a whole was not affected, only the allocation of costs between clients.

LORNA BAXTER
Director of Finance

Background Papers: None

Contact Officers: Gregory Ley, Financial Manager

Sally Fox, Pensions Administration Manager

August 2020

Pension Fund Budget Outturn for the Financial Year ended 31 March 2020

| | Budget £'000 | Actual £'000 | Variance £'000 |
|--|-------------------------|-------------------------|---------------------------|
| Administrative Expenses | | | |
| Administrative Employee Costs | 1,576 | 1,186 | -390 |
| Support Services Including ICT | 634 | 1,121 | 487 |
| Printing & Stationary | 72 | 35 | -37 |
| Advisory & Consultancy Fees | 160 | 18 | -142 |
| Other | 60 | 12 | -48 |
| Total Administrative Expenses | 2,502 | 2,372 | -130 |
| Investment Management Expenses | | | |
| Management Fees | 8,484 | 8,201 | -283 |
| Custody Fees | 0 | 38 | 38 |
| Brunel Contract Costs | 1,043 | 1,164 | 121 |
| Total Investment Management Expenses | 9,527 | 9,403 | -124 |
| Oversight & Governance | | | |
| Investment Employee Costs | 254 | 251 | -3 |
| Support Services Including ICT | 11 | 18 | 7 |
| Actuarial Fees | 160 | 163 | 3 |
| External Audit Fees | 35 | 19 | -16 |
| Internal Audit Fees | 15 | 14 | -1 |
| Advisory & Consultancy Fees | 95 | 83 | -12 |
| Committee and Board Costs | 49 | 51 | 2 |
| Subscriptions and Memberships | 50 | 59 | 9 |
| Total Oversight & Governance Expenses | 669 | 653 | -16 |
| Total Pension Fund Budget | 12,698 | 12,428 | -270 |

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PENSION FUND COMMITTEE – 11 SEPTEMBER 2020

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

Economy

1. The lockdowns imposed worldwide to slow the spread of the coronavirus pandemic have inevitably had a severe impact on economic activity in the quarter: a 9.5% quarterly contraction in US GDP, 12.1% in the Eurozone, and 20.4% in the UK. Only China, which went into lockdown earlier, achieved positive growth in Q2. Forecasts for the full year 2020 have been revised lower since May in all regions other than China, as shown in the table below.

| Consensus real growth (%) | | | | | | Consumer prices latest (%) |
|---------------------------------|------|------|------|------|-------------|-------------------------------------|
| | 2016 | 2017 | 2018 | 2019 | 2020E | |
| UK | +2.0 | +1.6 | +1.4 | +1.4 | -9.4 (-4.7) | +0.6 (CPI) |
| USA | +1.6 | +2.3 | +2.9 | +2.3 | -5.3 (-3.5) | +0.6 |
| Eurozone | +1.6 | +2.3 | +1.9 | +1.2 | -8.4 (-6.0) | +0.4 |
| Japan | +0.9 | +1.7 | +0.7 | +0.7 | -5.4 (-5.2) | +0.1 |
| China | +6.7 | +6.8 | +6.6 | +6.1 | +1.4 (+1.0) | +2.5 |

[Source of estimates: Economist Intelligence Unit, August 8th, 2020]

2. The UK Chancellor announced a further package of measures on July 8th, aimed at encouraging consumer spending by way of targeted reductions in VAT and discounts on meals. The budget deficit in 2020 is expected to reach 18% of GDP as a result of all the emergency stimulus measures introduced since March.
3. The US Federal Reserve announced in June that it would be buying corporate bonds, and the Bank of England increased its Quantitative Easing by £100bn, while the ECB increased its own bond-buying programme from €750m to €1.35bn. After tortuous negotiations, the EU agreed on July 21 to launch a €750bn Recovery Fund to assist European economies badly hit by the pandemic. €390 bn of this will be distributed by way of grants, with the remainder being loans.

4. There have been increasing numbers of new coronavirus cases in many of the American states and in Brazil, as well as localized outbreaks in Spain, Australia and the UK, among others. This has necessitated the closure of public spaces and the re-introduction of travel restrictions.
5. The death of George Floyd at the hands of Minneapolis police on May 25th triggered worldwide protests under the 'Black Lives Matter' banner, and the response of the US Federal authorities - notably in Portland, Oregon – has exacerbated the situation.
6. China's imposition of a new Security Law on Hong Kong in early July has provoked widespread condemnation, and relations between China and the West have deteriorated further with the decision by the US and the UK to ban Huawei from participation in the development of the 5G network.

Markets

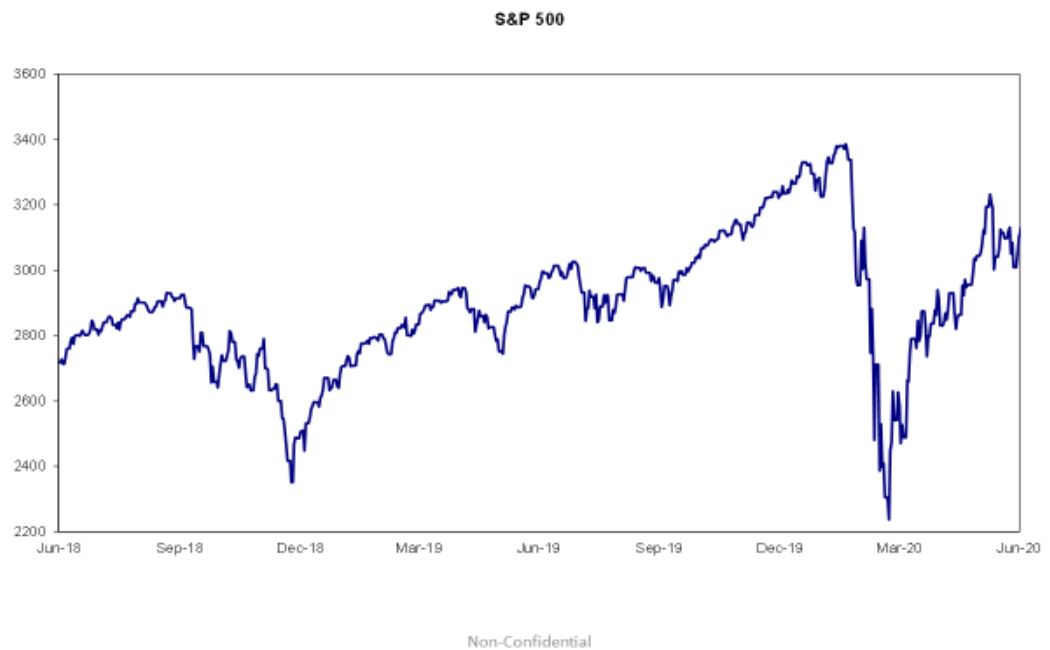
Equities

7. The equity market rally which began in late March continued at a slowing pace during the quarter, with the result that the All-World Index ended June less than 1% below its end-2019 level. The UK market, however, lagged all other regions, and is well adrift over 1- and 3-year periods as shown in the following table.

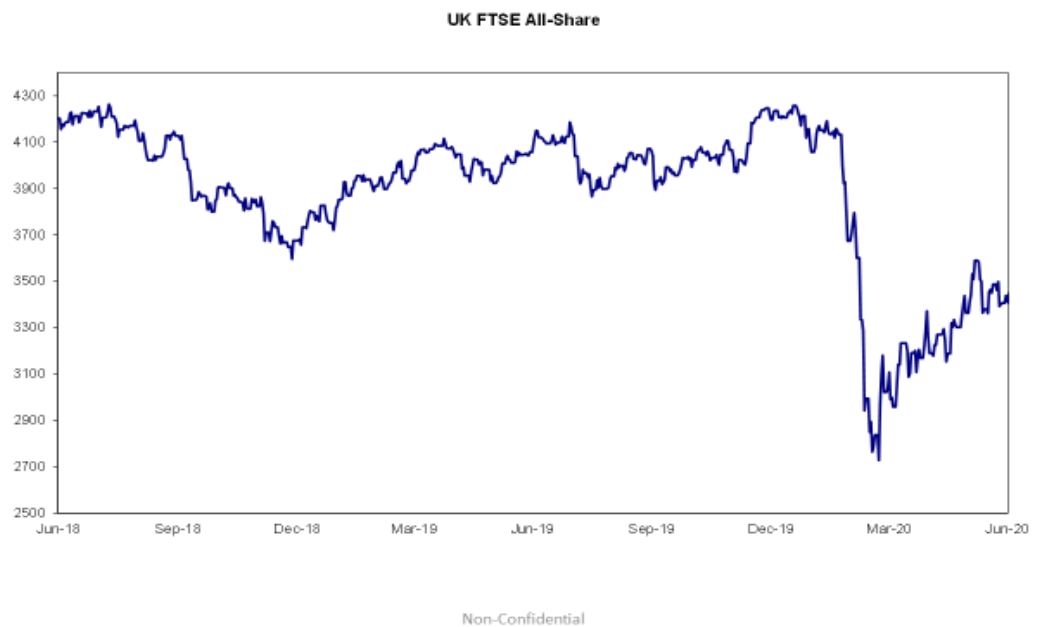
| | Capital return (in £, %) to 30.6.20 | | | |
|-----------------|--|-----------------|------------------|------------------|
| Weight % | Region | 3 months | 12 months | 36 months |
| 100.0 | FTSE All-World Index | +19.0 | +3.3 | +18.4 |
| 58.8 | FTSE All-World North America | +21.3 | +8.7 | +34.0 |
| 7.6 | FTSE All-World Japan | +12.1 | +4.1 | +7.6 |
| 13.2 | FTSE All-World Asia Pac ex Japan | +18.8 | +0.0 | +5.9 |
| 14.0 | FTSE All-World Europe (ex-UK) | +17.4 | -2.2 | +2.5 |
| 4.2 | FTSE All-World UK | + 8.8 | -16.9 | -16.0 |
| 10.9 | FTSE All-World Emerging Markets | +17.9 | -3.1 | +4.8 |

[Source: FTSE All-World Review, June 2020]

8. US equities have recouped most of the losses sustained in February and March



....but UK shares are still well below February levels.



9. The surge in the **Technology** sector accounted for much of the gain in the global index, with **Health Care** and **Consumer Services** (two of the more resilient sectors in Q1) rebounding strongly. **Financials** continued to lag the broader market.

| | Capital return (in £, %) to 30.6.20 | | |
|-----------------|--|-----------------|------------------|
| Weight % | Industry Group | 3 months | 12 months |
| 21.0 | Technology | +30.2 | +37.4 |
| 12.1 | Health Care | +14.9 | +15.9 |
| 12.4 | Consumer Services | +23.1 | +9.5 |
| 100.0 | FTSE All-World | +19.0 | +3.3 |
| 10.9 | Consumer Goods | +14.9 | +1.3 |
| 12.0 | Industrials | +20.8 | -1.1 |
| 3.2 | Utilities | +6.3 | -2.0 |
| 2.7 | Telecommunications | +7.7 | -4.6 |
| 3.9 | Basic Materials | +26.0 | -4.9 |
| 18.1 | Financials | +11.5 | -14.1 |
| 3.7 | Oil & Gas | +17.4 | -33.5 |

[Source: FTSE All-World Review, June 2020]

10. The recovery in the FTSE 100 was hampered by the weakness in the Oil & Gas and Financials sectors.

| (Capital only %, to 30.6.20) | 3 months | 12 months | 36 months |
|-------------------------------------|-----------------|------------------|------------------|
| FTSE 100 | + 8.8 | -16.9 | -15.6 |
| FTSE 250 | +13.4 | -12.0 | -11.5 |
| FTSE Small Cap | +17.6 | -10.0 | -10.3 |
| FTSE All-Share | + 9.8 | -15.9 | -14.8 |

[Source: Financial Times]

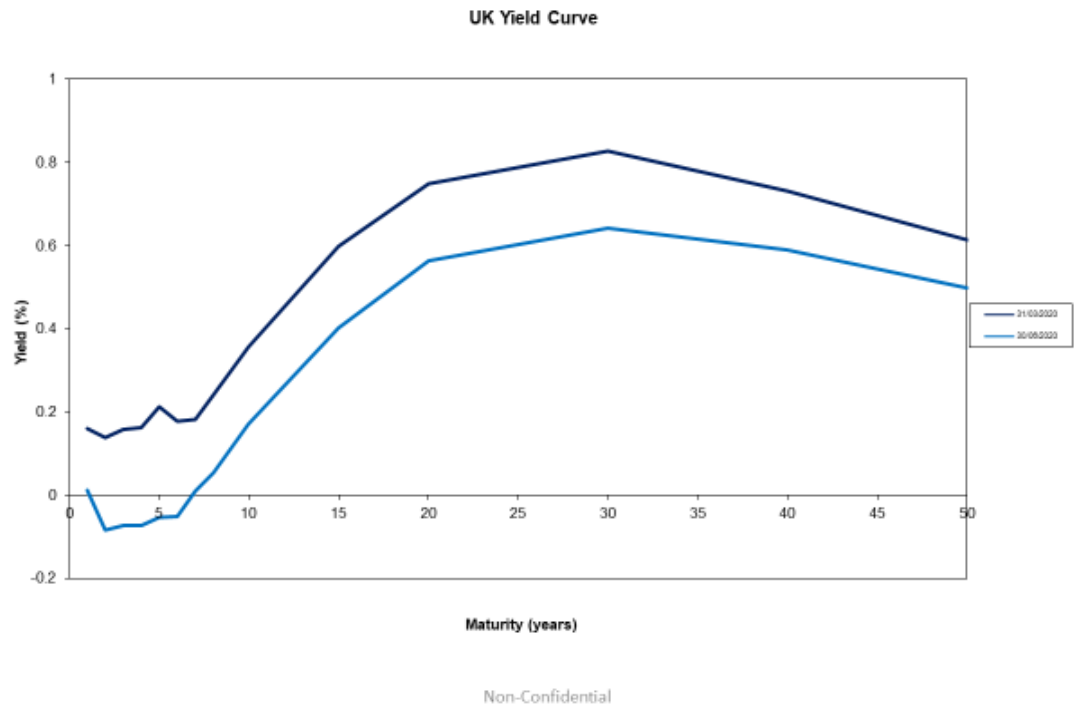
Bonds

11. Government bond prices rose during the quarter as yields reduced further, while corporate bonds continued their sharp rally as Central Banks stepped in to buy bonds as part of their quantitative easing programmes.

| 10-year government bond yields (%) | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|------------------|
| | Dec 2017 | Dec 2018 | Dec 2019 | Mar 2020 | June 2020 |
| US | 2.43 | 2.68 | 1.92 | 0.69 | 0.64 |
| UK | 1.23 | 1.14 | 0.73 | 0.35 | 0.17 |
| Germany | 0.43 | 0.24 | -0.19 | -0.48 | -0.46 |
| Japan | 0.05 | -0.01 | -0.02 | 0.01 | 0.03 |

[Source: Financial Times]

12. Yields on shorter dated gilts have turned negative.



Currencies

13. The pound was little changed against the dollar and the yen in the quarter, but lost ground against the euro. In July however, sterling rose by 6% against the dollar, reaching \$1.31, and also rose 4% on the yen and 1% on the euro.

| | | | | £ move (%) | |
|----------|----------------|----------------|----------------|------------|------|
| | | | | 3m | 12m |
| | 30.6.19 | 31.3.20 | 30.6.20 | | |
| \$ per £ | 1.273 | 1.240 | 1.236 | -0.3 | -2.9 |
| € per £ | 1.118 | 1.130 | 1.100 | -2.7 | -1.6 |
| ¥ per £ | 137.1 | 133.9 | 133.3 | -0.4 | -2.8 |



Non-Confidential

Commodities

14. The oil price recovered after Saudi Arabia's announcement in May of a 1m barrels/day cut in production, but slowing economic activity worldwide kept demand low and the price remained below \$50.

| (\$) | <u>30.6.19</u> | <u>31.3.20</u> | <u>30.6.20</u> | <u>3m (%)</u> | <u>12m</u> |
|--------------------|----------------|----------------|----------------|---------------|--------------|
| Gold | 1402.5 | 1618.3 | 1771.6 | + 9.5 | +26.3 |
| Brent crude | 64.4 | 26.4 | 41.7 | +58.0 | -35.2 |

Property

15. The lack of transaction activity in the property market, combined with the uncertainties over rent payments, has meant that property valuations have in effect been temporarily suspended. Institutional property managers have generally frozen transactions in their funds because of the difficulty in establishing fair prices for investors buying or selling units.

Outlook

16. With the coronavirus pandemic having claimed 750,000 lives worldwide and increasing numbers of cases being reported in many regions, it is clear that the direct and indirect effects of the pandemic will dominate the economic outlook for a long while yet.
17. Fiscal and monetary actions have cushioned the impact in the short term, but in time the full effects of the pandemic will become apparent in

elevated levels of unemployment, corporate failures and, possibly, social unrest. Against this background it is hard to see equity markets continuing their recent rally, which has taken them close to the peak levels of February. Government bond yields, meanwhile, should maintain their current levels as central banks mop up the increased issuance and hold interest rates down.

Peter Davies
Senior Adviser – MJ Hudson Investment Advisers

August 13th, 2020

[Graphs supplied by Legal & General Investment Management]

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Brunel Portfolios Performance Report for Quarter Ending 30 June 2020

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We are delighted to confirm that Brunel Pension Partnership has been awarded **Environmental Finance's Pension Fund of the Year** award. This is in recognition of the successful efforts of the partnership to take strong and effective leadership on responsible investment. The award caps off a year of responsible investment milestones for the partnership, during which it has put into practice the policies and ambitions of more than 300 client stakeholders on a range of sustainability themes. Drawing on their guidance, Brunel has engaged with over 130 asset manager, and reviewed over 530 investment strategies, ensuring that the pension funds are allocated in accordance with partnership priorities.

The policies that were laid out in detail in the partnership's climate policy, published in January 2020, received widespread recognition for the level of ambition shown by you, our clients, in addressing climate risk. This policy is already delivering real-world impact, as Brunel uses it to challenge the asset management industry "to build a financial system which is fit for a carbon-zero future".

Implementing those ambitions is key. On this front, the Responsible Investment and Stewardship Outcomes report showed that all of Brunel's active portfolios now have a carbon intensity at least 7% lower than their respective benchmarks, and that we are meeting our portfolio targets for gender diversity.

Laura Chappell, CEO of Brunel, said: "Our clients have high ambitions for strong returns by investing in a world worth living in, and the Brunel Pension Partnership is proving it can help deliver those goals. This outcomes report reflects on a critical year that has seen successful outcomes in a wide range of sustainability themes from climate change to cost transparency. Partnership remains key to our success, and many of the achievements disclosed in our first report came from working with our clients and asset managers on environmental, social and governance issues. As the COVID-19 crisis has shown, managing these risks is crucial to protect the future interests of our Clients and their beneficiaries."

5 other activities:

The passing of Barclays' climate resolution commits it to align all of its financing activities with the Paris Agreement. Almost 100% voted in favour, demonstrating clear shareholder backing for its ambition to become a net zero bank by 2050. This resolution came about as a direct result of intensive shareholder engagement over the past year, including the first ever shareholder climate resolution at a major European bank, which Brunel Pension Partnership co-filed in December.

- We have partnered with StepStone to develop a discretionary infrastructure vehicle dedicated to our clients and to your strategies and values. We look forward to now launching the Cycle 2 Brunel Infrastructure Portfolio and to a long and productive relationship with StepStone.

Finally, the 18th to 24th May was Mental Health Awareness Week, which has never felt more important. As the world continues to grapple with the new challenges around COVID-19 and lockdown, we must also continue to invest in the people around us by promoting mental wellbeing. Advocating for mental health awareness is something we are proudly passionate about at Brunel. We firmly believe in the importance of investing in our staff, and that means taking care of their overall wellbeing – both professionally and personally.

Looking to the future, we will be faced with continuing challenges to adapt to a post-pandemic world, recognising that one size won't fit all and working flexibly to support our staff and our clients during this transition. Now, more than ever, mental health is something we all must work together to remain vigilant on.

Executive Summary

Performance of Pension Fund

The Fund delivered absolute performance of 11.28% over the quarter in GBP terms. This was marginally ahead of the benchmark return of 10.80%. Total fund return for the year to June was 0.91%, which was ahead of the benchmark return of 0.2%.

Key points from last quarter:

- 11.28% Absolute Net Performance Q2
- 0.48% Relative Net Performance vs Benchmark Q2
- 0.91% Absolute Net Performance 1Y
- 0.71% Relative Net Performance vs Benchmark 1Y

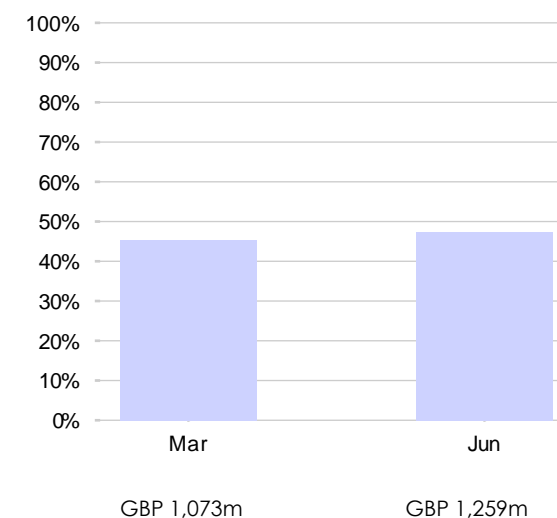
Fund Specific Events

£120m transitioned to Low Carbon Equities, £24m from Passive UK and £96m from Passive World Developed Equities.

Total Fund Valuation

| | Total (GBPm) |
|---------------------------|--------------|
| 31 Mar 2020 | 2,367 |
| 30 Jun 2020 | 2,656 |
| Net cash inflow (outflow) | 21 |

Assets Transitioned to Brunel



Market Summary – Listed Markets

Equity markets recuperated following the most significant sell off witnessed since the global financial crisis of 2007/8. Equity markets across the globe posted double-digit returns, taking investors by surprise given the ongoing economic stagnation caused from COVID-19. Many market participants continue to remain sceptical of the decoupling between company earnings and prices, as evidenced by the S&P500 increasing in GBP terms by +2.9% YTD despite 12-month forward earnings collapsing by almost -20% over the same period.

Oil prices showed increased turbulence during April, with West Texas Intermediate (WTI) – a proxy for both US and international prices – falling to -\$40 a barrel for some near-expiry contracts in the futures market. The evaporation of demand caused by the coronavirus led to a global lack of availability in storage capacity. Prices recovered by the end of the quarter, with WTI pricing at +\$39 a barrel by quarter end, a return of over +90% since the end of Q1 2020.

S&P500 – Price and Earnings Decouple

Source: FactSet



UK Equities

UK Equities had a strong quarter. The FTSE All share – a proxy for the UK equity market - returned roughly 10% in GBP. This was the best quarter observed since 2013 yet it still significantly lagged its global peers, like the United States, by over 10%.

Basic Materials was the stand-out performing sector over the quarter, appreciating by 27%. Large benchmark names such as Glencore rose by 38%, clearly benefitting from the strong recovery in commodity prices. Industrials also had a strong quarter, rising by 19%.

- Oil & Gas continued to struggle as a sector, falling by -7.7% over the quarter. Significant gains from smaller companies in this sector were offset by losses at oil giants like BP. The company slashed \$17.5bn off the value of its oil and gas assets after taking a pessimistic view on longer term oil prices in mid-June. BP's share price fell approximately 8% over the quarter.

Market Summary – Listed Markets

Global Developed Equities

- Global Developed equities, proxied by MSCI World, increased by 20% in GBP terms over the quarter, which is the strongest quarterly performance seen since the aftermath of the global financial crisis in 2009. The United States was one of the standout performers over this period, appreciating by 22%.
- Hong Kong equities continued to struggle following Beijing's sweeping new security law, which continues to threaten the autonomy of the territory. The quarterly return from Hong Kong equities within MSCI World was 9.6%, the second lowest out of all countries in the index.
- Technology stocks continued to impress on the quarter, with the sector appreciating by 32% in GBP terms. Large constituents such as Apple and Microsoft were up 44% & 30% respectively. Defensive sectors such as Utilities and Consumer Discretionary significantly lagged the broader benchmark return, increasing approximately by 7% and 9% respectively.

Emerging Markets

Emerging markets enjoyed a strong rebound in Q2 2020, the MSCI Emerging markets index rose by almost 19% in GBP terms. Performance dispersion at country level lingered on from last quarter, with country returns ranging from +44% to +7%. Argentina was the strongest performer, rising +44%. South Africa also rebounded by approximately 28% following a 36% fall last quarter. China - the largest country constituent – managed to keep pace with most countries in the index, returning almost 16% over the quarter. China remains the standout performer on a year to date basis, ending the quarter around 11% up for the year.

- Health Care was the strongest sector over the last quarter, rising approximately 38% in GBP terms, making it by far the best performing sector year to date. Financials continued to struggle relative to other sectors following a 26% decline in Q1 2020; total return in Q2 2020 was approximately 8% in GBP terms, significantly behind the broader benchmark return of almost 19%.
- High momentum stocks in emerging markets were well rewarded in Q2 2020. The rebound in prices observed in Q2 2020 was most significant in the stocks that performed best in Q1 2020. The top 20% of performers in Q1 2020 outperformed the benchmark by over 8% in Q2 2020. The bottom 20% of performers also outperformed the benchmark, but by a much lower margin of approximately 4.5%.

Emerging Markets – Main Market vs Momentum Source: FactSet



Market Summary – Head of Private Markets

Overview

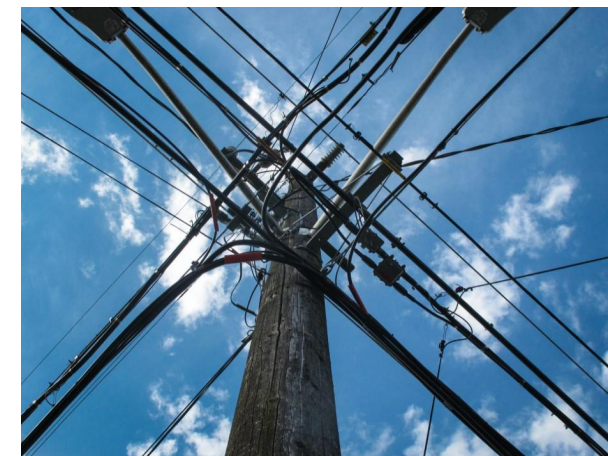
During the second quarter of 2020, the global recession deepened, countries were locked down, but also many parts of the world re-emerged from lockdown. Barring a potential second wave of Covid19, the worst economic impact has taken place, but property, infrastructure and private equity portfolios will continue to reflect the consequences of the first half of the year in their performance for Q3, year-end and even into 2021.

Infrastructure

Following a pandemic-driven hit to many infrastructure sectors, namely transport and energy, the true effect of Covid19 is now starting to be reflected in funds' performance across managers globally. Virtually no company globally anticipated the extent to which Covid19 would disrupt markets and societal behaviour, as many assets that proved resilient in previous troughs have behaved differently in the face of government-enforced social distancing measures. Managers who were thinking more strategically, with a long-term sustainable focus in their funds, will be the ones that survive.

Much can be learnt about the robustness of supply chains bearing in mind climate change risks and a potential future virus outbreak. Brunel's strategy of focusing on the sustainability of its selected funds has proven more valuable than ever. Considering ESG in a portfolio is not only about protecting clients from environmentally harmful assets or encouraging better social and governance practices, but it is the key to stable, robust and long-term strong performance. The Brunel portfolio is heavily invested in renewable energy funds with long-term contracted revenues. It has no exposure to fossil fuels and has a small exposure to transport assets. The Cycle 1 StepStone vehicle deployment has been carefully managed, to avoid exposure to pre-Covid19 pricing assets which are anticipated to underperform and we are monitoring the activity of managers closely across sectors, sharing the lessons learnt from this market turmoil and the mitigating actions they are putting in place to ensure the future resilience of their portfolios.

Photo by Dina Lydia on Unsplash



Market Summary – Head of Private Markets

Private Equity

The private equity market continued to be affected by Covid-19. The public market had a remarkable quick recovery but the economic was sluggish with different countries experiencing varying degrees of success in reopening the economy while keeping the virus under control.

The disparity caused mixed views among GPs. Some GPs were cautious while others were active, seeing this as a window of opportunity to acquire good assets. It was reported that top 10 GPs by deal activities had deployed \$40bn between March and June this year. The deal value from these GPs represented more than 1/3 of the total deal value made by all PE firms in the last quarter of 2019. Hence, the large GPs such as KKR, Bain, Hellman & Friedman, etc had been very active since Covid-19, compared to others. It pointed to a shift in sentiment from the large GPs, which focused on portfolio management during the early part of the pandemic but starting to invest in deals again.

Property

The lockdown measures in March led to a sharp decline in UK commercial property investment. 2Q 2020 was the weakest quarterly investment figure ever recorded, at around £3bn (1Q's transaction value: £15.4bn). Physical inspections have now resumed and £2.5bn worth of transactions are in the pipeline, though overseas investors represent a smaller proportion of investment activity (35%) in the UK market this year. Most UK balanced funds still carry a Material Uncertainty Clause for their 2Q valuation until there is more transactional evidence. With UK total returns over the next four years forecast to be around 3% - 3.8% (annualised) the sector retains its attractions (vs a 0.2% 10-year gilt yield). Investors, driven by minimal global bond yields, continue to search for low-risk, asset-backed long-income streams within commercial and residential property.

Photo by Mihály Köles on Unsplash



Responsible Investment & Stewardship Review

Walking the talk

We were delighted to publish our [2020 Responsible Investment and Stewardship Outcomes Report](#) at the beginning of June. The report, which evidences of policy commitments on ESG risk integration, engagement and stewardship activities, is one of the first reports to explicitly seek to meet the requirements of the new Financial Reporting Standards – Stewardship Code 2020 as well as the EU Shareholder Rights Directive. Policy makers globally are ramping up the expectations on disclosure but we are well placed to not only meet them but deliver best practice.

Climate Governance - Barclays Shareholder Resolution

In December Brunel co-filed a shareholder resolution at Barclays, the first climate change resolution to ever be filed at a European bank. Since filing Brunel, alongside ShareAction the lead filer, engaged with Barclays and other shareholders. The positive pressure of shareholders led to a significant step by the bank, who in April, put forward a proposed "ambition to become net zero by 2050". While Barclays' own resolution set out an overarching 2050-ambition encompassing all financing across all sectors, the shareholder resolution ensures a greater focus on short- and medium-term actions needed in order to achieve that long-term goal. Both proposals were put to vote at the May annual general meeting, Barclays proposal passed, but we were pleased to see that votes for the shareholder resolution (23.95%) exceeded the 20% threshold that requires the bank to consult with shareholders and explain the views received and actions taken publicly within six months. We will continue to engage constructively to ensure that Barclays delivers on its commitments and takes real action to align its financing with the needs of the low carbon transition.

#TALKABOUTBLACK

In May the world witnessed an outpouring of emotions in response to the death of George Floyd in America and the subsequent protests globally. This shone a spotlight on the racial inequality which persists today. #TALKABOUTBLACK, a workstream of the Diversity project looks to address the under-representation of black talent by developing a sustainable pipeline of black leaders in the asset management industry. The workstream launched the #IAM campaign to get the industry talking about this important topic. Stewardship Manager, Helen Price, shared her personal thoughts in a blog: [#IAM](#) [#TALKABOUTBLACK](#). Brunel will continue to engage on this throughout the year. Within the investment industry representation and engagement is woefully lacking and engagement has not been to the same ferocity as other aspects of diversity. Although Brunel includes ethnic diversity in its Stewardship policy, we will be reviewing what further steps we can take and continuing to engage on this issue.

Barclays UK HQ

source: https://commons.wikimedia.org/wiki/File:Barclays_CW.jpg



#TALKABOUTBLACK

Source: Diversity Project



Responsible Investment & Stewardship Review

Human Capital – tackling mental health and modern day slavery

We joined two engagement initiatives within our theme of Human Capital – workplace mental health and modern day slavery. Along with other investors, representing £2.2 trillion, we co-signed letters to the CEO's of all FTSE 100 companies asking that formal mental health workplans are established during the period of disruption brought about by the Covid crisis. Before the pandemic mental health was costing UK businesses between £33 billion and £42 billion every year^[1] as well as having devastating social consequences. The Covid crisis will undoubtedly escalate both the financial and social costs of poor mental health.

We joined a modern day slavery engagement programme called Find it, Fix it, Prevent it alongside investors representing £3.5 trillion. The programme, which is backed by the Principles for Responsible Investment and supported by NGO's and academics, undertakes engagement with an aim to:

1. Push for better public policy to facilitate effective corporate action of modern slavery;
2. Promote better policies and processes for addressing slavery across supply chains; and
3. Develop better data for investors to act on modern day slavery

^[1] Stevenson/Farmer (2017), Thriving at Work, The Stevenson / Farmer review of mental health and employers

Climate transparency – Brunel's Carbon Metrics

Our [Carbon Metrics Report](#) details a number of key carbon metrics for each Brunel Portfolios as well as a Brunel Aggregate Portfolio. The Brunel Aggregate Portfolio consists of the underlying Brunel Portfolios weighted by assets under management as of 31 December 2019. The Partnership's work on climate change was a strong contributing element of our winning **Environmental Finance Sustainable Investment Awards – Pension Fund of the Year**.

Looking at the Weighted Average Carbon Intensity (WACI), the Brunel Aggregate Portfolio is less carbon intensive than its custom benchmark, with a relative efficiency of 15.4%. All of the Brunel Active Portfolios have a lower carbon intensity than their respective benchmarks, many substantially lower. All achieved at least 7% below their respective benchmarks. The report also shows that Companies within the Brunel Aggregate Portfolio that fully disclose their carbon data is 56% as a carbon weighted measure – and 64% on an investment weighted basis. Disclosure continues to be a key focus area of our engagement programme.

See the graphs below for more portfolio by portfolio details. We will continue to develop our Carbon Metrics reporting.

Human Capital

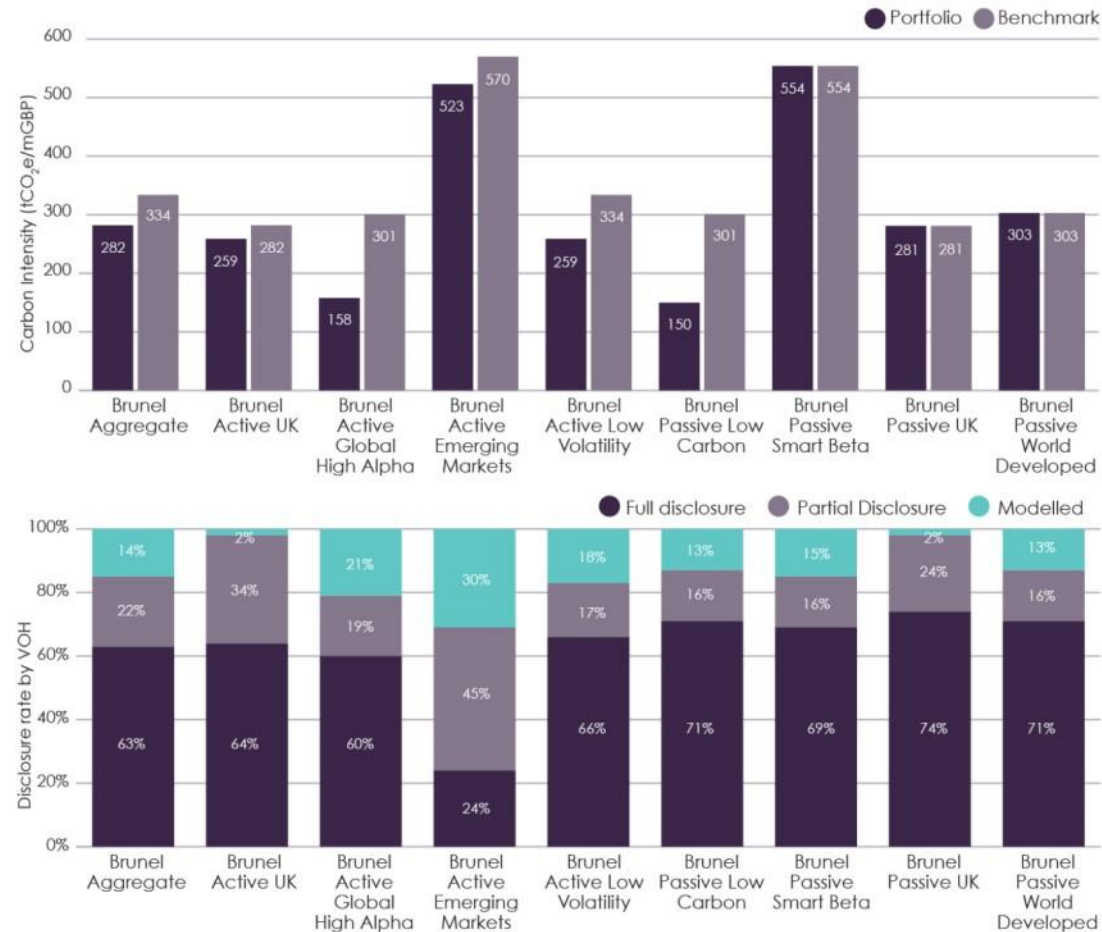


Environmental Finance Award Winner



Responsible Investment & Stewardship Review

WACI and Disclosure Rates for the Brunel Aggregate and Brunel Sub-Portfolios



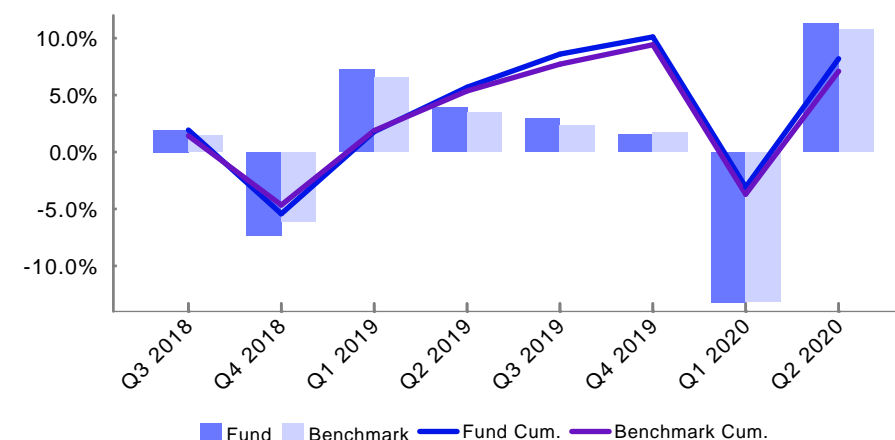
Bar totals may not sum to 100% due to rounding.

High Level Performance of Pension Fund

Performance of Fund Against Benchmark

| Ann. Performance | Fund | Strategic BM | Excess |
|------------------|--------|--------------|--------|
| 3 Month | 11.28% | 10.80% | 0.48% |
| Fiscal YTD | 11.28% | 10.80% | 0.48% |
| 1 Year | 0.91% | 0.20% | 0.71% |
| 3 Years | 4.81% | 3.94% | 0.87% |
| 5 Years | 7.74% | 7.02% | 0.72% |
| 10 Years | 9.08% | 8.73% | 0.35% |
| Since Inception | 7.30% | 7.51% | -0.21% |

Rolling Quarters Total Fund Net of Mgr. Fees

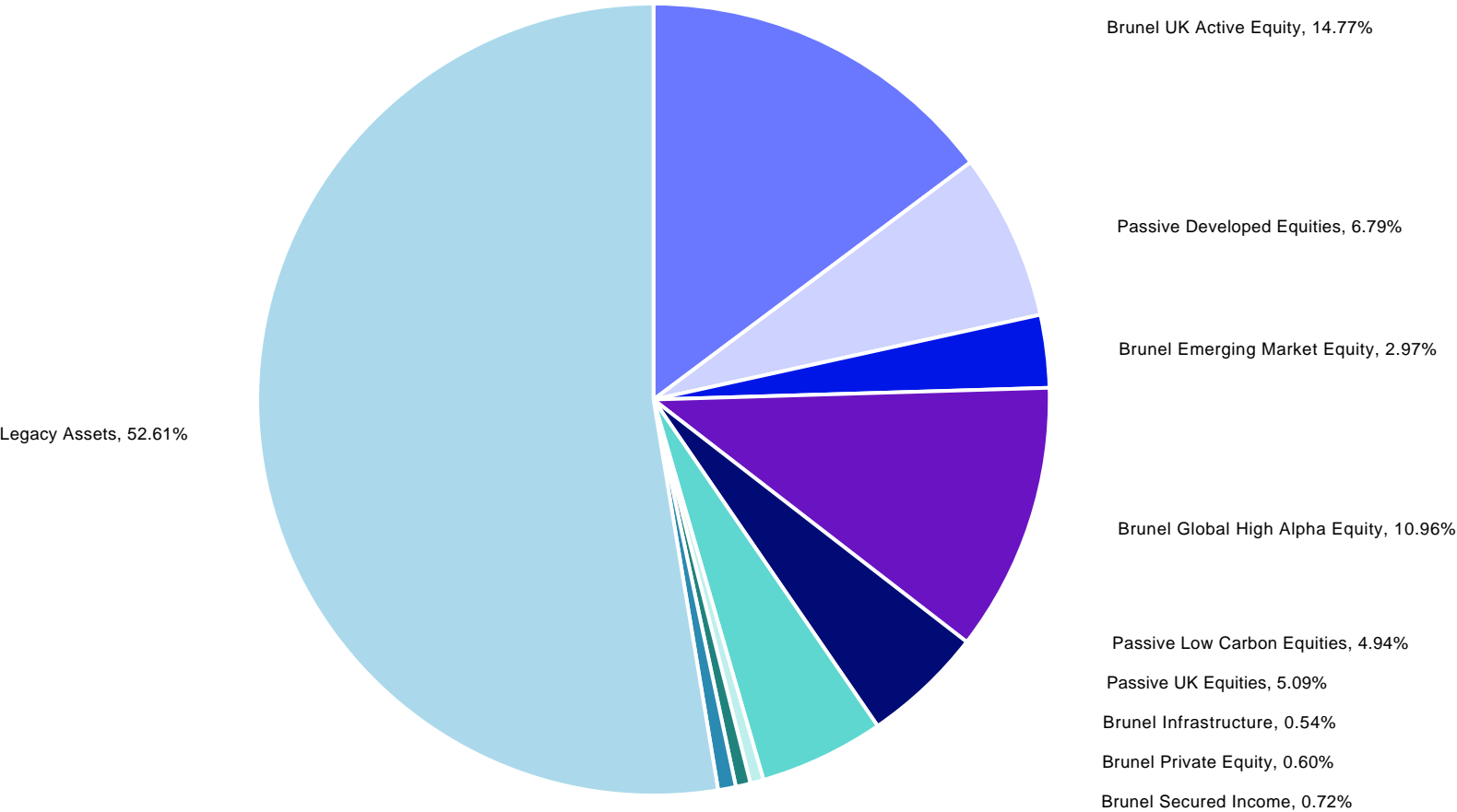


Key Drivers of Performance

Over the second quarter of 2020, the Fund delivered a positive absolute returns slightly ahead of its strategic benchmark. Highlights during the period were:

- All three actively managed Brunel equity portfolios exceeded their benchmarks in the quarter.
- All passive mandates were broadly in line with benchmark.
- The key Brunel portfolio driver of performance in the quarter was Global High Alpha which returned 24.04%, beating the benchmark by more than 4%.

Asset Allocation Split



High Level Performance of Pension Fund – Risk Summary

Manager Level Performance (Transitioned) – Since Initial Investment

| | Ann. Return | Benchm. Return |
|---------------------------------|-------------|----------------|
| Brunel Emerging Market Equity | -1.55% | -0.55% |
| Brunel Global High Alpha Equity | 11.04% | 2.63% |
| Brunel UK Active Equity | -3.34% | -3.01% |
| Passive Developed Equities | 7.57% | 7.60% |
| Passive Low Carbon Equities | 8.88% | 8.97% |
| Passive UK Equities | -6.90% | -6.86% |

Manager Level Performance (Pre-Transition) – 3 Year

| | Ann. Return | Standard Deviation | Benchm. Return | Benchm. Std. Dev. |
|----------------------------|-------------|--------------------|----------------|-------------------|
| Baillie Gifford UK Equity | 2.85% | 8.11% | -1.63% | 14.44% |
| Cash | 0.56% | 0.09% | 0.68% | 0.06% |
| Insight Diversified Growth | 0.97% | 7.35% | 4.48% | 0.12% |
| LGIM Fixed Income | 6.12% | 6.39% | 6.00% | 6.21% |
| Pooled Property | 6.76% | 6.76% | 3.38% | 2.97% |
| Private Equity | 6.56% | 7.54% | -0.86% | 16.95% |
| UBS Global Equity | 7.86% | 16.61% | 8.49% | 13.40% |
| UBS Property | 3.68% | 2.48% | 3.38% | 2.97% |
| Wellington Global Equity | 12.26% | 12.10% | 8.42% | 13.40% |
| Oxfordshire County Council | 4.81% | 9.36% | 3.94% | 8.76% |

Brunel Portfolios Overview

| Portfolio | Benchmark | AUM (GBPm) | Perf. 3 Month | Excess 3 Month | Perf. 1 Year | Excess 1 Year | Perf. 3 Year | Excess 3 Year | Perf. 5 Year | Excess 5 Year | Perf. SII* | Excess SII* | Initial Investment |
|---------------------------------|-----------------------|------------|---------------|----------------|--------------|---------------|--------------|---------------|--------------|---------------|------------|-------------|--------------------|
| Brunel Emerging Market Equity | MSCI EM TR Gross | 79 | 18.77% | 0.17% | | | | | | | -1.55% | -1.00% | 13 Nov 2019 |
| Brunel Global High Alpha Equity | MSCI World TR Gross | 291 | 24.04% | 4.08% | | | | | | | 11.04% | 8.41% | 15 Nov 2019 |
| Brunel UK Active Equity | FTSE All Share | 392 | 11.67% | 1.50% | -13.35% | -0.36% | | | | | -3.34% | -0.33% | 21 Nov 2018 |
| Passive Developed Equities | FTSE World Developed | 180 | 19.83% | -0.02% | 6.45% | -0.02% | | | | | 7.57% | -0.03% | 11 Jul 2018 |
| Passive Low Carbon Equities | MSCI World Low Carbon | 131 | | | | | | | | | 8.88% | -0.09% | 15 May 2020 |
| Passive UK Equities | FTSE All Share | 135 | 10.22% | 0.04% | -13.04% | -0.05% | | | | | -6.90% | -0.04% | 11 Jul 2018 |

*Since Initial Investment

Performance based on tradeable NAV

Where there are disparities between returns quoted above and returns provided for the same fund and period in the following pages, this is because the fund-specific pages reflect the posttransition phase, important for monitoring the performance of selected managers, while those given above reflect the Clients' actual experience from the point of initial investment, which in some cases includes the shared impact of transition costs.

Tradeable NAV performance reflects NET performance. The following product pages reflect the portfolio's NET performance

Passive Developed Equities

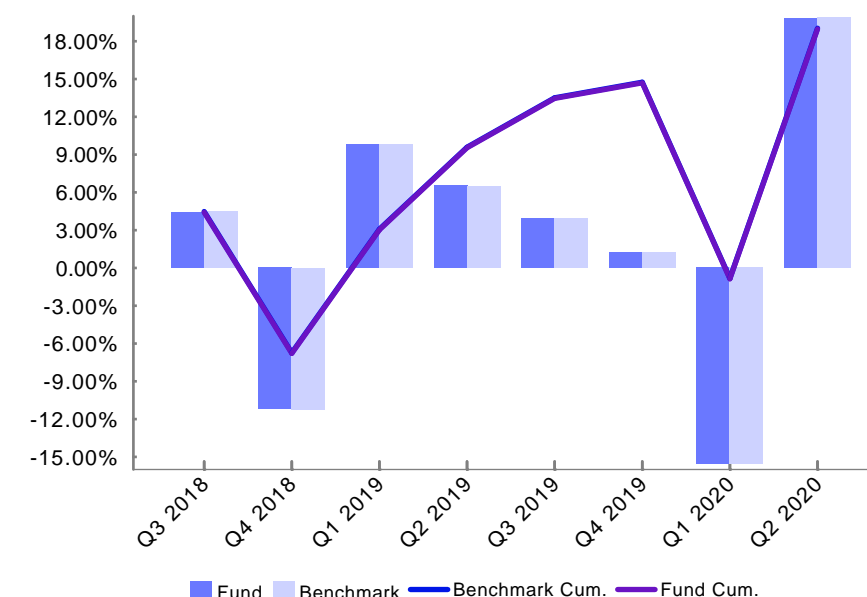
Overview

| | Description |
|------------------------------------|---|
| Portfolio Objective: | Provide exposure to FTSE Developed World using a low cost highly liquid approach. |
| Investment Strategy & Key Drivers: | Geographically diversified range of equities. |
| Liquidity: | High |
| Risk/Volatility: | High absolute risk with very low tracking error. |
| Total Fund Value: | £2,067,718,183 |

Performance to Quarter End

| Ann. Performance | Fund | BM | Excess |
|------------------|--------|--------|--------|
| 3 Month | 19.83% | 19.85% | -0.02% |
| Fiscal YTD | 19.83% | 19.85% | -0.02% |
| 1 Year | 6.45% | 6.47% | -0.02% |
| 3 Years | | | |
| 5 Years | | | |
| 10 Years | | | |
| Since Inception | 7.57% | 7.60% | -0.03% |

Rolling Performance*



* Partial returns shown in first quarter

Global equity markets rebounded strongly from Coronavirus in Q2 2020. Over the quarter the benchmark FTSE Developed World index returned 19.85%, and also exhibited positive performance for the 12 month period ending 30th of June 2020, up 6.47%. The Passive Developed Equities product closely replicated the performance of the benchmark.

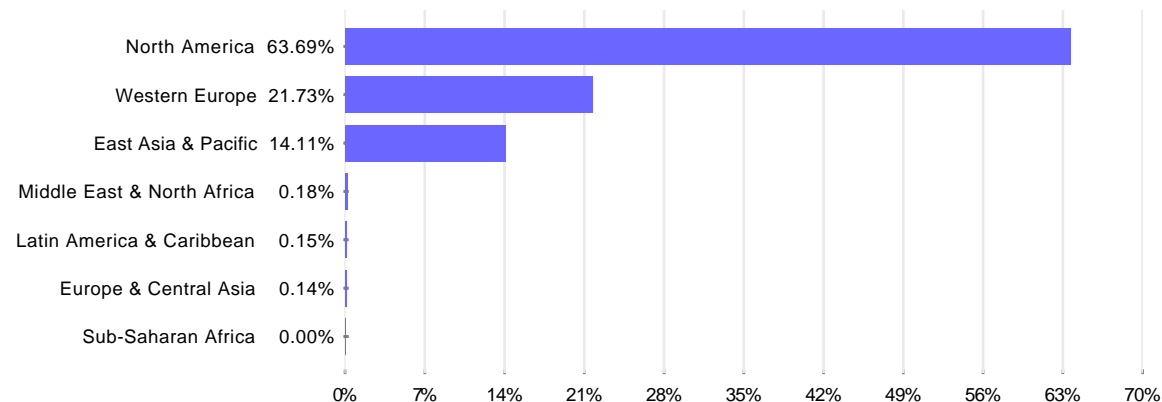
- GBP depreciated in value against a variety of developed market currencies over the quarter, down 0.35% against the Dollar, down 2.65% against the Euro, and down 0.42% against the Japanese Yen. As a consequence, the GBP hedged product underperformed the unhedged product.
- All sectors delivered positive absolute performance over the quarter, driven mostly by Technology, which was both resilient in the Covid19 downturn and strong in the market rebound. Basic Materials and Oil and Gas were also strong over the quarter. Utilities was the weakest performing sector over this period.

Passive Developed Equities – Region & Sector Exposure

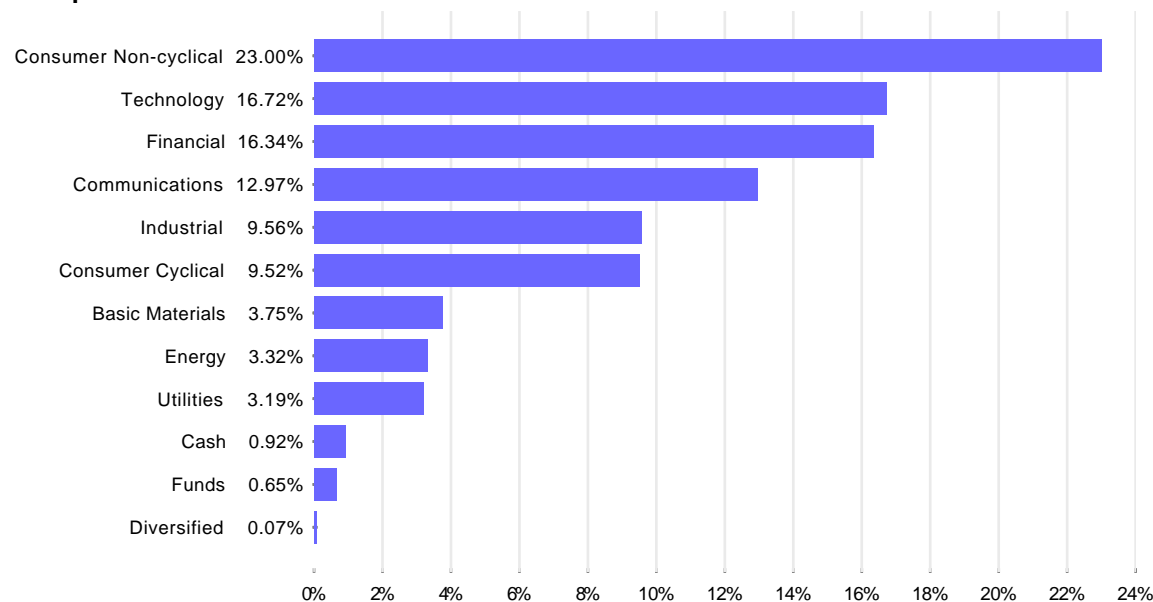
Top 20 Holdings

| | Mkt. Val.(GBP) |
|------------------------------|----------------|
| MICROSOFT CORP | 102,174,653 |
| APPLE INC | 100,012,644 |
| AMAZON.COM INC | 78,199,933 |
| FACEBOOK INC-CLASS A | 36,396,798 |
| ALPHABET INC-CL A | 28,387,337 |
| ALPHABET INC-CL C | 27,935,807 |
| JOHNSON & JOHNSON | 24,667,498 |
| VISA INC-CLASS A SHARES | 21,892,684 |
| NESTLE SA-REG | 20,851,049 |
| PROCTER & GAMBLE CO/THE | 19,505,489 |
| JPMORGAN CHASE & CO | 19,106,800 |
| UNITEDHEALTH GROUP INC | 18,596,092 |
| HOME DEPOT INC | 18,034,667 |
| MASTERCARD INC - A | 17,437,518 |
| INTEL CORP | 16,978,635 |
| ROCHE HOLDING AG-GENUSSCHEIN | 15,803,035 |
| VERIZON COMMUNICATIONS INC | 15,291,223 |
| NVIDIA CORP | 15,054,853 |
| BERKSHIRE HATHAWAY INC-CL B | 14,556,638 |
| AT&T INC | 14,426,468 |

Regional Exposure



Sector Exposure



Passive Developed Equities – Responsible Investment

Top 10 ESG Contributors to Overall Score

| | Insight | Momentum |
|----------------------------|---------|----------|
| 1. MICROSOFT CORP | 59.9 | 34.9 |
| 2. SAP SE | 72.9 | 64.4 |
| 3. NVIDIA CORP | 66.7 | 68.9 |
| 4. NEXTERA ENERGY INC | 73.4 | 29.9 |
| 5. ACCENTURE PLC | 69.3 | 62.1 |
| 6. PROCTER & GAMBLE CO/THE | 63.4 | 66.1 |
| 7. NESTLE SA | 62.9 | 67.8 |
| 8. TOYOTA MOTOR CORP | 66.4 | 50.1 |
| 9. SALESFORCE.COM INC | 65.6 | 59.8 |
| 10. SCHNEIDER ELECTRIC SE | 78.2 | 50.0 |

Bottom 10 ESG Detractors to Overall Score

| | Insight | Momentum |
|------------------------|---------|----------|
| 1. APPLE INC | 51.3 | 40.0 |
| 2. AMAZON.COM INC | 49.9 | 26.7 |
| 3. FACEBOOK INC | 43.9 | 30.9 |
| 4. ALPHABET INC | 49.1 | 46.0 |
| 5. JOHNSON & JOHNSON | 48.0 | 32.6 |
| 6. NETFLIX INC | 43.1 | 42.9 |
| 7. JPMORGAN CHASE & CO | 49.2 | 31.2 |
| 8. EXXON MOBIL CORP | 48.5 | 60.0 |
| 9. AT&T INC | 50.1 | 42.4 |
| 10. WALT DISNEY CO/THE | 50.5 | 39.4 |

* Position 1 is the top contributor/detractor.



| Weighted Average ESG Score | 2020 Q1 | 2020 Q2 |
|----------------------------|---------|---------|
| Portfolio | 58.86 | 58.38 |
| Passive Dev Equities | 58.86 | 58.38 |

TruValue Labs & SASB

Brunel Assessment:

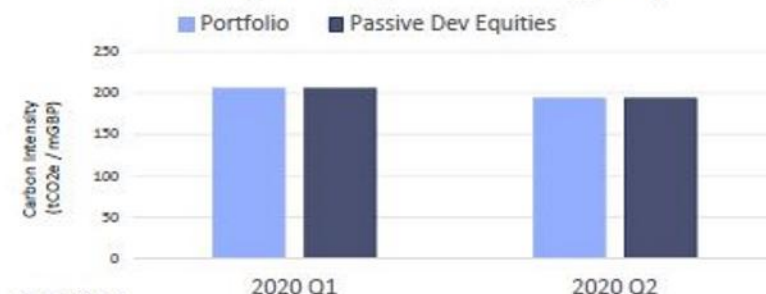
- Netflix (media and services) is facing lawsuits for deformation of character, there are also claims of employee poaching and trademark infringement. Disputes continue in South Korea over 'network usage fees' currently not paid by online content providers. Netflix shifted cash to banks supporting black lives and has taken a public stance against racism.
- JP Morgan Chase (Bank) saw a 40% fall in credit card expenditure due to COVID-19. The bank also came under fire due to its fossil fuel lending. 46.9% of shareholders voted 'FOR' a resolution requiring a plan to align its business with the goals of the Paris agreement. 41.7% also voted to split the role of chair and CEO.
- Amazon, along with Facebook, Alphabet and Apple will see their CEO's testify before a congressional panel investigating competition issues in the tech industry. The leaders will be questioned about business practices as the subcommittee builds a case for tougher antitrust enforcement of tech companies.

100% of the bottom 10 ESG detractors are covered by engagement or specific voting activities.

Some negative momentum a result of market volatility due to COVID-19.

The benchmark (and index tracking portfolio) saw a continued decrease in carbon intensity over the last quarter.

Weighted Average Carbon Intensity (WACI)



Source: Trucost

Extractive Exposure

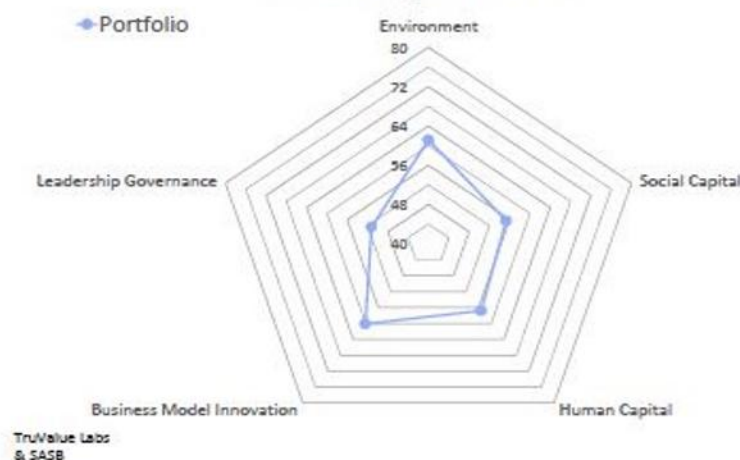
| | Total Extractive Exposure ¹ | | Extractive Industries (VOH) ² | |
|----------------|--|------|--|------|
| | Q1 | Q2 | Q1 | Q2 |
| Portfolio | 2.92 | 3.28 | 8.68 | 8.19 |
| Passive Dev EQ | 2.92 | 3.28 | 8.68 | 8.19 |

¹ Extractive revenue exposure as share (%) of total revenue.

² Value of holdings (VOH)-companies who derive revenues from extractives.

Source: Trucost

Absolute Weighted ESG Scores



TruValue Labs & SASB

Passive Low Carbon Equities

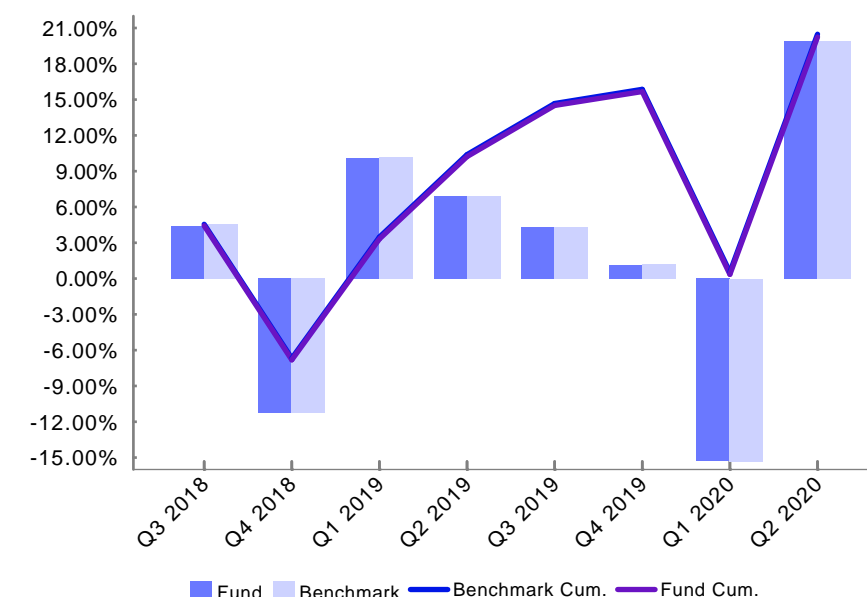
Overview

| | Description |
|------------------------------------|---|
| Portfolio Objective: | Provide exposure to equity returns and global economy with low exposure to carbon emissions and fossil fuels. |
| Investment Strategy & Key Drivers: | Portfolio is invested in global equities in accordance with Low Carbon index. |
| Liquidity: | High |
| Risk/Volatility: | High absolute risk with very low tracking error. |
| Total Fund Value: | £1,032,515,591 |

Performance to Quarter End

| Ann. Performance | Fund | BM | Excess |
|------------------|--------|--------|--------|
| 3 Month | 19.88% | 19.94% | -0.06% |
| Fiscal YTD | 19.88% | 19.94% | -0.06% |
| 1 Year | 7.10% | 7.17% | -0.07% |
| 3 Years | | | |
| 5 Years | | | |
| 10 Years | | | |
| Since Inception | 8.24% | 8.36% | -0.12% |

Rolling Performance*



* Partial returns shown in first quarter

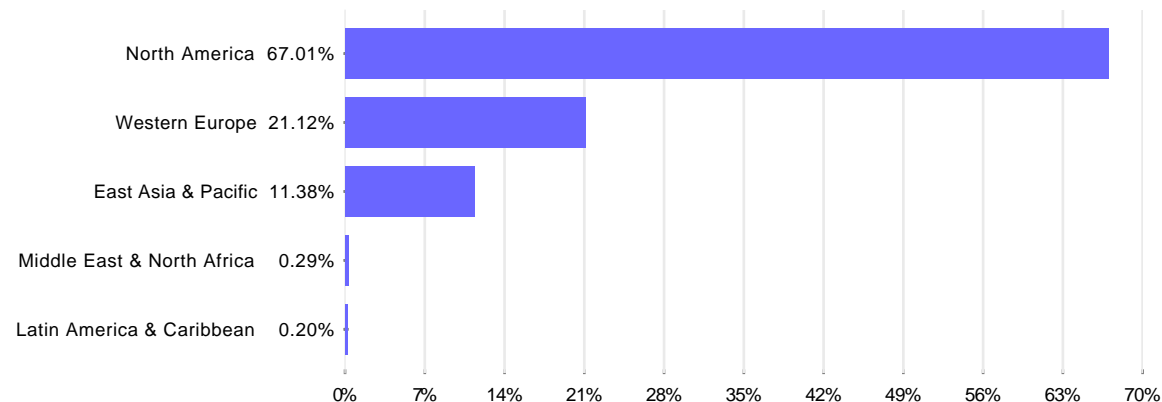
- The fund and index have both performed positively following negative performance in the first quarter of 2020 due to the impacts of the coronavirus.
- The Passive Low Carbon Equities fund has performed in line with the MSCI World Low Carbon Target Benchmark (19.88% vs 19.94%).
- All sectors have performed positively, with Information Technology, Consumer Discretionary and Healthcare the three main contributors to return. On a geographic basis, no countries have detracted significantly from performance over the period with almost all countries and regions performing strongly. The US is the largest contributor to performance, being both the largest constituent of the benchmark and returning 21.9% over the period.
- Fund performance since the start of 2020 is positive overall, and in line with benchmark (1.53% vs 1.56%).

Passive Low Carbon Equities – Region & Sector Exposure

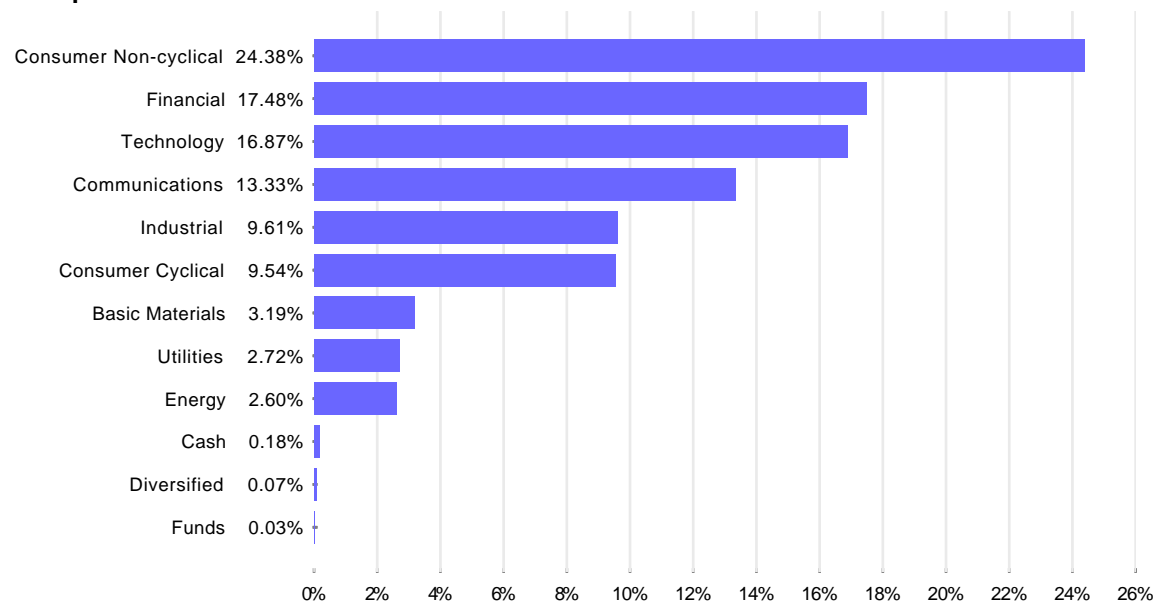
Top 20 Holdings

| | Mkt. Val.(GBP) |
|------------------------------|----------------|
| APPLE INC | 60,837,878 |
| MICROSOFT CORP | 56,168,207 |
| AMAZON.COM INC | 44,835,140 |
| FACEBOOK INC-CLASS A | 21,062,067 |
| ALPHABET INC-CL C | 17,351,386 |
| ALPHABET INC-CL A | 15,538,825 |
| JOHNSON & JOHNSON | 14,336,215 |
| VISA INC-CLASS A SHARES | 12,959,461 |
| NESTLE SA-REG | 12,726,495 |
| PROCTER & GAMBLE CO/THE | 11,639,487 |
| JPMORGAN CHASE & CO | 10,725,645 |
| UNITEDHEALTH GROUP INC | 10,514,969 |
| HOME DEPOT INC | 10,492,920 |
| MASTERCARD INC - A | 10,361,453 |
| INTEL CORP | 9,953,820 |
| ROCHE HOLDING AG-GENUSSCHEIN | 9,182,244 |
| NVIDIA CORP | 8,992,467 |
| BERKSHIRE HATHAWAY INC-CL B | 8,978,674 |
| VERIZON COMMUNICATIONS INC | 8,716,355 |
| AT&T INC | 8,575,938 |

Regional Exposure



Sector Exposure



Passive Low Carbon Equities – Responsible Investment

Top 10 ESG Contributors to Overall Score

| | Insight | Momentum |
|----------------------------|---------|----------|
| 1. MICROSOFT CORP | 59.9 | 34.9 |
| 2. SAP SE | 72.9 | 64.4 |
| 3. NVIDIA CORP | 66.7 | 68.9 |
| 4. NEXTERA ENERGY INC | 73.4 | 29.9 |
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| 7. NESTLE SA | 62.9 | 67.8 |
| 8. SCHNEIDER ELECTRIC SE | 78.2 | 50.0 |
| 9. SALESFORCE.COM INC | 65.6 | 59.8 |
| 10. MASTERCARD INC | 62.3 | 71.0 |

Bottom 10 ESG Detractors to Overall Score

| | Insight | Momentum |
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| 5. JOHNSON & JOHNSON | 48.0 | 32.6 |
| 6. NETFLIX INC | 43.1 | 42.9 |
| 7. JPMORGAN CHASE & CO | 49.2 | 31.2 |
| 8. AT&T INC | 50.1 | 42.4 |
| 9. KINDER MORGAN INC | 34.5 | 26.7 |
| 10. NIKE INC | 46.0 | 65.5 |

| Weighted Average ESG Score | 2020 Q1 | 2020 Q2 |
|----------------------------|---------|---------|
| Portfolio | 58.72 | 58.29 |
| Passive Dev Equities | 58.86 | 58.38 |

TruValue Labs & SASB

* Position 1 is the top contributor/detractor.



Weighted Average Carbon Intensity (WACI)



Source: Trucost

Extractive Exposure

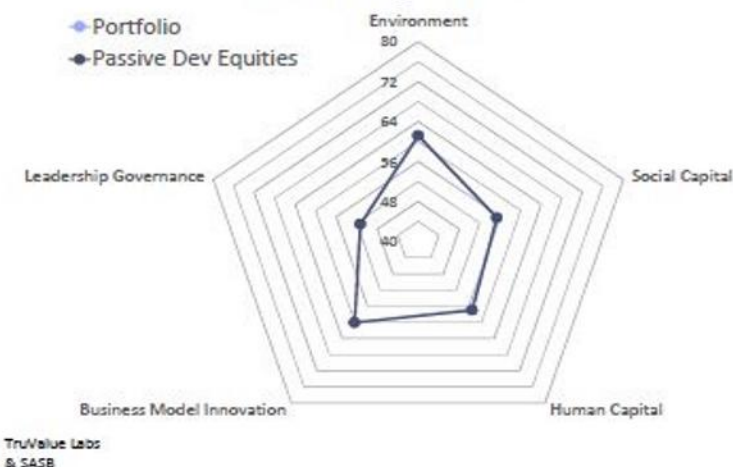
| | Total Extractive Exposure ¹ | | Extractive Industries (VOH) ² | |
|----------------|--|------|--|------|
| | Q1 | Q2 | Q1 | Q2 |
| Portfolio | 1.83 | 2.51 | 3.92 | 5.05 |
| Passive Dev EQ | 2.92 | 3.28 | 8.68 | 8.19 |

¹ Extractive revenue exposure as share (%) of total revenue.

² Value of holdings (VOH)-companies who derive revenues from extractives.

Source: Trucost

Absolute Weighted ESG Scores



TruValue Labs & SASB

Brunel Assessment:

- Netflix (media and services) is facing lawsuits for deformation of character, there are also claims of employee poaching and trademark infringement. Disputes continue in South Korea over 'network usage fees' currently not paid by online content providers. Netflix shifted cash to banks supporting black lives and has taken a public stance against racism.
- JP Morgan Chase (Bank) saw a 40% fall in credit card expenditure due to COVID-19. The bank also came under fire due to its fossil fuel lending. 46.9% of shareholders voted 'FOR' a resolution requiring a plan to align its business with the goals of Paris Agreement. 41.7% also voted to split the role of chair and CEO.
- Amazon, along with Facebook, Alphabet and Apple CEO's will testify before a congressional panel investigating competition in the tech industry. Leaders will face questions from lawmakers about business practices, as the subcommittee seeks a case for antitrust enforcement of tech companies.

100% of the bottom 10 ESG detractors are covered by engagement or specific voting activities.

Some negative momentum a result of market volatility due to COVID-19.

The benchmark is MSCI Developed World (source index) so that the carbon reductions achieved by the application of carbon constraints to create the MSCI Developed World Low Carbon portfolio are easier to monitor.

Passive UK Equities

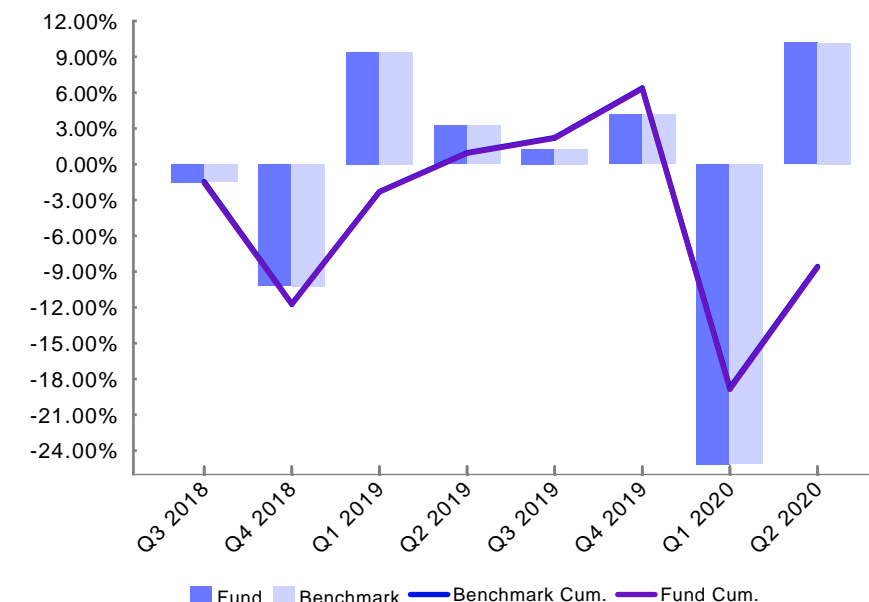
Overview

| | Description |
|------------------------------------|--|
| Portfolio Objective: | Provide exposure to FTSE All Share using a low cost highly liquid approach. |
| Investment Strategy & Key Drivers: | Invest passively in securities underlying the FTSE All Share. Provide long term growth |
| Liquidity: | High |
| Risk/Volatility: | High absolute risk with very low tracking error. |
| Total Fund Value: | £1,029,247,251 |

Performance to Quarter End

| Ann. Performance | Fund | BM | Excess |
|------------------|---------|---------|--------|
| 3 Month | 10.22% | 10.17% | 0.04% |
| Fiscal YTD | 10.22% | 10.17% | 0.04% |
| 1 Year | -13.04% | -12.99% | -0.05% |
| 3 Years | | | |
| 5 Years | | | |
| 10 Years | | | |
| Since Inception | -6.90% | -6.86% | -0.05% |

Rolling Performance*



* Partial returns shown in first quarter

The UK stock market performed positively in Q2 2020, though less well than the US market and some of its European counterparts. The benchmark FTSE All Share Index returned 10.17% over the period. The Brunel UK passive product performed in line with the benchmark, returning 10.22%

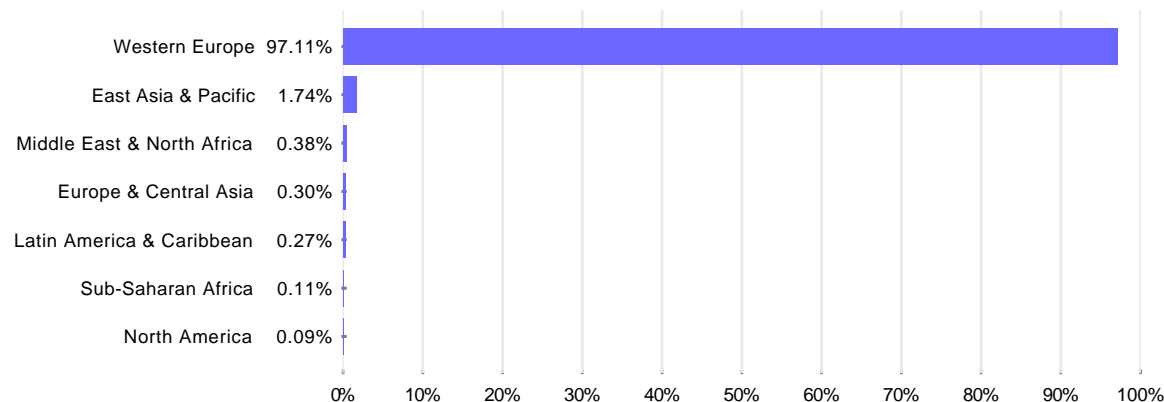
- Many sectors delivered positive performance in absolute terms over the quarter. Basic Materials and Industrials were the best performers through the coronavirus rebound.
- The oil and gas sector was the weakest of all sectors of the UK stock market over this period. This was the only negatively performing sector in absolute terms, and demonstrated a continuation of the poor performance seen in the prior two quarters, which has caused the weight of the Oil and Gas sector within the index to fall to 8.42%, down from 14.26% a year ago.

Passive UK Equities – Region & Sector Exposure

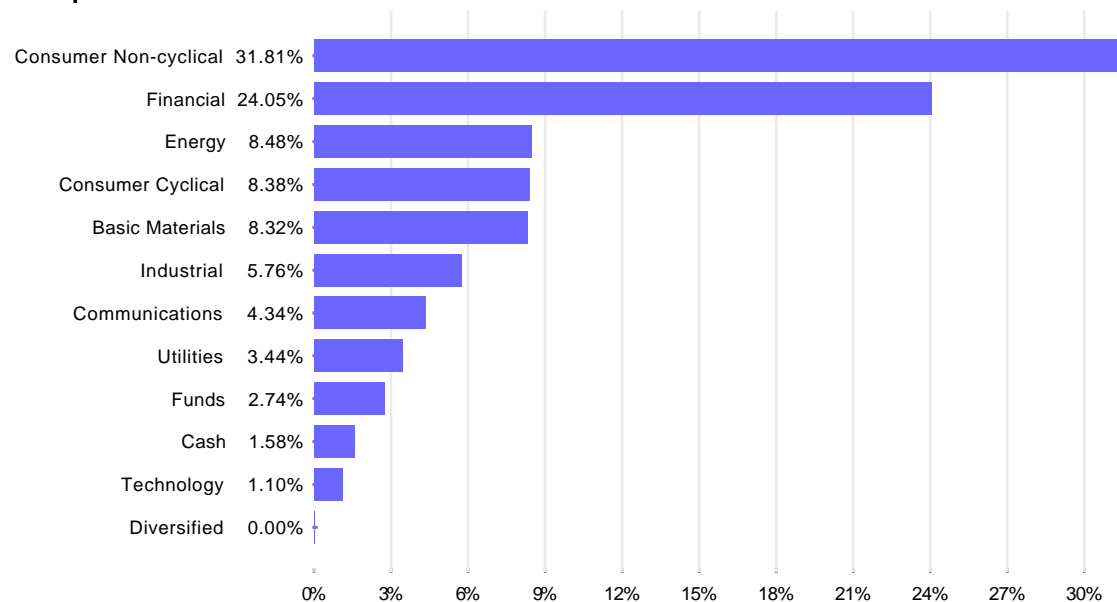
Top 20 Holdings

| | Mkt. Val.(GBP) |
|------------------------------|----------------|
| ASTRAZENECA PLC | 56,026,738 |
| GLAXOSMITHKLINE PLC | 40,758,594 |
| HSBC HOLDINGS PLC | 38,830,386 |
| BRITISH AMERICAN TOBACCO PLC | 35,870,310 |
| DIAGEO PLC | 31,172,257 |
| BP PLC | 30,770,269 |
| ROYAL DUTCH SHELL PLC-A SHS | 26,673,621 |
| RIO TINTO PLC | 24,934,886 |
| UNILEVER PLC | 23,983,693 |
| RECKITT BENCKISER GROUP PLC | 23,680,856 |
| ROYAL DUTCH SHELL PLC-B SHS | 22,967,738 |
| LGIM STERLING LIQUIDITY-1 | 22,004,262 |
| RELX PLC | 17,633,908 |
| NATIONAL GRID PLC | 17,535,299 |
| VODAFONE GROUP PLC | 17,465,904 |
| BHP GROUP PLC | 17,290,598 |
| PRUDENTIAL PLC | 16,117,816 |
| LONDON STOCK EXCHANGE GROUP | 13,294,417 |
| EXPERIAN PLC | 12,986,795 |
| ANGLO AMERICAN PLC | 11,536,104 |

Regional Exposure



Sector Exposure



Passive UK Equities – Responsible Investment

Top 10 ESG Contributors to Overall Score

| | Insight | Momentum |
|---------------------------------|---------|----------|
| 1. RELX PLC | 67.0 | 55.1 |
| 2. DIAGEO PLC | 62.4 | 23.3 |
| 3. RIO TINTO PLC | 61.9 | 43.8 |
| 4. ASTRAZENECA PLC | 59.5 | 41.4 |
| 5. EXPERIAN PLC | 64.0 | 75.0 |
| 6. BUNZL PLC | 77.6 | 81.4 |
| 7. SPIRAX-SARCO ENGINEERING PLC | 77.5 | 75.3 |
| 8. CRODA INTERNATIONAL PLC | 79.8 | 30.3 |
| 9. BAE SYSTEMS PLC | 66.5 | 67.4 |
| 10. HALMA PLC | 72.1 | 9.5 |

Bottom 10 ESG Detractors to Overall Score

| | Insight | Momentum |
|---------------------------------|---------|----------|
| 1. HSBC HOLDINGS PLC | 47.7 | 19.9 |
| 2. RECKITT BENCKISER GROUP PLC | 48.5 | 32.6 |
| 3. BRITISH AMERICAN TOBACCO PLC | 52.0 | 34.8 |
| 4. BP PLC | 53.1 | 40.9 |
| 5. LLOYDS BANKING GROUP PLC | 47.4 | 53.0 |
| 6. BARCLAYS PLC | 46.9 | 52.3 |
| 7. GLENORE PLC | 46.6 | 75.8 |
| 8. GLAXOSMITHKLINE PLC | 55.6 | 43.9 |
| 9. ROYAL DUTCH SHELL PLC | 56.3 | 73.9 |
| 10. PRUDENTIAL PLC | 53.4 | 38.8 |

* Position 1 is the top contributor/detractor.



| Weighted Average ESG Score | 2020 Q1 | 2020 Q2 |
|----------------------------|---------|---------|
| Portfolio | 59.00 | 58.49 |
| Passive UK Equities | 59.00 | 58.49 |

TruValue Labs & SASB

Brunei Assessment:

- Glencore (Mining) was informed of a criminal investigation opened in June by the Swiss Attorney General into alleged corruption in the Democratic Republic of Congo. Adding to current investigations by the UK's Serious Fraud Office and U.S. authorities. Norway's wealth fund toughened lending on coal and blacklisted Glencore amongst others.
- Halma (Technology) high score due to recent acquisitions enhancing gas detection capabilities, and strong developments in biometric wearables to benefit health care management of the elderly. Low momentum resulting from previous high insight score and a drop in volume.
- Bunzl (Distribution and outsourcing) turned down the UK government's £1,000 per worker bonus for retaining furloughed staff. The Office for Budget Responsibility has warned that 10-20% of workers on furlough will not keep their jobs.
- HSBC (Bank) alongside Standard Chartered supported China's imposition of a highly controversial national security law on Hong Kong. Combined with Covid linked profits warnings and staff redundancies, pressure is mounting on one of the world's largest banks.

100% of the bottom 10 ESG detractors are covered by engagement or specific voting activities.
Some negative momentum a result of market volatility due to COVID-19.
The benchmark (and index tracking portfolio) experienced a slight increase in carbon intensity this quarter.

Weighted Average Carbon Intensity (WACI)



Source: Trucost

Extractive Exposure

| | Total Extractive Exposure ¹ | | Extractive Industries (VOH) ² | |
|---------------|--|------|--|-------|
| | Q1 | Q2 | Q1 | Q2 |
| Portfolio | 4.40 | 5.62 | 20.59 | 19.34 |
| Passive UK EQ | 4.40 | 5.62 | 20.59 | 19.34 |

1 Extractive revenue exposure as share (%) of total revenue.
2 Value of holdings (VOH)-companies who derive revenues from extractives.
Source: Trucost

Absolute Weighted ESG Scores



TruValue Labs & SASB

Brunel UK Active Equity

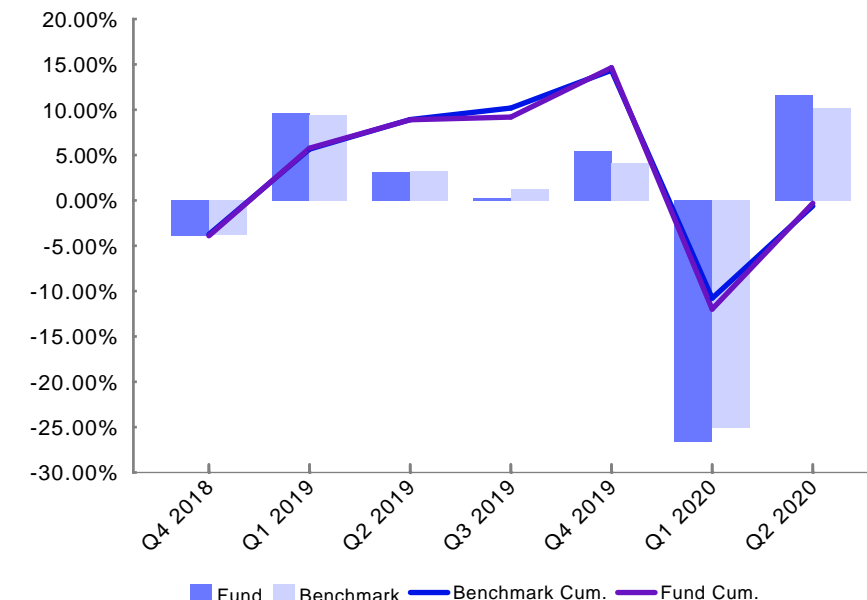
Overview

| | Description |
|------------------------------------|---|
| Portfolio Objective: | Provide exposure to UK Equities, together with enhanced returns from manager skill. |
| Investment Strategy & Key Drivers: | Skilled managers will create opportunities to add long term value through stock selection and portfolio construction. |
| Liquidity: | Managed level of liquidity. Less exposure to more illiquid assets. |
| Risk/Volatility: | High absolute risk with moderate relative risk, around 4% tracking error. |
| Total Fund Value: | £1,427,039,873 |

Performance to Quarter End

| | Ann. Performance | Fund | BM | Excess |
|-----------------|------------------|---------|---------|--------|
| 3 Month | | 11.67% | 10.17% | 1.50% |
| Fiscal YTD | | 11.67% | 10.17% | 1.50% |
| 1 Year | | -13.34% | -12.99% | -0.35% |
| 3 Years | | | | |
| 5 Years | | | | |
| 10 Years | | | | |
| Since Inception | | -3.72% | -3.45% | -0.27% |

Rolling Performance*



* Partial returns shown in first quarter

Notwithstanding the strongest quarterly return since 2013 in absolute terms, UK equities (proxied by the FTSE All share) have still not recovered the value lost in the drawdown in late Feb and March 2020 when markets were first impacted by the Covid 19 crisis. Despite the strong absolute returns this quarter, uncertainty remains, and UK equities continue to underperform global equity markets significantly on both a quarterly and annual basis.

The Fund outperformed the FTSE All share this quarter by +1.5%, recovering the underperformance of last quarter, but remains marginally behind the benchmark since inception. Key points:

- The FTSE All-Share Index posted returns of +10.2% in the quarter, underperforming the global stock market which, as represented by the MSCI ACWI Index, returned +19.8%. This underperformance versus global markets widens when you look over the last 12 months with the FTSE All-Share Index returning -13.0% and the MSCI ACWI Index +5.7%.
- Both allocation and stock selection contributed positively to the quarterly relative outperformance of the Fund. The underweight to Oil and Gas benefitted the Fund, with stock selection particularly strong in Financials and Consumer Services.

Continued Commentary

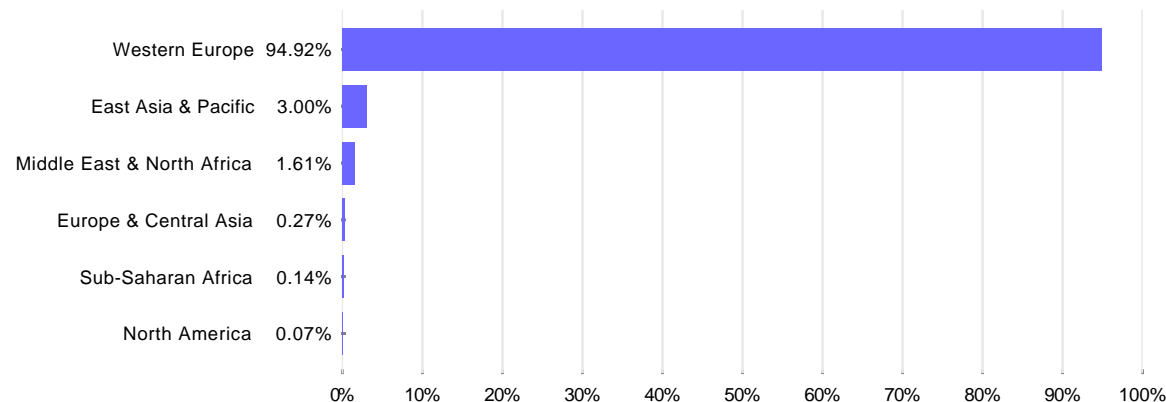
- The Fund's position in Shell was reduced materially over the quarter with Baillie Gifford selling their holding entirely and ASI materially reducing their holding. In general, trading activity has been slightly higher than average as managers move to re-position their portfolios. We have also seen managers participate selectively in a number of small equity raisings by companies since the Covid crisis.
- Fund outperformance over the quarter was driven by strong performances from Baillie Gifford and ASI, with both demonstrating positive stock selection. Invesco were marginally behind benchmark for the quarter.
- Since inception, the fund has returned -3.7% on an annualised basis, underperforming the benchmark by -0.3%.

Brunel UK Active Equity – Region & Sector Exposure

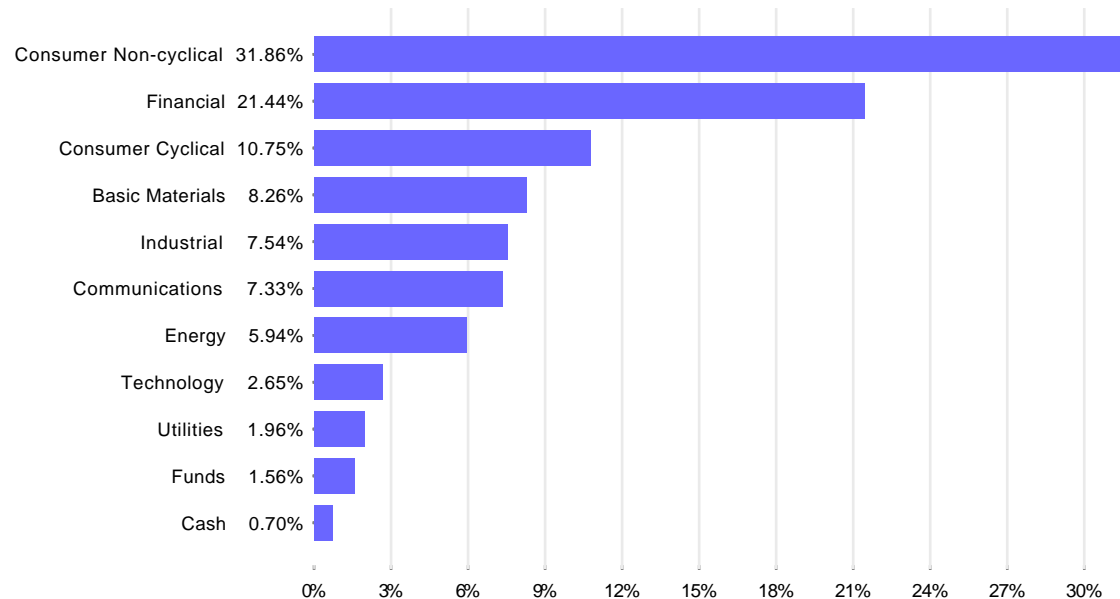
Top 20 Holdings

| | Mkt. Val.(GBP) |
|------------------------------|----------------|
| BRITISH AMERICAN TOBACCO PLC | 64,924,310 |
| GLAXOSMITHKLINE PLC | 59,506,195 |
| ASTRAZENECA PLC | 46,816,160 |
| RELX PLC | 45,884,777 |
| UNILEVER PLC | 45,214,513 |
| PRUDENTIAL PLC | 43,958,024 |
| BHP GROUP PLC | 42,861,684 |
| RIO TINTO PLC | 39,094,702 |
| DIAGEO PLC | 33,382,182 |
| HSBC HOLDINGS PLC | 27,077,040 |
| BP PLC | 25,512,908 |
| AUTO TRADER GROUP PLC | 24,334,286 |
| VODAFONE GROUP PLC | 24,159,490 |
| LEGAL & GENERAL GROUP PLC | 23,370,948 |
| ROYAL DUTCH SHELL PLC-B SHS | 23,030,419 |
| RIGHTMOVE PLC | 20,943,639 |
| ROYAL DUTCH SHELL PLC-A SHS | 20,283,496 |
| HIKMA PHARMACEUTICALS PLC | 19,025,810 |
| BAE SYSTEMS PLC | 18,757,565 |
| INTERMEDIATE CAPITAL GROUP | 17,712,783 |

Regional Exposure



Sector Exposure



Brunel UK Active Equity – Responsible Investment

Top 10 ESG Contributors to Overall Score

| | Insight | Momentum |
|------------------------------|---------|----------|
| 1. RELX PLC | 67.0 | 55.1 |
| 2. AUTO TRADER GROUP PLC | 72.1 | 15.2 |
| 3. BUNZL PLC | 77.6 | 81.4 |
| 4. BAE SYSTEMS PLC | 66.5 | 67.4 |
| 5. INCHCAPE PLC | 67.6 | 71.3 |
| 6. HIKMA PHARMACEUTICALS PLC | 65.6 | 50.0 |
| 7. DIAGEO PLC | 62.4 | 23.3 |
| 8. DUNELM GROUP PLC | 73.1 | 50.0 |
| 9. RIO TINTO PLC | 61.9 | 43.8 |
| 10. INFORMA PLC | 73.3 | 58.6 |

Bottom 10 ESG Detractors to Overall Score

| | Insight | Momentum |
|---------------------------------|---------|----------|
| 1. BRITISH AMERICAN TOBACCO PLC | 52.0 | 34.8 |
| 2. HSBC HOLDINGS PLC | 47.7 | 19.9 |
| 3. PRUDENTIAL PLC | 53.4 | 38.8 |
| 4. GLAXOSMITHKLINE PLC | 55.6 | 43.9 |
| 5. RIGHTMOVE PLC | 49.7 | 21.0 |
| 6. LLOYDS BANKING GROUP PLC | 47.4 | 53.0 |
| 7. BP PLC | 53.1 | 40.9 |
| 8. HARGREAVES LANSDOWN PLC | 44.1 | 21.2 |
| 9. RECKITT BENCKISER GROUP PLC | 48.5 | 32.6 |
| 10. ROYAL DUTCH SHELL PLC | 56.3 | 73.9 |

* Position 1 is the top contributor/detractor.



| Weighted Average ESG Score | 2020 Q1 | 2020 Q2 |
|----------------------------|---------|---------|
| Portfolio | 59.95 | 59.17 |
| FTSE All Share | 58.99 | 58.47 |

TruValue Labs & SASB

Brunel Assessment:

- Rightmove (Internet services) was criticised for not doing more to help estate agents impacted by the halt to the housing market. After offering a 6 month payment holiday, rightmove bowed to pressure and implemented a reduction of three quarters for four months.
- Bunzl (Distribution and outsourcing), turned down the UK government's £1,000 per worker bonus for retaining furloughed staff. The Office for Budget Responsibility has warned that 10-20% of workers on furlough will not keep their jobs.
- Auto Trader (Internet services) placed 46.5 million new shares to strengthen finance and cut board pay as used car sales slumped last quarter. Payment holiday and suspended payments were offered to retailers using the advertising platform.

90% of the bottom 10 ESG detractors are covered by engagement or specific voting activities.

Some negative momentum a result of market volatility due to COVID-19.

A slight increase in the portfolio carbon intensity was replicated by the benchmark. Brunel has engaged extensively to improve the carbon intensity of this portfolio. There was strong commitment from the quantitative manager to encompass climate risk in the investment process. The outcome has been to deliver a portfolio significantly below benchmark. Since inception carbon intensity (reduction) from 210 to 120 tCO2e/£M.

Weighted Average Carbon Intensity (WACI)



Source: Trucost

Extractive Exposure

| | Total Extractive Exposure ¹ | | Extractive Industries (VOH) ² | |
|----------------|--|------|--|-------|
| | Q1 | Q2 | Q1 | Q2 |
| Portfolio | 4.74 | 4.89 | 17.76 | 15.32 |
| FTSE All Share | 4.40 | 5.67 | 20.62 | 19.50 |

¹ Extractive revenue exposure as share (%) of total revenue.

² Value of holdings (VOH)-companies who derive revenues from extractives.

Source: Trucost

Absolute Weighted ESG Scores



TruValue Labs & SASB

Brunel Emerging Market Equity

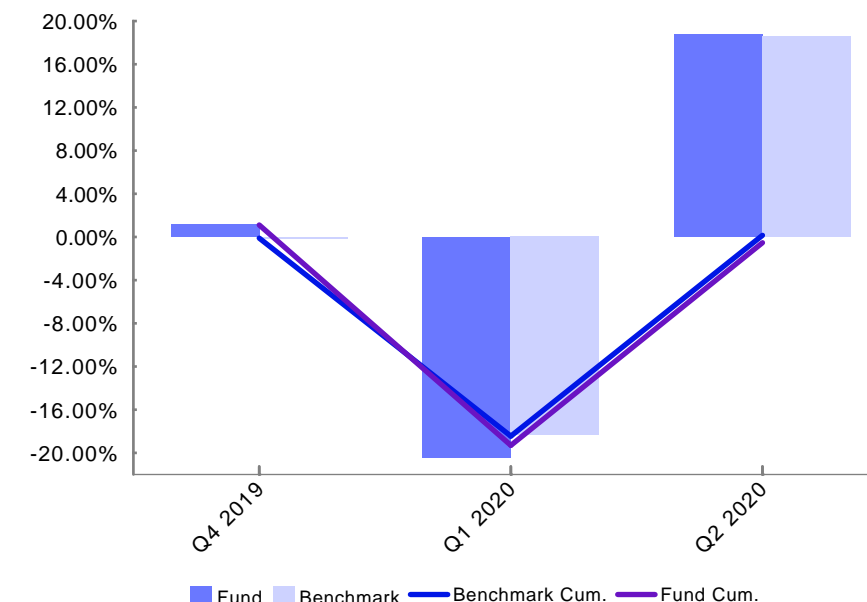
Overview

| | Description |
|------------------------------------|---|
| Portfolio Objective: | Provide exposure to emerging market equities, targeting excess returns and enhanced risk control from leading managers. |
| Investment Strategy & Key Drivers: | A geographically diverse portfolio, typically expected to achieve higher long-term growth rates than developed economies. |
| Liquidity: | Managed liquidity. Less exposure to more illiquid assets |
| Risk/Volatility: | High absolute risk with moderate to high relative risk, around 5% tracking error. |
| Total Fund Value: | £1,176,947,844 |

Performance to Quarter End

| Ann. Performance | Fund | BM | Excess |
|------------------|--------|--------|--------|
| 3 Month | 18.77% | 18.60% | 0.17% |
| Fiscal YTD | 18.77% | 18.60% | 0.17% |
| 1 Year | | | |
| 3 Years | | | |
| 5 Years | | | |
| 10 Years | | | |
| Since Inception | -4.42% | -2.32% | -2.10% |

Rolling Performance*



* Partial returns shown in first quarter

Emerging markets staged a very strong recovery following the severe market downturn observed in Q1 2020. Returns were the strongest seen since the aftermath of the Global Financial Crisis almost 11 years ago. The recovery was also broad based, with 24 out of the 26 country constituents in the MSCI Emerging Markets Index returning more than 10% in Q2 2020 in GBP terms. China continued to surprise on the upside, keeping pace with other countries and returning almost 16% despite the large outperformance observed in the first 3 months of the year. China remains by far the standout performer on a year to date basis, returning over 11% in GBP terms. The benchmark has lost -3% over the same period. Taiwan is the only other market to remain in positive territory on a year to date basis, returning 5.5%.

Key Points:

- The portfolio produced positive performance on an absolute and relative basis. The portfolio returned 18.8% over the quarter, outperforming the benchmark by 0.2% in GBP terms.
- Genesis and Wellington have both had a strong quarter vs benchmark, outperformance was 0.9% and 1.0% respectively. Ninety-One had a tougher quarter, underperforming the benchmark by -1.0%.

Continued Commentary

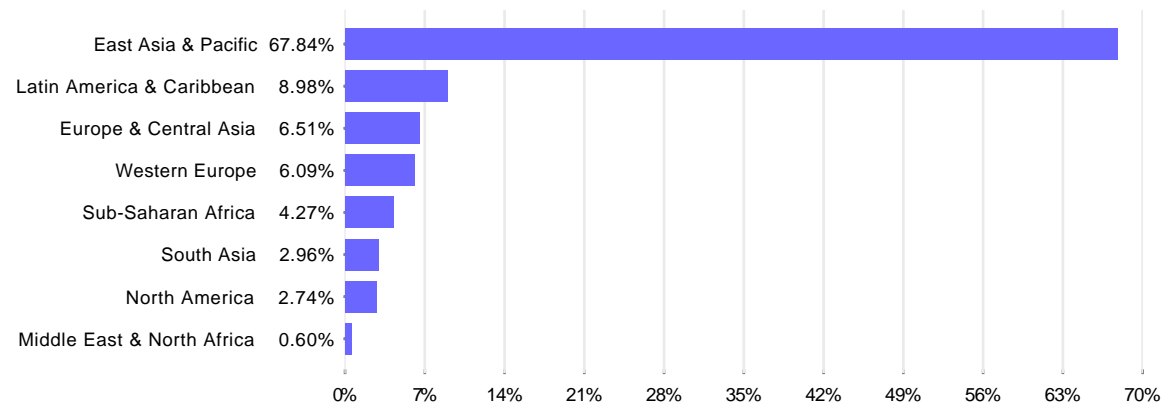
- Relative performance remains negative on a since inception basis, the portfolio is -2.1% behind benchmark as at quarter end. All three managers are lagging the benchmark over this period; Genesis, Ninety-One and Wellington underperformed the benchmark by -2.4%, -1.7% and -0.9% respectively.
- China was a strong contributor to relative performance this quarter, contributing around +100bps towards relative performance. The improvement in performance from China was driven entirely by strong stock selection, which was observed across all three managers. The significant negative allocation impacts from Q1 2020 did not reverse in Q2. The portfolio remains underweight China, currently -4% vs benchmark.

Brunel Emerging Market Equity – Region & Sector Exposure

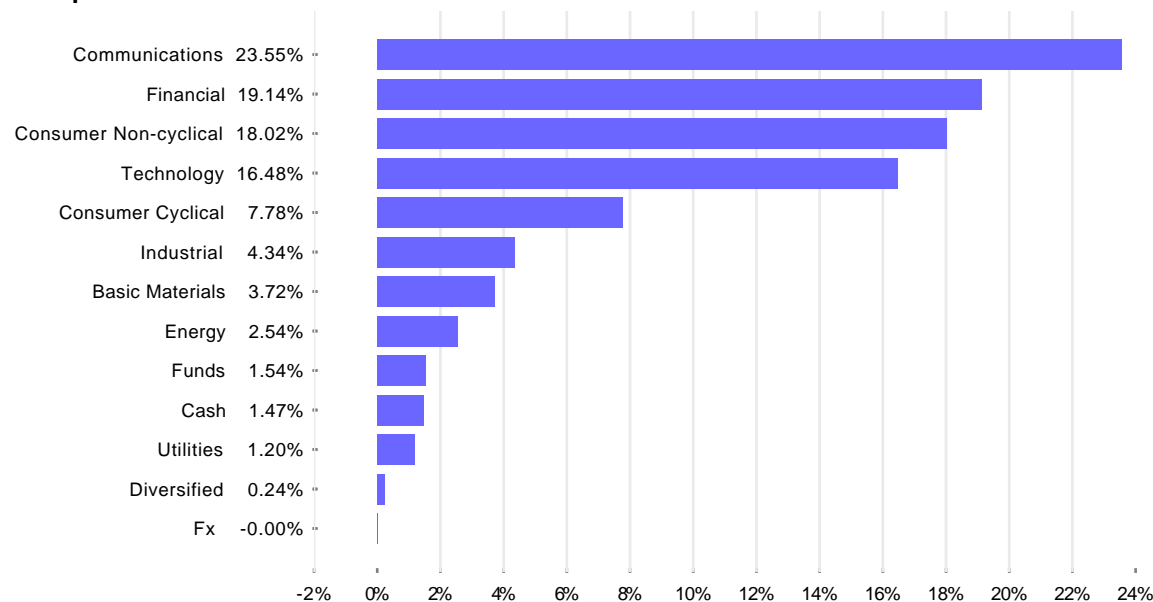
Top 20 Holdings

| | Mkt. Val.(GBP) |
|---------------------------------|----------------|
| TENCENT HOLDINGS LTD | 76,053,450 |
| ALIBABA GROUP HOLDING-SP ADR | 67,775,781 |
| TAIWAN SEMICONDUCTOR MANUFAC | 56,032,200 |
| SAMSUNG ELECTRONICS CO LTD | 33,643,920 |
| AIA GROUP LTD | 20,709,941 |
| SBIBANK PJSC -SPONSORED ADR | 17,685,316 |
| WULIANGYE YIBIN CO LTD-A | 14,940,223 |
| HDFC BANK LTD-ADR | 13,552,291 |
| CHINA LIFE INSURANCE GROUP CO-H | 12,960,260 |
| CHINA CONSTRUCTION BANK-H | 12,437,045 |
| MSCI INDIA ETF | 12,209,075 |
| NETEASE INC-ADR | 11,752,441 |
| SAMSUNG ELECTRONICS-PREF | 11,002,824 |
| NASDAQ LISTED SHS | 10,809,959 |
| BID CORP LTD | 10,678,341 |
| YANDEX NV-A | 10,409,718 |
| MEDIATEK INC | 10,404,197 |
| INFOSYS LTD-SP ADR | 10,011,846 |
| CHINA MENGNIU DAIRY CO | 9,923,356 |
| CSPC PHARMACEUTICAL GROUP LT | 9,047,865 |

Regional Exposure



Sector Exposure



Brunel Emerging Market Equity – Responsible Investment

Top 10 ESG Contributors to Overall Score

| | Insight | Momentum |
|---|---------|----------|
| 1. TAIWAN SEMICONDUCTOR MANUFACTURING | 60.0 | 22.0 |
| 2. MEDIATEK INC | 72.9 | 74.3 |
| 3. CHINA MENGNIU DAIRY CO LTD | 65.6 | 26.9 |
| 4. WEICHAI POWER CO LTD | 78.9 | 27.0 |
| 5. SAMSUNG ELECTRONICS CO LTD | 58.8 | 17.8 |
| 6. PING AN INSURANCE GROUP CO OF CHINA LT | 63.2 | 60.8 |
| 7. SBERBANK OF RUSSIA PJSC | 60.5 | 19.8 |
| 8. DELTA ELECTRONICS INC | 77.9 | 26.6 |
| 9. YANDEX NV | 62.1 | 20.8 |
| 10. XS RETAIL GROUP NV | 77.8 | 83.8 |

Bottom 10 ESG Detractors to Overall Score

| | Insight | Momentum |
|--|---------|----------|
| 1. TENCENT HOLDINGS LTD | 46.9 | 22.0 |
| 2. PETROLEO BRASILEIRO SA | 36.7 | 74.3 |
| 3. ALIBABA GROUP HOLDING LTD | 55.0 | 26.9 |
| 4. COGNIZANT TECHNOLOGY SOLUTIONS CORP | 38.1 | 27.0 |
| 5. NASPERS LTD | 48.6 | 17.8 |
| 6. NETEASE INC | 52.5 | 60.8 |
| 7. INFOSYS LTD | 52.4 | 19.8 |
| 8. FORMOSA PLASTICS CORP | 29.5 | 26.6 |
| 9. VALE SA | 40.4 | 20.8 |
| 10. GRUPO MEXICO SAB DE CV | 50.3 | 83.8 |

* Position 1 is the top contributor/detractor.



| Weighted Average ESG Score | 2020 Q1 | 2020 Q2 |
|----------------------------|---------|---------|
| Portfolio | 58.60 | 57.80 |
| MSCI EM | 58.33 | 56.94 |

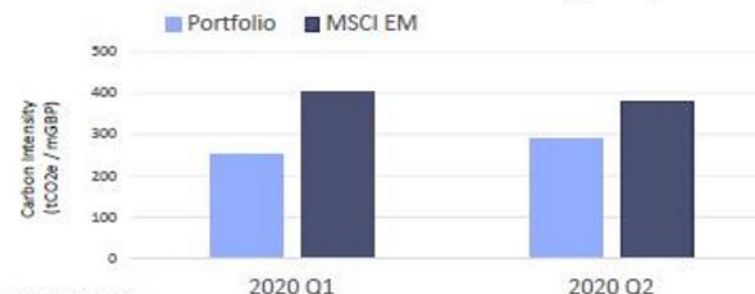
TruValue Labs & SASB

Brunel Assessment:

- China Mengniu Dairy (Dairy manufacturer) issued a COVID related profit warning. The company was also highlighted in a report by FAIRR as one of 44 food and beverage companies most at risk of being unable to prevent the emergence of new zoonotic diseases. Genesis, one of our Emerging Market managers has been engaging with the company on antimicrobial resistance (AMR) and environmental standards.
- Sberbank (Russian bank) will provide a RUB 3.5Bn loan to S3 ASK 6, under soft lending program for SMEs run by the Ministry of Economic Development of Russia in order to finance new housing developments.
- Formosa Plastics (Chemicals company) who last year paid a \$50 pollution settlement is facing fresh objections. A legal challenge has been launched to halt construction of a complex. Concerns raised include covering up of burial sites, flood risks and biodiversity loss.
- Tencent, (Chinese IT/Telecoms) impacted by broader concerns about Chinese technology companies e.g. censorship and data security. For example, India banned WeChat and TikTok as they were "prejudicial to sovereignty and integrity of India". Naspers (Media) which owns over 30% of Tencent has additional issues with Covid linked staff redundancies and blocked takeover plans.

70% of the bottom 10 ESG detractors are covered by engagement or specific voting activities. Some negative momentum a result of market volatility due to COVID-19. The decrease in carbon intensity last quarter has reversed this quarter.

Weighted Average Carbon Intensity (WACI)



Source: Trucost

Extractive Exposure

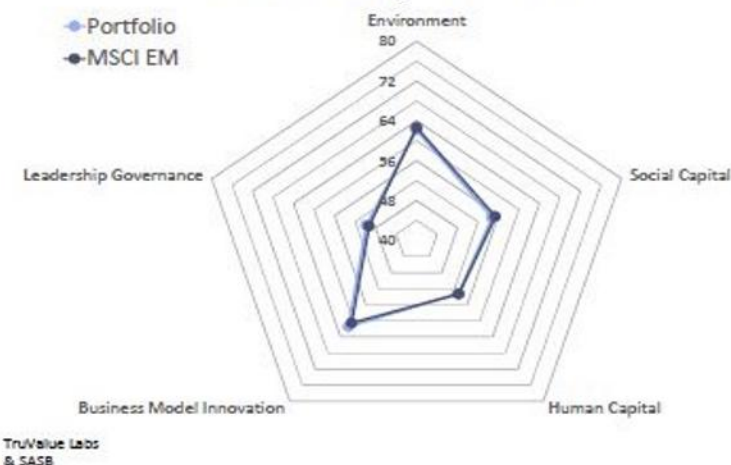
| | Total Extractive Exposure ¹ | | Extractive Industries (VOH) ² | |
|-----------|--|------|--|------|
| | Q1 | Q2 | Q1 | Q2 |
| Portfolio | 1.40 | 1.83 | 3.07 | 2.70 |
| MSCI EM | 2.88 | 2.70 | 8.81 | 7.75 |

¹ Extractive revenue exposure as share (%) of total revenue.

² Value of holdings (VOH)-companies who derive revenues from extractives.

Source: Trucost

Absolute Weighted ESG Scores



TruValue Labs & SASB

Brunel Global High Alpha Equity

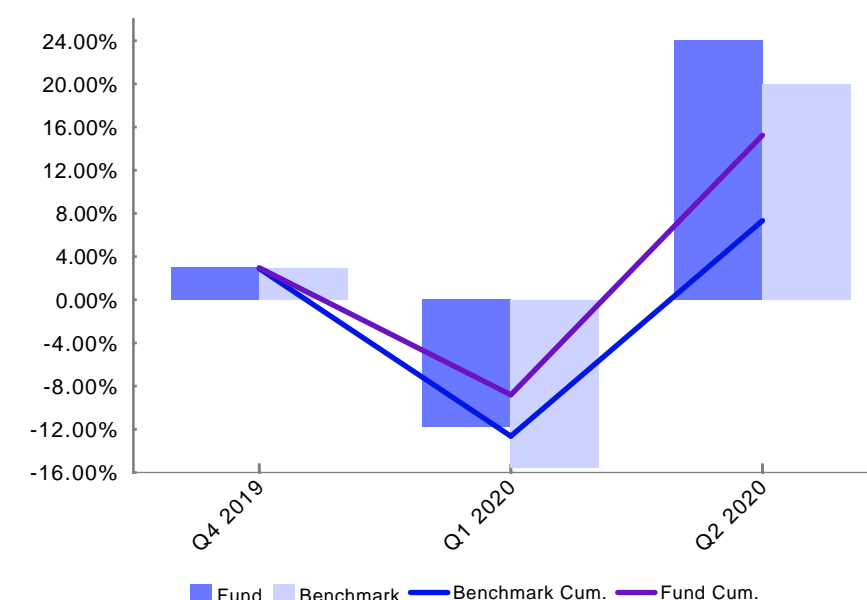
Overview

| | Description |
|------------------------------------|--|
| Portfolio Objective: | Provide global equity market exposure together with excess returns from accessing leading managers. |
| Investment Strategy & Key Drivers: | In order to achieve the best returns, Managers are likely to have high conviction, concentrated portfolios, and to |
| Liquidity: | Managed liquidity. Less exposure to more illiquid assets |
| Risk/Volatility: | High absolute risk with moderate to high relative risk, around 5-6% tracking error |
| Total Fund Value: | £3,013,755,342 |

Performance to Quarter End

| Ann. Performance | Fund | BM | Excess |
|------------------|--------|--------|--------|
| 3 Month | 24.04% | 19.96% | 4.08% |
| Fiscal YTD | 24.04% | 19.96% | 4.08% |
| 1 Year | | | |
| 3 Years | | | |
| 5 Years | | | |
| 10 Years | | | |
| Since Inception | 12.68% | 4.27% | 8.42% |

Rolling Performance*



* Partial returns shown in first quarter

In the short period since launch in Dec 2019, global equity markets have experienced the most significant sell-off since the global financial crisis of 2007/08 followed by the strongest quarterly performance this quarter since that time, reflecting the impact the Covid 19 crisis has had on global equity markets. Developed equity markets (proxied by MSCI World) returned 20% this quarter and returns continue to be driven by a small subset of very large cap growth companies.

Against this backdrop, the Fund has continued to perform well this quarter, providing a relative outperformance of +4.1% above the benchmark, delivering +8.4% outperformance since inception.

Key points:

- This quarter saw a continuation (if slightly less extreme) of the dispersion in returns at stock level and between sectors and countries experienced last quarter.
- The quarterly relative outperformance was driven by both allocation and stock selection. The largest overweight (Consumer Discretionary) and largest underweight (Utilities) both contributed materially to relative performance, with stock selection strongest in Healthcare and Communication Services

Continued Commentary

over the quarter.

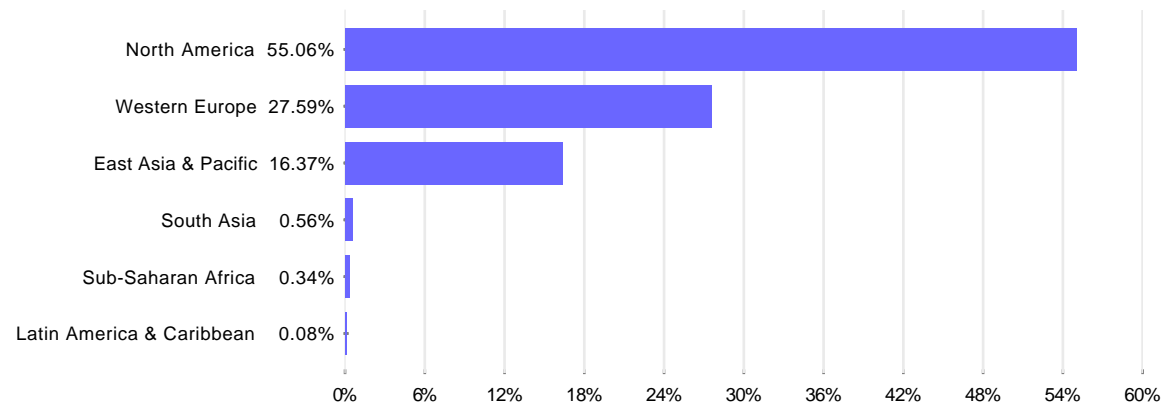
- Manager performance varied widely too over the quarter, as one would expect given the individual manager style characteristics and the level of dispersion in the market. Baillie Gifford's outperformance has been a significant contributor to Fund returns. Such outperformance reflects their strategy to identify long term growth companies.
- The Fund was rebalanced towards the end of the quarter to return manager allocations to target. This was in response to the allocation to Baillie Gifford reaching the upper rebalancing threshold as a result of their strong performance since inception. The rebalance helps maintain the style balance and risk profile within the portfolio.

Brunel Global High Alpha Equity – Region & Sector Exposure

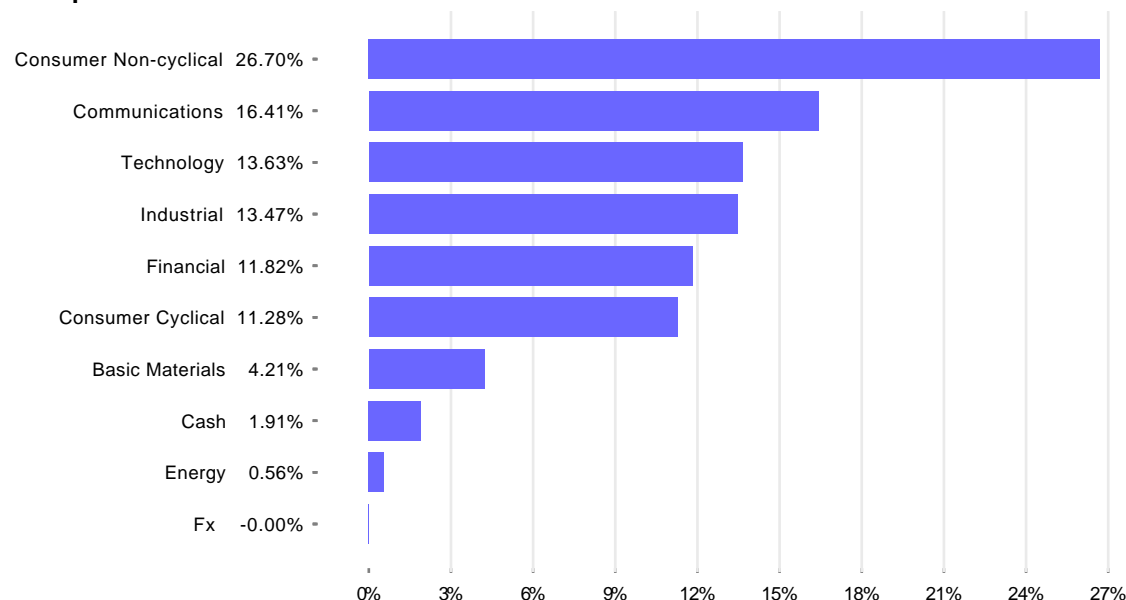
Top 20 Holdings

| | Mkt. Val.(GBP) |
|------------------------------|----------------|
| MASTERCARD INC - A | 95,288,406 |
| MICROSOFT CORP | 89,779,721 |
| KEYENCE CORP | 81,099,745 |
| MOODY'S CORP | 71,450,548 |
| ALPHABET INC-CL A | 70,465,102 |
| AMAZON.COM INC | 62,519,578 |
| NESTLE SA-REG | 61,300,925 |
| ALIBABA GROUP HOLDING-SP ADR | 56,073,801 |
| TENCENT HOLDINGS LTD | 54,918,776 |
| ETJX COMPANIES INC | 53,967,018 |
| ASML HOLDING NV | 51,666,865 |
| FACEBOOK INC-CLASS A | 48,587,334 |
| JOHNSON & JOHNSON | 48,581,329 |
| TAIWAN SEMICONDUCTOR-SP ADR | 46,340,558 |
| TESLA INC | 43,893,839 |
| MSCI INC | 36,957,333 |
| VERISK ANALYTICS INC | 35,977,420 |
| ROCHE HOLDING AG-GENUSSCHEIN | 33,807,614 |
| ABBOTT LABORATORIES | 32,901,739 |
| GENMAB A/S | 32,362,480 |

Regional Exposure



Sector Exposure



Brunel Global High Alpha Equity – Responsible Investment

Top 10 ESG Contributors to Overall Score

| | Insight | Momentum |
|--------------------------------------|---------|----------|
| 1. APTIV PLC | 78.1 | 27.2 |
| 2. MASTERCARD INC | 62.3 | 71.0 |
| 3. IQVIA HOLDINGS INC | 71.9 | 26.3 |
| 4. MURATA MANUFACTURING CO LTD | 74.4 | 27.9 |
| 5. SPIRAX-SARCO ENGINEERING PLC | 77.5 | 75.3 |
| 6. NESTLE SA | 62.9 | 67.8 |
| 7. CONSTELLATION SOFTWARE INC/CANADA | 80.4 | 70.9 |
| 8. TEMENOS AG | 70.6 | 55.1 |
| 9. GEBERIT AG | 74.5 | 79.1 |
| 10. MCCORMICK & CO INC/MD | 78.5 | 70.8 |

Bottom 10 ESG Detractors to Overall Score

| | Insight | Momentum |
|-------------------------|---------|----------|
| 1. ALPHABET INC | 49.1 | 46.0 |
| 2. FACEBOOK INC | 43.9 | 30.9 |
| 3. TENCENT HOLDINGS LTD | 46.9 | 22.0 |
| 4. AMAZON.COM INC | 49.9 | 26.7 |
| 5. AUTOZONE INC | 40.3 | 19.8 |
| 6. JOHNSON & JOHNSON | 48.0 | 32.6 |
| 7. ASML HOLDING NV | 48.8 | 22.7 |
| 8. BAYER AG | 40.3 | 25.1 |
| 9. TIX COS INC/THE | 52.0 | 26.1 |
| 10. ILLUMINA INC | 47.3 | 27.1 |

| Weighted Average ESG Score | 2020 Q1 | 2020 Q2 |
|----------------------------|---------|---------|
| Portfolio | 59.69 | 58.37 |
| MSCI World | 58.75 | 58.36 |

* Position 1 is the top contributor/detractor.



TruValue Labs & SASB

Brunel Assessment:

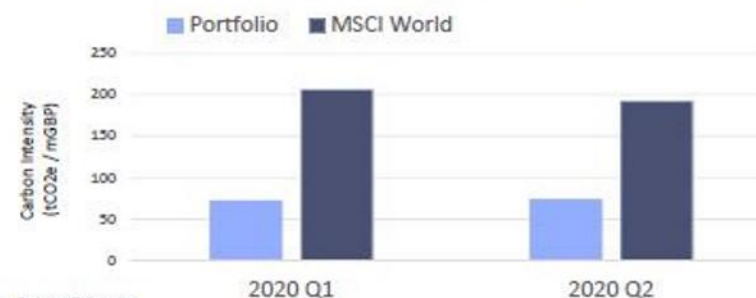
- Amazon, along with Facebook, Alphabet and Apple will see their CEO's testify before a congressional panel investigating competition issues in the technology industry. The leaders will face critical questions from lawmakers about business practices as the subcommittee seeks to build a case for tougher antitrust enforcement of tech companies.
- Aptiv (Auto parts) have developed driverless vehicle technologies as part of a joint venture with Hyundai. The vehicles have been used during the COVID crisis to deliver food to struggling families in Las Vegas in partnership with the charity 'Delivery with Dignity'
- Tencent (Chinese IT/Telecoms) impacted by broader concerns about Chinese technology companies e.g. censorship and data security. For example, India banned WeChat and TikTok as they were "prejudicial to sovereignty and integrity of India".

90% of the bottom 10 ESG detractors are covered by engagement or specific voting activities.

Some negative momentum a result of market volatility due to COVID-19.

The benchmark carbon intensity has slightly reduced whilst the portfolio intensity remaining the same. The portfolio still remains significantly below benchmark. Current change could be as a result of market volatility and a significant fall in the oil price.

Weighted Average Carbon Intensity (WACI)



Source: Trucost

Extractive Exposure

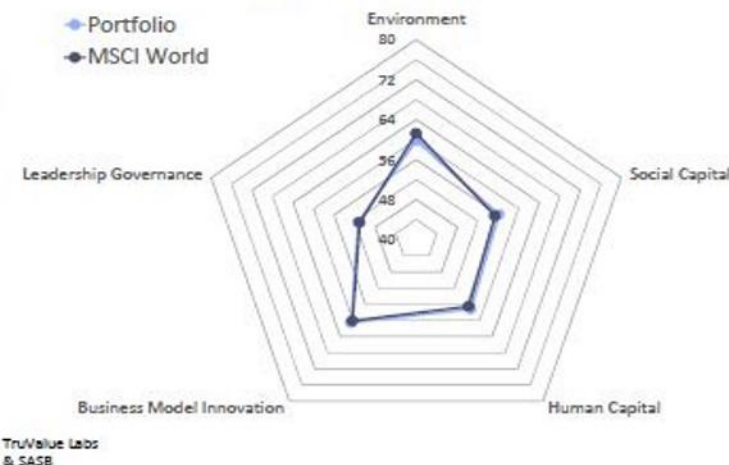
| | Total Extractive Exposure ¹ | | Extractive Industries (VOH) ² | |
|------------|--|------|--|------|
| | Q1 | Q2 | Q1 | Q2 |
| Portfolio | 1.66 | 1.91 | 2.55 | 2.47 |
| MSCI World | 3.06 | 3.33 | 8.45 | 7.96 |

1 Extractive revenue exposure as share (%) of total revenue.

2 Value of holdings (VOH)-companies who derive revenues from extractives.

Source: Trucost

Absolute Weighted ESG Scores



TruValue Labs & SASB

Glossary of Terms

| Term | Previously referred as | Meaning |
|--|------------------------|--|
| Absolute return | | The actual return, as opposed to the return relative to a benchmark. |
| Allocation | | Measures the impact of decisions to allocate assets differently from the benchmark. |
| Alternative Investment Fund (AIF) | | An Alternative Investment Fund such as a hedge fund, private equity, real estate fund and other funds focused on alternative asset classes. |
| Alternative Investment Fund Managers (AIFM) | | A fund manager that is authorised (full scope AIFM) or registered (if they manage AIFs with assets under management below certain thresholds) to manage AIFs such as hedge funds, private equity, real estate funds. |
| Alternative Investment Fund Managers Directive (AIFMD) | | This is an EU law that requires each AIF managed within the scope of the Directive to have a single AIFM responsible for ensuring compliance with the Directive. |
| Annualised | | Figures expressed as applying to one year. |
| Assets Under Management (AUM) | | This measures the total market value of all the financial assets which a financial institution such as a mutual fund, venture capital firm, or brokerage house manages on behalf of its clients and themselves. |
| Attribution | | Identifies the drivers of performance relative to the fund benchmark. The relative return is decomposed into two areas; Allocation and Selection. |
| Authorised Contractual Scheme (ACS) | | An investment vehicle and fund manager, based in the UK, that allows LGPS pension funds or other organisations with money to invest alongside each other - while keeping a clear record of who owns what. |
| Benchmark Return | | Expected return based on market indices as dictated by the fund strategy. |
| Brunel Board | Brunel Manager Board | Board of executive and non-executive directors, leading the Brunel company. |
| Brunel | | Brunel Pension Partnership - The FCA-authorised investment manager entity that manages the pooled investments. |
| Brunel Executive Directors (ED) | | The Executive Directors are responsible for overseeing the delivery of the Brunel objectives. |

Glossary of Terms

| Term | Previously referred as | Meaning |
|---|------------------------|---|
| Brunel Pension Partnership Limited (Brunel) | | One of the eight LGPS Pools in England & Wales. A FCA regulated company, wholly owned by the Administering Authorities, and responsible for implementing the asset allocation strategies of the Brunel Funds by investing Fund assets within defined 'portfolios'. In particular, it will research and select the investment funds needed to meet the requirements of the detailed Strategic Asset Allocations. These investment funds will be operated by professional external investment managers. Brunel Pension Partnership [c£30bn: Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, Wiltshire] |
| Chief Finance Officer (CFO) | | A corporate officer primarily responsible for managing the financial risks of the corporation. This officer is also responsible for financial planning and record-keeping, as well as financial reporting to higher management. In the Local Authorities this is the S151 officer. |
| Chief Legal Officer (CLO) | | The chief lawyer of the legal department, usually in a company or a governmental department who minimizes its legal risks by advising the company's other officers and board members on any major legal and regulatory issues the company confronts, such as litigation risks. In the Local Authorities this is the Monitoring Officer. |
| Chief Finance Officer (CFO) | | A corporate officer primarily responsible for managing the financial risks of the corporation. This officer is also responsible for financial planning and record-keeping, as well as financial reporting to higher management. In the Local Authorities this is the S151 officer. |
| Collective Investment Scheme (CIS) | | This is an investment scheme wherein several individuals come together to pool their money for investing in a particular asset(s) and for sharing the returns arising from that investment as per the agreement reached between them prior to pooling in the money. |
| Creation, Amendment and Deletion policy (CAD) | | Brunel procedure for creation, amendment and deletion of portfolios |
| Cross Pool Collaboration Group (CPCG) | | A collaborative group across the eight UK LGPS pools |

Glossary of Terms

| Term | Previously referred as | Meaning |
|--|------------------------|--|
| Deloitte | | Auditors, appointed to provide internal audit services to Brunel |
| Duration | | The weighted average time to payment of cashflows (in years), calculated by reference to the time and amount of each payment. It is a measure of the sensitivity of price/value to movement in yields. |
| Environment, Social and Governance (ESG) | | A subset of non-financial performance indicators used by investors to evaluate corporate behaviour and to determine the future financial performance of companies. |
| Full Business Case (FBC) | | Strategic, financial, economic, commercial and management case. |
| Finance and Legal Assurance Group (FLAG) | | Finance and Legal Assurance Group (with membership of each AAs equivalent to Chief Finance Officer (CFO) and Chief Legal Officer (CLO)) will sponsor the changes in the Funds and the arrangements for governance of the Brunel company. |
| Financial Conduct Authority (FCA) | | This is a financial regulatory body in the United Kingdom, which operates independently of the UK government and is financed by charging fees to members of the financial services industry. |
| Freedom Of Information Request (FOI) | | The Freedom of Information Act (FOIA) gives individuals the right to request access to recorded information held by public sector organisations. |
| Fund Manager | | An organisation that provides investment products |
| FundRock | | FundRock is a leading third party UCITS Management Company, Alternative Investment Fund Manager, Authorised Corporate Director and Authorised Contractual Scheme (ACS) Operator. FundRock serves as Brunel's ACS operator. |
| Fund Return | | The total return achieved by the fund or asset class over the period. The return is obtained using the following equation on a monthly basis: $((\text{capital gain/loss} + \text{income}) / \text{average balance}) * 100$ |
| Grant Thornton | | Auditors appointed to provide external audit services to Brunel |
| INALYTICS | | An investment transition advisor procured by Brunel to initially advise on the passive equities transition |

Glossary of Terms

| Term | Previously referred as | Meaning |
|---|---|---|
| Institutional Investors Group on Climate Change (IIGCC) | | The Institutional Investors Group on Climate Change (IIGCC) is a forum for investors to collaborate on climate change. IIGCC's mission is to mobilise capital for the low carbon future by amplifying the investor voice and collaborating with business, policymakers and investors. IIGCC provides investors with a collaborative platform to encourage public policies, investment practices, and corporate behaviour that address long-term risks and opportunities associated with climate change. |
| Investment Management Agreement (IMA) | | The contract with a fund manager |
| Investment Strategy Statement (ISS) | Replaces the Statement of Investment Principles | A document that replaces the Statement of Investment Principles under the 2016 LGPS (Management and Investment of Funds) Regulations. Administering Authorities are required to prepare and maintain an ISS documenting how the investment strategy for the fund is determined and implemented, including its approach to pooling. |
| Know Your Customer (KYC) | | The process of a business identifying and verifying the identity of its clients. The term is also used to refer to the bank regulation which governs these activities. |
| Legal & General Investment Management (LGIM) | | Investment management firm |
| Local Government Association (LGA) | | This is an organisation which comprises local authorities in England and Wales. The LGA seeks to promote better local government; it maintains communication between officers in different local authorities to develop best practice. It also represents the interests of local government to national government. |
| Local Authority Pension Funds Investments (LAPF) | | A magazine for local authority pension investment specialists. |
| Local Authority Pension Fund Forum (LAPFF) | | The collaborative shareholder engagement group for local authority pension funds. The Forum provides a unique opportunity for Britain's local authority pension funds to discuss investment issues and shareholder engagement. |
| Local Government Pension Scheme (LGPS) | | This is a nationwide scheme and is a valuable part of the pay and reward package for employees working in local government or working for other employers participating in the Scheme and for some councillors. |

Glossary of Terms

| Term | Previously referred as | Meaning |
|---|--|--|
| Local Government Pension Scheme (LGPS) | | The Scheme is administered locally for participating employers through 99 regional pension funds |
| LGPS (Management and Investment of Funds) Regulations 2016 (Investment Regulations) | Draft LGPS (Management and Investment of Funds) Regulations 2016 | Regulations 2016 (Investment Regulations) that came into effect 1 November 2016. |
| LGPS Code of Transparency (Transparency Code) | | A move toward investment fee transparency and consistency, and part of the government's criteria for pooling investments. |
| Market volatility | | The impact of the assets producing returns different to those assumed within the actuarial valuation basis, excluding the yield change and inflation impact. |
| Markets in Financial Instruments Directive II (MiFID II) | MiFID | MiFID is the European Union (EU) legislation that regulates firms who provide services to clients linked to 'financial instruments' (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded. MiFID applied in the UK from November 2007, and was revised by MiFID II, which took effect in January 2018. MiFID II is made up of MiFID (2014/65/EU) and the Markets in Financial Instruments Regulation (MiFIR - 600/2014/EU). |
| Money-weighted rate of return | | The rate of return on an investment including the amount and timing of cashflows. |
| Portfolio | Fund | The grouping of the asset types to be available for funds. For example, Global Equities Core, Hedge funds, UK Gilts, LDI. |
| Portfolio group | | The higher level category of asset types. For example, equities, alternatives, fixed interest. |
| Relative return | | The return on a fund compared to the return on index or benchmark. This is defined as: Return on Fund minus Return on index or Benchmark. |
| Selection | | Measures the impact of performance at asset class or manager level in relation to the overall fund. |

Glossary of Terms

| Term | Previously referred as | Meaning |
|--------------------------------|------------------------|---|
| Time-weighted rate of return | | The rate of return on an investment removing the effect of the amount and timing of cashflows. |
| Yield (Gross Redemption Yield) | | The return expected from a bond if held to maturity. It is calculated by finding the rate of return that equates the current market price to the value of future cashflows. |

Brunel Committees and Groups

| Full name | Abbreviation | Chair | Purpose |
|------------------------------------|--------------|----------------------|--|
| Audit, Risk & Compliance Committee | ARC | Patrick Newberry | To oversee key functions of the Regulated Company, including: <ul style="list-style-type: none"> - Financial and Annual reporting - Internal controls - Compliance and whistleblowing - External audit function |
| Brunel Investment Committee | BIC | Mark Mansley (CIO) | Formal meeting of the Brunel Investment Team, covering: <ul style="list-style-type: none"> - Economic and Markets update - Responsible Investment update - Stakeholder input (from CRT) - Investment proposals (private and listed mkts) - Procedures - Forward look |
| Brunel Investment Risk Committee | BIRC | Mark Mansley | To provide challenge and insight in respect of investment risks and exposures. This will include oversight of portfolio guidelines and monitoring. |
| Brunel Oversight Board | BOB | Ray Theodolou (Glos) | The senior client group that oversees Brunel on behalf of the funds. It is made up of representatives from each of the Pension Committees and an independent Chair. It is a joint committee set up by the Brunel Administering Authorities (i.e. the 9 Councils, with the Environment Agency being included on terms recognising its non-local authority status). Acting for the Administering Authorities, has ultimate responsibility for ensuring that the Brunel company delivers the services required to achieve asset pooling. This body of people represents shareholders for the purposes of any matter requiring shareholder approval, including any reserved matters. |
| Brunel Operations Committee | BOC | Joe Webster | To review the detailed elements of Brunel's operations, including: <ul style="list-style-type: none"> - Technology and infrastructure - HR policies - Regulatory change (and compliance with) |

Brunel Committees and Groups

| Full name | Abbreviation | Chair | Purpose |
|--------------------------------------|--------------|----------------|--|
| Brunel Operations Committee | BOC | Joe Webster | <ul style="list-style-type: none"> - Finance - Managing supplier relationships - ICAPP oversight |
| Brunel Risk and Compliance Committee | BRCC | Kevin Jones | Second line review overseeing the Compliance and Risk function |
| Client Group | CG | Sean Collins | Sub-committee of the Brunel Oversight Board (see above), it is responsible for the client oversight of the Brunel manager on a day to day basis. It includes people with finance and investment management expertise. |
| The Executive Committee | ExCo | Laura Chappell | <p>The core responsibility of ExCo is to oversee delivery of the Brunel objectives. The Executive Committee comprises:</p> <ul style="list-style-type: none"> Chief Executive Officer Chief Investment Officer Chief Operations Officer Client Relationship Director |
| Remuneration Committee | RemCo | Denise Le Gal | In line with the Shareholders Agreement, to set and monitor remuneration policy including that for senior management remuneration. |

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Quarterly Report Overview

Oxfordshire Pension Fund

Infrastructure

Following a pandemic-driven hit to many infrastructure sectors, namely transport and energy, the true effect of Covid19 is now starting to be reflected in funds' performance across managers globally. Virtually no company globally anticipated the extent to which Covid19 would disrupt markets and societal behaviour, as many assets that proved resilient in previous troughs have behaved differently in the face of government-enforced social distancing measures. Managers who were thinking more strategically, with a long-term sustainable focus in their funds, will be the ones that survive.

Much can be learnt about the robustness of supply chains bearing in mind climate change risks and a potential future virus outbreak. Brunel's strategy of focusing on the sustainability of its selected funds has proven more valuable than ever. Considering ESG in a portfolio is not only about protecting clients from environmentally harmful assets or encouraging better social and governance practices, but it is the key to stable, robust and long-term strong performance. The Brunel portfolio is heavily invested in renewable energy funds with long-term contracted revenues. It has no exposure to fossil fuels and has a small exposure to transport assets. The Cycle 1 StepStone vehicle deployment has been carefully managed, to avoid exposure to pre-Covid19 pricing assets which are anticipated to underperform and we are monitoring the activity of managers closely across sectors, sharing the lessons learnt from this market turmoil and the mitigating actions they are putting in place to ensure the future resilience of their portfolios.

During Q2 2020, Brunel and StepStone have slowed down deployment of the infrastructure portfolio. This has mainly been driven by the discrepancy between buyers and sellers in the pricing of assets, with many sellers being unwilling to adjust their valuations according with the market dynamics. In addition, Brunel has exercised its veto right on a few occasions. StepStone presented Brunel with a tactical opportunity that Brunel considered a good asset, yet a potential bad investment for the Brunel clients, given the potential high reputational risks as well as the ambitious and aggressive long-term return plans. Another two tactical opportunities were discussed, one of them not fully meeting the Brunel cash yield requirements for its clients and compromising the potential overall return profile; and the other one initially been a very promising transaction in the telecoms sector, ended up presenting a risk-return profile that both StepStone and Brunel jointly agreed would no longer be fitting. Following the prospective market stabilisation in Q3 across infrastructure sectors, deployment is expected to accelerate.

Brunel and StepStone have been carefully designing the Renewable Energy and General Infrastructure vehicles which will deploy the Brunel Cycle 2 Infrastructure portfolio. This is due to be in place by September 2020, with four primary transactions already in due diligence and strong pipeline of funds and tactical deals, both for the Cycle 1 and Cycle 2 vehicles.

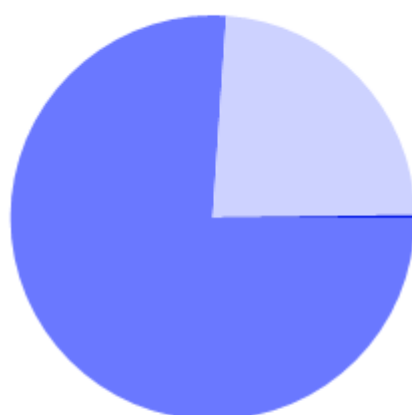
Quarterly Report Overview

Oxfordshire Pension Fund

| Brunel - Infrastructure | | June 30 2020 |
|---|--|--|
| Overview | | All figures unless otherwise stated are in GBP |
| Total Commitments to Brunel Portfolio | | 50,000,000 |
| Total Commitments to Portfolio Investments | | 50,116,761 |
| As a percentage of Total Commitments to Brunel Portfolio | | 100.23% |
| Amount Invested | | 13,790,778 |
| As a percentage of Total Committed to Portfolio Investments | | 27.52% |
| Amount Called | | 13,827,280 |
| As a percentage of Total Committed to Portfolio Investments | | 27.59% |
| Number of Fund Investments | | 5 |

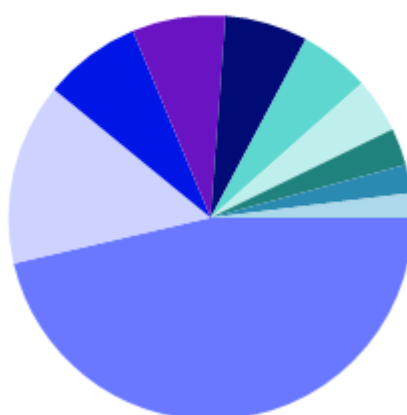
| Performance | | All figures unless otherwise stated are in GBP |
|------------------------------------|--|--|
| Amount Called | | 13.83 million |
| Amount Distributed | | 0.58 million |
| Unrealised Value | | 14.39 million |
| Total Value | | 14.97 million |
| Amount Distributed / Amount Called | | 0.0x |
| Total Value / Amount Called | | 1.1x |

Strategy Level
Commitment to Portfolio



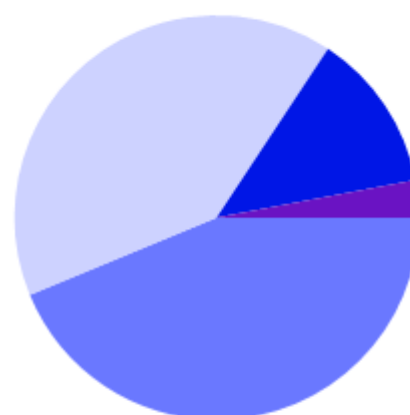
General - 76.37 %
Renewables - 23.83 %
Uncommitted - -0.20 %

Country
Invested in Underlying Investments



France - 46.35 %
Spain - 14.57 %
United Kingdom - 7.78 %
Finland - 7.47 %
Norway - 6.62 %
Southern Europe - 5.64 %
Sweden - 4.38 %
Italy - 2.97 %
Ireland - 2.27 %
United States - 1.94 %
Undefined - 0.00 %

GICS Level 1
Invested in Underlying Investments



Industrials - 43.76 %
Utilities - 40.63 %
Telecommunication Services - 12.76 %
Health Care - 2.97 %
Financials - 0.00 %

Quarterly Report Overview

Oxfordshire Pension Fund

| Portfolio Summary (GBP) | | | | | | | | | | |
|---|---------|-----|-------------------|-------------------|----------------|-------------------|----------------|-------------------|----------------------|----------------|
| | Vintage | Ccy | Amount Committed | Amount Called | Percent Called | Unrealised Value | Realised Value | Total Value | Distributed / Called | Total / Called |
| General Funds | | | | | | | | | | |
| Mirova Core Infrastructure Fund 02 <i>Western Europe, Core,</i> | 2017 | EUR | 6,797,239 | 5,806,851 | 85.43% | 6,418,947 | 180,359 | 6,599,307 | 0.0x | 1.1x |
| StepStone B Infrastructure Fund <i>Global, Core,</i> | 2020 | GBP | 31,385,000 | 2,984,558 | 9.51% | 2,945,200 | - | 2,945,200 | 0.0x | 1.0x |
| Subtotal: General Funds | | | 38,182,239 | 8,791,409 | 47.47% | 9,364,147 | 180,359 | 9,544,507 | - | 1.1x |
| Renewables Funds | | | | | | | | | | |
| Capital Dynamics Clean Energy and Infrastructure VIII SCSp <i>United Kingdom, Core,</i> | 2019 | GBP | 5,700,000 | 2,298,317 | 40.32% | 2,498,880 | 86,315 | 2,585,195 | 0.0x | 1.1x |
| Capital Dynamics Clean Energy Infrastructure VII-A, L.P. <i>United States, Core,</i> | 2019 | USD | 3,638,009 | 1,556,192 | 42.78% | 1,520,809 | - | 1,520,809 | 0.0x | 1.0x |
| NTR Renewable Energy Infrastructure II <i>Western Europe, Greenfield,</i> | 2018 | EUR | 2,596,514 | 1,181,361 | 45.50% | 1,001,961 | 316,910 | 1,318,870 | 0.3x | 1.1x |
| Subtotal: Renewables Funds | | | 11,934,523 | 5,035,870 | 42.87% | 5,021,649 | 403,225 | 5,424,874 | - | 1.1x |
| Total Portfolio | | | 50,116,761 | 13,827,280 | 27.59% | 14,385,797 | 583,585 | 14,969,381 | - | 1.1x |

| Portfolio Summary (Fund Currency) | | | | | | | | | | |
|---|---------|-----|------------------|---------------|----------------|------------------|----------------|-------------|----------------------|----------------|
| | Vintage | Ccy | Amount Committed | Amount Called | Percent Called | Unrealised Value | Realised Value | Total Value | Distributed / Called | Total / Called |
| General Funds | | | | | | | | | | |
| Mirova Core Infrastructure Fund 02 <i>Western Europe, Core,</i> | 2017 | EUR | 7,600,000 | 6,506,869 | 85.61% | 7,085,876 | 206,949 | 7,292,825 | 0.0x | 1.1x |
| StepStone B Infrastructure Fund <i>Global, Core,</i> | 2020 | GBP | 31,385,000 | 2,984,558 | 9.50% | 2,945,200 | - | 2,945,200 | 0.0x | 1.0x |
| Renewables Funds | | | | | | | | | | |
| Capital Dynamics Clean Energy and Infrastructure VIII SCSp <i>United Kingdom, Core,</i> | 2019 | GBP | 5,700,000 | 2,298,317 | 40.32% | 2,498,880 | 86,315 | 2,585,195 | 0.0x | 1.1x |
| Capital Dynamics Clean Energy Infrastructure VII-A, L.P. <i>United States, Core,</i> | 2019 | USD | 4,500,000 | 1,918,339 | 42.62% | 1,885,955 | - | 1,885,955 | 0.0x | 1.0x |
| NTR Renewable Energy Infrastructure II <i>Western Europe, Greenfield,</i> | 2018 | EUR | 2,833,243 | 1,283,867 | 45.31% | 1,106,064 | 371,364 | 1,477,429 | 0.3x | 1.1x |

Quarterly Report Overview

Oxfordshire Pension Fund

Private Equity

As of Jun 2020, Cycle 1 committed £289m in private equity (15% drawn down) and is in the investment phase. Overall, the portfolio stood at 1.05x and 7.4% IRR. The PE portfolio has no J-curve largely due to its investment in secondaries fund, Capital Dynamics Global Secondaries Fund V. This would change as other funds in the portfolio start to draw capital to make investments.

Cycle 1 is fortunate to be at the beginning of its investment stage when Covid-19 happened. Overall, the portfolio is relatively resilient with some underlying portfolio companies affected in the short term while other companies benefited. The full impact of Covid-19 would be clearer once the June 2020 NAV is available.

Due to Covid-19, NB Strategic Co-Investment Fund IV and NB Private Equity Impact Fund had requested extensions of 4 months and 6 months respectively to their fundraising timeline to accommodate potential LPs that required more time. The requests were approved.

During Q2 2020, the PM Team committed \$39.2m to a global secondaries fund, Alpinvest Secondaries Fund VII, which is suited in the current environment. Cycle 1 is fully committed after this final investment and is within the target range in terms of fund type, investment stage and geography as set out in the scoping paper.

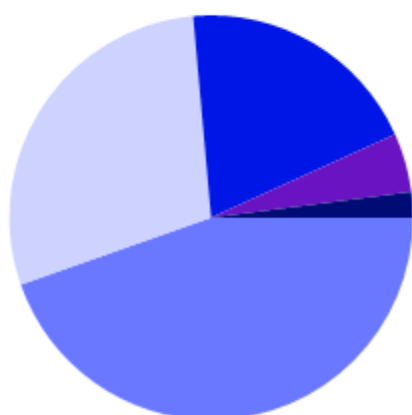
Quarterly Report Overview

Oxfordshire Pension Fund

| Brunel - Private Equity Overview | | June 30 2020 |
|---|--|--|
| | | All figures unless otherwise stated are in GBP |
| Total Commitments to Brunel Portfolio | | 100,000,000 |
| Total Commitments to Portfolio Investments | | 103,830,261 |
| As a percentage of Total Commitments to Brunel Portfolio | | 103.83% |
| Amount Invested | | 15,445,259 |
| As a percentage of Total Committed to Portfolio Investments | | 14.88% |
| Amount Called | | 15,461,042 |
| As a percentage of Total Committed to Portfolio Investments | | 14.89% |
| Number of Fund Investments | | 7 |

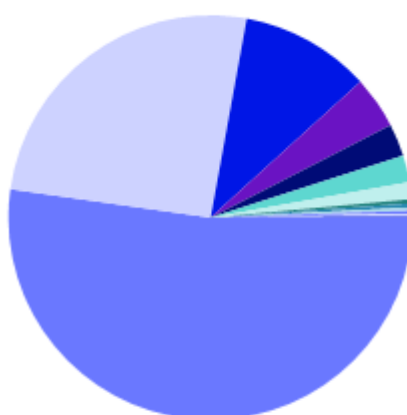
| Performance | All figures unless otherwise stated are in GBP |
|------------------------------------|--|
| Amount Called | 15.46 million |
| Amount Distributed | 0.07 million |
| Unrealised Value | 15.93 million |
| Total Value | 16.00 million |
| Amount Distributed / Amount Called | 0.0x |
| Total Value / Amount Called | 1.0x |

Strategy Level
Commitment to Portfolio



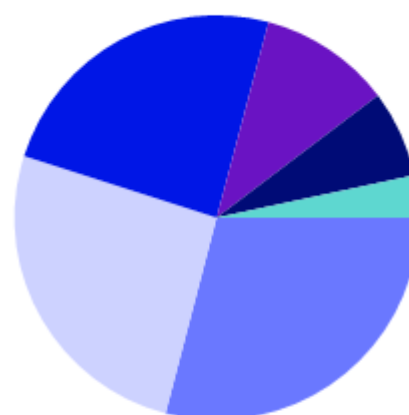
Co-Investment - 46.52 %
Secondaries - 30.19 %
Buyout - 20.50 %
Primary - 4.91 %
Uncommitted - 2.12 %

Country
Invested in Underlying Investments



France - 52.24 %
United Kingdom - 25.61 %
United States - 10.41 %
Netherlands - 4.17 %
Global - 2.60 %
Japan - 2.15 %
Undefined - 1.34 %
Poland - 0.33 %
Spain - 0.33 %
China - 0.26 %
Canada - 0.23 %
Denmark - 0.22 %
Singapore - 0.08 %
Luxembourg - 0.00 %

GICS Level 1
Invested in Underlying Investments



Consumer Staples - 29.08 %
Information Technology - 25.85 %
Industrials - 24.21 %
Consumer Discretionary - 10.55 %
Financials - 6.95 %
Health Care - 3.37 %
Undefined - 0.00 %

Quarterly Report Overview

Oxfordshire Pension Fund

Portfolio Summary (GBP)

| | Vintage | Ccy | Amount Committed | Amount Called | Percent Called | Unrealised Value | Realised Value | Total Value | Distributed / Called | Total / Called |
|--|---------|-----|------------------|---------------|----------------|------------------|----------------|-------------|----------------------|----------------|
| Buyout Funds | | | | | | | | | | |
| Ardian LBO Fund 07 A <i>Europe/North America,</i> | 2019 | EUR | 11,465,593 | 3,186,854 | 27.79% | 2,911,495 | 29,350 | 2,940,845 | 0.0x | 0.9x |
| Vespa Capital 03 <i>United Kingdom, Buyout,</i> | 2020 | GBP | 9,000,000 | 84,435 | 0.94% | 45,205 | - | 45,205 | 0.0x | 0.5x |
| Subtotal: Buyout Funds | | | 20,465,593 | 3,271,289 | 14.37% | 2,956,700 | 29,350 | 2,986,050 | - | 0.9x |
| Co-investment Funds | | | | | | | | | | |
| NB PE Impact Fund <i>Global, Co-investment,</i> | 2018 | USD | 24,280,742 | 4,733,932 | 19.50% | 4,519,812 | - | 4,519,812 | 0.0x | 1.0x |
| NB SCIOP IV <i>Global, Co-investment,</i> | 2019 | USD | 23,346,710 | 1,348,404 | 5.78% | 1,312,062 | - | 1,312,062 | 0.0x | 1.0x |
| Subtotal: Co-investment Funds | | | 47,627,453 | 6,082,336 | 12.64% | 5,831,874 | - | 5,831,874 | - | 1.0x |
| Primary Funds | | | | | | | | | | |
| Summit Europe Growth 03 <i>Western Europe, Growth,</i> | 2020 | EUR | 4,891,747 | - | 0.00% | - | - | - | - | - |
| Subtotal: Primary Funds | | | 4,891,747 | - | 0.00% | - | - | - | - | - |
| Secondaries Funds | | | | | | | | | | |
| AlpInvest Secondaries 07 <i>Global, Secondaries,</i> | 2020 | USD | 11,370,051 | - | 0.00% | - | - | - | - | - |
| Capital Dynamics Global Secondaries V (Feeder) <i>Global, Secondaries,</i> | 2018 | USD | 19,475,417 | 6,107,417 | 31.36% | 7,142,023 | 39,670 | 7,181,693 | 0.0x | 1.2x |
| Subtotal: Secondaries Funds | | | 30,845,468 | 6,107,417 | 15.68% | 7,142,023 | 39,670 | 7,181,693 | - | - |
| Total Portfolio | | | 103,830,261 | 15,461,042 | 14.89% | 15,930,597 | 69,020 | 15,999,618 | - | 1.0x |

Portfolio Summary (Fund Currency)

| | Vintage | Ccy | Amount Committed | Amount Called | Percent Called | Unrealised Value | Realised Value | Total Value | Distributed / Called | Total / Called |
|---|---------|-----|------------------|---------------|----------------|------------------|----------------|-------------|----------------------|----------------|
| Buyout Funds | | | | | | | | | | |
| Ardian LBO Fund 07 A <i>Europe/North America, Buyout,</i> | 2019 | EUR | 12,700,000 | 3,562,098 | 28.04% | 3,213,999 | 32,966 | 3,246,966 | 0.0x | 0.9x |
| Vespa Capital 03 <i>United Kingdom, Buyout,</i> | 2020 | GBP | 9,000,000 | 84,435 | 0.93% | 45,205 | - | 45,205 | 0.0x | 0.5x |
| Co-investment Funds | | | | | | | | | | |
| NB PE Impact Fund <i>Global, Co-investment,</i> | 2018 | USD | 30,300,000 | 6,060,000 | 20.00% | 5,605,019 | - | 5,605,019 | 0.0x | 1.0x |
| NB SCIOP IV <i>Global, Co-investment,</i> | 2019 | USD | 29,000,000 | 1,719,901 | 5.93% | 1,627,088 | - | 1,627,088 | 0.0x | 1.0x |
| Primary Funds | | | | | | | | | | |
| Summit Europe Growth 03 <i>Western Europe, Growth,</i> | 2020 | EUR | 5,400,000 | - | 0.00% | - | - | - | - | - |

Quarterly Report Overview

Oxfordshire Pension Fund

Secondaries Funds

| | | | | | | | | | | |
|---------------------------------|------|-----|------------|---|-------|---|---|---|---|---|
| AlpInvest Secondaries 07 | 2020 | USD | 14,100,000 | - | 0.00% | - | - | - | - | - |
|---------------------------------|------|-----|------------|---|-------|---|---|---|---|---|

Global, Secondaries,

| | | | | | | | | | | |
|---|------|-----|------------|-----------|--------|-----------|--------|-----------|------|------|
| Capital Dynamics Global Secondaries V (Feeder) | 2018 | USD | 24,400,000 | 7,822,695 | 32.06% | 8,856,823 | 50,171 | 8,906,994 | 0.0x | 1.2x |
|---|------|-----|------------|-----------|--------|-----------|--------|-----------|------|------|

Global, Secondaries,

Quarterly Report Overview

Oxfordshire Pension Fund

Secured Income

The M&G SPIF fund continues to trade and the fund's valuer has removed the Material Uncertainty Clause ('MUC') from 35% of the Fund's assets as at 30 June 2020. This is expected to rise to circa 55% during Q3 2020, as MUCs are removed from London office and institutional student accommodation assets.

Most of the Fund's valuations have remained stable over the year to date, but there has been a decline in the valuation of assets in the most impacted sectors (particularly the hotel and leisure sectors), resulting in a year to date Fund level capital value decline of 3.3%. SPIF has a high quality and diversified tenant base, with good rental cash flow visibility. However, two of the Fund's tenants – Travelodge and Buzz Bingo, together comprising 4.0% of the Fund by value – are undergoing corporate restructurings.

As Brunel is yet to be drawn down into the fund, the fall in capital value will not impact the performance of the Secured Income portfolio.

For the ASI LLP fund, 2Q rent collection reached 89.4% and it is expected that it will top 90% in due course. The remainder of the fund's tenants are on deferred rental arrangements or have moved to monthly payments (Marston's and Park Holidays). For 3Q (due 24th June), 65.6% has already been received and this figure is likely to increase over the next few weeks.

In terms of lifting the suspension, 58% of the fund's assets have had the MUC lifted, but the fund will need RICS to agree that there is sufficient valuation certainty to lift the MUC on Central London offices and to reduce 'long-lease' from 20 to 15 years (for investment grade assets) before the fund will have sufficient valuation clarity to be in a position to re-open.

For Greencoat, construction of the greenhouses continues to progress as expected. There has been progress at the Templeborough Biomass Power Plant, where the plant has continued to operate at 65% capacity and it looking unlikely that the plant will need to cease production due to fuel shortages because of the UK lockdown. There has been an increase in waste wood, and the plant is working closely with Stobart, its supplier, to revert to full capacity.

The Sleaford Renewable Energy plant acquisition was completed over the quarter and the onboarding process is going well. The commitment to the Greencoat Solar II LP, made by the fund in January 2020, is due to be drawn by year-end. An acquisition of a portfolio from Blackrock in May 2020 eliminates the queue ahead of Brunel's clients.

Quarterly Report Overview

Oxfordshire Pension Fund

| Brunel - Secured Income Overview | | June 30 2020 |
|---|--|--|
| | | All figures unless otherwise stated are in GBP |
| Total Commitments to Brunel Portfolio | | 60,000,000 |
| Total Commitments to Portfolio Investments | | 60,000,000 |
| As a percentage of Total Commitments to Brunel Portfolio | | 100.00% |
| Amount Invested | | 19,303,460 |
| As a percentage of Total Committed to Portfolio Investments | | 32.17% |
| Amount Called | | 19,300,641 |
| As a percentage of Total Committed to Portfolio Investments | | 32.17% |
| Number of Fund Investments | | 3 |

| Performance | | All figures unless otherwise stated are in GBP |
|------------------------------------|--|--|
| Amount Called | | 19.30 million |
| Amount Distributed | | 0.17 million |
| Unrealised Value | | 19.26 million |
| Total Value | | 19.42 million |
| Amount Distributed / Amount Called | | 0.0x |
| Total Value / Amount Called | | 1.0x |

Strategy Level
Commitment to Portfolio



Long Lease Property - 72.67 %
Operating Infrastructure - 27.33 %
Uncommitted - 0.00 %

Country
Invested in Underlying Investments



United Kingdom - 100.00 %

GICS Level 1
Invested in Underlying Investments



Energy - 57.48 % Financials - 42.52 %

Quarterly Report Overview

Oxfordshire Pension Fund

| Portfolio Summary (GBP) | | | | | | | | | | |
|---|---------|-----|------------------|---------------|----------------|------------------|----------------|-------------|----------------------|----------------|
| | Vintage | Ccy | Amount Committed | Amount Called | Percent Called | Unrealised Value | Realised Value | Total Value | Distributed / Called | Total / Called |
| Long Lease Property Funds | | | | | | | | | | |
| ASI Long Lease Property Managed Fund | 2003 | GBP | 22,000,000 | 2,903,460 | 13.20% | 3,121,193 | - | 3,121,193 | 0.0x | 1.1x |
| <i>United Kingdom, Long Lease</i> | | | | | | | | | | |
| M&G Secured Property Income Fund | 2007 | GBP | 21,600,000 | - | 0.00% | - | - | - | - | - |
| <i>United Kingdom, Long Lease</i> | | | | | | | | | | |
| Subtotal: Long Lease Property Funds | | | 43,600,000 | 2,903,460 | 6.60% | 3,121,193 | - | 3,121,193 | - | 1.1x |
| Operating Infrastructure Funds | | | | | | | | | | |
| Greencoat Renewable Income | 2019 | GBP | 16,400,000 | 16,397,181 | 99.98% | 16,134,331 | 167,874 | 16,302,206 | 0.0x | 1.0x |
| <i>United Kingdom, Operating</i> | | | | | | | | | | |
| Subtotal: Operating Infrastructure Funds | | | 16,400,000 | 16,397,181 | 99.98% | 16,134,331 | 167,874 | 16,302,206 | - | 1.0x |
| Total Portfolio | | | 60,000,000 | 19,300,641 | 32.17% | 19,255,524 | 167,874 | 19,423,398 | - | 1.0x |

TABLE 1

OXFORDSHIRE COUNTY COUNCIL PENSION FUND
OVERALL VALUATION OF FUND AS AT 30th JUNE 2020

| Investment | COMBINED PORTFOLIO 01.04.20 | Brunel Pension Partnership Active Equities | | Brunel Pension Partnership Passive Equities | | Legal & General Fixed Interest | | UBS Global Equities and Property | | Brunel Pension Partnership Other Investments | | In House Other Investments | | COMBINED PORTFOLIO 30.06.2020 | | Target % |
|--------------------------------------|-----------------------------------|--|------------------------|---|------------------------|-----------------------------------|------------------------|--|------------------------|--|------------------------|-------------------------------|------------------------|-------------------------------------|------------------------|---------------|
| | Value £' 000 | Value £' 000 | % of Total Value | Value £' 000 | % of Total Value | Value £' 000 | % of Total Value | Value £' 000 | % of Total Value | Value £' 000 | % of Total Value | Value £' 000 | % of Total Value | Value £' 000 | % of Total Value | |
| EQUITIES | | | | | | | | | | | | | | | | |
| UK Equities* | 526,036 | 392,256 | 51.4% | 149,036 | 33.3% | 0 | 0.0% | 19,459 | 4.4% | 0 | 0.0% | 0 | 0.0% | 560,751 | 21.1% | 26.0% |
| Emerging Market Equities | | 78,757 | | | | | | | | | | | | | | |
| Global Equities | | 291,060 | | | | | | | | | | | | | | |
| Overseas Equities | | | | | | | | 282,232 | | | | | | | | |
| Total Overseas Equities | 757,676 | 369,817 | 48.4% | 297,954 | 66.7% | 0 | 0.0% | 282,232 | 64.2% | 0 | 0.0% | 0 | 0.0% | 950,003 | 35.8% | 28.0% |
| BONDS | | | | | | | | | | | | | | | | |
| UK Gilts | 111,403 | 0 | 0.0% | 0 | 0.0% | 92,417 | 16.7% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 92,417 | 3.5% | |
| Corporate Bonds | 150,039 | 0 | 0.0% | 0 | 0.0% | 175,559 | 31.7% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 175,559 | 6.6% | |
| Overseas Bonds | 47,620 | 0 | 0.0% | 0 | 0.0% | 85,035 | 15.4% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 85,035 | 3.2% | |
| Index-Linked | 169,325 | 0 | 0.0% | 0 | 0.0% | 161,194 | 29.1% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 161,194 | 6.1% | |
| Total Bonds | 478,387 | 0 | 0% | 0 | 0.0% | 514,205 | 92.8% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 514,205 | 19.4% | 16.0% |
| ALTERNATIVE INVESTMENTS | | | | | | | | | | | | | | | | |
| Property | 158,746 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 130,367 | 29.7% | 0 | 0.0% | 25,814 | 6.4% | 156,181 | 5.9% | 8.0% |
| Private Equity | 181,993 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 15,988 | 32.1% | 173,455 | 43.2% | 189,443 | 7.2% | 9.0% |
| Multi Asset - DGF | 136,692 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 143,447 | 35.7% | 143,447 | 5.4% | 5.0% |
| Infrastructure | 22,329 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 14,417 | 29.0% | 13,650 | 3.4% | 28,067 | 1.1% | 3.0% |
| Secured Income | 12,066 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 19,256 | 38.7% | 0 | 0.0% | 19,256 | 0.7% | 5.0% |
| Total Alternative Investments | 511,826 | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 130,367 | 29.7% | 49,661 | 99.8% | 356,366 | 88.7% | 536,394 | 20.2% | 30.0% |
| CASH | 77,088 | 1,752 | 0.2% | 0 | 0.0% | 39,870 | 7.2% | 7,610 | 1.7% | 111 | 0.2% | 45,373 | 11.3% | 94,716 | 3.6% | 0.0% |
| TOTAL ASSETS | 2,351,013 | 763,825 | 100.0% | 446,990 | 100.0% | 554,075 | 100.0% | 439,668 | 100.0% | 49,772 | 100.0% | 401,739 | 100.0% | 2,656,069 | 100.0% | 100.0% |

% of total Fund

28.76%

16.83%

20.86%

16.55%

1.87%

15.13%

100.00%

* During the quarter the Baillie Gifford UK Equities portfolio was transitioned in full to the Brunel UK Equities portfolio.

TABLE 2

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

| Asset | Changes in Market Value | | | | | |
|--------------------------------|--|---|--------------------------------|----------------------------------|--|----------------------------|
| | Brunel Pension Partnership Active Equities | Brunel Pension Partnership Passive Equities | Legal & General Fixed Interest | UBS Global Equities and Property | Brunel Pension Partnership Other Investments | In House Other Investments |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| <u>EQUITIES</u> | | | | | | |
| UK Equities | 41,006 | 15,017 | 0 | 1,047 | 0 | 0 |
| | | | 0 | 0 | 0 | 0 |
| Overseas Equities | 68,855 | 47,288 | 0 | 53,838 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| <u>BONDS</u> | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| UK Gilts | 0 | 0 | 4,057 | 0 | 0 | 0 |
| Corporate Bonds | 0 | 0 | 15,860 | 0 | 0 | 0 |
| Overseas Bonds | 0 | 0 | 2,315 | 0 | 0 | 0 |
| Index-Linked Bonds | 0 | 0 | 18,332 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| <u>ALTERNATIVE INVESTMENTS</u> | 0 | 0 | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| Property | 0 | 0 | 0 | (2,369) | 0 | 471 |
| Private Equity | 0 | 0 | 0 | 0 | (81) | 9,886 |
| Multi Asset - DGF | 0 | 0 | 0 | 0 | 0 | 6,756 |
| Infrastructure | 0 | 0 | 0 | 0 | 562 | 352 |
| Secured Income | 0 | 0 | 0 | 0 | 38 | 0 |
| SUB TOTAL | 109,861 | 62,305 | 40,564 | 52,516 | 519 | 17,465 |
| CASH * | 0 | 0 | 0 | 0 | 0 | 0 |
| GRAND TOTAL | 109,861 | 62,305 | 40,564 | 52,516 | 519 | 17,465 |

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

TABLE 3

OXFORDSHIRE COUNTY COUNCIL PENSION FUND**PERFORMANCE TO 30th JUNE 2020****COMBINED PORTFOLIO (BY FUND MANAGER)**

| FUND MANAGER | % Weighting of Fund as at 30th June 2020 | QUARTER ENDED 30th June 2020 | 12 MONTHS ENDED 30th June 2020 | THREE YEARS ENDED 30th June 2020 | FIVE YEARS ENDED 30th June 2020 | TEN YEARS ENDED 30th June 2020 |
|--|---|---------------------------------|-----------------------------------|-------------------------------------|------------------------------------|-----------------------------------|
| | | RETURN | RETURN | RETURN | RETURN | RETURN |
| | | % | % | % | % | % |
| BRUNEL - UK EQUITIES | 14.8% | 11.7 | -13.3 | | | |
| BENCHMARK | | 10.2 | -13.0 | | | |
| VARIATION | | 1.5 | -0.3 | | | |
| BRUNEL - GLOBAL HIGH ALPHA EQUITIES | 11.0% | 24.0 | | | | |
| BENCHMARK | | 20.0 | | | | |
| VARIATION | | 4.0 | | | | |
| BRUNEL - EMERGING MARKET EQUITIES | 3.0% | 18.8 | | | | |
| BENCHMARK | | 18.6 | | | | |
| VARIATION | | 0.2 | | | | |
| BRUNEL - L&G LOW CARBON GLOBAL EQ - PASSIVE | 4.9% | | | | | |
| BENCHMARK | | | | | | |
| VARIATION | | | | | | |
| BRUNEL - L&G UK EQUITIES - PASSIVE | 5.1% | 10.2 | -13.0 | | | |
| BENCHMARK | | 10.2 | -13.0 | | | |
| VARIATION | | 0.0 | 0.0 | | | |
| BRUNEL - L&G WORLD DEVELOPED EQUITIES - PASSIVE | 6.8% | 19.8 | 6.4 | | | |
| BENCHMARK | | 19.9 | 6.5 | | | |
| VARIATION | | -0.1 | -0.1 | | | |
| L&G FIXED INCOME | 20.9% | 7.9 | 9.8 | 6.1 | 6.9 | 7.1 |
| BENCHMARK | | 6.9 | 9.4 | 6.0 | 6.8 | 6.9 |
| VARIATION | | 1.0 | 0.4 | 0.1 | 0.1 | 0.2 |

| FUND MANAGER | % Weighting of Fund as at 30th June 2020 | QUARTER ENDED 30th June 2020 | 12 MONTHS ENDED 30th June 2020 | THREE YEARS ENDED 30th June 2020 | FIVE YEARS ENDED 30th June 2020 | TEN YEARS ENDED 30th June 2020 |
|--|---|---------------------------------|-----------------------------------|-------------------------------------|------------------------------------|-----------------------------------|
| | | RETURN | RETURN | RETURN | RETURN | RETURN |
| | | % | % | % | % | % |
| IN-HOUSE PROPERTY | 1.0% | -1.5 | 1.3 | 6.8 | 9.6 | 8.1 |
| BENCHMARK | | -2.0 | -2.6 | 3.4 | 4.6 | 6.7 |
| VARIATION | | 0.5 | 3.9 | 3.4 | 5.0 | 1.4 |
| PRIVATE EQUITY | 6.5% | -1.1 | -2.5 | 6.6 | 12.9 | 14.0 |
| BENCHMARK | | 18.3 | -7.4 | -0.9 | 3.1 | 8.7 |
| VARIATION | | -19.4 | 4.9 | 7.5 | 9.8 | 5.3 |
| IN-HOUSE INFRASTRUCTURE | 0.5% | -8.0 | -1.7 | | | |
| BENCHMARK | | 1.1 | 4.6 | | | |
| VARIATION | | -9.1 | -6.3 | | | |
| UBS GLOBAL EQUITIES | 11.4% | 22.2 | 3.0 | 7.9 | 10.9 | 10.4 |
| BENCHMARK | | 19.8 | 5.7 | 8.5 | 12.3 | 11.3 |
| VARIATION | | 2.4 | -2.7 | -0.6 | -1.4 | -0.9 |
| UBS PROPERTY | 5.2% | -2.8 | -1.4 | 3.7 | 5.2 | 7.0 |
| BENCHMARK | | -2.0 | -2.6 | 3.4 | 4.6 | 6.7 |
| VARIATION | | -0.8 | 1.2 | 0.3 | 0.6 | 0.3 |
| INSIGHT DIVERSIFIED GROWTH FUND | 5.4% | 4.9 | -3.8 | 1.0 | 1.7 | |
| BENCHMARK | | 1.1 | 4.6 | 4.5 | 4.1 | |
| VARIATION | | 3.8 | -8.4 | -3.5 | -2.4 | |
| IN-HOUSE CASH | 1.7% | 0.1 | 0.5 | 0.6 | 0.5 | 0.7 |
| BENCHMARK | | 0.1 | 0.7 | 0.7 | 0.5 | 0.5 |
| VARIATION | | 0.0 | -0.2 | -0.1 | 0.0 | 0.2 |
| BRUNEL - PRIVATE EQUITY | 0.6% | -0.5 | 11.7 | | | |
| BENCHMARK | | 19.8 | 5.7 | | | |
| VARIATION | | -20.3 | 6.0 | | | |
| BRUNEL - INFRASTRUCTURE | 0.5% | 4.7 | 14.1 | | | |
| BENCHMARK | | 0.0 | 0.6 | | | |
| VARIATION | | 4.7 | 13.5 | | | |
| BRUNEL - SECURED INCOME | 0.7% | 1.5 | 0.2 | | | |
| BENCHMARK | | 0.0 | 0.6 | | | |
| VARIATION | | 1.5 | -0.4 | | | |
| TOTAL FUND | 100.0% | 11.3 | 0.9 | 4.8 | 7.7 | 9.1 |
| BENCHMARK | | 10.8 | 0.2 | 3.9 | 7.0 | 8.7 |
| VARIATION | | 0.5 | 0.7 | 0.9 | 0.7 | 0.4 |

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

TABLE 4

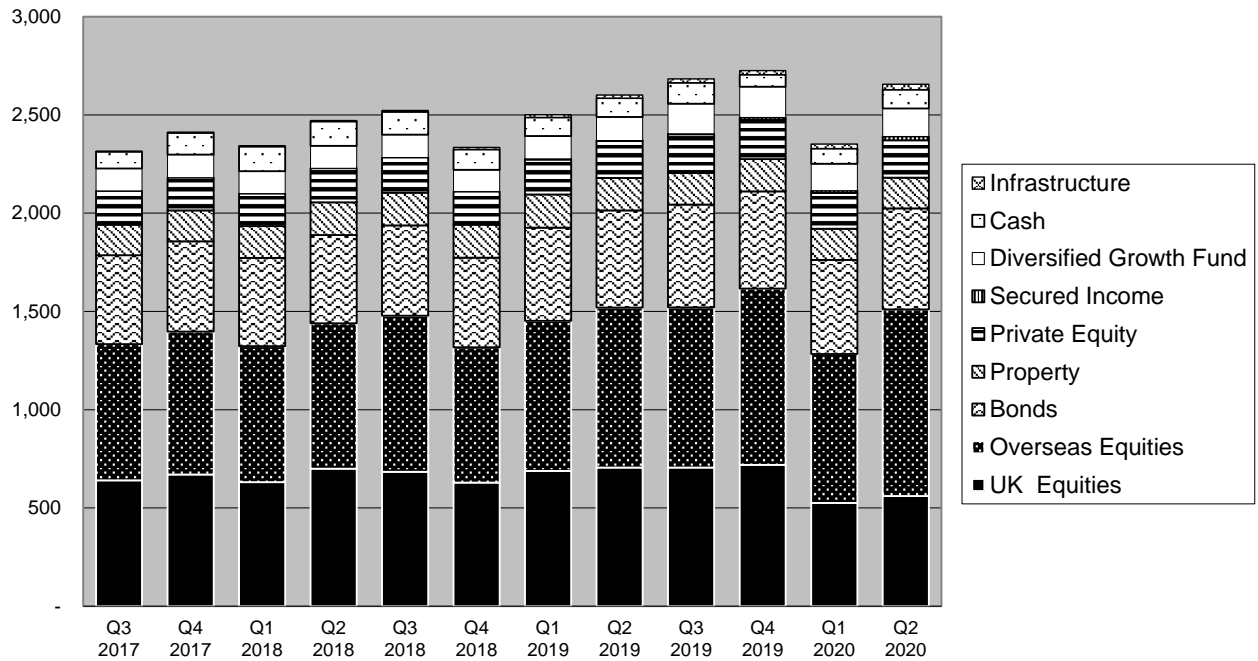
TOP 20 HOLDINGS AT 30/06/2020

| ASSET DESCRIPTION | MARKET VALUE £ | TOTAL FUND % |
|---|---------------------------|-------------------------|
| <u>DIRECT HOLDINGS</u> | | |
| 1 HG CAPITAL TRUST PLC | 45,545,700 | 1.71 |
| 2 AUSTRALIAN GOVERNMENT SR UNSECURED REGS 05/30 2.5 | 19,501,883 | 0.73 |
| 3 BUNDESREPUB. DEUTSCHLAND BONDS REGS 02/30 0.00000 | 15,255,094 | 0.57 |
| 4 STANDARD LIFE PRIVATE EQ ORD | 13,422,594 | 0.51 |
| 5 BMO PRIVATE EQUITY TRUST PLC | 13,228,800 | 0.50 |
| 6 UK TSY 4 3/4 2030 BONDS REGS 12/30 4.75 | 12,716,236 | 0.48 |
| 7 TSY 1 1/4 2055 I/L GILT BONDS REGS 11/55 1.25 | 10,877,407 | 0.41 |
| 8 BUONI POLIENNALI DEL TES SR UNSECURED REGS 04/30 1.35 | 10,855,023 | 0.41 |
| 9 TSY 0 1/8 2068 I/L GILT BONDS REGS 03/68 0.125 | 10,364,774 | 0.39 |
| 10 TSY 0 3/8 2062 I/L GILT BONDS REGS 03/62 0.375 | 10,175,471 | 0.38 |
| 11 3I GROUP PLC COMMON STOCK GBP.738636 | 9,534,594 | 0.36 |
| 12 TSY 0 1/2 2050 I/L GILT BONDS REGS 03/50 0.5 | 8,921,146 | 0.34 |
| 13 TSY 0 5/8 2042 I/L GILT BONDS REGS 11/42 0.625 | 8,726,533 | 0.33 |
| 14 TSY 0 1/4 2052 I/L GILT BONDS REGS 03/52 0.25 | 8,079,029 | 0.30 |
| 15 TSY 0 5/8 2040 I/L GILT BONDS REGS 03/40 0.625 | 8,078,934 | 0.30 |
| 16 TSY 1 1/8 2037 I/L GILT BONDS REGS 11/37 1.125 | 8,065,723 | 0.30 |
| 17 TSY 0 1/8 2044 I/L GILT BONDS REGS 03/44 0.125 | 8,037,780 | 0.30 |
| 18 TSY 1 1/4 2027 I/L GILT BONDS REGS 11/27 1.25 | 7,697,048 | 0.29 |
| 19 TSY 2 2035 I/L STOCK BONDS REGS 01/35 2 | 7,670,522 | 0.29 |
| 20 TSY 0 1/8 2058 I/L GILT BONDS REGS 03/58 0.125 | 7,271,451 | 0.27 |
| TOP 20 HOLDINGS MARKET VALUE * | 244,025,742 | 9.17 |
| * Excludes investments held within Pooled Funds | | |
| <u>POOLED FUNDS AT 30/06/2020</u> | | |
| 1 FP BRUNEL UK EQUITY FUND A ACC MUTUAL FUND | 392,256,413 | 14.77 |
| 2 UBS LIFE GLOBAL EQUITY ALL COUNTRY FUND A | 301,691,349 | 11.36 |
| 3 FP BRUNEL HG ALP GLB EQUITY FD MUTUAL FUND | 291,060,304 | 10.96 |
| 4 L&G CORE PLUS FUND (DISTRIBUTION) | 212,616,268 | 8.00 |
| 5 L&G WORLD DEVELOPED EQUITY INDEX | 180,432,631 | 6.79 |
| TOTAL POOLED FUNDS MARKET VALUE | 1,378,056,965 | 51.88 |
| TOTAL FUND MARKET VALUE | 2,656,069,437 | |

OXFORDSHIRE COUNTY COUNCIL PENSION FUND

MARKET VALUE OF TOTAL FUND

TOTAL FUND MARKET VALUE BY ASSET CLASS





Quarterly Engagement Report

April-June
2020

Local
Authority
Pension
Fund
Forum

Human rights, Facebook, Barclays, ArcelorMittal, AngloAmerican, Vale, Shell

HUMAN RIGHTS



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CLIMATE EMERGENCY

LAPFF SUPPORTS FIGHT TO END SYSTEMIC RACISM

LAPFF has noted with horror and sadness the killing of George Floyd by a Minneapolis police officer on Monday, 27 May 2020. While there are concerns about the Covid-19 impact of the resulting protests, the Forum supports the worldwide outcry about the continued existence of systemic racism in all our societies.

In a prescient statement from 16 March, the Office of the High Commissioner for Human Rights at the United Nations provided this warning, “Restrictions taken to respond to the virus must be motivated by legitimate public health goals and should not be used simply to quash dissent.” LAPFF supports this statement as being in line with international human rights law and encourages all societal entities to adhere to this standard.

In addition to the fundamental human rights concerns raised by systemic racism, there are significant concerns for sustainable shareholder value. For example, such a system deprives businesses of optimal talent pools, of diverse board and staff perspectives that can help to identify material business risks, and of functional, constructive work environments that lead to innovation and success. All these factors can impact on business performance and shareholder value.

Therefore, not only is systemic racism fundamentally wrong on a human level, it is also bad for business. The Forum has always operated on this basis, both through its policy engagements and through its company engagements, and it will continue to do so.

Protesters in New Malden in South West London UK in support of the Black Lives Matter demonstration after the death of George Floyd

LAPFF finds a way forward on Barclays shareholder resolution challenge

LAPFF and other investor groups faced a unique challenge ahead of the Barclays AGM this year. There were almost identical resolutions filed on climate change, one submitted by a shareholder group led by ShareAction and another submitted by the company. All parties agreed that Barclays had made significant progress with its climate strategy, and Barclays made this point repeatedly in seeking support for its own resolution. However, the investor group felt the company needed to make more concrete, shorter-term commitments, as reflected in the shareholder resolution, on which Barclays recommended an abstention. The Forum had to take a view on vote recommendations for members.

The first step in the process was to engage with both the co-filing shareholders and the company... and engage, and engage, and engage. LAPFF Chair, Cllr Doug McMurdo, and other LAPFF representatives communicated with Barclays (virtually of course) several times over two months, and with ShareAction and other investors (including some LAPFF members) three or four times. During these engagements, it became clear that the two sides had come closer in their views of how to progress Barclays’ approach to climate change and that the engagement between the two parties had been beneficial for everyone. Consequently, LAPFF took the decision to support both the company and the shareholder resolutions.

The Barclays resolution passed, and although the shareholder resolution did not, it garnered enough support to signal to the company that it will need to honour its new climate commitments. LAPFF will continue to engage with Barclays to monitor its progress in this regard.

“This was a challenging but rewarding engagement, and it drove home for me the benefits of hearing and weighing a range of stakeholder perspectives.”

Cllr Doug McMurdo:

Climate Finance Engagements Ramp Up

In the wake of engagements with ANZ Bank and Barclays on climate finance, it was clear that financial institutions would become the next frontier on the climate agenda. Therefore, LAPFF undertook an engagement initiative to meet with the Forum’s most widely held banks and insurers to understand their approach to climate, both on the investment and insurance sides of their businesses.

The Forum has now met with five of the 11 financial institutions approached and is scheduled to meet with two others. The meetings have been enlightening and helped LAPFF to understand where and how climate considerations fit into the finance landscape. The first point to note is that all the institutions - whether insurers, banks or asset managers - focus most heavily on the investment function as a means of addressing climate risks. Even companies heavily weighted toward insurance have thought about climate risk far more in terms of how they invest than how they insure. Second, there seems to be a general belief that property and casualty insurers will bear a more immediate brunt of climate risks than health and life insurers. However, one company suggested that the balance of risk in these areas might even out in ten years’ time. The final observation is that the financial institutions engaged consider climate risks to the business, but have not thought much about how their insurance or investment products impact on climate change mitigation. Some have considered in more detail how their products might affect climate change adaptation, for example for vulnerable clients.

There are a few company meetings yet to be conducted during this first mainly information-gathering phase of the engagement. After this initial agreement, company approaches and perspectives will be reviewed and compared to formulate a sector perspective in developing concrete requests of companies as they progress their practices in managing climate risk.

COMPANY ENGAGEMENT

Shell ‘Follow This’ Resolution Contested

For a third year, Shell faced a shareholder resolution spearheaded by Dutch NGO, Follow This, which called for the company to issue short, medium, and long-term climate targets. This year’s resolution coincided with announcements by Shell and other oil and gas majors – including Total and BP - of new climate ambitions for net zero emissions by 2050. The climate ambition initiative was led by ClimateAction 100+. In the past, LAPFF has recommended votes against the resolution, but after reviewing Shell’s new climate ambition, the Forum re-evaluated its position.

Although many aspects of Shell’s new climate ambition are far-reaching, the sum of its parts did not appear to add up. For example, the company seems excessively reliant on carbon capture and storage, among other technologies, to meet these goals. Further, while its attempts to find solutions for Scope 3 emissions are welcomed, Shell did not deal with some just transition aspects including planting forests to help foster carbon sinks. In short, the Forum felt that this year a full set of targets would be helpful to clarify how Shell’s ambition might become concrete, and whether the proposals are sufficient to align with Paris Agreement goals. As a result, LAPFF drafted a voting alert recommending a vote in favour of the resolution.



The alert was shared with Shell, which subsequently asked for a meeting to discuss LAPFF’s concerns. LAPFF representatives met with the Head of Investor Relations and a member of the technical staff to go through the company’s response to the voting alert but came away unconvinced by their arguments. There was an additional call with CEO Ben van Beurden (*pictured*) joined by numerous investors, including LAPFF. Again, the explanations provided were unconvincing and the LAPFF recommendation to vote in favour of the resolution remained.

Therefore, LAPFF supported Shell’s

ambition, but also supported the Follow This resolution calling for concrete climate targets, including long-term targets. The Forum will continue to engage with Shell and other investors to ensure that Shell enacts its ambition in a way that aligns with the Paris Agreement.

LAPFF Leads on ArcelorMittal Engagement through CA100+

Engagement with ArcelorMittal has had a number of objectives around their journey to net-zero emissions. For 2020, the focus has been on targets for carbon neutrality and for a clearer view on the company’s strategy on the policy environment, particularly around its views on the need for a green border adjustment tax in Europe.

By January, engagement with the company had progressed well, with ArcelorMittal having in place a European target to reduce emissions 30% by 2030 and to be carbon neutral by 2050 with a global ambition to ‘significantly reduce’ its carbon footprint. On the issue of a group target, the company has stated its intention to set one before the end of the year.

On the policy front, in February, the company shared its analysis of its membership of industry associations that had been requested by the lead investors, on which feedback on was provided. A discussion was then facilitated with the Head of the Policy Programme at the Institutional Investors Group on Climate Change (IIGCC) and a company representative in order for common ground to be found on investor and company views on a green border adjustment tax. Analysis on trade association membership has now been made public and set in the context of the company’s views on the need for a carbon border adjustment, a market tool to drive lower-emissions steel and commentary on access to finance.

As with a number of companies, progress has been slowed by COVID-19, as the company had planned to publish a global emissions reduction target in its second group carbon report this summer. A meeting with the company was constructive in discussing what will be achievable with different policy scenarios, as well as pushing on company plans for developing green hydrogen technology in the context of developing

inter-sectoral partnerships. Related questions were submitted to the AGM including on objectives. The AGM was originally scheduled for the beginning of May in Luxembourg and was then moved to a Saturday in June with no opportunity for direct participation by shareholders. Written responses were provided on the company website. The company issued its ‘Climate Action in Europe’ report in late June, which sets out the road-map for carbon emission reductions of 30% by 2030 and carbon neutral by 2050.

High Risk Tailings Dam Engagement Continues

For about a year and a half, LAPFF has been the community liaison for the investor initiative on tailings dam safety, co-led by the Church of England Pensions Board and the Swedish Council of Ethics to the AP Funds. Toward the end of 2019, community representatives flagged a list of high-risk tailings dams in Brazil which are of real concern to community members. The Forum cross-referenced this list with LAPFF holdings and found that AngloAmerican, Vale, and ArcelorMittal all had dams on the list. The Forum decided to pursue engagements with these companies to understand what measures they were taking to mitigate risk to the communities and financial risk to shareholders.

Increasingly, LAPFF meets with company chairs and board members in company engagements. However, Vale was the only company to offer a meeting with its chair on this issue. The meeting with Anglo was with operational executives, and ArcelorMittal has not yet agreed to a meeting on the issue. Instead, the company provided a short, process-based summary of its work on tailings dams that made little reference to community engagement or input. The Forum is concerned this lack of board level engagement on tailings dams reflects that companies fail to take the issue seriously and they do not see it as a strategic consideration.

LAPFF will continue to engage with all three companies to ensure they are using community input appropriately to mitigate their operational, legal, reputational and financial risks. These engagements have highlighted that there is a long way to go.

COMPANY ENGAGEMENT



Facebook CEO Mark Zuckerberg faces the media before testifying at a Joint Senate Judiciary and Commerce Committee hearing

Facebook brought to book

The Forum continues to have concerns about global tech companies’ internet content. Over the past few years, the Forum has highlighted the potential loss of shareholder value from companies failing to tackle the spread of hate speech, fake news and inappropriate content on their platforms. In addition, the Forum highlighted governance concerns, not least the use of dual class shares which mean that founder directors such as Facebook’s Mark Zuckerberg have a majority of votes but own a minority of the shares. Ahead of this year’s Facebook AGM, the Forum issued a voting alert

recommending members vote in favour of shareholder proposals on equal voting rights, an independent chair, majority voting for directors and nominating a board member with expertise in human rights.

The results once again highlighted widespread shareholder concerns about governance. A significant minority of votes cast were in favour of equal voting rights amongst shareholders (27%), an independent chair (20%), and majority voting for directors (25%). A smaller number of shareholders voted in favour of having a director with human rights expertise (4%) to improve oversight of human and civil rights and hate speech. Given independent shareholders are

in a minority, the results provide a clear signal to the Facebook board. Mr Zuckerberg reportedly responded to shareholder criticism by reiterating the company’s previous plans on increasing security spending and taking a broader view of responsibility.

Following the Facebook AGM, high profile companies including Coca Cola and Unilever have decided to boycott advertising on the platform because of concerns about hate speech. The company stated its intention to make reforms and the Forum intends to continue to push the company to do more to tackle hate speech and inappropriate content which should safeguard shareholder value.

COMPANY ENGAGEMENT

Chipotle to set Science-Based Targets

In the first quarter of 2019 LAPFF was one of a group of investors that wrote to some of the largest fast food companies including McDonalds, Dominos and Chipotle asking how they plan to enact meaningful policies and targets to de-risk their meat and dairy supply chains from a climate perspective.

LAPFF met with Chipotle representatives on numerous occasions during 2019 and into 2020. The initial discussion revolved around the measurement of scope three carbon emissions, particularly those relating to the protein supply chain. At the most recent meeting with the company in May 2020, Chipotle went one step further by confirming it would work with the science-based target initiative (SBTi) to set science-based reduction targets for company-wide emissions by 2021.

LAPFF’s focus is now on ensuring the company continues to develop a methodology capable of accurately collecting emissions data from across its value chain. Such data should set meaningful company-wide emissions reductions targets and must be independently verified as representing accurately the company’s carbon footprint.

CONSULTATION RESPONSES

LAPFF submitted a response to a Financial Conduct Authority (FCA) consultation on climate in which the Forum expressed strong support for the introduction of mandatory carbon emissions and risk reporting, and support for TCFD recommendations.

The Forum also signed a letter to the US Securities and Exchange Commission (SEC) requesting that the SEC require country-by-country tax reporting of corporate tax.

LAPFF joined Storebrand and other investors in recognising the crucial role tropical forests play in tackling climate change by signing onto an open letter to the Brazilian government and a number of Embassies requesting a halt to the destruction of the Amazon.

MEDIA COVERAGE

[Daily ESG Briefing: UK pension body backs vote against entire Exxon board over climate](#)

[Responsible-Investor.com](#)

The UK’s **Local Authority Pension Fund Forum** (LAPFF) has advised its members, which represent billions in public pension money, to oppose the entire board.

[Exxon shareholders vote against splitting chair and CEO roles](#)

Financial Times - Several high-profile investors threw their weight behind the proposed split ahead of the AGM, including LGIM, the UK’s biggest asset manager, the Church Commissioners, which oversee the Church of England’s investments, the UK’s Local Authority Pension Fund Forum and the New York State Common Retirement Fund, the third-largest US public pension plan.

[Barclays asks investors to vote on new climate ambition, commitment](#)

IP&E - The Local Authority Pension Fund Forum (LAPFF) today said it had met with both the chair of Barclays and with ShareAction following the December filing of the shareholder resolution, and that it supported the bank’s commitment to align financing activities with the Paris agreement.

[Protesters demand action as Barclays shareholders vote on climate plans](#)

Evening Express - Several institutional investors, including the Local Authority Pension Fund Forum (LAPFF), M&G Investments and EOS1, the stewardship provider at Federated Hermes, have said they will support both resolutions.

[Investors split 17%-83% over Total climate shareholder resolution](#)

IP&E - Requisitionists see level of support sending ‘strong signal’ to French oil and gas major

[APG and others outline stance on BP net-zero ambition, delivery](#)

IP&E - Full list of supporting investors: APG Asset Management, Aviva Investors, AXA Investment Managers, BMO Global Asset Management on behalf of its advisory clients, EOS at Federated Hermes on behalf of its stewardship clients, HSBC Global Asset Management, Kempen, Legal & General Investment Management, Local Authority Pension Fund Forum, M&G Investments, Newton Investment

Management, PGGM, and UBS Asset Management.

NETWORKS AND EVENTS

LAPFF representatives attended 17 webinars during the quarter. A number of these webinars dealt with the Covid-19 pandemic, including an ACCR presentation on concerns about the prevalence of the virus in immigration detention centres, and MI5’s perspective on the associated geo-political risks. A UN Global Compact panel on coronavirus and human rights, including Michelle Bachelet, Head of the UN High Commission on Human Rights, addressed the need to be vigilant in protecting human rights during the pandemic. One webinar also focused on the need for businesses transparency to deal with the pandemic, while another addressed the need to protect meat packing workers, both to protect human rights and to protect shareholder value.

Two webinars included updates on the investor tailings dam initiatives. We also heard from an investor regarding Alphabet, where 45 percent of independent voters supported a shareholder resolution calling for an independent oversight committee on human rights. The Investor Alliance for Human Rights hosted a call with a former Google employee who raised concerns about the company’s approach to human rights. One webinar provided information on a new law protecting Indigenous People in British Columbia, Canada, which is relevant for the Forum’s work with affected communities.

Notable events addressed the climate crisis, including opportunities and challenges related to carbon capture and storage. The IIGCC hosted a roundtable to explore net zero pathways for the steel sector. The TPI held a mining webinar, and a webinar on what we know and have yet to learn about the energy transition proved useful.

Finally, during a webinar on the Non-Financial Reporting Directive (NFRD) consultation, speakers assessed the impact of the Directive. They discussed what needs to be improved, mainly in relation to definitions of materiality, due diligence and impact. LAPFF representatives also spoke to Carmen Nuzzo at PRI to learn more about fixed income and sustainability.

MEDIA, NETWORKS AND EVENTS

AGMS & VOTING ALERTS

The second quarter of the year is always the busiest time for AGMs and LAPFF voting alerts. However, given the coronavirus pandemic and consequent lockdown, the Forum had its challenges with AGM attendance and company engagement this year. In response it established a strategy for effective engagement around company AGMs, including negotiating around shareholder resolutions.

At the start of the season, LAPFF was relatively optimistic about being able to attend virtual AGMs. Rio Tinto held calls for both the UK-listed and Australian-listed entities that allowed for both shareholders and other stakeholders to ask questions and interact with the board

in conjunction with the AGM business. However, challenges with virtual formats soon began to emerge.

Clr McMurdo joined the Boeing AGM but due to technical issues was dropped repeatedly from the meeting. LAPFF managed to submit its question online, but the company only responded to the question two months after the AGM. Next, the Forum attempted to attend the Vale online AGM only to be told that ADR shareholders could not attend; only their custodians could.

As the season progressed, it also became clear that companies preferred to field questions online usually three days before the AGM. They would then take a view on whether to respond either publicly or privately. Consequently, the Forum has issued a large number of voting alerts this year to facilitate direct shareholder

involvement in AGM voting.

One such voting alert was for Delta Airlines Inc. Following engagement earlier in the year, correspondence with the airline proposed conditions for the company to meet for the requisitioning investors (including a LAPFF member) to withdraw the climate lobbying shareholder resolution. These conditions were not met, resulting in voting alert to members and the resolution received a solid 46% vote in favour.

These developments are clearly not in line with LAPFF’s expectation of transparency and stakeholder participation in AGMs. Therefore, LAPFF will take an assessment of the overall trend on AGM formats at the end of the season and determine the best means of pushing companies to improve on their transparency and stakeholder engagement for any future virtual AGMs.

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Individual Member Funds

Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Bexley Pension Fund
Brent Pension Fund
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund

Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hounslow Pension Fund
Islington Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority

London Borough Bexley Pension Fund
London Borough Brent Pension Fund
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund

Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members

Border to Coast Pensions Partnership
Brunel Pensions Partnership
LGPS Central
Northern LGPS
London CIV
Wales Pension Partnership

COMPANY PROGRESS REPORT

79 companies engaged over the quarter during 113* engagements

*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

| Company | Activities | Topics | Outcomes | Position Engaged | Domicile |
|--|-------------------------|---------------------------------------|---|----------------------|----------|
| 3i GROUP PLC | Alert Issued | Remuneration | Dialogue | Chair | GBR |
| AIA GROUP LTD | Meeting | Climate Change/ Covid | Dialogue/ Change in Progress | Chair | HKG |
| ALBEMARLE CORPORATION (CA100+) | Sent Correspondence | Climate Change | Awaiting Response | Chair | USA |
| ALPHABET INC | Meeting | Governance/ Human Rights | Dialogue | Chair | USA |
| AMAZON.COM INC. | Alert Issued | Governance/ Human Rights/ Environment | Dialogue | Chair | USA |
| ANGLO AMERICAN PLC | Meeting | Climate Change/ Human Rights | No Improvement/ Dialogue | Specialist Staff | GBR |
| ANGLOGOLD ASHANTI LTD (CA100+) | Meeting | Climate Change | Awaiting Response | Chair | ZAF |
| ARCELOMITTAL SA | Meeting | Climate Change | Moderate Improvement | Specialist Staff | LUX |
| ASHTAD GROUP PLC | Sent Correspondence | Environmental Risk | Dialogue | Specialist Staff | GBR |
| ASTRAZENECA PLC | Alert Issued | Remuneration | No Improvement | Chair | GBR |
| AXA | Meeting | Climate Change/ Governance | Change in Process | Specialist Staff | FRA |
| B&M EUROPEAN VALUE RETAIL SA (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | LUX |
| BABCOCK INTERNATIONAL GROUP PLC (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | GBR |
| BANDAI NAMCO HOLDINGS INC | Sent Correspondence | Board Composition | Awaiting Response | Exec Director or CEO | JPN |
| BARCLAYS PLC | Alert Issued/ AGM | Climate Change | Dialogue/ Substantial Improvement | Chair | GBR |
| BHP GROUP PLC | Sent Correspondence | Human Rights | Dialogue | Chair | GBR |
| BP PLC | Received Correspondence | Climate Change/ Audit Practices | Substantial Improvement | Chair | GBR |
| CAMECO CORPORATION (CA100+) | Sent Correspondence | Climate Change | Awaiting Response | Chair | CAN |
| CANADIAN UTILITIES LIMITED (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | CAN |
| CARNIVAL PLC (GBR) | Alert Issued | Remuneration | Dialogue | Chair | GBR |
| CATERPILLAR INC. | Alert Issued | Governance (General) | Dialogue | Chair | USA |
| CATERPILLAR INC. (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | USA |
| CHEVRON CORPORATION | Alert Issued | Climate Change | Dialogue | Chair | USA |
| CHIPOTLE MEXICAN GRILL INC (CERES + FAIRR) | Meeting | Environmental Risk/ Supply Chain | Moderate Improvement/ Small Improvement | Specialist Staff | USA |
| CIMIC GROUP LTD | Meeting | Environmental Risk | Awaiting Response | Chair | AUS |
| CRH PLC | Received Correspondence | Climate Change | Small Improvement | Chair | IRL |
| DELTA AIR LINES INC | Alert Issued | Climate Change | Moderate Improvement | Chair | USA |
| DOMINION ENERGY INC | Alert Issued | Board Composition | Dialogue | Chair | USA |
| DUKE ENERGY CORPORATION | Alert Issued | Audit Practices | Dialogue | Chair | USA |
| ELI LILLY AND COMPANY | Alert Issued | Governance (General) | Dialogue | Chair | USA |
| ENI SPA | Sent Correspondence | Climate Change/ Audit Practices | Awaiting Response | Non-Exec Director | ITA |
| EXXON MOBIL CORPORATION | Meeting | Climate Change | Dialogue | Chair | USA |
| FACEBOOK INC. | Alert Issued | Governance/ Human Rights | Dialogue | Chair | USA |
| FERREXPO PLC (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | GBR |
| FORD MOTOR COMPANY | Alert Issued | Governance (General) | Dialogue | Chair | USA |
| FORTIS INC (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | CAN |
| FRASERS GROUP PLC (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | GBR |
| GEM DIAMONDS LTD (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | VGB |
| GENERAL ELECTRIC COMPANY | Alert Issued | Governance (General) | Dialogue | Chair | USA |
| GENERAL MOTORS COMPANY | Alert Issued | Governance (General) | Dialogue | Chair | USA |
| GLENCORE PLC (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | JEY |
| GRAFTON GROUP PLC (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | IRL |
| HONEYWELL INTERNATIONAL INC. | Alert Issued | Governance (General) | Dialogue | Chair | USA |

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COMPANY PROGRESS REPORT

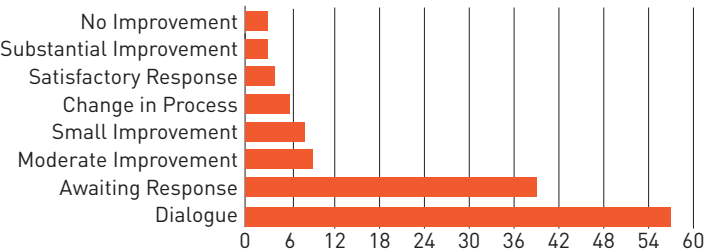
| | | | | | |
|--------------------------------------|----------------------------|------------------------------------|--|----------------------|-----|
| IBSTOCK PLC (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | GBR |
| IDEMITSU KOSAN CO LTD (CA100+) | Sent Correspondence | Climate Change | Awaiting Response | Chair | JPN |
| IMPERIAL OIL LIMITED (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | CAN |
| KIRKLAND LAKE GOLD INC (CA100+) | Sent Correspondence | Climate Change | Awaiting Response | Chair | CAN |
| MARATHON PETROLEUM CORPORATION (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | USA |
| MIZUHO FINANCIAL GROUP INC | Alert Issued | Climate Change | Dialogue | Chair | JPN |
| MOTOROLA SOLUTIONS INC. | Alert Issued | Human Rights | Dialogue | Chair | USA |
| MUENCHENER RUECK AG (MUNICH RE) | Meeting | Covid/ Climate Change | Satisfactory Response/ Small Improvement | Specialist Staff | DEU |
| NATIONAL GRID PLC | Received Correspondence | Climate Change | Moderate Improvement | Specialist Staff | GBR |
| NEW HOPE CORP LTD (CA100+) | Sent Correspondence | Climate Change | Awaiting Response | Chair | AUS |
| NEWCREST MINING LTD (CA100+) | Sent Correspondence | Climate Change | Awaiting Response | Chair | AUS |
| NEWMONT CORPORATION (HSBC) | Sent Correspondence | Governance (General) | Dialogue | Chair | USA |
| NMC HEALTH PLC (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | GBR |
| OTTOGI CORP (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | KOR |
| PHILLIPS 66 (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | USA |
| PHOENIX GROUP HOLDINGS (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | GBR |
| PHOENIX IT GROUP PLC (CDP) | Received Correspondence | Environmental Risk | Satisfactory Response | Chair | GBR |
| PRUDENTIAL PLC | Meeting | Covid/ Climate Change | Change in Process RT/ | Chair | GBR |
| RIO TINTO GROUP (AUS) | Alert Issues/ AGM/ Meeting | Human Rights/ Climate Change | Dialogue/ Moderate Improvement | Chair | AUS |
| ROYAL DUTCH SHELL PLC (CA100+) | Meeting/ Alert Issued | Climate Change | Small Improvement/ Dialogue | Exec Director or CEO | NLD |
| SAINSBURY (J) PLC | Sent Correspondence | Environmental Risk | Awaiting Response | Chair | GBR |
| SOUTHERN COMPANY | Press Release | Climate Change | Substantial Improvement | Exec Director or CEO | USA |
| STANDARD CHARTERED PLC | Meeting | Covid/ Climate Change | Satisfactory Response/ Change in Process | Chair | GBR |
| SUMITOMO MITSUI FINANCIAL GROUP | Sent Correspondence | Board Composition | Awaiting Response | Chair | JPN |
| TESCO PLC | Sent Correspondence | Climate Change | Awaiting Response | Chair | GBR |
| TESLA INC | Alert Issued | Employment Standards/ Remuneration | Dialogue | Chair | USA |
| THE BOEING COMPANY | Alert Issued/ AGM | Governance (General) | Dialogue | Chair | USA |
| TOTAL SA | Press Release | Climate Change | Dialogue | Chair | FRA |
| TULLOW OIL PLC | Sent Correspondence | Governance (General) | Dialogue | Chair | GBR |
| ULTRA ELECTRONICS HOLDINGS PLC (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | GBR |
| VALE SA | Meeting | Human Rights/ Governance | Dialogue/ Change in Progress | Chair | BRA |
| VALERO ENERGY CORPORATION (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | USA |
| VESUVIUS PLC (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | GBR |
| WHITEHAVEN COAL LTD (CA100+) | Sent Correspondence | Climate Change | Awaiting Response | Chair | AUS |
| WIZZ AIR HOLDINGS PLC (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | JEY |
| WOODSIDE PETROLEUM LTD | Alert Issued/ AGM | Climate Change | Dialogue/ Substantial Improvement | Chair | AUS |
| XAAR PLC (CDP) | Sent Correspondence | Climate Change | Awaiting Response | Chair | GBR |

ENGAGEMENT DATA

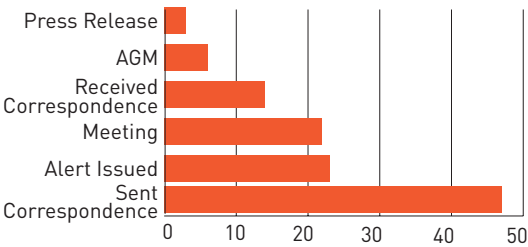
COMPANY DOMICILES



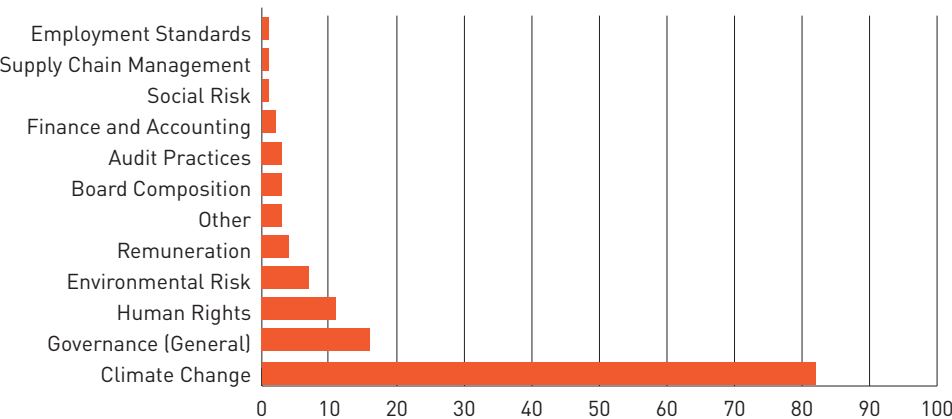
MEETING ENGAGEMENT OUTCOMES



ACTIVITY



ENGAGEMENT TOPICS





Responsible Investing

Client Update: Summer 2020

We have been very busy and so much has happened since the last report that we wanted to share some highlights from our activities over the summer.

In July and August, we've spent lots of time on issues highlighted by COVID-19, like human rights. However, taking action on climate remain top of our to-do list.

Reading the news, how could it not? Record temperatures, record storms and the splitting of Canada's last complete ice shelf showed how urgent the problem is.¹

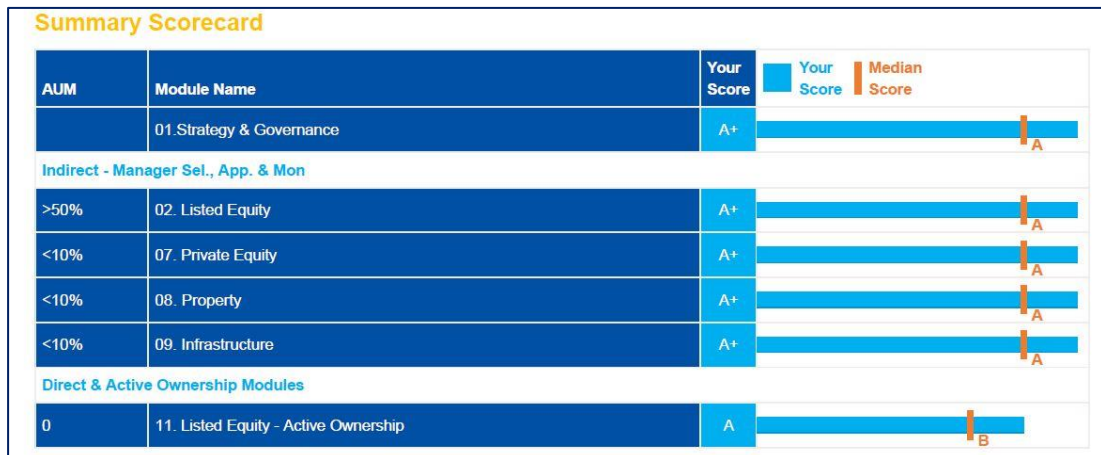
We know the partnership sees it that way, and we're excited to report on the progress that we're making. So here it is, our July-August 'top ten':



1. Amplifying our voice: IIGCC Net Zero Investment Framework

We've been working hard on this project for more than a year and, in August, the IIGCC Net Zero Investment Framework was launched. It "answers the fundamental and urgent question of what a Paris-aligned portfolio actually looks like" ([FT, Aug 5](#)). We have also [publicised the consultation](#). The framework remains central to how we approach RI and seek to influence asset owners and managers.

2. **Exam grades: UN Principles for Responsible Investment Assessment Report**
[Brunel's UNPRI scorecard](#) (no algorithm here!) showed we again beat peer averages across all categories. We were especially pleased with Private Markets – which Brunel voluntarily reported on – where we scored **A+ across all 3 areas**. PRI does not mandate reporting where you have assets of below 10%, but the area is of growing interest to clients and we believed we were delivering best practice. The assessment's basis was our [Transparency Report](#).



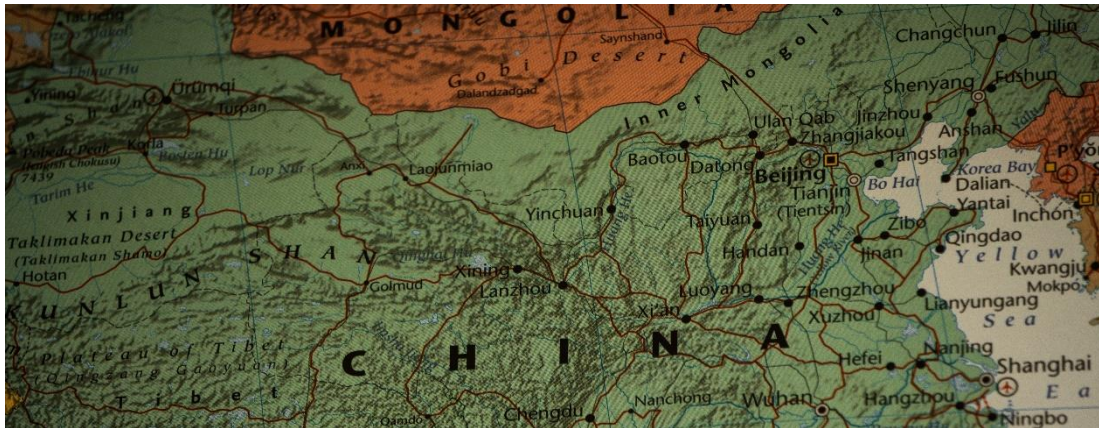
3. **Rewriting the rulebook: US Department of Labor Consultation response**
 We [wrote to express our deep concern](#) over a proposed US law on the use of ESG criteria in pension fund investing. The new rule would oblige pension funds to prove they are not sacrificing returns by focusing on ESG criteria. We received thankyou messages, particularly from US investor groups. (State Street's strong intervention [received dedicated FT coverage](#).)



4. **Free to work: MHS-UAE collaborative engagement**
 Brunel was [signatory to a letter](#) calling on 54 companies operating in the Gulf states to detail how they are protecting migrant workers, following reports of forced labour and modern-day slavery. The initiative was led by the CCLA. Institutional investors who signed represented more than \$3 trillion in assets.
5. **Role-play: SDGs - supporting UNPRI outreach**
[‘Sustainable Development Goals as a tool for Strategic Asset Allocation’](#) highlighted a client workshop tool used by Brunel (Aug 2020)

6. Minority report: Investor Alliance for Human Rights: Guidance on Xinjiang

Brunel welcomed the Alliance's publication of [investor guidance on Xinjiang Autonomous Region in Northwest China](#), home to the Uyghurs, and is using the guide to support its work and engagement on these themes.



7. Climate risk: Ceres (US Investor Network)

Ceres, the US investor Network featured Brunel's approach to integrating climate risk into portfolio management into a report on '[Portfolio Climate Risk Management case study](#)' (July 2020). This is an important part of our strategy to promote climate and ESG integration to investors in the US.

8. Video view: LGPS Scheme Advisory Board

Faith Ward participated in an [SAB webinar on ESG initiatives](#). Linking to the COVID-19 backdrop, Faith spoke about water and plastics (the 'E'), rising awareness of racial and health equality issues and the modern slavery challenge ('S') and overboarding, pay structures and tax ('G'). Brunel is also supporting the SAB in developing its RI A-Z, a valuable toolkit for our clients.

9. Rain check: BlackRock engagement

Following our engagement with BlackRock (previously reported), we welcomed the public stance taken over their [vote against 53 companies and putting another 244 on watch for next year for inadequate action on climate risk](#). We continue to engage on our alignment, notably in support of investor action 'Talk about Black', and in taking broader action on racial inequality.



10. Oil check: BP and decarbonisation

Federated Hermes EOS, the partnership's engagement and voting provider, has led, on behalf of Climate Action 100+ (the largest global coalition for climate engagement) engagement with BP, as well over 20 others. We were delighted to see the [recent BP announcement](#), which has given us cause for cautious optimism over decarbonisation efforts in the sector.

Press coverage

Some of our engagements and developments resulted in significant press coverage for the partnership over the summer. A few links follow.

- [Faith Ward, Responsible Investor on the Stewardship Code, climate, data, vetting managers on RI, and companies taking a look in mirror](#)
- [Laura Chappell quoted in the FT on the IIGCC net-zero initiative](#)

IIGCC:

- <https://www.fnlonon.com/articles/church-and-pensions-investors-lead-new-net-zero-co2-drive-20200805>
- <https://www.businessgreen.com/news-analysis/4018628/absolutely-critical-iigcc-launches-comprehensive-net-zero-investor-framework>
- <https://www.ipe.com/news/asset-owner-steered-project-delivers-blueprint-for-net-zero-investing/10047120.article>
- <https://www.europeanpensions.net/ep/Pension-funds-lead-the-way-with-Net-Zero-Investment-Framework.php>
- <https://www.theactuary.com/2020/08/05/worlds-first-net-zero-investment-framework-launched>
- <https://www.institutionalassetmanager.co.uk/2020/08/05/288235/institutional-investors-develop-first-framework-net-zero-investing>

Modern Slavery:

- <https://www.pionline.com/esg/investors-urge-companies-safeguard-migrant-workers>
- <https://www.ipe.com/news/esg-roundup-new-tailings-management-standard-to-improve-mining-safety/10047137.article>
- [paywall: https://www.responsible-investor.com/articles/modern-slavery-climbs-investor-agenda-as-usd3trn-begin-gulf-engagement-and-guidance-on-uyghur-is-launched](https://www.responsible-investor.com/articles/modern-slavery-climbs-investor-agenda-as-usd3trn-begin-gulf-engagement-and-guidance-on-uyghur-is-launched)
- [paywall: Investors raise concerns about migrant workers rights in Gulf](#)

Sources

1: [CNN](#), [The Economist](#), [National Geographic](#), [Colorado State University](#)

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