Public Document Pack

To: Members of the Local Pension Board

Notice of a Meeting of the Local Pension Board

Friday, 22 January 2021 at 10.30 am

Virtual

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. However, that will not allow you to participate in the meeting.

Yvonne Rees
Chief Executive

January 2021

Committee Officer: ***Sue Whitehead***
Tel: 07393 001213; Email: sue.whitehead@oxfordshire.gov.uk

Membership

Chairman – Matthew Trebilcock

Scheme Members:

Alistair Bastin	Stephen Davis	Sarah Pritchard

Employer Members:

Lisa Hughes	Councillor Bob Johnston	Angela Priestley-Gibbins

Notes:

- ***Date of next meeting: 23 April 2021***

Declarations of Interest

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

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

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

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

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

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

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

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

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

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

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

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

AGENDA

1. **Welcome by Chairman**

2. **Apologies for Absence**

3. **Declarations of Interest - see guidance note opposite**

4. **Petitions and Public Address**

5. **Minutes**

   To approve the minutes of the meeting held on 23 October 2020 (**LPB5**) and to receive information arising from them.

6. **Unconfirmed Minutes of the Pension Fund Committee - 4 December 2020** (Pages 1 - 10)

   For information.

7. **Review of the Annual Business Plan** (Pages 11 - 16)

   The Board are invited to review the latest position against the Annual Business Plan for 2020/21 as considered by the Pension Fund Committee at their meeting on 4 December 2020. In particular, they are invited to comment on the changes to the format of the report, following their comments at the last meeting of the Board.

8. **Risk Register** (Pages 17 - 24)

   This is the latest risk register as considered by the Pension Fund Committee on 4 December 2020. The Board are invited to review the report and offer any further views back to the Committee.

9. **Administration Report** (Pages 25 - 100)

   The Board are invited to review the latest Administration Report as presented to the Pension Fund Committee on 4 December 2020, including the latest performance statistics for the Service. The Board are invited to discuss the proposed amendments to the Funding Strategy Statement reflecting the new flexibilities in respect of the dealings between the Administering Authority and Scheme Employer and offer any comments back to the Pension Fund Committee as part of the current consultation process.

10. Governance Review

This item has been added to the agenda as agreed at the last meeting of the Board. There will be an opportunity for representatives of Hymans Robertson to provide an update on their independent review of the governance arrangements of the Fund as well as an opportunity for the Board to feed any further comments into the review on the governance arrangements in general, and the role of the Pension Board within these arrangements in particular.

11. Investment Management Costs and Performance (Pages 101 - 106)

This report is at the request of the Members of the Board for a report setting out the costs and performance of the individual investment portfolios over the most recent 12-month period.

The Board are invited to discuss the contents of this report and consider what advice, if any, to send to the Pension Fund Committee.

12. Items to Include in Report to the Pension Fund Committee

Following the request from the chairman of the Pension Fund Committee, there is now a standing item on the Committee agenda for this Board to report back to the Committee. The Board are invited to confirm the issues they wish to include in their latest report to the Committee.

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

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

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 4 December 2020 commencing at 10.30 am and finishing at 13.20pm.

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 Alan Thompson District Councillor Alaa Al-Yousuf District Councillor Jo Robb
Other Members in Attendance:	Councillor Bob Johnson and Alastair Bastin (Local Pension Board)
District Council Representatives:	District Councillor Alaa Al-Yousuf District Councillor Jo Robb
By Invitation:	Faith Ward and Catherine Dix (Brunel) for Item 8 Ian Colvin and Andrew McKerns (Hymans Robertson)
Officers:	Sean Collins, Sally Fox, Gregory Ley (all Finance) and Deborah Miller (Law and Governance).

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

123/20 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 1)

Apologies for absence were submitted from Councillor Lawrie Stratford and from the Director of Finance, Lorna Baxter.

124/20 MINUTES
(Agenda No. 3)

The Minutes of the Meeting held on 11 September 2020 were approved and signed as an accurate record.

Matters Arising

In relation to Minute No. 108/20 - Petitions and Public Address – Sean Collins reported that Brunel had drawn attention to inaccuracies contained in the address by Fossil Free Oxfordshire as recorded in the minutes, and in particular the statement "In their latest quarterly statement, Brunel had admitted that the poor performance of the Passive and Active UK Equity funds was a result of overexposure and poor performance of fossil fuel companies."

This was factually incorrect. The Market overview on page 5 of Q2 Quarterly Report said, "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."

The report about the UK Active Equity (page 25) - it outperformed in the quarter to June (for which the minute relates) says the opposite to the minuted statement. "The underweight to Oil and Gas benefited the Fund, with stock selection particularly strong in Financials and Consumer Services."

The Passive UK (page 22) - which just followed the index has indeed therefore followed suit - and the reports says "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."

125/20 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

The Committee received public addresses from Mr Michiel Stofferis from Fossil Free Oxfordshire.

Mr Stofferis informed the Committee that he was a Dutch earth scientist and before joining Fossil Free Oxfordshire in 2018, he had worked for 35 years in the oil & gas industry, developing fields and certifying reserves.

Members were informed that Fossil Free Oxfordshire were happy that the Pension Fund was reducing emissions of their investments at a pace of 7.6% every year, yielding a 50% reduction in emissions by 2030. However, Members were reminded that this was at odds with the OCC net-zero emission target by that date, which would require a more drastic reduction target.

Mr Stofferis commented that Fossil Free Oxfordshire did not understand why the fund continued to invest in fossil fuel companies. These continued investments allowed fossil fuel companies to press on with exploration and development of new fields. These extra fossil fuels found their way to a market of consumers, whom, on the other hand, OCC required to reduce CO_2 emissions in line with the decarbonising of the fund. So, by these continued investments OCC were creating their own stranded assets and delaying the urgent energy transition.

Currently neither the Oxfordshire Pension Fund nor Brunel had targets for an annual reduction of fossil fuel reserves and yet scientific evidence of superfluous fossil fuel reserves was available in many publications. The reputed independent think-tank Carbon Tracker reported last year that there was more than 50 years' worth of proved oil and gas reserves as of end 2018.

Mr Stofferis said that as an oil and gas reserves certifier, he completely concurred with this estimate. The carbon budget that would keep us below 1.5°C global warming allowed us to burn only 13 years' worth of reserves as of end 2018. In a Paris aligned world, 75% of current reserves would be stranded and the development of new fields would be a waste of investors' money.

There were existing tools to reduce exposure to fossil fuel reserves: instead of using antiquated benchmarks, such as FTSE, benchmarks fit for the challenges of the 21st century were needed. Climate Transition Benchmarks (CTBs) and Paris Aligned Benchmarks (PABs) already existed. Not only did these benchmarks insist on a 7% annual reduction in emissions, but they also insisted on big reductions in fossil fuel reserves (PABs require more than 50% over 10 years). For example, TPI in cooperation with the Church of England have developed the FTSE TPI Climate Transition Benchmark. Since the beginning of the year this benchmark was being used by the Church of England for a £600 million fund, reducing the exposure to Fossil Fuel Reserves by 69%.

If Oxfordshire Pension Fund was to be aligned with the Paris Agreement, the same approach was required. And this could only be done, if Brunel started using more modern Climate Transition benchmarks or even better Paris-Aligned benchmarks, so that exposure to fossil fuel industries was reduced.

In conclusion, OCC were urged to require that Brunel adopted these benchmarks for all your portfolios to enable you to implement your climate policy.

126/20 MINUTES OF THE LOCAL PENSION BOARD

(Agenda No. 5)

The unconfirmed Minutes of the Local Pension Board which met on 23 October 2020 were noted.

127/20 REPORT OF THE LOCAL PENSION BOARD

(Agenda No. 6)

Consideration was given to the latest report by the Independent Chairman of the Local Pension Board. Councillor Bob Johnston, Local Pension Board Member, spoke to the report on the board's behalf, which invited the Committee to respond to the key issues contained within it.

Reports considered at the September meeting of this Committee included reports on the quarterly review of progress against the annual business plan, the risk register, the administration report and the report on the governance review.

Councillor Bob Johnston reported that a common theme on discussions related to the Board's overall concerns about the governance arrangements for the Fund. In respect of the report on the review of the annual business plan, the Board commented that in their view the performance reports presented to the Committee needed to be better presented to highlight areas of concern, and improve the focus on areas where action was required.

In relation to the risk register, reference was made to the risk of insufficient skills and knowledge amongst members of the Pension Fund Committee particularly in light of the impending County Council elections due in May 2021, and the likelihood of change in membership of the Committee as a result. There was a need for a robust training and induction programme for after the elections to enable Members to be sufficiently skilled to carry out their duties.

The Chairman of the Committee asked that the requirement of a training and induction programme be a recommendation for the newly constituted Committee to agree. Sean Collins reminded Members that it had been previously agreed that new Members of the Pension Committee had to undertake either the LGA Fundamental Course or the Pension Regulator on-line course as part their induction onto the Committee.

RESOLVED: That the comments of the Board detailed in the report be noted and taken into account when discussing the relevant items on the agenda.

128/20 ANNUAL BUSINESS PLAN

(Agenda No. 7)

Consideration was given to a report which set 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.

Reference was made to the 4 Key Service Priorities for 2020/21. Members were informed that the report had been amended as a result of comments made at the Pension Board meeting. The report had therefore been amended to show the position against each of the service priorities in tabular form, with Officers assessment of the progress against each of the measures of success shown using a traffic light system.

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. Reference was made to the table in the report which showed the actual expenditure during the first half of the financial year compared to budget, as well as an end of year forecast.

RESOLVED: That the progress made against the key service priorities and the budget as set out in their annual business plan for 2020/21 be noted.

129/20 IMPLEMENTING THE CLIMATE CHANGE POLICY

(Agenda No. 8)

The Committee was provided with a report which provided a quarterly update on delivery against the agreed Climate Change Policy Implementation Plan.

Members were informed that further to the decision of this Committee at its meeting held on June 2020, to move the full UBS global equity mandate to the Brunel Global Sustainable Equities that the transition had taken place at the end of September 2020 with settlement occurring in early October.

The sustainable equity portfolio focused on companies that were part of the solution to material sustainability challenges. As such, the portfolio should help to deliver on the Fund's Climate Change Policy both through an immediate reduction in the emissions of the Fund's investments and contributing to solutions that avoid dangerous climate change scenarios.

Members were reminded that at the Committee meeting held on 11 September 2020 approval was given to the Fund joining two investor groups focused on addressing climate change. These were the Institutional Investors Group on Climate Change (IIGCC) and Climate Action100+ (CA100+).

Both groups goals align with those set out in the Fund's Climate Change Policy and provide research on climate related issues that would assist the Fund in further developing its policy and implementation plan.

Meetings have been held separately with Fossil Free Oxfordshire and Brunel where a number of issues were discussed including the continuing work by Brunel in piloting the IIGCC Paris Aligned Investments Initiative which it was hoped would provide a methodology of ensuring investment portfolios were aligned with the Paris Agreement. Members were informed that it had been agreed that the focus of the presentation by Brunel at this Committee should be on development of metrics, portfolio development and governance, engagement approach, and scenario testing.

On the 17 November 2020 the Climate Change Working Group met. One issue discussed was the terms of reference for the Group. The group felt that this should be agreed by Committee based around developing the climate change policy and developing/delivering the Implementation Plan.

Reference was made to fossil fuel reserves metrics which it had been agreed at the September meeting would be investigated, together with the potential to set targets. It had been agreed that this was a useful measure to monitor and Members were informed that Brunel did provide reserves measures in their annual carbon report to the Fund. However, in terms of setting a target for reductions, officers believed this would be difficult as unlike the emissions target there was not a science-based reduction requirement for reserves.

Also, in any case having reserves per se did not conflict with the Fund's climate policies. The burning of those reserves caused emissions and should be picked up by the Fund's emissions target. The relevance regarding reserves was how these were

valued in determining a company's value; the risk to the Fund was that the price attached to reserves was too high given that some reserves were likely to be unusable if the Paris Agreement was to be met. With this is mind, and in order to meet the Paris Agreement, large volumes of existing reserves cannot be burnt and there was an expectation that reserves should not increase further.
Officers reported that this metric would be regularly reported on and explanations provided for significant movements. This position would be kept under review and target would be adopted if there were developments in this area.

A general discussion took place around not having a policy on reducing fossil fuel reserves with District Councillor Jo Robb expressing concern at this. Assurance was given that targets would be adopted should developments in this area materialise. It was agreed that the issues raised in relation to fossil fuel companies including capital expenditure would be taken forward and discussed further at the Climate Change Working Group.

It was noted that Faith Ward had been appointed the Chair of the Institutional Investors Group on Climate Change.

The Committee was provided with a presentation on Brunel's Responsible Investment from Faith Ward, Chief Responsible Investment Officer from Brunel. It was agreed that the PowerPoint presentation would be sent to Members.

Faith responded to a number of questions from Members of the Committee and one question each from Alistair Bastin and Andrew Finney on behalf of the Pension Board and Fossil Free Oxfordshire respectively, as agreed in advance by the Chairman.

RESOLVED: That:

(a) the report be noted;

(b) approval be given to the purpose of the Climate Change Working Group as set out in Annex 1 of the report;

(c) it be agreed that there would no target set for fossil fuel reserves levels; and

(d) comments on the priorities for the work of the Climate Change Working Group be forwarded to the Service Manager for Pensions.

130/20 RISK REGISTER

(Agenda No. 9)

Consideration was given to a report which updated the Committee on the Fund's Risk Register, provided details of the position on risks reported to the last meeting and which added in new risks identified in the intervening period.

Reference was made to the Pension Board meeting of 23 October 2020 which welcomed the addition to the Risk Register of the legal risks associated with the implementation of the Restriction on Public Sector Exit Payments Regulations 2020 in advance of the appropriate amendments to the LGPS Regulations, as agreed by this Committee at its September meeting. The report noted the subsequent legal advice obtained by the Scheme Advisory Board on behalf of all Funds and recommended that the Committee endorsed the approach included in this advice.

The impact of risk 13 regarding the skills and knowledge of the Members of the Pension Fund Committee had been amended to add the potential loss of Professional Investor Status under MIFID II, in line with the recommendation of the Pension Board. This was important as loss of professional investor status if it was deemed that Members did not have the required skills and knowledge, would severely limit the investment options available to the Committee.

Further details were provided in the report on the latest position on existing and new risks.

RESOLVED: That:

(a) the changes to the risk register as reported be noted; and

(b) the Committee confirms the short-term policy not to award an unreduced pension under Regulation 30 (7) where the associated pension strain cost would result in the total exit costs payable by the scheme employer breaching the £95,000 exit cap.

131/20 ADMINISTRATION REPORT

(Agenda No. 10)

The report updated the Committee on the latest position on administration issues.

Members were informed that in relation to staffing, two senior Administrators had been recently appointed with one successful applicant being an internal candidate which meant an internal position needed to be filled.

Paragraphs 5 to 11 of the report summarised data collection. Members were informed that the annual data return was due to be submitted to the Pension Regulator in the next week or so. The current data quality scores were: Common data – 95.5% completeness and accuracy and for specific data 97.8%.

In relation to work in progress, the report covered up to October and included some areas which had fallen out of specification. As at the end of November all matters were now in specification apart from Transfers In, which just missed the specification of 95% by 1%.

In relation to the low level of complaints, Members were provided with the background to the one complaint which had been upheld.

The Committee was informed that in relation to End of Year and Production of Annual Benefit Statements (ABS), 99.59% had been issued to active scheme members and 99.3% to deferred scheme members.

Reference was made to annex 4 of the report which provided details of suggested changes to the Funding Strategy Statement which would be sent out for consultation with scheme employers.

RESOLVED: That:

(a) the report be noted; and

(b) approval be given to the draft changes to the Funding Strategy Statement as set out in Annex 4 of the report as the basis for consultation with scheme employers.

132/20 ANNUAL REPORT AND ACCOUNTS
(Agenda No. 11)

The Committee had before it the Annual Report and Accounts 2020 for noting and feedback.

RESOLVED: That the report be noted.

133/20 EXEMPT ITEMS
(Agenda No. 12)

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

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

134/20 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS
(Agenda No. 13)

Consideration was given to a report of the Independent Financial Adviser which set out an overview of the current and future investment scene and market developments across various regions and sectors.

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.*

RESOLVED: The Committee received the report, tables and graphs, and the oral report, and considered any further action arising on them and bore the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

135/20 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 14)

The Committee was provided with the Independent Financial Adviser review of the investment activity during the past quarter, with a summary of the Fund's position as at 30 September 2020, with highlighted key performance issues, with reference to Tables and Graphs, the Investment Performance Reports produced by Brunel, and the Annual Report on Private Equity.

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.

RESOLVED: The Committee received the performance reports, tables and graphs.

136/20 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 15)

The Independent Financial Adviser reported that that there was nothing further to report.

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.

137/20 PROVISION OF THE INDEPENDENT FINANCIAL ADVICE
(Agenda No. 16)

The current contract for the Independent Financial Adviser (IFA) to the Committee expired in February 2021. The report set out the key areas where the Committee continued to receive advice from the IFA and invited the Committee to determine what arrangements they wished to see put in place going forward.

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

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

RESOLVED: That the recommendations contained in the report be agreed, subject to asking officers to run a procurement exercise to appoint an independent financial adviser or company of financial advisers, with a maximum contract period of 5 years, subject to a break clause at the end of year 2 and a 12 month notice period; and for Officers to explore the option of appointing a single source of independent financial advice for all Funds within the Brunel Pension Partnership.

138/20 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT
(Agenda No. 17)

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

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

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

.... in the Chair

Date of signing ....

Divisions: N/A

PENSION FUND COMMITTEE – 4 DECEMBER 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. Following comments from the Local Pension Board at its meeting on 23 October 2020, the format of the report has been revised to present the position n a more accessible form.

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 Pensons Regulator
- To achieve a 100% funding level
- To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
- To maintain as near stable and affordable employer contribution rates as possible.

Key Service Priorities for 2012/21

3. There were 4 key service priorities agreed in the 2020/21 Plan, with key measures of success agreed for each priority. At the Pension Board meeting on 23 October 2020, the Board noted that progress against these measures of success was not readily accessible, with the review being too wordy. They suggested that the report would be improved by the introduction of a summary assessment score from Officers.

4. This report has therefore been amended to show the position against each of the service priorities in tabular form, with Officers assessment of the progress against each of the measures of success shown using a traffic light system and

well as notes of key progress achieved and key actions going forward. In the table, the colours have the following meanings:

- Green – measures of success met, or on target to be met
- Amber – progress made, but further actions required to ensure measures of success delivered
- Red – insufficient progress or insufficient actions identified to deliver measures of success

Measures of Success	Key Progress Achieved	Next Steps
Successful transition of investments to Brunel		
Assurance Framework in Place	Initial Draft Assurance reports now reported quarterly to Client Group and Oversight Board	Amendments required to initial reports for Private Market Investments.
Transitions Completed	Over 60% of legacy assets now transitioned	Fixed Income Assets due to transition April 2021.
Business Plan Objectives Achieved	Transitions to date completed within budget. Fee savings achieved in line with business plan.	
Implementation of the Climate Change Policy		
Implementation Plan in Place	Initial Draft Plan agreed by Committee.	Plan needs specific details and timescales.
Metrics Agreed and Targets Set	Initial conversations held with Brunel and reports received. Overall carbon emission reduction target set.	Metrics to be defined across all asset classes. Targets to be set once benchmarks established.
Compliance with Policy Readily Demonstrated		Key measurable deliverables and timescales to be agreed and published, and monitoring arrangements established.
Portfolios Developed to meet Investment Strategy	Positive initial conversations held with Brunel. Client Group agreement on need to prioritise passive options. Brunel piloting net zero framework developed by the IIGCC.	IIGCC framework to be extended to all asset classes. Prioritised programme for all asset classes to be agreed by client group.
Improve Governance Arrangements of the Fund		
Annual Governance Statement identifying no significant weaknesses	Good Governance project delayed, so final format of annual governance statement not yet agreed.	
Independent Governance Review identifying no significant weaknesses	Hymans commissioned to deliver independent governance review.	
Improve Scheme Member and Employer Engagement Arrangements		
Improved Customer Satisfaction Results	Numbers of complaints remain at very low levels.	Formal arrangements to collect scheme member and employer feedback to be put in place.
Data Quality Scores Improved	Initial Data Quality scores show improvement from last year.	Final data quality run to be completed and any lessons learned from outstanding errors implemented.
Increase Sign-Up and Use of Self-Service Tools	Increase levels of take up evidenced and members using	

	self-help facilities to undertake their own estimates of pension benefits.	

5. 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 half of the financial year compared to budget, as well as an end of year forecast.

6. The vacancies within the Pension Services team have been discussed elsewhere on this agenda within the Administration report. Whilst we have run a successful recruitment campaign and seen a number of new recruits start working over the last quarter, 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 £175,000.

7. The second area forecast to underspend is fund manager fees, where we are expecting a total underspend of £574,000. 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	607	44	1,216	-175
Support Services Including ICT	694	553	80	694	0
Printing & Stationary	72	46	63	72	0
Advisory & Consultancy Fees	165	14	9	165	0
Other	59	14	23	59	0
Total Administrative Expenses	**2,381**	**1,234**	**52**	**2,206**	**-175**
Investment Management Expenses					
Management Fees	10,374	4,059	22	9,800	-574
Custody Fees	25	12	28	25	0
Brunel Contract Costs	1,028	805	51	1,028	0
Total Investment Management Expenses	**11,427**	**4,876**	**25**	**10,853**	**-574**
Oversight & Governance					
Investment Employee Costs	259	121	23	261	2
Support Services Including ICT	11	8	71	16	5
Actuarial Fees	160	133	67	180	20
External Audit Fees	35	6	16	45	10
Internal Audit Fees	15	0	0	15	0
Advisory & Consultancy Fees	106	23	12	100	-6
Committee and Board Costs	50	0	-1	40	-10
Subscriptions and Memberships	50	13	26	53	3
Total Oversight & Governance Expenses	**686**	**304**	**30**	**710**	**24**
Total Pension Fund Budget	**14,494**	**6,414**	**27**	**13,769**	**-725**

Training Plan

8. 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. We are continuing to work with Hymans to put together a detailed training plan to include areas of current interest, areas of greatest weakness highlighted by the recent national knowledge assessment, and areas relating to the current business of the Committee.

9. 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.

10. The first Governance Newsletter distributed to all members of the Committee and Pension Board included a training paper on the impacts of the Restriction on Public Sector Exit Payment Regulations 2020. Further papers will follow on McCloud and the Further Restriction of Public Sector Exit Payments being introduced by the Ministry of Housing, Communities and Local Government. Members of the Committee also attended the recent training days organised by Brunel.

Lorna Baxter
Director of Finance

Contact Officer: Sean Collins Tel: 07554 103465
November 2020

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Divisions: N/A

PENSION FUND COMMITTEE – 4 DECEMBER 2020

RISK REGISTER

Report by the Director of Finance

RECOMMENDATION

The Committee is RECOMMENDED to:

(a) note the changes to the risk register and offer any further comments; and
(b) confirm the short-term policy not to award an unreduced pension under Regulation 30 (7) where the associated pension strain cost would result in the total exit costs payable by the scheme employer breaching the £95,000 exit cap.

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. At their meeting on 23 October 2020, the Pension Board welcomed the addition to the Risk Register regarding the legal risks associated with the implementation of the Restriction on Public Sector Exit Payments Regulations 2020 in advance of the appropriate amendments to the LGPS Regulations, as agreed by this Committee at their September meeting.

5. They also asked for the impact of risk 13 regarding the skills and knowledge of the members of the Pension Fund Committee to be amended to add the potential loss of Professional Investor Status under MIFID II.

Latest Position on Existing Risks/New Risks

6. Over the last quarter there has been little movement in the overall levels of risks faced by the Fund. All Funds are recorded at the same risk score as in September with the exception of the new risk 21, which was added by the Committee at the September meeting. The likelihood of this risk has increased over the quarter with the implementation of the Restriction of Public Sector Exit Payments Regulations 2020 (the exit cap regulations), and the publication of the guidance from the Scheme Advisory Board. This risk has now been scored Red and requires urgent review. Four of the other risks remain at an Amber rating, and therefore requiring regular review.

7. The new risk 21 reflects the legal ambiguity introduced by the implementation of the exit cap regulations in advance of the associated changes in the LGPS Regulations. The exit cap regulations became law with effect from 4 November 2020. The closing date on the consultation on the proposed amendments to the LGPS Regulations does not close until 18 December 2020, which means it is highly unlikely that these will be enacted until quarter one of 2021.

8. Whilst the Government have acknowledged the current ambiguity, they believe that the exit cap regulations over-ride any requirements in existing regulations including the LGPS Regulations. This view is not shared by the Queens Counsel consulted by the Scheme Advisory Board on behalf of all Administering Authorities. It is his opinion that a scheme member would be highly likely to be able to bring a success legal challenge against an Administering Authority who did not pay an unreduced pension in accordance with Regulation 30 (7) of the current LGPS Regulations, due to the associated pension strain costs taking the total exit costs payable by the scheme employer above the exit cap of £95,000.

9. However, the QC opinion goes on to advise that not awarding an unreduced pension carries the lowest risk to an Administering Authority in that it is easiest to remedy in light of a successful challenge via the Courts or the Pension Ombudsman. This does though also involve the scheme employer deferring the alternative cash lump sum payment payable under Regulation 8 of the exit cap regulations. Minimising the initial payments made to the scheme member, maintains the greatest flexibility to make additional payments on resolution of the legal challenge.

10. The Council's Monitoring Officer has advised this Committee to follow the advice set out by the Scheme Advisory Board and contain in the QC opinion. The Committee are recommended to endorse this approach in the short-term until the necessary changes are made to the LGPS Regulations to allow payment of a partially reduced pension to avoid breaches of the exit cap.

11. The risk register entry reflects the risk of a successful legal challenge to this policy. At this stage it is not clear where the first legal challenge to this approach will fall, although it is likely there will be significant local media interest in the Oxfordshire position even if the test case arises elsewhere in the Country.

12. The four risks which have retained an Amber rating are as follows. Risk 6 in respect of the risks associated with climate change remains Amber whilst more work is undertaken on developing the framework for monitoring compliance with the climate change policy, and for agreeing metrics and targets. It was previously agreed to review the Amber status at the March 2021 meeting of this Committee.

13. Risk 8, the risk of employer default remains at Amber reflecting the on-going 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 implementation of a second lockdown and uncertainty of the position going forward means it is currently not possible to determine the potential long term financial impact on employers and what further actions including seeking a legal charge against assets could be explored to mitigate the risks of default.

14. The third risk rated Amber is the risk 13 around intervention from the Pension Regulator in respect of the skills and knowledge of the Committee. In line with the comments of the Pension Board, the impact statement has been amended to include the potential risk of losing Professional Investor status under MIFID II. This in turn would prevent the Fund investing in the majority of the existing portfolios. This risk will be mitigated through the adoption of the training programme discussed as part of the Governance review to the September Committee meeting, plus adopting any changes recommended under the Independent Governance Review currently being undertaken by Hymans Robertson.

15. This risk in respect of the skills and knowledge of the Committee will also need to be reviewed following the County Council elections due in May 2021. Following the last set of elections in 2017, the Committee lost almost all of the previous skills and knowledge as a result of previous Committee Members choosing not to seek re-election or losing their seat. The position will therefore need to be re-assessed once the new Committee is formed in the second quarter of 2021.

16. The final risk scored Amber is risk 20 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. As reported last quarter, we are currently 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. The risks associated with this issue will be better understood once the Government have responded to the consultation exercise and published the agreed changes to the scheme Regulations.

17. There are three risks on the Register which are currently showing unchanged as Green, but which are subject to future review. Risk 17 relates to the risk of failing to meet Government requirements on pooling. We are currently awaiting revised guidance from the Government on pooling arrangements, and this risk will need to be reviewed against this guidance. Given the advanced state of the development of the pool, it is likely that this risk can be removed from the register following this future review.

18. Risk 18 relates to the risk that the portfolios offered by Brunel do not meet the investment requirements under this Fund's Investment Strategy. This risk needs to be reviewed following the decision to amend the Investment Strategy to require all investments to be in portfolios aligned to the Paris Agreement. Given Brunel's own Climate Change Policy and their own statements about wishing to align their investments with the Paris Agreement it is felt that this risk is correctly scored as unlikely at this time, but this needs to be subject to on-going review as the portfolio development is taken forward.

19. Finally, Risk 19 is currently scored Green but will need to be reviewed once the Government determines its response to last year's consultation on providing the HE/FE sector the option to opt out of the LGPS.

LORNA BAXTER
Director of Finance

Contact Officer: Sean Collins
Tel: 075 54 103465

November 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)

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	Nov 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	Nov 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	Nov 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	Nov 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	Nov 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	Nov 2020	Climate Change Policy presented to March 2020 Committee – more work to be undertaken to develop framework and metrics to monitor compliance.

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	Nov 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	↔	On-going review of impact of Covid-19 on major employers, particularly HE/FE sector	On-Going	3	2	6	Nov 2020	Implementation of 2nd lockdown means on-going risks remain.
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	Nov 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	Nov 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	Nov 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	Nov 2020	At Target
13	Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Governance	Poor Training Programme	Breach of Regulation. Loss of Professional Investor Status under MIFID II	Service Manager	Training Review	4	2	8	↔	Independent Governance Review being completed by Hymans. New Training Programme put in place.	March 2021	4	1	4	Nov 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	Nov 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	Nov 2020	At Target

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	Nov 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 within Brunel Partnership	5	1	5	↔	Review once Government publish revised pooling guidance.	TBC	5	1	5	Nov 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 within Brunel Partnership	4	1	4	↔	Review in line of request for Paris Aligned Portfolios.	On-going	4	1	4	Nov 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 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.	TBC	4	1	4	Nov 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	Nov 2020	Awaiting Government response to consultation exercise on new Regulations to assess full impact.
21	Legal Challenge on Calculation of Pension Benefits	Legal & Administrative	Conflict between legal duties under Restriction of Public Sector Exit Payments Regulations and LGPS Regulations	Court Order to amend Policy	Pension Services Manager	Working under guidance from Scheme Advisory Board and Council's Monitoring Officer	4	3	12	↑	Keep a register of all cases where unreduced pension not offered. Regular review of latest guidance from Scheme Advisory Board.	On-Going	4	1	4	Nov 2020	Maintain communications with LGA to identify potential test cases, and impact of on-going applications for judicial review.

Divisions: N/A

PENSION FUND COMMITTEE – 4 DECEMBER 2020

ADMINISTRATION REPORT

Report by the Director of Finance

RECOMMENDATIONS

The Committee is RECOMMENDED to
- **a) note this report, and**
- **b) agree the draft changes to the Funding Strategy Statement as set out in Annex 4 as the basis for consultation with scheme employers.**

Introduction

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

Staffing

2. By the time of this meeting all administrator and administration assistant vacancies will be filled, with the last administrator joining the team on 03 December 2020.

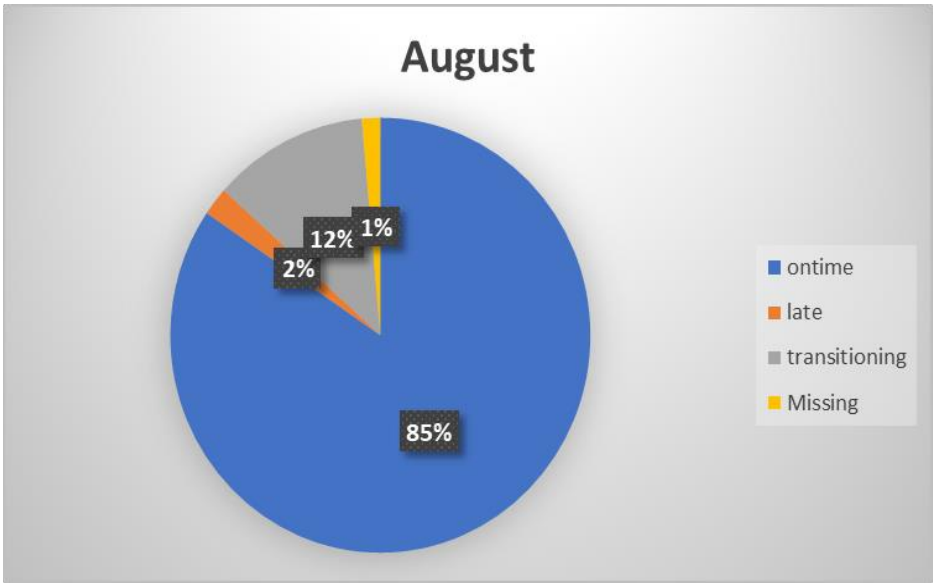
3. At the time of writing this report the recruitment process for the two senior administrator vacancies was in progress. There are two internal and one external candidate scheduled for interview during week commencing 23 November. A verbal update of the outcome will be given at the meeting.

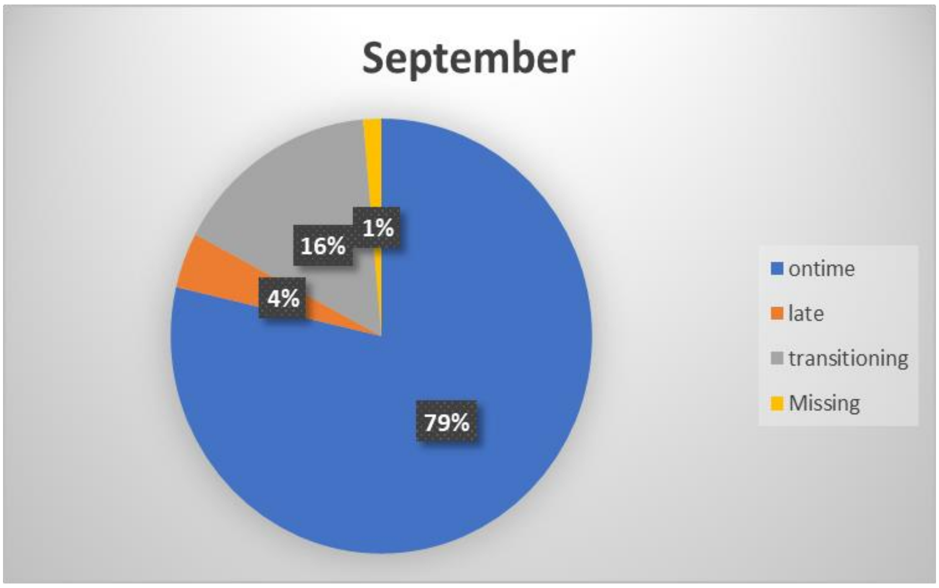
4. Training for the new recruits is going well.

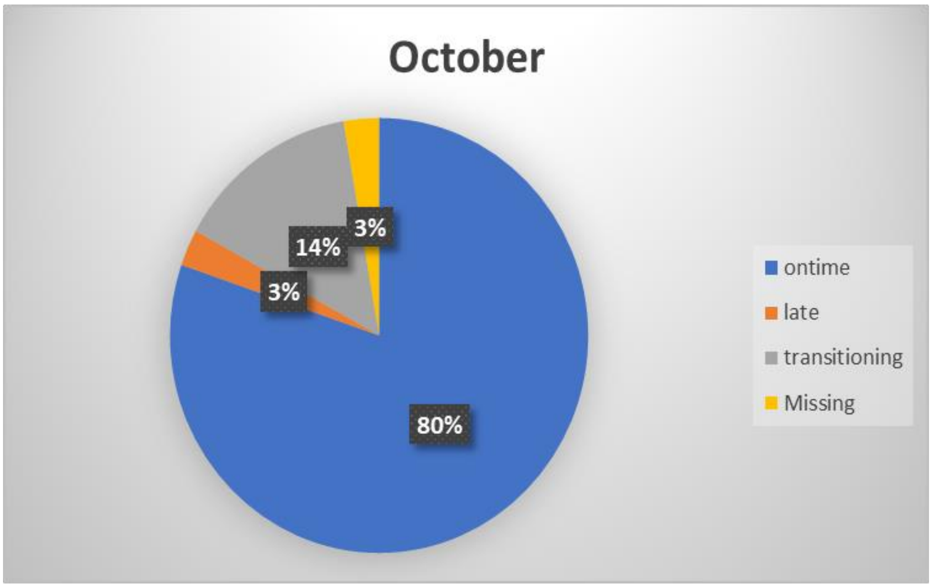
Data

5. 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 – information on the receipt of these returns and our internal vetting procedures are detailed in paragraphs 6 to 11.

6. I-connect returns

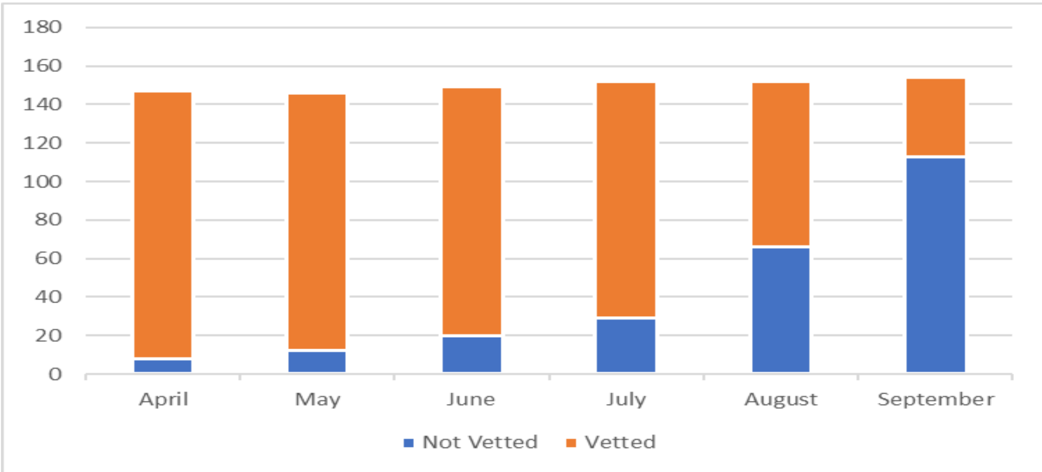






7. The above charts show the employer submission of their i-connect files. Employers are still moving on to i-connect and there are a number of employers changing payroll which have marked as transitioning.

8. Vetting of returns



9. The above chart shows the vetting of returns. Transitions to i-connect, multiple i-connect months being uploaded at once, payroll changes, knock on effect from end of year have had a delay on the vetting. To help catch up with vetting the following has been implemented:

- All outstanding returns for each employer are vetted together.
- Spreading vetting out in the team.
- Looking at the recording of the returns to flag actual late returns/vetting.
- Running reports overnight, rather than running individual reports, which can be a lengthy process.

10. MARS returns - No issues with these reports being received

11. Annex 1 details the receipt of pension contributions from scheme employers and members. The majority of returns have been received on time and we continue to engage with scheme employers where returns have been late on more than one occasion. No fines for late submission have been levied this year which is in line with the Pension Regulator's stance.

12. Data quality reporting is being re-run as at end of November to provide the final figures to submit to the Pensions Regulator. More detail in contained in the Business Plan Report.

Workloads and Performance

13. The statistics are attached at annex 2. There are 3 subjects which failed to meet the SLA standard during the latest quarter –IFA out; transfers out and transfers in.

14. The issue of underperformance in the case of one administrator reported last quarter has been addressed and figures from this member of staff have improved. However, staff sickness and moving administrators to help with the production of annual pension saving statements has caused these subjects to fall out of specification.

15. Work on developing statistic reporting continues. At the time of writing this report 41% of the active workload is pending awaiting replies.

Complaints

16. In 2020 six complaints have been recorded. One of these is a case from 2019 which has been re-opened by the Pension Ombudsman. Of these two cases have been completed (1 upheld and 1 dismissed); three reviews of ill-health decisions are with scheme employers and the final ill-health decision has been referred to stage 2 of the complaint procedure.

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

Projects

17. MSS / Benefit Projections – the next development will be document uploads to allow members to upload documents which will feed into the workflow system. The timetable has yet to be determined as these changes will follow on from subject process reviews.

18. Administration to Pay - this project was due to be completed in December 2018 and has been subject to continual delays. At the meeting in September an implementation plan was agreed with the first subject being refunds and then a new subject being activated every two months thereafter with transfers being scheduled for February.

19. GMP Reconciliation - now being finalised in line with the decisions taken at the September meeting of this Committee.

20. 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.

21. I-connect – there are 21 employers still to go live as detailed below, although numbers can vary as employers join / leave the Fund. The employers highlighted have issues to be resolved before going live. As previously reported the go live date for both Oxfordshire County Council and Oxford Brookes University has been moved to April 2021 in order to prevent a very high level of manual intervention and to ensure that data does not get over written.

00324	Ecocleen Services Limited	6
00262	APCOA PARKING	1
00273	REGENCY CLEANING - CALDECOTT ABINGDON	1
00297	Regency Cleaning Services - Meadowbrook Coll	2
00034	OXFORD BROOKES UNIVERSITY	1836
00001	OXFORDSHIRE COUNTY COUNCIL	8445
00280	Maiden Erlegh Trust	23
00002	WEST OXFORDSHIRE DISTRICT COUNCIL	5
00146	COMMUNITY ALLIENCE	138
00260	Publica	150
00157	WILLOWCROFT PRIMARY SCHOOL	57
00189	UBICO	14
00003	SOUTH OXFORDSHIRE DISTRICT COUNCIL	268
00005	VALE OF WHITE HORSE D C	141
00040	THE HENLEY COLLEGE	90
00071	ABINGDON AND WITNEY COLLEGE	294
00099	OXFORD ACADEMY	59
00127	BURFORD ACADEMY SCHOOL	96
00211	WEST OXFORD SCHOOL TRUST (MATTHEW ARN	209
00239	GLF - William Morris School	115
00084	ACTIVATE LEARNING	681

22. The next chart details the scheme employers who are now testing and making final adjustments to file submissions ahead of going live:

00280	Maiden Erlegh Trust	23	TESTING
00002	WEST OXFORDSHIRE DISTRICT COUNCIL	5	TESTING
00146	COMMUNITY ALLIENCE	138	TESTING
00260	Publica	150	TESTING
00157	WILLOWCROFT PRIMARY SCHOOL	57	TESTING
00189	UBICO	14	TESTING
00003	SOUTH OXFORDSHIRE DISTRICT COUNCIL	268	TESTING
00005	VALE OF WHITE HORSE D C	141	TESTING
00040	THE HENLEY COLLEGE	90	TESTING
00071	ABINGDON AND WITNEY COLLEGE	294	TESTING
00099	OXFORD ACADEMY	59	TESTING
00127	BURFORD ACADEMY SCHOOL	96	TESTING
00211	WEST OXFORD SCHOOL TRUST (MATTHEW ARN	209	TESTING
00239	GLF - William Morris School	115	TESTING
00084	ACTIVATE LEARNING	681	TESTING

23. National Fraud Initiative (NFI) – there are still a couple of outstanding cases which have yet to be resolved.

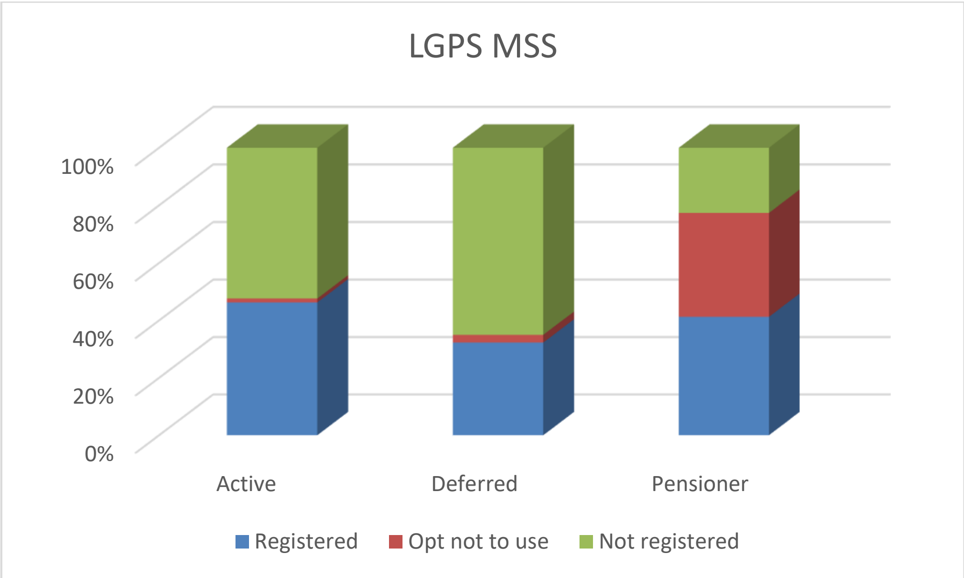
24. McCloud / Sergeant – This will be a major project with significant resource implications. We are currently working with our Actuary to establish the numbers impacted by the proposed changes. A project planning meeting is being held at the end of November.

25. The Fire Pension Scheme consultation response has been sent and the early indications are that the next steps will be issued in January 2021.

26. Accessibility – Work is continuing with colleagues in ICT to ensure that the website meets required standards.

27. Additional Voluntary Contributions (AVC) – this project is in process to compare our records with those of Prudential

Member Self Service



28. This chart shows current registration numbers to member self-service.

Employers

New Work	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
A - New admissions - Service outsourcing	0	0	3	0	1
B - New admissions - Designating / Resolution bodies	0	0	1	0	0
C - New admission enquiries raised	0	1	3	2	1
D - Academy moves	1	0	1	0	4
E - Closures	0	0	0	3	0
Total	**1**	**1**	8	5	**6**

29. These initial stats provide numbers of new cases coming into the team. Once we have a way of recording workflow, we will be able to report on the timescales of the work in progress.

Employer team going forward

30. The plans for the next few months are to run alongside the completion of the i-connect implementation project and as such have to be fluid in order to achieve this.

31. Team members will be split on an employer basis which will need training as these areas of work responsibility move around the team.

32. A new work monitoring system needs to be developed to enable work to be tracked effectively and statistics to be produced.

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

33. Annual benefit statements have been issued to 99.59% of active scheme members and 99.3% of deferred scheme members.

Write Off

34. Since the last report in March write offs of £50.59 have been agreed in 8 cases where pensioner has died.

Fund Communication Update

Member engagement

35. '**Reporting Pensions**' for active scheme members, available from our pages on the public website, to individual pension accounts for all who are registered to *My Oxfordshire Pension*, email alert is also sent, printed and posted to home addresses for members who have registered for paper only. We also send all employers a pdf of Reporting Pensions, requesting distribution via their intranet to reach employees who are eligible to join but not members.

36. The format for the quarterly member newsletter has changed significantly this year, to provide links for further information on topical subjects. By issuing 4 times a year, we can ensure that changes to regulations and procedures are disclosed within statutory timetables.

37. Site visits and member meetings have been on hold since March 2020.

Employer engagement

38. '**Talking Pensions**' issued to Employers / PFC / Board and pension and investment teams monthly by email to known contacts, to introduce administration topics and regulation changes. Issued on last working day of every month, and earlier in December.

Employer Training and development

39. ‘**New To the LGPS’** training enables the introduction of the LGPS to those new to the work area or new employers to the LGPS, offering outline of how the scheme works - costs and benefits and the employer responsibilities. The meeting is currently held online, 7 times a year.

40. **Employer meetings** are scheduled regularly to pick up on procedure changes, new regulations and encourage employers to bring topics for discussion. The meeting is currently held online, 4 times a year.

Fire Pension Administration Report

41. Training is being undertaken in the systems team to spread the knowledge of the Fire Service Pension Schemes, although this is dependent on both type and volume of the incoming work.

42. Details of the current completed workloads are attached at Annex 3

43. Fire Pension Board was held on 17 June, minutes can be accessed via this link -
https://intranet.oxfordshire.gov.uk/cms/content/pensions-1

Proposed Amendments to the Funding Strategy Statement

Background

44. In May 2019, MHCLG launched its consultation “Local Government Pension Scheme: Changes to the Local Valuation Cycle and the Management of Employer Risk”. The consultation sought views in the following areas:
a) Changes to the LGPS local fund valuation cycle
b) Increased flexibility for Funds to carry out interim valuations and/or review employer contributions between formal valuations
c) Proposals for flexibility around employer cessation debts
d) Proposals for policy changes for payments of employer exit credits
e) Potential changes to employers required to offer LGPS membership.

45. At the date of writing, there has been no update on changes to the valuation cycle proposals (a) or to the employers who are required to offer LGPS access (e). The outcome of the exit credit consultation (d) was published in February 2020 and the subsequent regulation changes came into force from 20 March 2020. A response to items (b) and (c), together known as “employer flexibilities”, was published in August 2020 and the subsequent regulation changes came into force from 23 September 2020.

46. Working alongside the Fund’s Actuary, officers have considered the new regulations and the updates required to the Fund’s Funding Strategy Statement and policies, such that:

- A consistent approach is taken between employers and over time; and
- The interests of all parties are taken into account.

Funding Strategy Statement (FSS)

47. Under the Regulations, all LGPS funds have a statutory obligation to produce a Funding Strategy Statement ("the FSS"). The Fund reviews the FSS at least every three years alongside the valuation but also from time-to-time when required. The current version of the FSS was approved by this Committee in March 2020 following updates made as part of the 2019 formal valuation.

Exit Credits

48. Following the MHCLG consultation (above), the LGPS Regulations 2013 were amended from 20 March 2020 to address issues arising as a result of previous changes requiring Administering Authorities to pay exit credits when an employer ceased while in surplus (on their respective exit valuation basis). Previously, the Fund's Actuary would determine the level of any exit credit to be paid. However, the updated Regulations, while still requiring the Actuary to carry out an exit valuation to determine the amount of any surplus, place the responsibility for determining the level of any exit credit on the Administering Authority, having considered various factors.

49. When applying these new discretionary powers, the Regulations require the Fund to take account of:

The extent to which the employer's assets are in excess of its liabilities – this is not contentious for the Fund as our actuary tracks each employer's assets and liabilities (unless a pass-through arrangement is in place)

The proportion of the excess of assets which has arisen because of the value of employer's contributions – the initial regulations had unintentionally enabled some short-term employers to leave funds with large exit credits (due mainly to strong growth on the assets that were transferred from letting authorities). In some cases, across the LGPS, exit credits have been large and have even dwarfed any contributions made by the contractor. This amendment now allows the Fund to consider whether or not to restrict future exit credits to growth only on the money paid by employers.

Any representations made by the exiting employer and the letting authority/guarantor – the intention behind this is to allow any risk-sharing arrangements that sit behind an employer's participation to be taken into account. The Government has said however that there is no onus on the Fund to 'enquire into the precise risk sharing arrangements adopted'. Instead, it will be left to the employer and letting authority/guarantor to explain why the arrangements made by them make payment of an exit credit more or less appropriate. There is a risk that the Fund could get caught up in the middle of arguments between employers over commercial terms that were agreed outside the Fund, leading to higher actuarial, legal and internal management costs, and of course delays to the settlement of cessation valuations. It is worth noting that the amending regulations force the Fund to notify how it intends to deal with the exit credit to both parties ahead of any payment.

Any other relevant factors – this gives a lot of discretion to the Fund to consider whatever factors it feels is relevant in its decision. The Fund will need to ensure that it applies this discretion consistently over time and provide justification to the employer and letting authority/guarantor about why any factors have been considered.

In addition, the amendments have extended the maximum time period by which an exit credit must be paid to an employer from three to six months.

50. Working alongside the Fund's Actuary, the FSS has therefore been updated to allow for the Fund's policy on applying these new discretions on determining the payment of exit credits. The following summarises the proposed approach:

- Exiting employers should be assessed on a case-by-case basis, and be subject to the principles set out in the revised FSS in order to consistently apply the discretion in assessing the amount of and in paying any exit credit.

- In the first instance, the onus is on the exiting employer (and any letting/guaranteeing employer) to provide representations on how they consider any exit credit should be treated.

- However, in all cases, the Fund considers that the maximum value of any exit credit is the surplus identified in the Fund Actuary's exit valuation on the exit basis appropriate to the cessation event/employer.

- The approach differentiates by the type of body involved. This is a result of Admission bodies being able to terminate their participation in the Fund at any time. On the other hand, Scheduled bodies do not have this ability.

- In general, where an admission agreement began prior to 14 May 2018 (the date when exit credits became allowable under the Regulations), the Fund will not pay an exit credit as the potential for an exit credit would not likely have been priced into tenders for service.

- Where guarantees, pass-through and risk sharing agreements are clearly set out in admission terms, the Fund will reflect these in its determination. In particular, no exit credit will be payable to any admission body which participates in the Fund via a pass through agreement.

- Where pass through or risk sharing agreements are not applicable, the Fund will generally limit any exit credit to the value of employer contributions paid over the employer's contract allowing for investment returns on those contributions. The Fund will ask the actuary to carry out this calculation alongside the cessation valuation. (Noting that a proportionate approach to this calculation may have to be taken when an employer has participated in the Fund over a long period and historic contribution information may not be readily available.)

Employer flexibilities

51. Following the MHCLG consultation (above), the LGPS Regulations 2013 were amended from 23 September to allow the Fund to recalculate employer contributions outside of the triennial formal valuation in the following circumstances:

- There has been a significant change to the liabilities of an employer;
- There has been a significant change in the employer's covenant; or
- At the request of the employer.

52. The amendments also allow greater flexibility around managing the exit of an employer from the Fund. On exit from the Fund, where the employer is in deficit, the following options are available:

- The employer pays a full cessation payment carried out in line with regulations;
- The Fund can agree a repayment schedule with an employer to allow them to spread the exit payment over a number of years; or
- The Fund and employer enter into a Deferred Debt Arrangement (DDA) where an employer can continue in the Fund with no active members but continue to pay secondary contributions as determined at formal valuations. An employer entering into this arrangement would be known as a "deferred employer".

53. Whilst many LGPS Funds, including Oxfordshire, have entered into similar arrangements, these practises are now strengthened by the regulation amendments.

54. Working alongside the Fund's Actuary, the FSS has therefore been updated to allow for the Fund's policy in applying these new employer flexibilities. These proposed changes are summarised below:

    - Contribution review - In general, the draft FSS updates consider an amendment to contribution rates between valuations only as a result of significant changes to the liabilities or covenant of an employer. While the Fund would consider requests from employers to review contributions, it is expected that the reason for the request is a material change in covenant or significant restructure which impacts their membership and consequently liabilities in the Fund.

- Exit arrangements - despite the updates, for an employer ceasing with a deficit, the normal policy within the draft FSS remains the requirement to immediately pay any debt. Any variation away from this would be considered in the light of this benchmark and would primarily need to be in the interests of the Fund. However, the FSS updates allow the Fund to be mindful of the broader objectives and finances of the employer when considering a more flexible exit arrangement. For example, a flexible approach may in some cases still be appropriate where the employer covenant is weak as it may allow the employer to avoid building up further liabilities. When entering into any flexible exit arrangement, a continual but proportionate review of the conditional elements will be required to ensure it remains appropriate and in the best interests of all parties.

55. Please note we are currently awaiting further guidance on applying these new employer flexibility regulations. Therefore, while the proposals are in line with the draft guidance, we may need to revisit FSS changes once these have been formally issued.

LORNA BAXTER
Director of Finance

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

November 2020

Late Payment Summary 2020/21

			APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH
PA0101	1	Oxfordshire County Council												
PA0102	2	West Oxfordshire District Council												
PA0103	3	South Oxfordshire District Council												
PA0104	4	Cherwell District Council												
PA0105	5	Vale of the White Horse District Council												
PA0106	6	Oxford City Council												
PA0109	34	Oxford Brookes University												
	0	OBU - MOD												
PA0110	40	Henley College												
PA0116	71	Abingdon & Witney College												
PA0118	85	Activate Learning												
PA0119	97	United Learning Trust												
PA0120	99	The Oxford Academy												
PA0122	114	Vale Academy Trust												
PA0123	115	The Merchant Taylors Oxfordshire Academy School Trust												
PA0126	65	Eynsham Partnership												
PA0127	119	Gillots School Academy												
PA0128	118	Abingdon Learning Trust												
PA0129	124	Faringdon College Academy												
PA0130	123	River Learning Trust												
PA0131	122	Langtree School Academy												
PA0133	126	The Mill Academy												
PA0134	127	Burford School												
PA0135	130	Aspirations Academy												
PA0138	134	Lord Williams School												
PA0140	136	Oxford Diocesan Trust												
PA0142	147	Europa School												
PA0143	145	Gosford Hill Academy School												
PA0144	146	Community Schools Alliance Trust												
PA0145	150	The Gallery Trust												
PA0146	143	Propeller Academy Trust												
PA0147	153	Dominic Barberi Multi Academy Co												
PA0148	154	Ladygrove Park Primary School												
PA0149	155	St Johns Academy Trust												
PA0151	157	Willowcroft Academy Trust												
PA0154	160	Tyndale School												
PA0156	162	Cholsey Primary School (OPEN)												
PA0157	172	Heyford Park Free School												
PA0158	110	Anthem Schools Trust												
PA0160	178	Bernwode Schools Trust												
PA0161	180	The Pope Francis MAC												
PA0162	184	Endeavour Academy												
PA0163	185	Radcliffe Academy												
PA0164	211	Acer Trust MAT												
PA0165	212	Warriner MAT												
PA0166	129	Ridgeway Education Trust												
PA0167	213	Activate Learning Education Trust												
PA0169	239	GLF- William Morris												
PA0171	254	GEMS Didcot Primary Academy School												
PA0172	280	Maiden Erlegh Trust												
PA0201	7	Abingdon Town Council												
PA0202	12	Chipping Norton Town Council												
PA0203	14	Didcot Town Council												
PA0204	17	Henley on Thames Town Council												
PA0205	18	Kidlington Parish Council												

PA0206	28	Thame Town Council
PA0207	30	Wallingford Town Council
PA0208	31	Witney Town Council
PA0209	32	Carterton Town Council
PA0211	36	Bicester Town Council
PA0212	37	Sutton Courtenay Parish Council
PA0213	48	Chinnor Parish Council
PA0214	60	North Hinksey Parish Council
PA0215	64	Marcham Parish Council
PA0216	65	Eynsham Parish Council
PA0219	70	Cumnor Parish Council
PA0220	72	Banbury Town Council
PA0222	33	Woodstock Town Council
PA0223	75	Chalgrove Parish Council
PA0224	84	Faringdon Town Council
PA0226	88	Berinsfield Parish Council
PA0227	90	Wheatley Parish Council
PA0228	91	Benson Parish Council
PA0229	102	Old Marston Parish Council
PA0230	113	Radley Parish Council
PA0231	128	Hanborough Parish Council
PA0232	152	Sonning Common Parish Council
PA0233	179	Ramsden Parish Council
PA0234	158	Bloxham Parish Council
PA0235	210	Drayton Parish Council
PA0236	240	Kennington Parish Council
PA0237	252	Adderbury Parish Council
PA0238	268	Oxford Direct Services
PA0239	271	Kingston Bagpuize with Southmoor Parish Council
PA0240	312	CSN Resources Ltd
PA0241	321	Sonesfield Parish Council
PA0242	325	Gosford & Water Eaton Parish Council
PA0243	332	Leafield Parish Council
PA0244	337	Heyford Park Parish Council
PA0245	339	Milton Parish Council
PA0301	59	Oxfordshire South & Vale Citizens Advice Bureau
PA0303	57	Banbury Citizens Advice Bureau
PA0306	11	A2 Dominion
PA0308	27	Swalcliffe Park School Trust
PA0309a	76	Order of St John's Care Trust (Oxford)
PA0309b	76	Order of St John's Care Trust (Lincoln)
PA0310	63	Oxford Community Work Agency
PA0314	22	Oxford Archaelogical Unit
PA0316	55	Oxford Community Foundation
PA0323	61	West Oxon Citizens Advice Bureau
PA0324	78	Thames Valley Partnership
PA0329	82	Oxford Homeless Pathways
PA0330	86	Charter Community Housing
PA0334	92	Oxfordshire Youth Arts Partnership
PA0338	96	CAPITA (Vale)
PA0342	104	Fusion Lifestyle
PA0364	163	Skanska Construction UK Ltd
PA0367	168	Fresh Start Ltd (Bloxham School contract)
PA0370	169	Banbury Museum Trust
PA0372	174	Cara Services Limited
PA0374	177	PAM Wellbeing Ltd(Premier occ health)
PA0378	190	Greenwich Leisure Limited
PA0380	209	School Lunch Company - Chesterton CE School

PA0381	189	UBICO Limited
PA0382	188	Rapid Commercial Cleaning Ltd
PA0392	220	Edwards and Ward (Banbury Dashwood Academy)
PA0393	221	Edwards and Ward (Benson C.E. Primary School)
PA0399	227	Edwards and Ward (St Andrews C.E. Primary School)
PA0604	205	The School Lunch Company (Bishop Loveday CE Primary School)
PA0608	198	The School Lunch Company (St Mary's CE Infant School)
PA0611	193	The School Lunch Company (The Batt CE Primary School, Witney)
PA0612	197	The School Lunch Company (Wychwood CE Primary School)
PA0615	207	The School Lunch Company (Hook Norton CE Primary School)
PA0618	237	Chartwells (Wheatley Park School)
PA0619	217	The School Lunch Company (North Hinksey CE Primary School)
PA0623	216	School Lunch Company (St Kenelm's C of E Primary School
PA0627	242	1st Homecare (Oxford) Ltd (formerly Civicare Oxford Limited)
PA0630	249	School Lunch Company (Witney Community Primary School
PA0631	250	School Lunch Company (Nettlebed Community School)
PA0633	251	Groundwork South
PA0635	255	School Lunch Company (RAF Benson)
PA0638	246	Saba Park Services
PA0639	244	Capita Five Districts
PA0641	261	Hill End Outdoor Education Centre
PA0642	257	Alliance in Partnership Ltd
PA0643	258	The School Lunch Company (The Hendreds Primary School)
PA0644	259	The School Lunch Company (Tackley C of E Primary School)
PA0645	260	Publica
PA0646	256	Barnardos (01.04.17)
PA0647	262	APCOA Parking (UK) Ltd
PA0648	263	Rapid Clean - Stockham Primary School
PA0650	266	Busy Bee Cleaning Services
PA0651	269	The School Lunch Company (The Blake Cof E Primary School, Cogges)
PA0652	270	EnergyKidz (John Hampden)
PA0653	272	School Lunch Company (Orchard Fields)
PA0654	273	Regency Cleaning Services Ltd - Caldecott Primary, Abingdon
PA0655	274	School Lunch Company (Wroxton CofE Primary School)
PA0656	267	School Lunch Company (St Michael's CofE Primary, Oxford)
PA0659	279	School Lunch Company (Great Milton CofE Primary School)
PA0660	278	School Lunch Company (St Mary's CofE Infant School, Witney) Cleaning -ODST
PA0662	279	Edwards and Ward (Stockham Primary School)
PA0663	283	School Lunch Company (St Nicolas CofE Primary School, Abingdon)
PA0668	287	ABM Catering – CC St James
PA0673	292	Alliance in Partnership Limited – The Cooper School (Bicester Learning Academy) catering
PA0674	293	Cater Link Limited – Dominic Barberi Multi Academy Company (catering contract)
PA0675	294	Fresh Start Catering Ltd (St Mary's Catholic Primary School, Bicester)
PA0676	295	Fresh Start Catering Ltd (Bure Park Primary School, Bicester) catering contract
PA0677	296	Edwards & Ward – Sutton Courtenay C of E Primary (catering contract)
PA0678	297	Regency Cleaning Services Limited – Meadowbrook College (Radcliffe Academy Trust) cleaning contract
PA0680	300	Edwards and Ward – River Learning Trust (Rose Hill Primary School) (catering contract)
PA0682	308	Cater Link Limited – River Learning Trust (Garsington C of E Primary School) (catering contract)
PA0685	311	L C Housekeeping Services-Dominic Barberi MAC (Our Lady of Lourdes Catholic Primary Sch)
PA0686	298	Oxfordshire LEP
PA0687	313	Intelligent Workplace Solutions Ltd
PA0688	315	School Lunch Company (Grandpont Nursery, Oxford)
PA0690	316	Aspens Services Ltd - The Oxford Academy

PA0691	322	Cater Link – River Learning Trust (Chipping Norton) (catering contract)
PA0692	323	School Lunch Company (Windmill Primary School, Oxford) catering contract
PA0693	317	The Camden Society - Lot 1
PA0694	318	The Camden Society - Lot 2
PA0696	320	The Camden Society - Lot 6
PA0697	324	Ecocleen Services Limited – Vale Academy Trust (King Alfred's School, Wantage) (cleaning contract)
PA0698	326	Maid Marions Limited – The Warriner Multi Academy Trust (Warriner School) (cleaning contract)
PA0699	327	NYAS (National Youth Advocacy Service)
PA0700	328	School Space Limited – Heyford Park Free School (facilities Letting)
PA0701	329	Direct Cleaning Services – Abingdon Learning Trust (John Mason School) (cleaning contract)
PA0702	331	1st Homecare – Nicholson House
PA0703	330	Cater Link – United Learning Trust (catering contract)
PA0704	335	HF Trust Limited (Lot 5)
PA0705	334	HF Trust Limited (Lot 8)
PA0706	336	Chartwells – GLF (Aureus Primary School and Aureus School, Didcot) (catering contract)
PA0707	333	Edwards and Ward – All Saints School, Didcot
PA0708	338	Aspens Services Ltd (02)-The Oxford Academy, Oxford
PA0709	340	Maid Marions Ltd– Faringdon Academy of Schools
PA0710	342	Clean Genie Banbury Limited – ODST (Christopher Rawlins C of E Primary School, Adderbury)

PAYMENTS SUMMARY

		APRIL		MAY		JUNE		JULY		AUGUST		SEPTEMBER	
		Payment Due	19/05/20	Payment Due	19/06/20	Payment Due	17/07/20	Payment Due	19/08/20	Payment Due	18/09/20	Payment Due	19/10/20
		Basic Conts	Deficiency	Basic Conts	Deficiency	Basic Conts	Deficiency	Basic Conts	Deficiency	Basic Conts	Deficiency	Basic Conts	Deficiency
PA0101	Oxfordshire County Council	15/05/2020		08/06/2020		01/07/2020		07/08/20		16/09/20		19/10/20	
PA0102	West Oxfordshire District Council	06/05/2020 L	29/07/20	03/06/2020 L	01/07/20	01/07/2020	15/07/20	29/07/2020	05/08/20	03/09/20	16/09/20	07/10/20	14/10/20
PA0103	South Oxfordshire District Council	19/05/2020 L	22/05/20	18/06/2020	19/06/20	17/07/2020	17/07/20	19/08/20	14/08/20	18/09/20	11/09/20	19/10/20	09/10/20
PA0104	Cherwell District Council	01/05/2020	15/04/20	02/06/2020	28/05/20	01/07/2020		07/08/20		09/09/20		06/10/20	
PA0105	Vale of the White Horse District Council	19/05/2020 L	29/05/20	L 18/06/2020&01/07	19/06/20	17/07/2020	17/07/20	19/08/20	14/08/20	18/09/20	18/09/20	19/10/20	09/10/20
PA0106	Oxford City Council	18/05/2020	01/04/20	18/06/2020		17/07/2020		19/08/20		18/09/20		16/10/20	
PA0109	Oxford Brookes University	19/05/2020		15/06/2020		17/07/2020		19/08/2020		18/09/2020		15/10/20	
	OBU - MOD	22/04/2020		29/05/2020		29/06/2020		28/07/2020		28/08/20		28/09/20	
PA0110	Henley College	07/05/2020		05/06/20		07/07/2020		07/08/2020		07/09/20		07/10/20	
PA0116	Abingdon & Witney College	19/05/2020		19/06/20		17/07/20		19/08/2020		18/09/20		19/10/20	
PA0118	Activate Learning	19/05/2020		19/06/20		17/07/20		19/08/2020		18/09/20		19/10/20	
PA0119	United Learning Trust (formally North Oxfordshire Academy)	15/05/2020		19/06/20		17/07/2020		14/08/2020		18/09/20		19/10/20	
PA0120	The Oxford Academy	19/05/2020		19/06/20		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0122	Vale Academy Trust	19/05/2020		19/06/20		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0123	The Merchant Taylors Oxfordshire Academy School Trust (formally Wallingford School)	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0126	Eynsham Partnership (formally Bartholomew School Academy)	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0127	Gillots School Academy	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0128	Abingdon Learning Trust (formerly Rush Common Academy)	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0129	Faringdon College Academy	07/05/2020		05/06/2020		07/07/2020		07/08/2020		07/09/20		07/10/20	
PA0130	River Learning Trust (Formally Cherwell School Academy)	15/05/2020		15/06/2020		15/07/2020		14/08/2020		15/09/20		15/10/20	
PA0131	Langtree School Academy	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0133	The Mill Academy (formally Henry Box School)	07/05/2020		05/06/2020		07/07/2020		07/08/2020		07/09/20		07/10/20	
PA0134	Burford School	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0135	Aspirations Academy	19/05/2020		19/06/2020		17/07/2020		19/08/20		18/09/20		19/10/20	
PA0138	Lord Williams School(The Thame Partners)	19/05/2020		19/06/2020		17/07/2020		19/08/20		18/09/20		07/10/20	
PA0140	Oxford Diocesan Trust	19/05/2020		19/06/2020		17/07/2020		19/08/20		18/09/20		19/10/20	
PA0142	Europa School	30/04/20		29/05/2020		30/06/2020		31/07/2020		28/08/20		30/09/20	
PA0143	Gosford Hill Academy School	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0144	Community Schools Alliance Trust (formally Cheney Academy School)	14/05/2020		17/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0145	The Gallery Trust (formally The Iffley Academy)	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0146	Propeller Academy Trust	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0147	Dominic Barberi Multi Academy Co	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0148	Ladygrove Park Primary School	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0149	St Johns Academy Trust	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0151	Willowcroft Academy Trust	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0154	Tyndale School	30/04/2020											
PA0156	Cholsey Primary School (OPEN)	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0157	Heyford Park Free School	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0158	CfBT MAT	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		16/10/20	
PA0160	Bicester Learning Academy(Bernwode)	07/05/2020		05/06/2020		07/07/2020		07/08/2020		07/09/20		07/10/20	
PA0161	The Pope Francis MAC	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0162	Endeavour Academy	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0162	Endeavour Academy	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0164	Acer Trust MAT (formally West Oxford School Trust (Matthew Arnold)	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0165	Warriner MAT	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0166	Ridgeway Education Trust (formally Didcot Academy of Schools)	01/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0167	Activate Learning Education Trust (ALET from 01/04/17)	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		01/10/20	
PA0169	GLF- William Morris	05/05/2020		03/06/2020		02/07/2020		03/08/2020		02/09/20		05/10/20	
PA0171	GEMS Didcot Primary Academy School	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0172	Maiden Erlegh Trust	30/04/2020		29/05/2020		30/06/2020		31/07/2020		28/08/20		30/09/20	
PA0201	Abingdon Town Council	24/04/2020		03/06/2020		25/06/2020		17/07/2020		17/09/2020		13/10/20	
PA0202	Chipping Norton Town Council	24/04/2020		21/05/2020		22/06/2020		20/07/2020		20/08/2020		22/09/20	
PA0203	Didcot Town Council	18/05/2020		19/06/2020		17/07/2020		19/08/2020		11/09/2020		16/10/20	
PA0204	Henley on Thames Town Council	15/05/2020		16/06/20		16/07/2020		14/08/2020		16/09/2020		16/10/20	
PA0205	Kidlington Parish Council	07/05/2020		28/05/2020		26/06/2020		31/07/2020		28/08/2020		30/09/20	
PA0206	Thame Town Council	13/05/2020		10/06/20		08/07/2020		19/08/2020		16/09/20		14/10/20	
PA0207	Wallingford Town Council	11/05/20		09/06/2020		13/07/2020		07/08/2020		11/09/20		09/10/20	
PA0208	Witney Town Council	18/05/2020		17/06/2020		17/07/2020		18/08/2020		08/09/2020		13/10/20	
PA0209	Carterton Town Council	05/05/2020		04/06/20		03/07/2020		05/08/20		09/09/2020		05/10/20	
PA0211	Bicester Town Council	30/04/2020		29/05/2020		30/06/20		31/07/2020		28/08/20		30/09/20	
PA0212	Sutton Courtenay Parish Council	L 12/06/2020		12/06/20		17/07/2020		06/08/2020		04/09/2020		08/10/20	
PA0213	Chinnor Parish Council	30/04/2020		22/05/20		16/06/2020		21/07/2020		18/08/2020		25/09/20	
PA0214	North Hinksey Parish Council									14/09/2020		14/09/20	
PA0215	Marcham Parish Council	28/04/20		21/05/20		30/06/20		29/07/20		18/09/2020		28/09/20	
PA0216	Eynsham Parish Council	30/04/20		29/05/20		29/06/2020		29/07/2020		28/08/2020		28/09/20	
PA0219	Cumnor Parish Council	18/05/2020		05/06/2020		10/07/2020		05/08/2020		08/09/2020		07/10/20	

PA0220	Banbury Town Council	23/04/2020		22/05/2020		23/06/2020		23/07/20		21/08/2020		23/09/20	
PA0222	Woodstock Town Council	27/04/2020		26/05/2020		26/06/20		27/07/20		27/08/20		24/09/20	
PA0223	Chalgrove Parish Council	19/05/2020		15/06/20		09/07/2020		13/08/2020		L 22/09/20		09/10/20	
PA0224	Faringdon Town Council	27/04/20		29/05/2020		25/06/2020		27/07/2020		26/08/2020		25/09/20	
PA0226	Berinsfield Parish Council	29/04/2020		29/05/2020		30/06/2020		29/07/2020		28/08/2020		28/09/20	
PA0227	Wheatley Parish Council		13/03/20		13/03/20		13/03/20		13/03/20		13/03/20		13/03/20
PA0228	Benson Parish Council	22/04/2020		28/05/20		23/06/20		22/07/2020		27/08/2020		23/09/20	
PA0229	Old Marston Parish Council	L 09/06/2020		09/06/2020		L 18/09/2020		05/08/2020		15/09/2020		19/10/20	
PA0230	Radley Parish Council	24/04/2020		01/06/2020		26/06/2020		24/07/2020		28/08/2020		25/09/20	
PA0231	Hanborough Parish Council	15/04/2020		13/05/2020		11/06/2020		16/07/2020		07/09/2020		07/09/20	
PA0232	Sonning Common Parish Council	07/05/2020		04/06/2020		09/07/2020		06/08/2020		10/09/2020		08/10/20	
PA0233	Ramsden Parish Council	27/04/2020		01/06/20		01/07/20		L 25/08/2020		25/08/2020		28/09/20	
PA0234	Bloxham Parish Council	23/04/2020		04/05/2020		09/06/2020		13/07/2020		14/08/2020		16/09/20	
PA0235	Drayton Parish Council	06/05/2020		03/06/2020		08/07/2020		04/08/2020		08/09/2020		07/10/20	
PA0236	Kennington Parish Council	L 15/05/2020&03/06/20		12/06/2020		13/07/2020		14/08/2020		11/09/2020		09/10/20	
PA0237	Adderbury Parish Council	Rec'd by JH - unsure		27/05/2020		14/07/2020		14/08/2020		14/08/2020		14/09/20	
PA0238	Oxford Direct Services	18/05/2020		18/06/2020		17/07/2020		19/08/2020		18/09/2020		16/10/20	
PA0239	Kingston Bagpuize with Southmoor Parish Council	06/05/2020		04/06/2020		08/07/2020		05/08/2020		10/09/2020		28/09/20	
PA0240	CSN Resources Ltd	04/05/2020		04/06/2020		17/07/2020		11/08/2020		17/09/2020		16/10/20	
PA0241	Stonesfield Parish Council	13/05/2020		L 30/06/2020		25/06/2020		15/07/2020		11/09/2020		L 09/11/20	
PA0242	Gosford & Water Eaton Parish Council	L 15/06/2020		L 30/06/2020		L 25/08/2020		L 11/09/2020		07/09/2020		07/10/20	
PA0243	Leafield Parish Council	15/04/2020		15/05/2020		11/06/2020		17/07/2020		17/08/2020		14/09/20	
PA0244	Heyford Park Parish Council	05/05/2020		29/05/2020		02/07/2020		04/08/2020		04/09/2020		08/10/20	
PA0245	Milton Parish Council											14/10/20	
PA0301	Oxfordshire South & Vale Citizens Advice Bureau		14/04/2020		11/05/20		11/06/20		13/07/2020		11/08/20		11/09/20
PA0303	Banbury Citizens Advice Bureau		05/05/2020		03/06/20		15/07/20		14/08/2020		09/09/20		07/10/20
PA0306	A2 Dominion	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/2020		19/10/20	
PA0308	Swalcliffe Park School Trust	05/05/2020		05/06/2020		03/07/2020		04/08/2020		03/09/2020		02/10/20	
PA0309a	Order of St John's Care Trust (Oxford)	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/2020		19/10/20	
PA0309b	Order of St John's Care Trust (Lincoln)	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/2020		19/10/20	
PA0310	Oxford Community Work Agency	18/05/2020		17/06/2020		17/07/2020		17/08/2020		17/09/2020		15/10/20	
PA0314	Oxford Archaeological Unit	18/05/2020		18/06/2020		17/07/2020		18/08/2020		18/09/2020		16/10/20	
PA0316	Oxford Community Foundation - see note below												
PA0323	West Oxon Citizens Advice Bureau	21/04/2020		21/05/2020		19/06/2020		21/07/2020					
PA0324	Thames Valley Partnership	20/04/2020		18/06/2020		L 20/07/2020		19/08/2020		16/09/20		19/10/20	
PA0329	Oxford Homeless Pathways	14/05/2020		18/06/2020		13/07/2020		17/08/2020		10/09/2020		08/10/20	
PA0330	Charter Community Housing	19/05/2020	19/05/2020	19/06/2020	19/06/2020	17/07/2020	17/07/2020	19/08/2020	19/08/2020	18/09/2020	18/09/2020	19/10/20	19/10/20
PA0334	Oxfordshire Youth Arts Partnership	27/04/2020		27/05/2020		19/06/2020		24/07/2020		21/08/2020		18/09/20	
PA0338	CAPITA (Vale)	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/2020		19/10/20	
PA0342	Fusion Lifestyle	19/05/2020		19/06/2020		17/07/2020		18/08/2020		18/09/2020		16/10/20	
PA0364	Skanska Construction UK Ltd	19/05/2020		18/06/2020		L 20/07/2020		19/08/2020		17/09/2020		19/10/20	
PA0367	Fresh Start Ltd (Bloxham School contract)	11/05/2020		29/05/2020		30/06/2020		31/07/2020		28/08/2020		30/09/20	
PA0370	Banbury Museum Trust	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/2020	18/09/20		
PA0372	Cara Services Limited	L 03/06/2020 & 15.06.2020		L 26/06/2020		17/07/2020		17/08/2020		16/09/2020		L 23/10/20	
PA0374	PAM Wellbeing Ltd(Premier occ health)	15/05/2020		18/06/2020		17/07/2020		L 16/10/2020		17/09/20		16/10/20	
PA0378	Greenwich Leisure Limited	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/2020		19/10/20	
PA0380	School Lunch Company - Chesterton CE School	15/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0381	UBICO Limited	12/05/2020		08/06/2020		06/07/2020		03/08/2020		07/09/2020		05/10/20	
PA0382	Rapid Commercial Cleaning Ltd	14/05/2020		17/06/2020		07/07/2020		03/08/2020		02/09/2020		01/10/20	
PA0392	Edwards and Ward (Banbury Dashwood Academy)	19/05/2020		19/06/2020		L 20/07/2020&19		19/08/2020		18/09/2020		19/10/20	
PA0393	Edwards and Ward (Benson C.E. Primary School)	19/05/2020		19/06/2020		L 20/07/2020&19		19/08/2020		18/09/2020		19/10/20	
PA0399	Edwards and Ward (St Andrews C.E. Primary School)	19/05/2020		19/06/2020		L 20/07/2020&19		19/08/2020		18/09/2020		19/10/20	
PA0604	The School Lunch Company (Bishop Loveday CE Primary School)	15/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0608	The School Lunch Company (St Mary's CE Infant School)	15/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0611	The School Lunch Company (The Batt CE Primary School, Witney)	15/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0612	The School Lunch Company (Wychwood CE Primary School)	15/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0615	The School Lunch Company (Hook Norton CE Primary School)	15/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0618	Chartwells (Wheatley Park School)	12/05/2020		12/06/2020		10/07/2020		12/08/2020		11/09/2020		12/10/20	
PA0619	The School Lunch Company (North Hinksey CE Primary School)	15/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0623	School Lunch Company (St Kenelm's C of E Primary School	15/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0627	1st Homecare (Oxford) Ltd (formerly Civicare Oxford Limited)(00242)	15/05/2020		15/06/2020		15/07/2020		14/08/2020		15/09/2020		14/10/20	
PA0630	School Lunch Company (Witney Community Primary School	15/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0631	School Lunch Company (Nettlebed Community School)	15/05/2020		19/05/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0633	Groundwork South	18/05/2020		15/06/2020		17/07/2020		17/08/2020		17/09/2020		19/10/20	
PA0635	School Lunch Company (RAF Benson)	15/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/20		19/10/20	
PA0638	Saba Park Services (formally Indigo)	30/04/20	L 01/10/20	29/05/20	L 01/10/20	30/06/20	L 01/10/20	31/07/20	L 01/10/20	27/08/20	L 01/10/20	01/10/20	01/10/20
PA0639	Capita 5 Districts	19/05/2020		19/06/2020		17/07/2020		19/08/2020		18/09/2020		19/10/20	
PA0641	Hill End Outdoor Education Centre	L 18/05/2020 & 15/06/20		15/06/2020		14/07/2020		17/08/2020		15/09/2020		19/10/20	
PA0642	Alliance in Partnership Ltd	07/05/2020		10/06/2020		10/07/2020		10/08/2020		10/09/2020		09/10/20	

PA0643	The School Lunch Company (The Hendreds Primary School)		15/05/2020			19/06/2020			17/07/2020			19/08/2020			18/09/20			19/10/20	
PA0644	The School Lunch Company (Tackley C of E Primary School)		15/05/2020			19/06/2020			17/07/2020			19/08/2020			18/09/20			19/10/20	
PA0645	Publica		05/05/2020			02/06/2020			07/07/2020			04/08/2020			08/09/2020			06/10/20	
PA0646	Barnardos (01.04.17)		13/05/2020			12/06/2020			14/07/2020			14/08/2020			14/09/2020			14/10/20	
PA0647	APCOA Parking (UK) Ltd	L	26/05/2020	L		19/06/2020	L		16/07/2020	L		14/08/2020	L		18/09/2020	L	L	22/10/20	L
PA0648	Rapid Clean - Stockham Primary School		14/05/2020			17/06/2020			07/07/2020			03/08/2020			02/09/2020			01/10/20	
PA0650	Busy Bee Cleaning Services	L	19/06/2020			19/06/2020		L	20/07/2020			19/08/2020			18/09/2020			19/10/20	
PA0651	The School Lunch Company (The Blake Cof E Primary School, Cogges)		15/05/2020			19/06/2020			17/07/2020			19/08/2020			18/09/20			19/10/20	
PA0652	EnergyKidz (John Hampden)		14/05/2020			02/06/2020			01/07/2020			05/08/2020		L	21/09/2020		L	29/10/20	
PA0653	School Lunch Company (Orchard Fields)		15/05/2020			19/06/2020			17/07/2020			19/08/2020			18/09/20			19/10/20	
PA0654	Regency Cleaning Services Ltd - Caldecott Primary, Abingdon	L	27/07/2020		L	27/07/2020		L	27/07/2020		L	25/08/2020							
PA0655	School Lunch Company (Wroxton CofE Primary School)		15/05/2020			19/06/2020			17/07/2020			19/08/2020			18/09/20			19/10/20	
PA0656	School Lunch Company (St Michael's CofE Primary, Oxford)		15/05/2020			19/06/2020			17/07/2020			19/08/2020			18/09/20			19/10/20	
PA0659	School Lunch Company (Great Milton CofE Primary School)		15/05/2020			19/06/2020			17/07/2020			19/08/2020			18/09/20			19/10/20	
PA0660	School Lunch Company (St Mary's CofE Infant School, Witney) Cleaning -ODST		15/05/2020			19/06/2020			17/07/2020			19/08/2020			18/09/20			19/10/20	
PA0662	Edwards and Ward (Stockham Primary School)		19/05/2020			19/06/2020		L	20/07/2020&19			19/08/2020			18/09/2020			19/10/20	
PA0663	School Lunch Company (St Nicolas CofE Primary School, Abingdon)		15/05/2020			19/06/2020			17/07/2020			19/08/2020			18/09/20			19/10/20	
PA0668	ABM Catering – CC St James		15/05/2020			19/06/2020			17/07/2020		L	21/08/2020			18/09/2020			16/10/20	
PA0673	Alliance in Partnership Limited – The Cooper School (Bicester Learning Academy) catering		07/05/2020			10/06/2020			10/07/2020			10/08/2020			10/09/2020			09/10/20	
PA0674	Cater Link Limited – Dominic Barberi Multi Academy Company (catering contract)		14/05/2020			11/06/2020			10/07/2020			10/08/2020			10/09/2020			09/10/20	
PA0675	Fresh Start Catering Ltd (St Mary's Catholic Primary School, Bicester)		11/05/2020			29/05/2020			30/06/2020			31/07/2020			28/08/2020			30/09/20	
PA0676	Fresh Start Catering Ltd (Bure Park Primary School, Bicester) catering contract		11/05/2020			29/05/2020			30/06/2020			31/07/2020			28/08/2020			30/09/20	
PA0677	Edwards & Ward – Sutton Courtenay C of E Primary (catering contract)		19/05/2020			19/06/2020		L	20/07/2020&19			19/08/2020			18/09/2020			19/10/20	
PA0678	Regency Cleaning Services Limited – Meadowbrook College (Radcliffe Academy Trust) cleaning contract	L	27/07/2020		L	27/07/2020		L	27/07/2020		L	25/08/2020							
PA0680	Edwards and Ward – River Learning Trust (Rose Hill Primary School) (catering contract)		19/05/2020			19/06/2020		L	20/07/2020&19			19/08/2020			18/09/2020			19/10/20	
PA0682	Cater Link Limited – River Learning Trust (Garsington C of E Primary School) (catering contract)		14/05/2020			11/06/2020			10/07/2020			10/08/2020			10/09/2020			09/10/20	
PA0685	L C Housekeeping Services-Dominic Barberi MAC (Our Lady of Lourdes Catholic Primary Sch)		18/05/2020			17/06/2020			17/07/2020			17/08/2020			17/09/2020			19/10/20	
PA0686	Oxfordshire LEP		18/05/2020			18/06/2020		L	21/07/2020			19/08/2020			17/09/2020			19/10/20	
PA0687	Intelligent Workplace Solutions Ltd		12/05/2020			19/06/2020			17/07/2020			14/08/2020			18/09/2020			16/10/20	
PA0688	School Lunch Company (Grandpont Nursery, Oxford)		15/05/2020			19/06/2020													
PA0690	Aspens Services Ltd - The Oxford Academy																		
PA0691	Cater Link – River Learning Trust (Chipping Norton) (catering contract)		14/05/2020			11/06/2020			10/07/2020			10/08/2020			10/09/2020			09/10/20	
PA0692	School Lunch Company (Windmill Primary School, Oxford) catering contract		15/05/2020			19/06/2020			17/07/2020			19/08/2020			18/09/20			19/10/20	
PA0693	The Camden Society - Lot 1		19/05/2020			15/06/2020			17/07/2020			19/08/2020			18/09/20			19/10/20	
PA0694	The Camden Society - Lot 2		19/05/2020			15/06/2020			17/07/2020			19/08/2020			18/09/20			19/10/20	
PA0696	The Camden Society - Lot 6																		
PA0697	Ecocleen Services Limited – Vale Academy Trust (King Alfred's School, Wantage) (cleaning contract)	L			L			L			L								
PA0698	Maid Marions Limited – The Warriner Multi Academy Trust (Warriner School) (cleaning contract)	L	15/10/2020			19/06/2020			17/07/2020			17/08/2020			17/09/2020			19/10/20	
PA0699	NYAS (National Youth Advocacy Service)	L	09/06/2020			09/06/2020			01/07/2020			06/08/2020			25/08/2020		L		
PA0700	School Space Limited – Heyford Park Free School (facilities Letting)	L			L			L			L			L			L		
PA0701	Direct Cleaning Services – Abingdon Learning Trust (John Mason School) (cleaning contract)		30/04/2020			29/05/2020			26/06/2020			31/07/2020			28/08/2020			25/09/20	
PA0702	1st Homecare – Nicholson House (00331)		15/05/2020			15/06/2020			15/07/2020			14/08/2020			15/09/2020			14/10/20	
PA0703	Cater Link – United Learning Trust (catering contract)	L			L			L			L			L			L		
PA0704	HF Trust Limited (Lot 5) - formally S&V 2		19/05/2020			19/06/2020			17/07/2020			19/08/2020			18/09/2020			19/10/20	
PA0705	HF Trust Limited (Lot 8) - formally S&V 1		19/05/2020	L		19/06/2020	L		17/07/2020	L		19/08/2020	L		18/09/2020	L		19/10/20	
PA0706	Chartwells – GLF (Aureus Primary School and Aureus School, Didcot) (catering contract)	L			L			L			L			L			L		
PA0707	Edwards and Ward – All Saints School, Didcot								09/06/2020										
PA0708	Aspens Services Ltd (02)-The Oxford Academy, Oxford																		
PA0709	Maid Marions Ltd– Faringdon Academy of Schools																		
PA0710	Clean Genie Banbury Limited – ODST (Christopher Rawlins C of E Primary School, Adderbury)																		

Notes

PA0316 Oxford Community Foundation - Employer Closure -Total of £35,000 payable in 40 Quarterly intsallments of £875 starting 31/3/14

Employers paying deficiency only

cells to check

cell updated

Once deadline date exceeded - enter

L- Late

NE - new employer (information only recently sent to employer)

OCTOBER		NOVEMBER		DECEMBER		JANUARY		FEBRUARY		MARCH		
Payment Due	19/11/20	Payment Due	18/12/20	Payment Due	19/01/21	Payment Due	19/02/21	Payment Due	19/03/21	Payment Due	19/04/21	**NOTES**
Basic Conts	Deficiency	Basic Conts	Deficiency	Basic Conts	Deficiency	Basic Conts	Deficiency	Basic Conts	Deficiency	Basic Conts	Deficiency	
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19/11/20	
	17/9/20 - Pwillemse contacting Kim/Sally as members moved to new franchise 31/7/20
19/11/20	
19/11/20	
19/11/20	
19/11/20	
19/11/20	
19/11/20	
19/11/20	3 year contract 01.01.2018 to 31.12.2021 with option to extend for a further 2 years
10/11/20	Admission Date 1 September 2018 initially for a period of three years with 1 year plus 1 year.
10/11/20	Admission Date 1 April 2018 initially for a period of five years (extendable on a rolling annual basis).
04/11/20	Admission Date 1 April 2018 initially for a period of one year with auto renewal for two years
04/11/20	Admission Date 1 September 2017 initially for a period of two years, with auto renewal for a further two years.
19/11/20	
	17/9/20 - Pwillemse contacting Kim/Sally as members moved to new franchise 31/7/20
19/11/20	
10/11/20	
	Email JF 28/09/20 - last member left Sept 20
16/11/20	
20/11/20	
13/11/20	
10/11/20	
19/11/20	
19/11/20	
19/11/20	
	Nil return submitted from Jan 20
	17/9/20 - Pwillemse contacting Kim/Sally as members moved to new franchise 31/7/20
18/11/20	
30/10/20	
16/11/20	
19/11/20	
19/11/20	
	Contributions received as advised by Pension Services (email from SC 11/6/20)
13/11/20	Commences 01/09/20
	Commences 01/09/20

Deficiency Payments Received

		April			May			June			July		
		Date Payment Due			Date Payment Due			Date Payment Due		#REF!	Date Payment Due		#REF!
Cost Centre	Employer	Date Payment Received	Date return received if after payment due date	Deficiency Contribution Received	Date Payment Received	Date return received if after payment due date	Deficiency Contribution Received	Date Payment Received	Date return received if after payment due date	Deficiency Contribution Received	Date Payment Received	Date return received if after payment due date	Deficiency Contribution Received
PA0370	Banbury Museum Trust	19/05/2020	Paid in error not able to return to sender - to amend future payment	1,166.67	19/06/20	Paid in error not able to return to sender - to amend future payment	1,166.67	17/07/20		1,166.67	19/08/2020		1,166.67

		August			September			October			November		
		Date Payment Due		#REF!	Date Payment Due			Date Payment Due			Date Payment Due		
Cost Centre	Employer	Date Payment Received	Date return received if after payment due date	Deficiency Contribution Received	Date Payment Received	Date return received if after payment due date	Deficiency Contribution Received	Date Payment Received	Date return received if after payment due date	Deficiency Contribution Received	Date Payment Received	Date return received if after payment due date	
PA0370	Banbury Museum Trust												

		December			January			February			March			
		Date Payment Due			Date Payment Due			Date Payment Due		#REF!	Date Payment Due		#REF!	
Cost Centre	Employer	Date Payment Received	Date return received if after payment due date	Deficiency Contribution Received	Date Payment Received	Date return received if after payment due date	Deficiency Contribution Received	Date Payment Received	Date return received if after payment due date	Deficiency Contribution Received	Date Payment Received	Date return received if after payment due date	Deficiency Contribution Received	Deficiency Outstanding
PA0370	Banbury Museum Trust													#REF!

Cottsway and Sovereign Vale - to pay deficency contributions - SC setting up agreement - to check

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Benefit Adminisation Monthly SLA Statistics

Subject	Legal Deadline	SLA Deadline	Standard SLA Target	Temporary SLA Target Apr - Aug	Temporary SLA Target Sept - Dec	Altair Report Subjects to Include
APC	N/A	10 working days	**90%**	**70%**	**80%**	Addlcont, APC_OCC2
Deaths	Notify dependants of death benefits within 2 months from date of becoming aware of death	10 working days	**95%**	**75%**	**85%**	Death, D_Grant1, D_Grant2
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%**	**75%**	**85%**	retirpay, retireqte, trivial, recalpen
Divorce	Provide a quotation 3 months from date of request	10 working days	**95%**	**75%**	**85%**	PSOQUOTE, PSOACTUL
Interfund In	N/A	10 working days	**90%**	**70%**	**80%**	ifainact, ifainpay, ifainquo
Transfer In	Obtain transfer information and provide a quotation within 2 months from date of request	10 working days	**90%**	**70%**	**80%**	tvinactu. Tvinquot, tvinpay
Interfund Out	N/A	10 working days	**95%**	**75%**	**85%**	ifaopay, ifaoqte
Transfer out	Provide a quotation 3 months from date of request	10 working days	**95%**	**75%**	**85%**	tvoutpay, tvoutquo
Member Estimate	Provide retriement 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%**	**70%**	**80%**	memest
HR Estimate	N/A	10 working days	**90%**	**70%**	**80%**	Hrest
Refunds	N/A	10 working days	**95%**	**75%**	**85%**	Refpayac
Leavers*	Inform members who left the scheme of their leaver rights and options no more than 2 months from date of notification	40 working days	**90%**	**70%**	**80%**	Concurmg, deferred, Dbrecalc, Frozen
Re-employments**	N/A	40 working days	**90%**	**70%**	**80%**	AGG2CHK, REEMPLIN, REEMPQUO, REEMP_FR
Assistant work***	N/A	10 working days	**90%**	**70%**	**80%**	Address, Name, Nomination, ifareq
Starters (PPF)	Send notification of joining the LGPS to member 2 months from date joining or 1 month of receiving information of being enrolled / auto-enrolled	20 working days	**95%**	**75%**	**85%**	I-PPF, PPFCHASE (task)

* Frozen, Deferred, Concurrent

** Elect to Separate, Re-emp quote, Re-emp Actual,

*** Address, Name, Nomination, IFA Requests

Benefit Adminisation Monthly SLA Statistics

Subject	StandardSLA Target	Temporary SLA Target Apr - Aug	Temporary SLA Target Sep-Dec	Jan-20			Feb-20			Mar-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
APC	90%	70%	80%	2	100.00%		8	100.00%		4	100.00%	
Deaths	95%	75%	85%	63	93.65%	TBC	96	97.92%	TBC	57	94.90%	TBC
Retirements	95%	75%	85%	96	95.83%	100.00%	111	97.30%	100.00%	129	99.22%	100.00%
Divorce	95%	75%	85%	13	100.00%		12	100.00%		6	100.00%	
Interfund In	90%	70%	80%	68	92.65%		43	100.00%		66	92.42%	
Transfer In	90%	70%	80%	48	97.92%	100.00%	54	98.15%	100.00%	53	98.11%	100.00%
Interfund Out	95%	75%	85%	55	92.73%		111	100.00%		70	100.00%	
Transfer out	95%	75%	85%	31	96.77%	100.00%	34	100.00%	100.00%	28	100.00%	100.00%
Member Estimate	90%	70%	80%	110	97.27%	100.00%	124	98.39%	100.00%	63	100.00%	100.00%
HR Estimate	90%	70%	80%	11	100.00%		11	100.00%		14	100.00%	
Refunds	95%	75%	85%	97	90.72%		50	100.00%		23	100.00%	
Leavers*	90%	70%	80%	428	94.86%	94.86%	359	98.33%	98.33%	375	99.20%	99.20%
Re-employments**	90%	70%	80%	117	95.73%		70	100.00%		130	99.23%	
Assistants***	90%	70%	80%	274	99.27%		191	100.00%		179	99.44%	
Starters (IPPF)	95%	75%	85%	50	100.00%	100.00%	0	0.00%	0.00%	77	98.70%	98.70%
Totals / Average Overall				1461	96.49%	99.14%	1266	99.29%	99.67%	1270	98.75%	99.65%

* 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

Subject	StandardSLA Target	Temporary SLA Target Apr - Aug	Temporary SLA Target Sep-Dec
APC	90%	70%	80%
Deaths	95%	75%	85%
Retirements	95%	75%	85%
Divorce	95%	75%	85%
Interfund In	90%	70%	80%
Transfer In	90%	70%	80%
Interfund Out	95%	75%	85%
Transfer out	95%	75%	85%
Member Estimate	90%	70%	80%
HR Estimate	90%	70%	80%
Refunds	95%	75%	85%
Leavers*	90%	70%	80%
Re-employments**	90%	70%	80%
Assistants***	90%	70%	80%
Starters (IPPF)	95%	75%	85%
Totals / Average Overall			

Benefit Adminisation Monthly SLA Statistics

Subject	Standard SLA Target	May-20			Jun-20			Jul-20			Aug-20			Sep-20			Oct-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	Total Number Completed	% Achieved in SLA deadline	% Achieved in Legal deadline	Total Number Completed	% Achieved in SLA deadline	% Achieved in Legal deadline
APC	**90%**	0	100.00%		0	100.00%		2	100.00%		1	100.00%		3	66.67%		8	100.00%	
Deaths	**95%**	84	98.81%	TBC	90	97.78%	TBC	62	95.16%	TBC	52	100.00%	TBC	54	98.15%	TBC	50	100.00%	TBC
Retirements	**95%**	76	94.74%	100.00%	97	98.97%	100.00%	102	94.12%	100.00%	73	100.00%	100.00%	85	96.47%	96.47%	99	98.99%	98.99%
Divorce	**95%**	12	100.00%		8	100.00%		17	100.00%		13	100.00%		19	100.00%		8	100.00%	
Interfund In	**90%**	42	100.00%		60	98.33%		46	100.00%		51	100.00%		39	92.31%		64	90.63%	
Transfer In	**90%**	14	92.86%	100.00%	30	100.00%	100.00%	29	100.00%	100.00%	29	100.00%	100.00%	24	87.50%	87.50%	22	86.36%	86.36%
Interfund Out	**95%**	77	70.13%		69	62.32%		84	86.90%		108	96.30%		54	90.36%		101	87.13%	
Transfer out	**95%**	19	94.74%	100.00%	33	93.94%	100.00%	29	86.20%	100.00%	34	92.50%	92.50%	30	80.00%	80.00%	51	84.31%	84.13%
Member Estimate	**90%**	29	86.21%	100.00%	49	83.67%	100.00%	88	92.05%	100.00%	35	94.59%	100.00%	63	100.00%	100.00%	49	91.84%	91.84%
HR Estimate	**90%**	6	83.33%		16	100.00%		4	75.00%		3	100.00%		1	100.00%		5	100.00%	
Refunds	**95%**	19	100.00%		27	100.00%		35	100.00%		12	100.00%		22	95.45%		15	100.00%	
Leavers*	**90%**	164	98.78%	99.59%	272	98.90%	98.90%	316	98.42%	98.42%	191	97.95%	97.95%	435	98.62%	98.62%	366	95.90%	95.90%
Re-employments**	**90%**	55	100.00%		59	96.61%		61	98.36%		76	80.26%		43	97.67%		45	91.11%	
Assistants***	**90%**	347	96.35%		399	89.97%		302	99.67%		190	95.00%		25	92.00%		626	100.00%	
Starters (IPPF)	**95%**	53	37.74%	100.00%	0	100.00%	100.00%	0	100.00%	100.00%	2	100.00%	100.00%	0	100.00%	100.00%	0	100.00%	100.00%
Totals / Average Overall		997	94.00%	99.93%	1209	94.32%	99.82%	1175	94.71%	99.74%	869	96.90%	98.41%	894	92.51%	93.77%	1501	94.73%	92.87%

* 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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Oxfordshire Pension Fund

Contents

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Oxfordshire Pension Fund ("the Fund"), which is administered by Oxfordshire County Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. It is effective from 1 April 2021.

1.2 What is the Oxfordshire Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the Oxfordshire Pension Fund, in effect the LGPS for the Oxfordshire area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependents (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependents.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Investment Strategy Statement (see Section 4)

1.4 How does the Fund and this FSS affect me?

This depends on who you are:

- a member of the Fund, i.e. a current or former employee, or a dependent: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Fund. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependents' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

If you have any other queries please contact Sean Collins, Service Manager, Pensions in the first instance at sean.collins@oxfordshire.gov.uk

2 Basic Funding Issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;

- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;

- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 What is each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as “Scheduled Bodies”, the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies’ membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as ‘admission bodies’. These employers are generally those with a “community of interest” with another scheme employer – **community admission bodies** (“CAB”) or those providing a service on behalf of a scheme employer – **transferee admission bodies** (“TAB”). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund’s admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term ‘admission bodies’; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers).

2.4 How does the calculated contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners’ life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2. The **time horizon** required period over which the funding target is achieved. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund’s view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8.

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2.5 How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's "deficit"; if it is more than 100% then the employer is said to be in "surplus". The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, funding levels and deficits are short term, high level risk measures, whereas contribution-setting is a longer term issue.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;

- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

2.7 What approach has the Fund taken to dealing with uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure?

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However it is expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

[The LGPS Scheme Advisory Board (SAB) issued advice to LGPS funds in May 2019]. As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

The Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates. As the benefit structure changes that will arise from the McCloud judgement are uncertain, the Fund has elected to make an approximate allowance for the potential impact in the assessment of employer contribution rates at the 2019 valuation: this will be achieved by building in a slightly higher required likelihood of reaching funding target, all other things being equal.

Once the outcome of the McCloud case is known, the Fund may revisit the contribution rates set to ensure they remain appropriate.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

2.8 When will the next actuarial valuation be?

On 8 May 2019 MHCLG issued a consultation seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

On 7 October 2019 MHCLG confirmed the next LGPS valuation cycle in England and Wales will be 31 March 2022, regardless of the ongoing consultation. The Fund therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?

2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.

3. What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future. Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority reserves the right to direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required likelihood of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms (see Section 3.3 note (b));
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex- employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will result in a lower level of future investment returns on the employer's asset share. Thus, deferring a certain amount of contribution may lead to higher total contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

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3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies	
Sub-type	**Local Authorities**	**Colleges & Universities**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**Traditional**	**Pass-through***
Funding Target Basis used	Ongoing participation basis, assumes long-term Fund participation (see Appendix E)			Ongoing participation basis, but may move to "gilts exit basis" - see Note (a)		Contractor exit basis, assumes fixed contract term in the Fund (see Appendix E)	Ongoing participation basis, as per respective letting employer.
Primary rate approach	(see Appendix D – D.2)						Contribution rate as agreed between contractor and letting authority
Stabilised contribution rate?	Yes - see Note (b)	Depends on covenant strength of employer	No	No	No	No	
Maximum time horizon – Note (c)	20 years	15 years	20 years	Up to 20 years	Average future working lifetime	As per the letting employer	
Secondary rate – Note (d)	Monetary amount	Monetary amount	% of payroll	Monetary amount	Monetary amount	Monetary amount or % of payroll	
Treatment of surplus	Covered by stabilisation arrangement	Reduce contributions by spreading the surplus over time horizon	Reduce contributions by spreading the surplus over the maximum time horizon	Preferred approach: contributions kept at Primary rate. Reductions may be permitted by the Administering Authority		Reduce contributions by spreading the surplus over the remaining contract term	N/A
Likelihood of achieving target – Note (e)	75%	75%	75%	75%	75%	75%	N/A
Phasing of contribution changes	Covered by stabilisation arrangement	3 years**	3 years**	3 years**	3 years**	None	N/A
Review of rates – Note (f)	Review of rates will be carried out in line with the Regulations and as set out in **Note (f)**					Review of rates will be carried out in line with the Regulations and as set out in **Note (f)** Particularly reviewed in last 3 years of contract	As per the terms of the admission agreement and contract with letting authority
New employer	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)	
Cessation of participation: exit debt/credit payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation calculation principles applied would be as per Note (j).			Can be ceased subject to terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Participation is assumed to expire at the end of the contract. Cessation debt/credit calculated on the contractor exit basis, unless the admission agreement is terminated early by the contractor in which case the low risk exit basis may apply. Letting employer will be liable for future deficits and contributions arising. See Note (j) for further details	Upon cessation the contractor's assets and liabilities will transfer back to the letting employer with no crystallisation of any deficit or surplus. Further detail on fixed contribution rate agreements is set out in Note (j).

* Where the Administering Authority recognises a fixed contribution rate agreement between a letting authority and a contractor, the certified employer contribution rate will be derived in line with the methodology specified in the risk sharing agreement. Additionally, in these cases, upon cessation the contractor's assets and liabilities will transfer back to the letting employer with no crystallisation of any deficit or surplus. Further detail on fixed contribution rate agreements is set out in note (j).

** In exceptional circumstances the Administering Authority has the discretion to extend phasing of contribution changes for up to 6 years.

Note (a) (Gilts exit basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. based on the return from long-term gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (i.e. Major Authorities and Universities) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

On the basis of extensive modelling carried out for the 2019 valuation exercise (see Section 4), the stabilised details are as follows:

Type of employer	Max cont increase p.a.	Max cont decrease p.a.
“Standard” Council (i.e. with no material changes to structure of membership)	+1% of pay	-1% of pay
“Closed” Council (i.e. structured where a material proportion of the overall Council Pool is closed to new entrants)	+2%	-2%
University	+1%	-1%

The stabilisation criteria and limits will be reviewed at the next formal valuation. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority would normally expect the same period to be used at successive valuations but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Note (d) (Secondary rate)

For employers where stabilisation is not being applied, the Secondary contribution rate for each employer covering the period until the next formal valuation will often be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between formal valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large Secondary contribution rate (e.g. above 15% of payroll), or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants, or
- for smaller employers.

Note (e) (Likelihood of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer’s current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

Under the Regulations the Fund may amend contribution rates between valuations for "significant change" to the liabilities or covenant of an employer. The Fund would consider the following circumstances as a potential trigger for review:

- in the opinion of an Administering Authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
- an employer is approaching exit from the scheme within the next two years and before completion of the next valuation;
- an employer agrees to pay increased contributions to meet the cost of an award of additional pension, under Regulation 31(3) of the Regulations;
- there are changes to the benefit structure set out in the LGPS Regulations including the outcomes of the McCloud case and cost sharing mechanisms (if permitted in Regulation at that time) which have not been allowed for at the last valuation;
- it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the Administering Authority that there has been a significant change in the ability of an employer or employers to meet their obligations (i.e. a material change in employer covenant);
- it appears to the Administering Authority that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the Administering Authority.

The Administering Authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially or they are going through a significant restructuring impacting their membership).

Except in circumstances such as an employer nearing cessation, the Administering Authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation.

It should be noted that any review may require increased contributions.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

i. The new academy will be regarded as a separate employer in its own right. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but will be combined with those of the other academies in the MAT;

ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section 3.3 above;

v. However, if the academy has 50 or less members they are required to join the Academies Pool (this approach was arranged following a consultation exercise at the beginning of 2013). However, a small academy can seek the approval of the Administering Authority to permanently opt out of the Academies Pool where the Administering Authority is satisfied there is a suitable financial case, with all future pension liabilities appropriately underwritten.

vi. In addition, any new academy with over 50 members also has the right to opt to join the pool on a permanent basis.

vii. The Administering Authority will also consider applications from any academies under a single "Umbrella" MAT to operate a single pool for all academies within the Trust. (The Administering Authority will treat a MAT as a single employer with its own individual employer contribution applicable across all schools within the Trust – subject to total members exceeding 50 as per (v) above).

viii. It is possible for an academy to leave one MAT and join another. If this occurs, all active, deferred and pensioner members of the academy transfer to the new MAT. At the discretion of the Fund there may be no requirement to recalculate the transferring and receiving MAT's contribution rates as a result of the transfer (i.e. if both MATs have employer contributions certified as a percentage of pay, then it is assumed that the respective change in payroll as a result of the transfer, will broadly adjust each MATs total contributions adequately). However, the Fund reserves the right to revise both the transferring and receiving MAT's contribution rate if the transfer is significant.

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance (or removal of the formal guarantee currently provided to academies by the DfE). Any changes will be notified to academies and will be reflected in a subsequent version of this FSS. In particular, policies (iv) to (viii) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis. See also Note (i) below.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a “contractor”). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees’ Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Employers which “outsource” have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular, there are three different routes that such employers may wish to adopt.

Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term. Please note, the level of surplus would be determined by the Administering Authority in accordance with the Regulations and this FSS.

iii) Fixed contribution rate agreed

Under this option the contractor pays an agreed fixed contribution rate throughout its participation in the Fund (e.g. the same contribution rate as the letting employer) and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks "pass through" to the letting employer.

The Administering Authority's preferred approach is that a new TAB will participate in the Fund via a fixed contribution rate arrangement with the letting employer. The certified employer contribution rate will be set equal to the fixed contribution rate agreed between the letting authority and the contractor. The fixed rate that will be paid is at the discretion of the letting authority and contractor subject to a minimum of the letting authority's Primary Rate on the contract start date. Upon cessation the contractor's assets and liabilities will transfer back to the letting authority with no crystallisation of any deficit or surplus.

Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Exiting the Fund)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund; or
- On termination of a deferred debt agreement.

On cessation, the Administering Authority may put in place a deferred debt arrangement or will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus.

Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body. The Fund's normal policy is that this cessation debt is paid in full in a single lump sum within 30 days of the employer being notified. However, in line with the Regulations and when in the best interests of all parties, the

Fund may agree for this payment to be spread over an agreed period, however, such agreement would only be permitted at the Fund's discretion, where payment of the debt in a single immediate lump sum could be shown to be materially detrimental to the employer's normal operations. In cases where payment is spread, the Fund reserves the right to require that the ceasing employer provides some form of security (such as a charge over assets, bond indemnity or guarantee) relating to the unpaid amount of debt at any given time.

Where there is a surplus, the Administering Authority will determine the amount of exit credit to be paid in accordance with the Regulations. In making this determination, the Administering Authority will consider the extent of any surplus, the proportion of surplus arising as a result of the Admission Body's employer contributions, any representations (such as risk sharing agreements or guarantees) made by the Admission Body and any employer providing a guarantee (or some other form of employer assistance/support) to the Admission Body and any other factors the Administering Authority deem relevant.

The below sets out the general guidelines that the Fund will follow when determining the amount of an exit credit payable to a ceasing employer in line with Regulation 64 depending on employer's participation conditions. Please note that these are guidelines only and the Fund will also consider any other factors that are relevant on a case-by-case basis. These considerations may result in a determination that would be different if the below guidelines were rigorously adhered to. In all cases, the Fund will make clear its reasoning for any decision.

<u>Admission bodies</u>

a) It is expected that no exit credit will be payable in respect of admissions who joined the Fund before 14 May 2018. Prior to this date, the payment of an exit credit was not permitted under the Regulations and therefore contracts were entered into with no expectation that an exit credit would be paid, and therefore priced accordingly. In this circumstance, no exit credit will be payable.

If the contract terms were revised following the introduction of exit credits and a new price agreed on the understanding that exit credits were now permitted, an exit credit may be payable. This must be made clear in the representations to the Fund.

b) No exit credit will be payable to any admission body who participates in the Fund via the "fixed contribution rate" (or pass through), approach, as set out under "Note (i) (New Transferee Admission Bodies)".

c) There are a number of other types of possible risk sharing arrangements which are or could be in operation within the Fund (for example, a "Pooling" arrangement as set out under "Note (i) (New Transferee Admission Bodies)". In these circumstances, the Fund will make an exit credit payment in line with the admission terms which detail the ownership of exit credits/cessation surpluses.

d) The Fund will make an exit credit payment in line with any contractual or risk sharing agreement which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for each funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority and within one month of the admission body ceasing participation in the Fund.

e) If there is any dispute from either party with regards to interpretation of contractual or risk sharing agreements as outlined in c) above, the Fund will withhold payment of the exit credit until such disputes are resolved.

f) The Fund will also consider any representations made by the letting authority regarding monies owed to them by the admission body in respect of the contract that is ceasing or any other contractual arrangement between the two parties. The letting authority must make such representations in a clear and unambiguous document within one month of the admission body ceasing participation in the Fund.

g) Where a guarantor arrangement (or some other form of employer assistance/support) is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

h) If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund's determination of the value of any exit credit payment. In these cases, the Fund will consider the differential between employer contributions paid and the size of any cessation surplus.

i) The decision of the Fund is final in the interpreting how any arrangement described under c), e), f) and g) applies to the value of an exit credit payment.

j) If an admitted body leaves on a gilts exit basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

Scheduled bodies and resolution bodies

a) If a scheme employer or resolution body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.

b) If a scheme employer or resolution body exits on a gilts exit basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

General

a) The Fund will advise the exiting employer as well as any letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.

b) The Fund will also factor in if any contributions due or monies owed to the Fund remain unpaid by the employer at the cessation date. If this is the case, the Fund's default position will be to deduct these from any exit credit payment.

c) The final decision will be made by the Service Manager (Pensions), in conjunction with advice from the Fund's Actuary and/or legal advisors where necessary. The Service Manager (Pensions) may referred any contentious cases to the Pension Fund Committee for determination.

d) The Fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the Fund will discuss its approach to determining an exit credit with all affected parties. The decision of the Fund in these instances is final.

e) The Fund will advise the exiting employer of the amount due to be repaid and seek to make the payment within six months of the exit date. In order to meet the six-month timeframe, the Fund requires prompt notification of an employer's exit and all data and relevant information as requested. The Fund is unable to make any exit credit payment until it has received all data and information requested.

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will apply an adjustment to the ceasing employer's post 2014 benefit accrual value, as an estimate of the possible impact of resulting benefit changes.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

(a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a "gilts exit basis", which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

(b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in Appendix E;

(c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

(d) At the absolute discretion of the Fund, a ceasing non-transferee admission body with no guarantor, may be permitted to leave the Fund with its final funding position calculated using the ongoing participation basis. In the case where no deficit exits the ceasing employer may exit the Fund without any cessation payment being requested. However, the employer would also not be entitled (either at the exit date or at any point in the future) to any cessation surplus which has been calculated using the ongoing participation basis.

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Administering Authority may enter into a written agreement with the Admission Body to defer their obligations to make an exit payment and continue to make secondary contributions (a 'Deferred Debt Agreement' as described in Regulation 64 (7A)). The Admission Body must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the Fund Actuary until the termination of the deferred debt agreement.

The Administering Authority will consider deferred debt agreements in the following circumstances:

- The Admission Body requests the Fund consider a deferred debt agreement;
- The Admission Body is expected to have a deficit if a cessation valuation was carried out;
- The Admission Body is expected to be a going concern; and
- The covenant of the Admission Body is considered sufficient by the Administering Authority.

The Administering Authority will normally require:

- Security be put in place covering the Admission Body's deficit on their cessation basis;
- Regular monitoring of the contribution requirements and security requirements;

- All costs of the arrangement are met by the Admission Body, such as the cost of advice to the Fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A deferred debt agreement will normally terminate on the first date on which one of the following events occurs:

- the Admission Body enrols new active Fund members;
- the period specified, or as varied, under the deferred debt agreement elapses;
- the take-over, amalgamation, insolvency, winding up or liquidation of the Admission Body;
- the Administering Authority serves a notice on the Admission Body that the Administering Authority is reasonably satisfied that the Admission Body's ability to meet the contributions payable under the deferred debt arrangement has weakened materially or is likely to weaken materially in the next 12 months;
- the Fund actuary assesses that the Admission Body has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. Admission Body is now largely fully funded on their cessation basis);
- the Fund actuary assesses that the Admission Body's value of liabilities has fallen below an agreed *de minimis* level, if the employer becomes an exiting employer on the calculation date; or
- The Admission Body requests early termination of the agreement and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the Admission Body pays their outstanding cessation debt on their cessation basis).

On the termination of a deferred debt agreement, the Admission Body will become an exiting employer and a cessation valuation will be completed in line with this FSS.

3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. Currently the pools in place within the Fund are as follows:

- A Town and Parish Council Pool
- An Academies Pool (as noted under 3.3 note (g) above)
- A Small Admitted Bodies Pool
- Smaller Transferee Admission Bodies mayalso be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

It should also be noted that, if a pooled employer is considering ceasing from the Fund, while its required contributions would be based on the pool's funding position, when appropriate this position would be updated to reflect the cessation terms: see Note (j).

For the avoidance of doubt, when a pooled employer ceases (regardless of any subsequent cessation arrangements made with the Fund), its funding will be immediately removed from the pool based on the cessation valuation carried out at that time.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate. Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

3.7 Ill health early retirement costs

If a member retires early due to ill-health, an additional funding strain will usually arise, which can be very large. Such strain costs are the responsibility of the member's employer to pay.

To mitigate this risk, individual employers may elect to use external insurance, which has been made available by the Fund (see 3.8 below).

3.8 Ill health risk management

The Fund recognises ill health early retirement costs can have a significant impact on an employer's funding and contribution rate, which could ultimately jeopardise their continued operation.

Prior to 2020 this risk has been mitigated, for smaller scheme employers, by the pooling arrangements in place. However, to help manage ill-health retirement costs for all scheme employers the Fund would be prepared to establish new insurance arrangements if there was sufficient demand for such a provision. Employers who would wish to explore such an option should contact (Sally Fox) in the first instance.

3.9 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt or receive an exit credit on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependent dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.

c) In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund (as detailed in note (j)). This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Policies on bulk transfers

The Fund has a separate written policy which covers bulk transfer payments into, out of and within the Fund. Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement, which is available to members and employers.

The investment strategy is set for the long-term but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is followed for all employers. However, this is approach reviewed from time-to-time to ensure each employer's investment strategy is appropriate given their funding objective and current funding position.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pensions Committee meetings, and also to employers through Employers Forums.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each actuarial valuation, report to MHCLG on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds’ actuarial bases do not make comparisons straightforward.

Appendix

Appendix A – Regulatory framework

Why does the Fund need an FSS?

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

- *"to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;*
- *to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*
- *to take a **prudent longer-term view** of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund's actuary carries out valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate", and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

In practice, for the Fund, the consultation process for this FSS was as follows:

a) a final draft version of the FSS was issued to all participating employers on 10 January 2020 for comment;
b) comments were requested within 30 days;
c) there was an employers Forum on 17 January 2020 attended by the Fund Actuary at which questions regarding the FSS could be raised and were answered;
d) following the end of the consultation period, there were no amendments proposed and the final document was signed off by the Pension Fund Committee on 6 March 2020.

A3 How is the FSS published?

The FSS is made available through the following routes:

- published on the website at www.oxfordshire.gov.uk/pensions
- a copy sent by email/post to each participating employer in the Fund
- a copy is sent to employee/pensioner representatives
- a summary is issued to all Fund members
- a full copy is included in the annual report and accounts of the Fund
- copies are sent to investment managers and independent advisers
- copies are made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed before the next scheduled review. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at www.oxfordshire.gov.uk/pensions

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should: -

1 operate the Fund as per the LGPS Regulations;

2 effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;

3 collect employer and employee contributions, and investment income and other amounts due to the Fund;

4 ensure that cash is available to meet benefit payments as and when they fall due;

5 pay from the Fund the relevant benefits and entitlements that are due;

6 invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;

7 communicate appropriately with employers so that they fully understand their obligations to the Fund;

8 take appropriate measures to safeguard the Fund against the consequences of employer default;

9 manage the valuation process in consultation with the Fund's actuary;

10 provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

11 prepare and maintain a FSS and a ISS, after consultation;

12 notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and

13 monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should: -

1 deduct contributions from employees' pay correctly;

2 pay all contributions, including their own as determined by the actuary, promptly by the due date;

3 have a policy and exercise discretions within the regulatory framework;

4 make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and

5 notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should: -

1 prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;

2 provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

3 provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);

4 prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;

5 assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;

6 advise on the termination of employers' participation in the Fund; and

7 fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties: -

1 investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;

2 investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;

3 auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;

4 governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;

5 legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;

6 MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance. Regularly consider the use of individual investment strategies to meet needs of a diverse employer group.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning.

Risk	Summary of Control Mechanisms
	Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).
Effect of possible asset underperformance as a result of climate change	The Fund invests its assets in line with Responsible Investment beliefs and guidelines. The impact of different climate change scenarios on future funding positions was modelled at the 2019 valuation, with the risk reflected via the use of prudence within each employer's "likelihood of achieving target" (see section 3).

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.

Risk	Summary of Control Mechanisms
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known. The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.

Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	**Summary of Control Mechanisms**
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by:

Risk	Summary of Control Mechanisms
	Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).
An employer ceasing to exist resulting in an exit credit being payable	The Administering Authority regularly monitors admission bodies coming up to cessation The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,

2. within the determined time horizon (see note 3.3 Note (c) for further details),

3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer's funding target assumptions (see Appendix E).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

1 meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)

2 at the end of the determined time horizon (see 3.3 Note (c) for further details)

3 with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (~~by~~ at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;

2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);

3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;

4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

The Fund Actuary tracks employer assets on an annual basis. Starting with each employer's assets from the previous year end, cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the year are added to calculate an asset value at the year end. The approach has some simplifying assumptions in that all cashflows and investment returns are assumed to have occurred uniformly over the course of the year. As the actual timing of cashflows and investment returns are not allowed for, the sum of all employers' asset values will deviate from the whole fund asset total over time (the deviation is expected to be minor). The difference is split between employers in proportion to their asset shares at each valuation.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators or (from time-to-time) calculated in bulk by the Fund Actuary.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

These are expectations of future experience used to place a value on future benefit payments ("the liabilities") and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

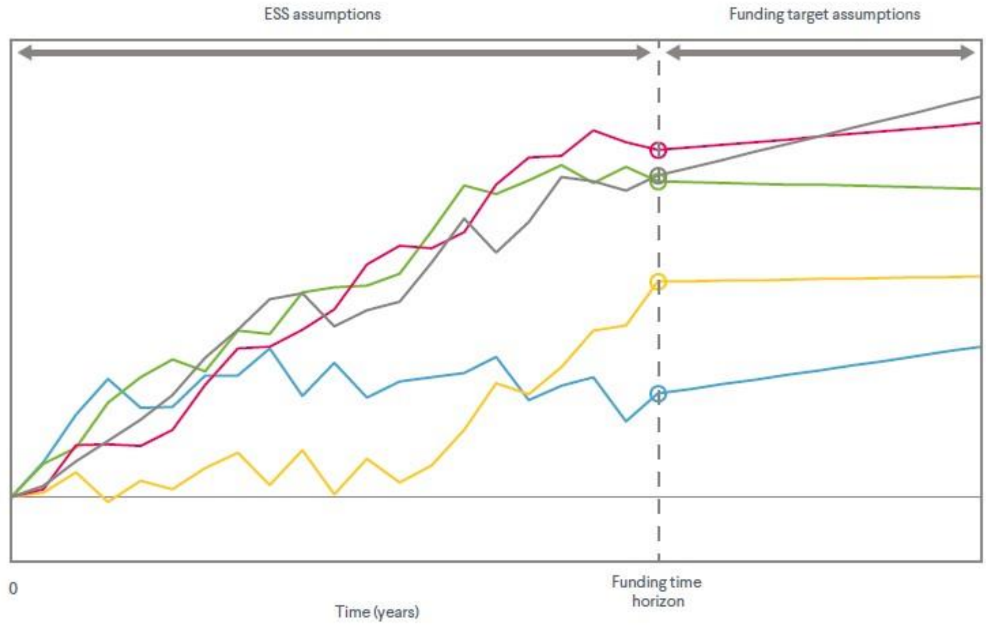
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary's approach to calculating employer contribution rates involves the projection of each employer's future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer's assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer's required likelihood) being successful at the end of the employer's time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer's assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson's proprietary stochastic economic model - the Economic Scenario Service ("ESS").

2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

		Annualised total returns									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)	RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Volatility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	Ongoing participation basis	Contractor exit basis	Low risk exit basis
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Typically applied to Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 2.8% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund's assets

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

After discussion with Fund officers, the salary increase assumption at the 2019 valuation has been set equal to Consumer Prices Index (CPI).

b) Pension increases

Since 2011 the CPI rather than Retail Prices Index (RPI), has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

(Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.

Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Secondary contribution rate	The difference between the employer's actual and Primary contribution rates. See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.
Valuation	**Primary and Secondary contribution rates**, and other statutory information for a Fund, and usually individual employers too.

OXFORDSHIRE LOCAL PENSION BOARD – 22 JANUARY 2021

INVESTMENT MANAGEMENT COSTS AND PERFORMANCE

Report by the Director Finance

Recommendation

1. The Board are invited to discuss the contents of this report and consider what advice, if any, to send to the Pension Fund Committee.

Introduction

2. This is the third in a series of reports considered by this Board in respect of the costs and performance of the investment management portfolios run on behalf of the Pension Fund Committee. The previous two reports were presented to the Board at their meetings in January and July 2019, and looked at investment management costs in the year to March 2018 and March 2019 respectively.

3. In the previous two reports, Officers have highlighted their concerns in seeking to draw too many conclusions from the cost and performance data, especially when considered over periods as short as one year. The majority of fees paid are ad valorem i.e. at a fixed rate and not related to performance. Over a period of time therefore, the total level of fees for any specific portfolio will remain reasonably steady, varying only in line with the assets under management. Performance on the individual portfolios in contrast will be more volatile over time, reflecting investment styles and/or characteristics of the investment classes. In the short term therefore, it is expected that some portfolios will show out-performance in excess of the active fees paid, whilst others will show under-performance. Over the full investment cycle it would be expected that active Fund Managers will deliver outperformance against the relevant benchmark well in excess of any active management fees paid.

4. It is also important to note that the Investment Strategy Statement needs to be assessed on a much wider basis than a simple assessment of costs and performance. Diversification of investment risk is a key element of the investment strategy, which the Committee has delivered in recent years through increased allocations to the private markets. Given the specialist mature of these markets, fee levels tend to be higher than those paid in the traditional listed markets.

5. Paying higher fees to target improved long-term investment performance through greater analysis and engagement on environmental, social and governance factors should also be considered, especially in light of the inclusion in the most recent Investment Strategy Statement of the Climate Change Policy. A Fund is likely to experience short-term underperformance during any period companies are transitioning to a more sustainable business model.

Latest Annual Figures

6. Annex 1 shows the latest annual figures for investment management fees paid, using the same format as the previous reports. For each portfolio the annex shows a simple average of assets under management during the year to provide context for the fee level, as well as the reported investment performance against benchmark.

7. The figures are all shown for the year ended 31 March 2020. Whilst there are later performance figures that have been reported to Committee, information on gross investment management fees is not so readily available. Not all fees are directly invoiced to the Fund by the Fund Managers and are offset within the investment portfolio against gross investment performance. These costs are then provided to the Fund by Fund Managers as part of the cost transparency templates on an annual basis. It is also the case that the Fund does not accrue for any outstanding fees on a quarterly basis but does so once a year as part of the closure of the Fund accounts.

8. Interpretation of the figures is further complicated by the on-going of transitions to switch management of the Fund's investment assets to Brunel and the impact on the financial markets of the current pandemic. In respect of the former, the annex does not include any performance figures where the portfolio was not held for the full year to 31 March 2020. In respect of the later, it should be noted that many of the performance figures for the private market investments were subject to review and differences between Fund performance and benchmark performance will in part reflect the timing of these reviews.

9. The total investment management fees paid in 2019/20 amounted to £7.827m. This was an increase of £495,000 over the previous year, which is mainly accounted for by the additional fees payable to Brunel to reflect the establishment of their private markets team. Some of these costs are one-off in nature and others are fixed so we would not expect to see a proportionate increase in these fees as more money is committed to the private market portfolios, including the money currently invested through Adams Street and Partners Group. We would therefore expect to see overall reductions in fees as the transitions in the private markets continue and the fees to the existing private market fund managers drop out.

10. The total fees represent 32 basis points (i.e. 0.32%) of the total assets under management. This figure compares to 30bps in 2018/19. The increase is again largely explained by the costs related to the transitions in the private markets.

11. The performance figures for the Fund as a whole of over the period covered by the fees paid show an investment loss of 5.8% against a benchmark loss of 5.5%. On the face of these figures therefore it would not appear to be effective to be paying active management fees. However, it should be noted that whilst there is a large market in passive equity products, the same is not true for fixed income and the private markets. As noted above, it is therefore

necessary to pay the active management fees particularly in the private markets to obtain the diversification of total investments and the overall level of investment performance.

12. It should also be noted that whilst the 1 year performance figures are disappointing relative to benchmark, the performance figures within the Annual Report and Accounts show that over 3, 5 and 10 years the Fund has beaten its benchmark by 50bps, 40bps and 20 bps respectively. Over recent years therefore the performance has more than justified the level of fees paid.

Lorna Baxter
Director of Finance January 2021

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Email: sean.collins@oxfordshire.gov.uk
Telephone Number: 07554 103465

Annex 1 Fund Manager Fees 2019/20

Portfolio - Fund Manager	Fees as per the 2019/20 Final Accounts £000	Average Portfolio Size 2019/20 £000	Actual Investment Performance %	Benchmark Investment Performance %	Variation %
Part Year Equities					
Global Equities – Wellington (*)	715	133,597			
Global High Alpha – Brunel (*)	385	118,434			
Emerging Markets – Brunel (*)	166	32,047			
	1,266	**284,078**			
In-House Property					
Bridges	373				
Partners Group (!)	-202				
	171	**28,623**	**5.4**	**0.0**	**5.4**
Private Equity					
Adams Street	805				
Epiris	141				
Longwall Ventures	178				
Partners Group (!)	106				
	1,230	**172,165**	**3.8**	**-19.4**	**23.2**
Other Portfolios					
UK Equities – Brunel	850	396,015	-20.0	-18.5	-1.5
UK Passive Equities – Brunel ($)	29	175,279	-18.5	-18.5	0.0
Developed World Passive Equities – Brunel ($)		232,804	-5.4	-5.4	0.0
Global Equities - UBS	863	282,893	-9.9	-6.2	-3.7
Fixed Income - LGIM	1,197	503,755	4.0	4.8	-0.8
Property - UBS	245	139,572	1.9	0.0	1.9
Infrastructure - Brunel	261	6,629	15.9	1.5	14.4
Infrastructure – Partners (!)	263	11,065	16.3	4.7	11.6
Private Equity - Brunel	798	7,871	17.4	-6.2	23.6
Secured Income - Brunel	52	7,503	0.1	1.5	-1.4
Diversified Growth Fund - Insight	602	126,306	-5.5	4.7	-10.2
In-House Cash		51,160			
Total Fund	**7,827**	**2,425,714**	**-5.8**	**-5.5**	**-0.3**

(*) – portfolios not in pace for the full year so not possible to show full year’s performance figures
($) – passive fees not split between UK and Developed Market Funds
(!) – Partners Fees include both a management and a performance element – due to poor performance the performance fees are negative and in the case of property more than offset the management fee

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