Public Document Pack

OXFORDSHIRE
COUNTY COUNCIL

To: Members of the Pension Fund Committee

Notice of a Meeting of the Pension Fund Committee

Friday, 4 December 2020 at 10.30 am

Please note that due to guidelines imposed on social distancing by the Government the meeting will be held virtually.If you wish to view proceedings please click on this Live Stream Link
However, that will not allow you to participate in the meeting.

Yvonne Rees
Chief Executive

November 2020

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

Membership

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

County Councillors

Ian Corkin
Mark Lygo
Charles Mathew
John Sanders
Roz Smith
Lawrie Stratford
Alan Thompson

District Councillors (Co-optees - Voting)

Alaa Al-Yousuf
Jo Robb

Notes:

- ***Date of next meeting: 5 March 2021;***
- ***The formal meeting of the Committee will be preceded by a private training session delivered by Hymans Robertson on the Scheme Advisory Board's Good Governance Project and the impact on the Pension Fund Committee.***

Declarations of Interest

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

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

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

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

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

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

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

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

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

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

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

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

AGENDA

1. Apologies for Absence and Temporary Appointments

10:30

2. Declarations of Interest - see guidance note

3. Minutes (Pages 1 - 16)

To approve the minutes of the meeting held on 11 September 2020 (**PF3**) and to receive information arising from them.

4. Petitions and Public Address

This meeting of the Pension Fund Committee will be held virtually in order to conform with current guidelines regarding social distancing. Normally requests to speak at this public meeting are required by 9 am on the day preceding the published date of the meeting. However, during the current situation and to facilitate these new arrangements, we are asking that requests to speak are submitted by no later than 9am four working days before the meeting i.e. 9 am on 30 November 2020. Requests to speak should be sent to Deborah.miller@oxfordshire.gov.uk together with a written statement of your presentation to ensure that if the technology fails then your views can still be taken into account. A written copy of your statement can be provided no later than 9 am 2 working days before the meeting.

Where a meeting is held virtually and the addressee is unable to participate virtually their written submission will be accepted
.
Written submissions should be no longer than 1 A4 sheet.

5. Minutes of the Local Pension Board (Pages 17 - 22)

10:35

A copy of the unconfirmed Minutes of the Local Pension Board, which met on 23 October 2020 (**PF5**) is attached for information only.

6. Report of the Local Pension Board (Pages 23 - 24)

10:40

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

The Committee is RECOMMENDED to note the comments of the Board as set out below and take these into account when discussing the relevant items on the agenda.

7. **Annual Business Plan** (Pages 25 - 30)

10:50

Report by Director of Finance (**PF7**).

This report sets out progress against the key service priorities and the budget set for the Fund within its approved annual business plan.

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

8. **Implementing the Climate Change Policy** (Pages 31 - 34)

11:00

Report by the Director of Finance (**PF8**).

This item will include the regular update to the Committee on progress in implementing the Climate Change Policy, as well as a presentation and opportunity to raise questions with Faith Ward, Chief Responsible Investment Officer from Brunel.

The Committee is RECOMMENDED to:

(a) note the report;
(b) agree the purpose of the Climate Change Working Group as set out in Annex 1;
(c) agree that no target is set for fossil fuel reserves levels; and
(d) provide any comments on the priorities for the work of the Climate Change Working Group.

9. **Risk Register** (Pages 35 - 42)

12:00

Report by Director of Finance (**PF9**).

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

The Committee is RECOMMENDED to:

(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.***

10. **Administration Report** (Pages 43 - 124)

12:10

Report by the Director of Finance (**PF10**).

This report updates the Committee on the latest position on administration issues.

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.***

11. **Annual Report and Accounts** (Pages 125 - 228)

12:20

The Committee is invited to receive the Annual Report and Accounts for the Pension Fund.

The Committee is RECOMMENDED to receive the report.

12. EXEMPT ITEMS

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

THE REPORTS RELATING TO THE EXEMPT ITEMS HAVE NOT BEEN MADE PUBLIC AND SHOULD BE REGARDED AS STRICTLY PRIVATE TO MEMBERS AND OFFICERS ENTITLED TO RECEIVE THEM.

NOTE: In the case of item 15 there is no report circulated with the Agenda. Any exempt information will be reported orally.

13. Overview and Outlook for Investment Markets (Pages 229 - 234)

12:25

Report of the Independent Financial Adviser (**PF13**).

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

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

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

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

14. Overview of Past and Current Investment Position (Pages 235 - 324)

12:40

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

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

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

The Committee is RECOMMENDED to receive the performance reports, tables and graphs.

15. Summary by the Independent Financial Adviser

12:55

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

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

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

16. Provision of the Independent Financial Advice (Pages 325 - 330)

13:00

Report by Director of Finance (**PF16**).

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

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

The current contract for the Independent Financial Adviser (IFA) to the Committee expires in February 2021. The report sets out the key areas where the Committee continues to receive advice from the IFA, and invites the Committee to determine what arrangements they wish to see put in place going forward.

The Committee is invited to determine their approach to independent financial advice from 1 February 2021 onwards.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

17. Corporate Governance and Socially Responsible Investment
(Pages 331 - 342)

13:10

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

Pre-Meeting Briefing
There will be a pre-meeting briefing on 2 December 2020 at **11.00 am** for the Chairman, Deputy Chairman and Opposition Group Spokesman.

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 11 September 2020 commencing at 10.00 am and finishing at 12.38 pm.

Present:

Voting Members:	Councillor Kevin Bulmer – in the Chair Councillor Nicholas Field-Johnson (Deputy Chairman) Councillor Mark Lygo Councillor Charles Mathew Councillor John Sanders Councillor Roz Smith Councillor Alan Thompson
Other Members in Attendance:	Councillor Bob Johnston and Mr Alistair Bastin, Local Pension Board.)
District Council Representatives:	District Councillor Alaa Al-Yousuf District Councillor Jo Robb
By Invitation:	Mr Steve Moran (Beneficiaries Observer) and Mr Peter Davies, Independent Financial Advisor.
Officers:	Director of Finance, Lorna Baxter, Sean Collins, Sally Fox and Gregory Ley; Deborah Miller (Law & 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.

106/20 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 1)

Apologies for absence were received from Councillor Ian Corkin and Councillor Lawrie Stratford.

107/20 MINUTES
(Agenda No. 3)

The Minutes of the Meeting held on 5 June 2020 were approved and signed as an accurate record, subject to amending ‘Johnson’ with ‘Johnston’ and ‘Alister’ with ‘Alistair’ in the list of attendance.

Matters Arising

In relation to Minute 105/20, Councillor Field-Johnson thanked Mr Collins for his report, noting that the report focused on year 1 and 2 and that he had hoped to see a report of the liabilities of the Fund for the next 5 and 10 years, together with some sensitivity analysis. Mr Collins agreed to bring a short report to the December Meeting once the biggest employers had been through a budget cycle to see if there was a significant fall in membership numbers and to look at what the base lines were and at what level action would need to taken.

108/20 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

The Committee received a public address from Mr Karl Wallendszus on behalf of Fossil Free Oxfordshire (FFO). He thanked the committee for involving them in the workshop on climate risk at the end of last year and the working group that followed. They welcomed the shift on climate policy that had occurred since then. Sean Collins had described FFO as “critical friends” so in that spirit he highlighted some issues that were still of concern to them.

He welcomed the overall target to reduce emissions by 7.6 % p.a. for the companies the Pension Fund invests in. Emission reductions should however go hand in hand with reducing investments in companies which hold fossil fuel reserves. Providing unlimited capital to fossil fuel companies, whilst urging other companies to reduce emissions, did not make sense. Therefore, he urged the Committee to adopt targets to reduce exposure to fossil fuel investments.

FFO were hoping that the transfer of £135m from the Passive UK Equity portfolio to the Passive Low Carbon portfolio, as recommended by the independent financial adviser in March, would be an initial step. However, they noticed that only £120m was transferred in May, of which only £24m originated from the Passive UK Equity portfolio, the other £96m being transferred from the Passive Global Equity portfolio, which already had a low exposure to fossil fuels. As a result, the overall exposure to fossil fuels was still high, much higher than some other pension funds in the Brunel pool, such as the Environment Agency and Wiltshire.

Over the last three months Brunel had significantly reduced the fossil fuel exposure of the Passive Global Equity portfolio, which FFO applauded. He asked the Committee to urge Brunel, perhaps in collaboration with other member pension funds, to reduce exposure to fossil fuels in their other portfolios as well, in particular the UK Equity portfolios. 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. That underperformance had been evident for a number of years. According to their calculations, the fossil fuel component of the Brunel portfolios lost £46m in the first four months of 2020, much higher than other sectors. So stranded assets were now a reality. The Pension Fund had a fiduciary duty to maximise returns, and excessive exposure to fossil fuel companies hindered that duty. He urged the Committee not to be complacent.

109/20 MINUTES OF THE LOCAL PENSION BOARD

(Agenda No. 5)

The unconfirmed Minutes of the Local Pension Board which met on 17 July 2020 were noted.

110/20 REPORT OF THE LOCAL PENSION BOARD

(Agenda No. 6)

The Committee had before it 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.

Councillor Johnston highlighted the issues set out in the report, including the agreement that the risk register should go to all future meetings of the Board and that in future, the Board wished to receive the unconfirmed minutes of the Committee.

The Committee, whilst agreeing to the idea of the Local Pension Board receiving the minutes, expressed some reservation around the Local Pension Board receiving the unconfirmed minutes of the Committee prior to the Committee seeing and agreeing them. They asked the Committee Officer to investigate the issue.

RESOLVED: to note the comments of the Board and agree that they were happy to have their draft minutes made available to the Board in advance of the them being agreed by the next meeting of the Committee itself, subject to the Committee officer checking the requirements surrounding draft minutes.

111/20 REVIEW OF THE ANNUAL BUSINESS PLAN 2020/21

(Agenda No. 7)

The Committee had before it a report (PF7) which reviewed progress against the key objectives and budget set out in the 2020/21 Business Plan. Full reports on the objectives in respect of implementing the Climate Change Policy and improving the Governance of the Fund were included later on in the agenda.

Mr Collins reported that in terms of Brunel the report updated the current position and confirmed the fact that Brunel had restarted the transitions and that they were due to transition the monies from UBS portfolio to the Brunel portfolio at the end of the month. The report also looked at further improved engagement with scheme members.

RESOLVED: to note the progress against the key service priorities and the budget as set out in their annual business plan for 2020/21.

112/20 CLIMATE CHANGE POLICY IMPLEMENTATION PLAN UPDATE

(Agenda No. 8)

At the June 2020 meeting, the Pension Fund Committee agreed a Climate Change Policy Implementation Plan that set out how the fund will look to deliver against its Climate Change Policy. The Committee had before it a report (PF8) which was the first update on delivery against the implementation plan and will form a standing item on Pension Fund Committee agendas.

Mr Ley introduced the report and in particular highlighted the actions taken in the last quarter outlined in paragraphs 9 and 10 of the report. Brunel were currently working with The Institutional Investors Group on Climate Change on the development of their Paris Aligned Investment Initiative. This piece of work aimed to explore how investors could align their portfolios with the goals of the Paris Agreement including methods for assessing alignment. Brunel were participating in testing the outputs of the work using data from their portfolios. It was hoped that the work would lead to the ability to assess alignment with the Paris Agreement across the Brunel portfolios.

Officers had investigated the various investor groups focusing on climate change that the Fund could join. At this stage it was recommended that the Pension Fund join the Climate Action 100+ initiative and The Institutional Investors Group on Climate Change. Both of these bodies were well established with clear goals that aligned with those of the Pension Fund and benefited from the support of a wide investor base.

Members were asked to note that Faith Ward, the Chief Responsible Investment Officer at Brunel was scheduled to attend the December 2020 meeting of this Committee when all the above issues could be discussed in more depth. The Chairman asked the Committee to submit any questions they might have for the Chief Responsible Investment Officer to Sean prior to the Committee Meeting, so that she could armed with the answers to the questioned.

Councillor Roz Smith questioned whether Mr Ley had any comment from the statement from Hymans Robertson from the training in the morning around setting a target on Reserves. Mr Ley commented that he was happy to look at reserves. Brunel provided data around the Funds exposure to reserves on fossil fuel companies so it would be possible to set a target. He undertook to provide a report on this area in the next update to the Committee.

RESOLVED: to:

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

113/20 GOVERNANCE REVIEW

(Agenda No. 9)

The Committee had before it the Governance Review (PF9), which responded to the service priority included within the Business Plan for 2020/21 to review the governance of the Fund in light of the increased focus on this issue from the Pension Regulator and the Scheme Advisory Board. The main report which had been produced by Hymans Robertson also included the findings from the recent National Knowledge Assessment and proposed a further review of governance arrangements and a detailed training plan to address the weaknesses identified within the results of the Assessment.

According, Mr Ian Colvin, Hymans Robertson had been invited to the Committee to speak to his Report. Mr Colvin, in introducing the report highlighted the actions going forward to undertake a review of the funds governance arrangements in view of the changing pace of the LGPS and the requirements put on LGPS Funds, to look at the Funds policies and processes and to speak to key officers and members, actions and minutes with a view to carrying out an assessment against the regulator's expectations so that they could benchmark and provide recommendations going forward.

The second piece of work would focus on the results of the National Knowledge Assessment, to adopt a training plan based on what the National Knowledge assessment had told them, together with issues that individuals had raised as areas on which they needed further training on which would flexible to deal with any changes.

Councillor Charles Mathew questioned what the cost of fees would be. Mr Collins said he had a figure (which was not substantial) and would agreeing fees with Hymans Robertson prior to going ahead but emphasised that if this work was not carried out, it could cause potential problems with the pension regulator in the future.

Councillor Roz Smith questioned whether the training be coming out of a training budget for the County Council and indicated that her preference for training would be online and face to face training. The Chairman reported that Pension Fund Budget was separate from the County Council and would be coming from that. Councillor Lygo stated that he would wish to also see a sounding board developed.

RESOLVED: to (subject to Sean Collins agreeing the fees)

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

114/20 RISK REGISTER

(Agenda No. 10)

The Committee had before it a report (PF10) which updated the Members on the Fund's Risk Register, setting out the position on risks reported to the last meeting and adding in new risks identified in the intervening period.

Mr Collins reported that since the risk register was last updated in March, there had been a number of significant events, including the Covid-19 pandemic, the publication of the consultation on changes to the LGPS Regulations as a consequence of the McCloud case, and the revision of the Committee's Investment Strategy Statement including the new Climate Change Policy. The risk register had been reviewed in light of those events. One risk had been lowered, risk 2, and two increased. There were now 4 risks which required regular review, and these were set out in the report. He further reported that they had taken on the point from Local Pension Board to report the risks in future to every Board meeting.

One of the four risks scored Amber was the new risk 20 from the March register which covered the implications of the proposed new Regulations seeking to remedy the Court decisions in the age discrimination cases brought by McCloud and Sargeant. It was now known that the proposals involved bringing a wider group of scheme members within the current protection arrangements, initially only offered to those with 10 years of retirement.

The proposed changes would involve the Administering Authority having to complete 2 calculations for each scheme member to determine whether they were better off under the new 2014 CARE arrangements, or the previous final salary arrangements. The additional calculation to determine a member's pension entitlement under the previous final salary arrangements would require data not routinely maintained on the pension's software since the scheme changes in 2014. Whilst Oxfordshire has continued to collect this data from scheme employers since 2014, it had not been fully validated or loaded to the pension record. The data had not been provided where members had transferred into the Oxfordshire Fund since 2014.

There was therefore a significant risk that for certain scheme members, the Fund would not hold the data required to carry out the final salary pension entitlement, and/or would not be able to obtain/validate it from the scheme employer who could be outside the Oxfordshire Fund, had ceased to exist, no longer be a member of the Oxfordshire Fund, or changed their payroll provider since 2014. It was also likely that in some cases the information would need to be obtained/validated from multiple employers. There would a significant risk therefore that the required calculations will not be possible in all cases.

The second element of this risk related to the increased administrative effort required from both the scheme employers and the Administering Authority in order to meet the increased requirements. Even where it might possible to obtain the necessary data, there could be insufficient resources to complete the task. As this was a task that will impact across the whole of the LGPS, it was unlikely that there would be sufficient agency resource to fill all the gaps.

They were currently working with the Fund Actuary to identify the members who would be in scope for the extended protection, and to set up a project to load and validate the data they had already received, and to work with scheme employers and other Funds to collect the outstanding data. The Project Team would also review the resources necessary to undertake the work required and would determine whether to seek to make temporary appointments to the internal teams or seek to outsource the additional work to a 3rd party.

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

The Chairman reiterated the concerns made by Mr Collins in terms or resource and felt that there needed to be an industry response to this issue.

In relation the National Knowledge Assessment, the Committee noted that only 18 out of 99 authorities had completed the assessment.

Mr Collins reported that at the Committee briefing, the Chairman had raised a further risk to be added to the Register around the new regulations on the £95,000 exit payment cap and the potential challenges around how they provided information to employees and scheme members. In view of that the Chairman had asked for it to be added to the Risk Register so it could be monitored.

RESOLVED: to note the changes to the risk register and offer any further comments.

115/20 ADMINISTRATION REPORT

(Agenda No. 11)

The Committee considered a report (PF11) which gave an update on the latest position on administration issues and which requested determination on a number of issues as set out in the report, the resolutions for which are set out below.

Mrs Fox reported that at present the team was carrying vacancies for 2 senior administrators; 4.50 administrators and 2 administrative assistants. An additional senior administrator vacancy had been created by the secondment of a member of staff who would be covering the current team leader's maternity leave which started at the beginning of October. The senior administrator vacancies were not filled internally so those jobs would need to be advertised externally. The administrator posts had been advertised externally with over 200 responses received. Following an arduous selection process 4 candidates had been appointed and would be joining the team shortly.

Both administrative assistant roles were out to advert, and it was hoped that appointments would follow shortly. With such a high level of new recruits, team leaders were now setting out a training plan for our new entrants whilst maintaining the through put of work for the overall team. The employer team would be moving to their new operating structure so that team members would deal with a specific group of scheme employers for all contact with the Fund.

In relation to data, Mrs Fox referring to the addenda, reported that Scheme employers were required to submit both data and contribution payments by 19th of month following payroll. Data returns were currently being made either via MARS or I-connect. Late MARS returns had been recorded for six scheme employers in April and May; 3 scheme employers in June and 2 scheme employers in July. All returns were chased and subsequently received, so no fines had been issued. The data for the I-connect returns was not so clear cut given that employers were moving across to the new system and where payroll changes were taking place returns had been delayed, at our request, whilst member records were moved and data was locked down so that it cannot be overwritten. Where necessary chases for data returns had been made. A new system report would enable better monitoring of the incoming returns.

As identified by the Pension Board's review of the Pension Regulator's Code of Practice 14, the performance reporting should include a regular review of the receipt of pension contributions from scheme employers and members. This report had been developed and was provided as an addendum to the report. The address tracing exercise was now underway. A system report was due to be run shortly for review following end of year process, so that overall data quality scores can be checked ahead of the annual submission to The Pension Regulator.

The Chairman asked Mrs Fox to pass on the Committee's thanked for all their efforts on completing end of year.

Complaints remained low and were all around ill health retirement.

Administration to Pay project was due to be completed in December 2018 and had been subject to continual delays. Initial testing raised a number of queries which had to be referred back to our software supplier, the solution, re-testing and further referrals have gone around several cycles which are now coming to conclusion. This would be reported on at the next meeting.

In relation to iconnect, 153 Employers were currently live with 30 employers left. Work was on going to bring on other scheme members. The i-connect project finish date had been delayed due to end of year additional resource required, issues with larger employers and i-connect over writing information if not closed down correctly and issues with address data on file.

Sign up for the Members self-service currently stood at 42.16% (+2.27%) of active members; 28.89% (+1.93%) of deferred members and 39.77% (+2.78%) % of pensioner members. The number of members actively choosing to opt out of member self-service are: active 1.33% (+.05%); deferred 2.71% (-0.02%) and pensioners 35.98% (-.034%). From February 2020 members are able to run online calculations (estimates) of their benefits which, it is hoped, will increase the take up of this service.

Since the introduction of MSS this had been promoted as our main method of communication with scheme members and there had been annual exercises to encourage further take up. Therefore, it was hugely disappointing that having sent out emails to say that annual benefit statements were now available to view that the system has crashed several times during the week of writing this report. This has not just affected the Oxfordshire Fund but other Funds across the country. This matter was being dealt with.

Sally updated the ABS figures provided in the report and stated that 19,770 ABS had been issued for active members representing over 99.5% of active membership.
In relation to self-service, Ms Jo Robb questioned whether there were any plans to access how 'user-friendly' it was and to see whether those that used it liked the interface and were able to get the information they wanted. Mrs Fox responded that the member self-service was part of the pension software package and that they did ask members for feedback, which generally they did not receive. The suppliers did have a system of collecting suggestions and comments which they did respond to.

Mr Collins reported that they had seen a raft of consultations from the Government over the past few months. The first announcement came out on the 16th July regarding the Government's response to the McCloud and Sergeant Court cases, where the Courts ruled against the Government, and declared the transition arrangements established under the major changes to the schemes following the Hutton review breached the age discrimination legislation.

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

Given the complexity of this consultation document (and the fact that the lead officer within the Pensions Service Team for the Fire schemes also plays a critical role in producing the Annual Benefit Statements for all Fire and LGPS staff), it had not been possible to produce a draft response in time for this Committee. It was therefore proposed to draft a response in conjunction with the Fire Service Pension Board for submission to the Government before the consultation closes on 11 October 2020. This would be circulated to all members of the Committee prior to submitting.

The second part of the announcement on 16 July came from the Ministry for Housing, Communities and Local Government and proposed the changes to the LGPS Regulations to remedy the age discrimination identified in the McCloud/Sergeant cases. In short, the proposal was to define all scheme members who were active members in the 2008 Scheme on 31 March 2012, and who had membership in the 2014 scheme without a disqualifying break in service as eligible for underpin protection. This included all Members who had left the LGPS in the intervening period since 1 April 2014 who met the criteria.

The statutory underpin would apply for all membership for eligible members for the period 1 April 2014 to 31 March 2022 (the date applicable for the initial underpin, as those who qualified had to be within 10 years of their normal retirement date). The membership must be within a single membership record, so any member who had had a break or moved between Funds must elect to aggregate previous membership with their current record. The Government was proposing to give those who previously chosen not to elect to aggregate a further 12-month window in which they could make an election. Where members were eligible for the statutory underpin, they would receive the higher of the pension calculated under the 2008 and 2014 Regulations for their qualifying membership.

The proposals would have a significant impact on staff within Pension Services, and within payroll teams within Scheme Employers. There would be major challenges in ensuring they could retrospectively obtain all the data required to carry out the calculations of the pension benefits under the 2008 Regulations for the period back to 1 April 2014. Whilst they had asked scheme employers to provide this data since 2014, it had not been loaded to the pensions system nor validated, so there now might be data that was missing or inaccurate. It was also the case that they would not have received the relevant data in from other Funds where a member has transferred to the Oxfordshire Fund since 1 April 2014.

These points and others (particularly in respect of the potential issues associated with the annual allowance charge had been included in the draft consultation response included at Annex 2 to the report. Members were asked to provide any comments and to approve the draft (as amended) for submission to the Government by the deadline of 8 October 2020.

At this stage it was not possible to calculate the cost of the proposals as final costs would depend on the future service records of all eligible members and the pay awards they received before their normal retirement date. For older members and those who leave the LGPS in the near future, it was unlikely the cost would be significant as the 2014 Scheme on which current Valuations were based was likely to provide the higher pension based on a higher accrual rate (1/49th of pensionable pay per annum rather than 1/60th) and pay increases lower than CPI, the factor used to annual revalue the CARE pension. For young scheme members, there was the potential for them to see significant increases in pay over the remaining period of their membership, either through promotion or pay increases, which would lead to higher costs where their pension benefits were higher under the 2008 scheme. In the third part of the announcement though, the Government confirmed that they have un-paused the cost control mechanism, so that they might well see further retrospective proposals for changes in the scheme to increase the costs of the public sector schemes back to the minimum thresholds set under the cost control mechanisms.

On 20th July the Treasury made a statement in respect of the Goodwin court case, where a member of the Teacher's Pension Scheme brought a case of sex discrimination related to the difference paid to male and female survivors of the death of a female partner. The Government had confirmed their intention to remedy the discrimination and to ensure similar remedies were applied across all public sector schemes. The details of this and the potential costs were not yet known.

On 21 July 2020, the Government published their response to the consultation on introducing an exit payment cap of £95,000 on people leaving the public sector. Despite concerns expressed in the consultation responses, the Government had opted to press ahead with their proposals and had published the draft Regulations. Those Regulations now required approval in both Houses and would come effective 21 days on receipt of this approval. It was understood the Government was seeking to complete the process before the end of 2020.

The draft Regulations confirmed that the early retirement costs met by employers would be included in the costs which were capped. This would have implications for high paid and long serving staff, especially those made redundant soon after their 55th Birthday, where the current LGPS Regulations required them to take an unreduced pension. It was hoped that MHCLG would publish changes to the LGPS Regulations to be enacted alongside the introduction of the Exit Payment Cap to deal with this issue and other concerns, likely to be through giving those made redundant the option of deferring their pension, rather than being forced to take a reduction on their pension. Since the writing of the report, Mrs Collins confirmed that the proposed changes from MHCLG would now affect everyone made redundant after the age of 55. There was also a significant risk of scheme members not understanding the options available to them with up to five options which would need to be costed. Legal advice would need to be sought before any action was taken on this.

The Chairman agreed that legal advice would need to be sought. Mrs Fox reported that she had requested an initial meeting on this matter with the legal team.

Timing of the changes would be critical to the level of additional work on staff within Pension Services, as well as to employers looking to plan financial savings in light of the budget pressures arising from the current pandemic. Of particular concern, would be redundancies agreed before the changes were made, but not actioned until after the Regulations become enacted. Any calls for voluntary redundancies would also need to be clear of the potential impact on pension benefits if the new Regulations are enacted before the redundancy.

Finally, on 26 August 2020, the Government published their response to last year's consultation on increasing flexibilities in respect of employer contributions. The Government response stated strong support for their key proposals, with a subsequent request to fast track their implementation to support dealing with the financial circumstances associated with the Covid-19 pandemic. The Government had therefore agreed to take forward the following proposals and have published the draft Regulations under which they will be enacted:

a. Increase the flexibility for the Administering Authority to request the Actuary to calculate a new employer contribution rate for one of more scheme employers between formal Valuations where there had been a significant change in financial circumstances. The flexibility also applied to the scheme employer, who could also ask for the calculation of a new rate. Further details must be included in the Fund's Funding Strategy Statement
b. Provide a formal power to the Administering Authority to spread an exit payment over an agreed timescale. Many Funds had achieved this through side agreements, so the intention here was to introduce greater transparency and consistency, with the detail again to be set out in the Funding Strategy Statement.
c. Provide the power for the Administering Authority to allow an employer ceasing to retain any active members to continue to pay secondary contributions to offset any past service deficit, rather than be required to meet a single cessation valuation. Again, this was something the Funds including Oxfordshire had previously achieved through side agreements, but the changes including the requirement to set out policy within the Funding Strategy Statement, would improve the transparency and consistency of the arrangements.

Councillor Charles Mathew stressed that the extra work had been caused by the Government providing inaccurate or incomplete legislation and therefore a letter should go to Government seeking compensation for the additional work put on Pension Funds as a result. Mr Collins agreed to add it to the Consultation response. However, he stressed what was needed was skilled administrators to carry out the work. He undertook to ensure that both points were in the response.

Mr Alistair Bastin reported that the initial thoughts from UNISON pensions representatives on the costs of sorting out the McCloud judgement and the extra cost of the underpin, would balance out what had been happening with the cost cap, so eventually it would be cost neutral.

RESOLVED: to:

(a) note this report and thank staff for their hard work and efforts towards end of year;
(b) agree to delegate the preparation of a response on the consultation of changes to the Fire Service Pension Scheme to the Director of Finance following consultation with the Fire Service Pension Board, and
(c) agree the response to the consultation on the extension of the Statutory Underpin in the LPGP as set out in Annex 2, amended as appropriate.

116/20 GMP RECONCILIATION PROJECT
(Agenda No. 12)

The Committee had before it a report (PF12) which provided details of the provisional outcome of the scheme's GMP reconciliation exercise and sought members views on what parameters should be applied to the final run.

ITM Limited had been undertaking this exercise on behalf of the Oxfordshire Pension Fund. Following corrections to HMRC records identified as incorrect, ITM received the final data cut from HMRC in May and had produced a provisional results report for both LGPS and Fire Pension Scheme. Mrs Foxx presented the reports to the Committee and sought agreement to support the decisions required on the way forward. Unfortunately, a number of discrepancies have been identified in the reports, and ITM have been asked to undertake further work to correct these and submit revised reports. The discrepancies were set out in the report circulated to all members of the Committee.

Mrs Fox drew the Committee’s attention to the revised recommendation set out in the Addenda in relation to thresholds. She reported that should the Committee agree to the recommendations today, the changes would be made and then they would give members 3 months grace to get used to any adjustments in their monthly payments.

Councillor Lygo questioned whether the period of 3 months was a legal period. Mrs Fox replied that the 3 months was seen as a reasonable period to alleviate any financial hardships the changes could impose. Mr Collins added that the 3 months also took people to the other side of Christmas.

Councillor Thompson questioned whether there was any yearly or monthly data on how much the over-payments per person were. Mrs Fox reported that they did not yet have that break down in information, only headline figures. More detail would follow shortly.

The Committee **RESOLVED** to confirm:

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

117/20 ANNUAL REPORT AND ACCOUNTS

(Agenda No. 13)

The Committee had before it the draft Annual Report and Accounts for the Pension Fund (PF13). Mr Ley reported that the Government had pushed back the auditing of the Accounts due to Covid and therefore it had been pushed back to the 30 November. Therefore, officers would be bringing the full report on the Audited accounts to the next meeting of the Committee.

RESOLVED*:* to note the report.

118/20 BUDGET OUTTURN 2019/20

(Agenda No. 14)

The Committee had before it the Budget Outturn 2019/20 report (PF14) which analysed the actual spend by the Oxfordshire County Council Pension Fund during 2019/20 against the budget and highlights the reasons for any material variances.

Mr Ley reported that the overall position was that they were slightly underspent by £270,000.

RESOLVED: to receive the report and note the out-turn position.

119/20 EXEMPT ITEMS

(Agenda No. 15)

The Committee RESOLVED that the public be excluded for the duration of items 16,17 and 18 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 WERRE PUBLIC. ANY EXEMPT INFORMATION WILL BE REPORTED ORALLY.

120/20 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 16)

The Committee had before it the report of the Independent Financial Adviser (PF16) which set out an overview of the current and future investment scene and market developments across various regions and sectors. The report itself did not contain exempt information and was available to the public. The Independent Financial Adviser would also report orally, and any information reported orally will be exempt information.

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

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

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

Mr Peter Davies, Independent Financial Advisor introduced his report. The equity market rally which began in late March continued at a slowing pace during the quarter, with the result that the All-World Index ended June less than 1% below its end-2019 level. The UK market, however, lagged all other regions, and is well adrift over 1- and 3-year periods. US equities have recouped most of the losses sustained in February and March.

The surge in the Technology sector accounted for much of the gain in the global index, with Health Care and Consumer Services (two of the more resilient sectors in Q1) rebounding strongly. Financials continued to lag the broader market. The recovery in the FTSE 100 was hampered by the weakness in the Oil & Gas and Financials sectors.

Government bond prices rose during the quarter as yields reduced further, while corporate bonds continued their sharp rally as Central Banks stepped in to buy bonds as part of their quantitative easing programmes. The pound was little changed against the dollar and the yen in the quarter, but lost ground against the euro. In July however, sterling rose by 6% against the dollar, reaching $1.31, and also rose 4% on the yen and 1% on the euro.

He further reported that with the coronavirus pandemic having claimed 750,000 lives worldwide and increasing numbers of cases being reported in many regions, it was clear that the direct and indirect effects of the pandemic would dominate the economic outlook for a long while yet. Fiscal and monetary actions had cushioned the impact in the short term, but in time the full effects of the pandemic would become apparent in elevated levels of unemployment, corporate failures and, possibly, social unrest. Against this background it was hard to see equity markets continuing their recent rally, which had taken them close to the peak levels of February. Government bond yields, meanwhile, should maintain their current levels as central banks mop up the increased issuance and hold interest rates down.

Councillor Field-Johnson questioned Mr Davies if he had a view on how International holdings would be affected. Mr Davies replied that the Sterling could take a further fall, that the Dollar was a bit weak, but that the Euro remained very strong.

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

121/20 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 17)

The Independent Financial Adviser presented the Brunel Portfolios Performance Report for the past quarter ending 30 June 2020.

RESOLVED: to receive the report.

122/20 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 18)

The Independent Financial Adviser was invited to summarise any issues arising from the previous discussions. No further summary was required. However, the Financial Advisor reported that the new Chief Investment Officer from Brunel had been invited to the March Meeting of the Committee

RESOLVED: the Committee noted the report.

123/20 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 19)

This item was on the Agenda to provide the opportunity to raise any issues concerning Corporate Governance and Socially Responsible Investment which needed to be brought to the attention of the Committee.

The Committee noted the Quarterly Engagement Report from the Local Authority Pension Forum and the Client Update Report from Brunel on Responsible Investing and that the Committee wishes to continue engaging positively with its stakeholders and hoped to hold a further workshop in March 2021.

.... in the Chair

Date of signing ....

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LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 23 October 2020 commencing at 10.30 am and finishing at 12.06 pm

Present:

Voting Members:	Paul Blacker – in the Chair Alistair Bastin Stephen Davis Lisa Hughes Councillor Bob Johnston Angela Priestley-Gibbins Sarah Pritchard

Officers:

Whole of meeting	Sean Collins, Service Manager, Pensions; Sue Whitehead (Notes)

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

22/20 WELCOME BY CHAIRMAN
(Agenda No. 1)

The Chairman welcomed members to the meeting.

23/20 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE OPPOSITE
(Agenda No. 3)

There were no declarations of interest made.

24/20 PETITIONS AND PUBLIC ADDRESS
(Agenda No. 4)

There were none.

25/20 MINUTES
(Agenda No. 5)

The Minutes of the meeting held on 17 July 2020 were approved and signed as a correct record.

26/20 UNCONFIRMED MINUTES OF THE PENSION FUND COMMITTEE MEETING - 11 SEPTEMBER 2020

(Agenda No. 6)

The Local Pension Board received the draft Minutes of the meetings of the Pension Fund Committee held on 11 September 2020 for information.

27/20 REVIEW OF THE ANNUAL BUSINESS PLAN

(Agenda No. 7)

The Board reviewed the latest position against the Annual Business Plan for 2020/21 as considered by the Pension Fund Committee at their meeting on 11 September 2020.

Sean Collins, Service Manager Pensions introduced the contents of the report highlighting the 4 key objectives.

During discussion the following points were made:

- There was a need for a robust training plan to be in place for Pension Fund Committee members particularly should there be changes following the elections next year.
- There was concern over the format of the report, that was seen as being overly discursive. It would benefit from greater structure with the addition of judgements from officers to determine if matters were on track. In response to a comments that it was difficult to be critical of papers that belonged to the Pension Fund Committee the Chairman reassured members that the role of the Board was to oversee and scrutinise and that it was the Board's legitimate role to comment. Comments were taken back to the Pension Fund Committee. Sean added that he would echo the comments of the Chairman and on the specific point could see the value of adding information such as a table on key objectives.
- It was noted that 99.5% of this year's annual benefit statements had been done within the deadlines.

28/20 RISK REGISTER

(Agenda No. 8)

The Local Pension Board considered the latest risk register as considered by the Pension Fund Committee on 11 September 2020. The Board was invited to review the report and offer any further views back to the Committee.

During discussion members:

- Highlighted Risk 13/14 - the risk of intervention from the Pension Regulator in respect of the skills and knowledge of the Committee. Concern was expressed that the Committee was at the bottom of the 18 Funds who took part in the recent National Knowledge Assessment and that this increased the risk of the loss of professional investor status. The key issue would be what happened as a result of the skills and knowledge audit and how seriously it was taken. It was agreed to recommend to the Pension Fund Committee that Risk 13/14 be strengthened to reflect the concerns of the Board.

- Noted that an additional risk had been identified at the Pension Fund Committee relating to the exit payment cap and this would be added to the register.
- Discussed the risks relating to FE/HE employers defaulting or withdrawing from the scheme. It was noted that unlike for the academy sector the Secretary of State had not given a guarantee to underwrite the impact in the FE/HE sector.

29/20 ADMINISTRATION REPORT

(Agenda No. 9)

The Board was invited to review the latest Administration Report as presented to the Pension Fund Committee on 11 September 2020, including the latest performance statistics for the Service, and to offer any comments to the Pension Fund Committee.

During discussion Sean responded to individual questions on staffing, complaints, projects, member self service, employers and annual benefit statements. The Board expressed their pleasure that all outstanding issues had been resolved with Edwards and Ward.

Under the section on government announcements Sean updated members on the position on the exit cap. It was noted that guidance was awaited and that it impacted on organisations part way through restructure. They were receiving enquiries, but the exact position was unclear. The changes did not apply to all employers in the LGPS and differentiated responses would be needed.

30/20 GOVERNANCE REVIEW

(Agenda No. 10)

The Board was invited to review the report on the Governance Review as presented to the Pension Fund Committee on 11 September 2020, which included the results of the National Knowledge Assessment (NKA). The Board was invited to offer any comments to the Pension Fund Committee about the Governance arrangements in general and to consider their own NKA results, and what further actions they wished to take as a Board to improve their own role in the governance arrangements for the Fund.

Sean Collins, Services Manager Pensions, introduced the contents of the report, stressing that the Pension Fund Committee had taken the outcome seriously. The Chairman was keen to take action and the Committee had asked Hyman Robertson to undertake a review of governance arrangements. Sean added that Hymans would be attending the January meeting of the Board. They would want to talk to representatives of Local Pension Board and it was agreed that the names of Alistair Bastin, Councillor Bob Johnston and Lisa Hughes be put forward.

Sean added that it was intended to produce a monthly newsletter for Pension Fund Committee members that would include a training element in each one. Local Pension Board members would get a copy.

Responding to a query about how concerns could be escalated Sean explained that the Council's Cabinet had no oversight of the work of the Committee. It was not an executive function and the authority was delegated to the Committee from Council. They arguably had an oversight role and there was also the role of the Pensions Regulator. The Chairman added that in terms of the Council's leadership the S151 officer attended the Pension Fund Committee. A member noted that this Board was a statutory body and was empowered to speak to the Chief Executive, S151 Officer or Pension Regulator if necessary to fulfil its function.

During discussion on the training element the Board stressed that there should be regular monitoring to see that the training had been effective.

31/20 ITEM AT THE REQUEST OF ALISTAIR BASTIN

(Agenda No. 11)

Alistair Bastin proposed the following for consideration by the Local Pension Board:

> This Pension Board recognises the ongoing commitment of time, energy and study from its members, in order to gain and maintain the knowledge and understanding required to fulfil the Board's role effectively. This is clearly evidenced in the results of the recent National Knowledge Assessment.
>
> This Pension Board also notes that regulation 106(8) of the LGPS Regulations 2013 states that a local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.
>
> Accordingly, the Board resolves to pay each member of the Board (scheme member representative and employer representative) who has completed the Local Government Association's three-day Fundamentals course, organised by the Local Government Pensions Committee a stipend of £4,000.00 per annum, backdated to 1 April 2020, and with an annual uplift in accordance with the annual pay settlement for local government staff.

Alistair explained the context for the proposal in that he felt that Pension Fund Committee did not value the advice provided by this Board because it was given for free as volunteers. He expressed his tiredness and frustration at being disregarded. He, as a Local Pension Board member was not always allowed to speak at Pension Fund Committee.

During discussion several members expressed support for the frustration expressed. It was suggested by one member that if there were no change then this was something that would need to be reconsidered.

On the advice of the committee officer that the Local Pension Board did not the power to award itself an allowance the proposal was amended to read:

> This Pension Board recognises the ongoing commitment of time, energy and study from its members, in order to gain and maintain the knowledge and

understanding required to fulfil the Board's role effectively. This is clearly evidenced in the results of the recent National Knowledge Assessment.

This Pension Board also notes that regulation 106(8) of the LGPS Regulations 2013 states that a local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

Accordingly, the Board resolves **to advise the Pension Fund Committee** to pay each member of the Board (scheme member representative and employer representative) who has completed the Local Government Association's three-day Fundamentals course, organised by the Local Government Pensions Committee a stipend of £4,000.00 per annum, backdated to 1 April 2020, and with an annual uplift in accordance with the annual pay settlement for local government staff.

Following a vote, by roll call, it was:

RESOLVED: (by 3 votes against, with 1 for and 2 abstentions) not to agree the recommendation.

32/20 ITEMS TO INCLUDE IN REPORT TO THE PENSION FUND COMMITTEE

(Agenda No. 12)

- Include more detailed performance data (in table format) in future Annual Business Plan Review reports
- Update the risk register in line with comments of the Board to include reference to MiFID 2 and in particular the risk of loss of professional investor status. (Risk 14 Insufficient Skills amongst officers).
- Training of Pension Committee / Board members – as well as annual reporting on training received by Committee / Board members the Board requested that there is an annual assessment of competence to ensure members have taken on board the training received / are up to date on LGPS developments. The purpose is to ensure training and development is focused and Pension Committee / Board members have the knowledge to undertake their roles.
- The Board expressed strong concerns about governance arrangements and requested that these issues are addressed as a matter of urgency. The Board requested a timescale for the Hymans Robertson review work and when the final report would be available.

33/20 ITEMS TO BE INCLUDED IN THE AGENDA FOR THE NEXT BOARD MEETING

(Agenda No. 13)

- The Board requested a repeat of information previously provided to the Local pension Board on financial management – costs and performance with the information for Brunel being separated out.

- The Board requested that Hymans Robertson update the Local Pension Board at their next meeting on progress so far / any initial findings.

.... in the Chair

Date of signing 2020

Divisions: N/A

PENSION FUND COMMITTEE – 4 DECEMBER 2020

REPORT OF THE PENSION BOARD

Report by the Independent Chairman of the Pension Board

RECOMMENDATION

The Committee is RECOMMENDED to note the comments of the Board as set out below, and take these into account when discussing the relevant items on the agenda.

Introduction

1. At the first meeting of the new Pension Fund Committee on 23 June 2017, it was agreed at the suggestion of the Chairman, that each future meeting of the Committee should receive a written report from the Pension Board, setting out the key elements of their work and any matters which the Board wished to draw to the Committee's attention.

2. This report reflects the discussions of the Board members at their meeting on 23 October 2020. The meeting was again chaired by Paul Blacker, the Director of Finance at Gloucestershire County Council as the newly appointed Head of Pensions at the Gloucestershire Pension Fund had not yet taken up his position. All six members of the Board attended the virtual meeting.

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

3. The Board received four of the reports which had been presented to the September meeting of this Committee. These were the 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. The Board discussion on each of these reports highlighted a common theme relating to the Board's overall concerns about the governance arrangements for the Fund.

4. 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 particular, they felt the review of the Business Plan was too discursive in nature and would benefit from a traffic system approach to identify whether the Fund was on target to achieve the objectives set out at the beginning of the year. The latest review report elsewhere on this agenda has been revised in light of the comments from the Board and the Committee will be invited to comment on the new presentation. Additional work is on-going to improve the presentation of the remaining performance reports, and revised presentations will be brought to the March meeting of this Committee.

5. In respect of the risk register, the Board noted and welcomed that the Committee had asked for an additional risk to be added to the Risk Register reflecting the legal uncertainty associated with the introduction of the new Restrictions on Public Sector Exit Payments Regulations 2020 in advance of the implementation of the required changes to the LGPS Regulations. The Board then drew attention to Risk 13, the risk of insufficient skills and knowledge amongst members of the Pension Fund Committee. The Board requested that the risk be amended to include the risk that under MIFID II the Fund could lose its professional investor status if the skills and knowledge fell below an acceptable standard, and as such would have to withdraw from a number of the current investments. The Board further highlighted that this risk would need to be kept under close review in light of the impending County Council elections due in May 2021, and the likelihood of change in membership of the Committee thereafter.

6. The Board raised further concerns about the current governance arrangements as part of their discussion on the governance review report presented to the last meeting of this Committee. These concerns reflected the relatively low scores for this Committee in the recent National Knowledge Assessment as well as the lack of engagement in the exercise by Committee Members. The Board recommended that their should be an annual process to review the skills and knowledge of the members of the Pension Fund Committee and themselves, to ensure that the training and development programme is focussed and effective, and that the Committee and the Board have the levels of skills and knowledge appropriate for their roles.

7. Finally, the Board considered a motion from Alistair Bastin, one of the scheme member representatives on the Board. The motion sought support for a £4,000 stipend to be paid to each of the 6 representative members of the Board. In presenting the motion, Alistair directly linked the proposal to the concerns over the current governance arrangements and his view that the Committee did not pay sufficient attention to the views of the Board. Whilst other Board Members shared the concern about their level of influence on the Pension Fund Committee, they expressed that there were better routes to resolve the issue. The motion was therefore lost.

PAUL BLACKER
Interim Independent Chairman of the Pension Board

Contact Officer: Sean Collins
Tel: 07554 103465

November 2020

Agenda Item 7

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

CLIMATE CHANGE POLICY IMPLEMENTATION PLAN UPDATE

Report by Director of Finance

RECOMMENDATIONS

The Committee is RECOMMENDED to:

(a) note the report;
(b) agree the purpose of the Climate Change Working Group as set out in Annex 1;
(c) agree that no target is set for fossil fuel reserves levels; and
(d) provide any comments on the priorities for the work of the Climate Change Working Group.

Introduction

1. At the June 2020 meeting the Pension Fund Committee agreed a Climate Change Policy Implementation Plan that set out how the fund will look to deliver against its Climate Change Policy. This report provides a quarterly update on delivery against the implementation plan.

Update on the Climate Change Policy Implementation Plan

2. Further to the decision by the Pension Fund Committee at the 05 June 2020 meeting to move the full UBS global equity mandate to the Brunel Global Sustainable Equities the transition took place at the end of September 2020 with settlement occurring in early October. The sustainable equity portfolio focuses on companies that are 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.

3. At the Committee meeting on 11 September 2020 the Committee approved the Fund joining two investor groups focused on addressing climate change; The Institutional Investors Group on Climate Change (IIGCC) and Climate Action 100+ (CA100+). Membership of IIGCC has been completed and confirmation is awaited on registration with CA100+ where there was a requirement to be an IIGCC member first. Both groups goals align with those set out in the Fund's Climate Change Policy and provide research on climate related issues that will assist the Fund in further developing its policy and implementation plan.

4. Officers held separate meetings with Fossil Free Oxfordshire and Brunel at the start of November where a number of issues were discussed including the continuing work by Brunel in piloting the IIGCC Paris Aligned Investments

Initiative which it is hoped will provide a methodology of ensuring investment portfolios are aligned with the Paris Agreement. From the discussions it was 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.

5. 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. Draft terms of reference are included as Annex 1 to this report.

6. The Group also discussed fossil fuel reserves metrics which it was agreed at the September Committee would be investigated, and the potential of setting targets considered. It was agreed that this is a useful measure to monitor and Brunel do provide reserves measures in their annual carbon report to the Fund. However, in terms of setting a target for reductions officers believe this would be difficult as unlike the emissions target there does not appear to be a science based reduction requirement for reserves. In any case having reserves per se does not conflict with the Fund's climate policies, it is the burning of those reserves that causes emissions and should be picked up by the Fund's emissions target. What is relevant regarding reserves is how these are valued in determining a company's value; the risk to the Fund is that the price attached to reserves is too high given that some reserves are likely to be unusable if the Paris Agreement is to be met.

7. Although a target for reserves reductions may not be appropriate, given the research around the levels of fossil fuel reserves indicating that in order to meet the Paris Agreement large volumes of existing reserves cannot be burnt it is clear that there should be an expectation that reserves should not increase further. As such, it is proposed that a target is not adopted for reserves but that this metric is regularly reported on and explanations provided for significant movements. This position can be kept under review and if any developments occur that suggest a target should be adopted this can be revisited.

8. The Group discussed options around passive investments and agreed that further detail is needed on timeframes for the development of alternative passive portfolios. This will enable the Fund to consider the balance between incurring additional transition costs and the investment risk of maintaining the current passive portfolios until options more aligned with the Fund's climate policies are available. The Group also considered the balance between UK and global equities and agreed this should be considered when any decisions are made given the relatively higher exposure to high emitting companies in the UK market.

9. Following the presentation by Brunel to this Committee the Group would like to set the priority areas for its work over the next year.

LORNA BAXTER
Director of Finance

Background Papers:	None
Contact Officers:	Gregory Ley, Financial Manager

November 2020

Annex 1 – Climate Change Working Group – Terms of Reference

Purpose

To develop the Climate Change Policy for the Oxfordshire Pension Fund for submission to the Pension Fund Committee for approval.

To regularly review the Policy and propose any changes to the Policy to the Pension Fund Committee

To lead on the development and delivery of the Climate Change Policy Implementation Plan, including proposing key milestones/targets for approval by the Pension Fund Committee and undertaking more detailed analysis of the available metrics etc to provide advice to the Pension Fund Committee on progress against achieving the key objectives of the Policy.

Membership

Chairman of the Pension Fund Committee
Deputy Chairman of the Pension Fund Committee
Opposition Spokesperson on the Pension Fund Committee
Independent Financial Adviser to the Pension Fund Committee
Nominee of the Oxfordshire Pension Board
Nominee of Fossil Free Oxfordshire

Meetings with be supported by the Service Manager (Pensions), and the Financial Manager Pensions.

The Working Group can also request the attendance of specialist advisers, including the Chief Responsible Investment Officer or members of the Responsible Investment Team at Brunel.

Frequency of Meetings

The number of meetings should be determined by the Working Group to reflect their current workload, subject to a minimum of one meeting each quarter.

Reporting

The meeting of the Working Group are not formal meetings and as such are not open to the public, and do not require formal minutes. The key issues discussed and proposals agreed should be included in the next quarterly update report to the Pension Fund Committee.

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
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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.

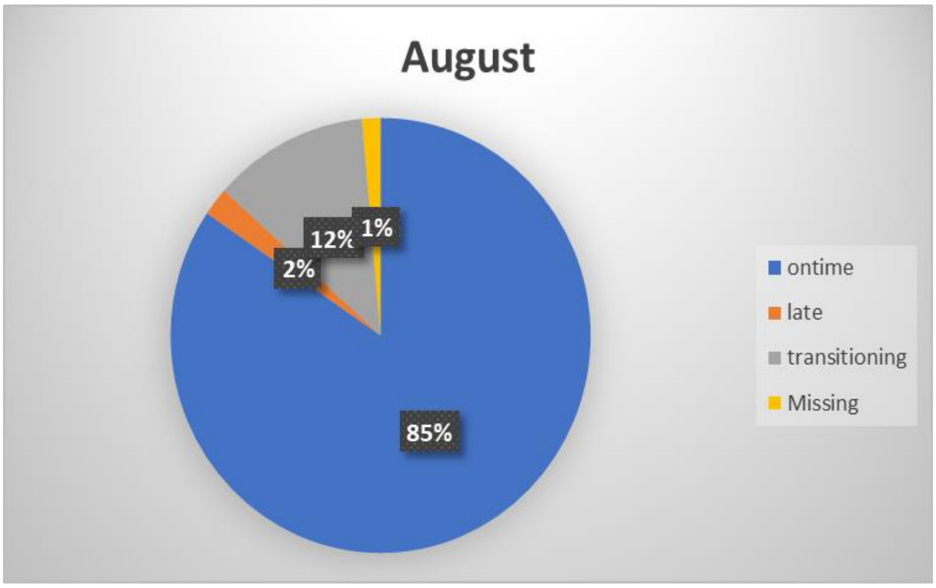
3. At the time of writing this report the recruitment process for the two senior administrator vacancies was in progress. There are two internal and one external candidate scheduled for interview during week commencing 23 November. A verbal update of the outcome will be given at the meeting.

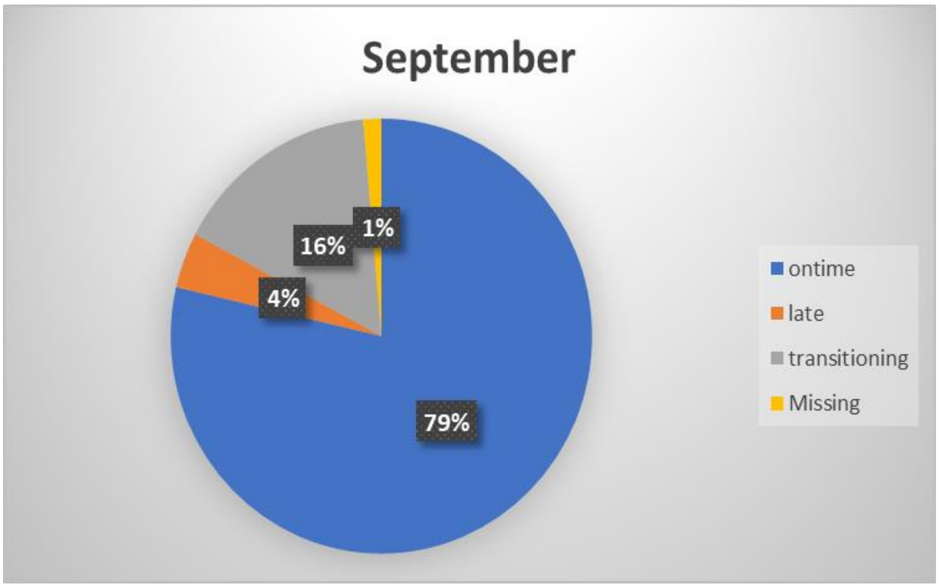
4. Training for the new recruits is going well.

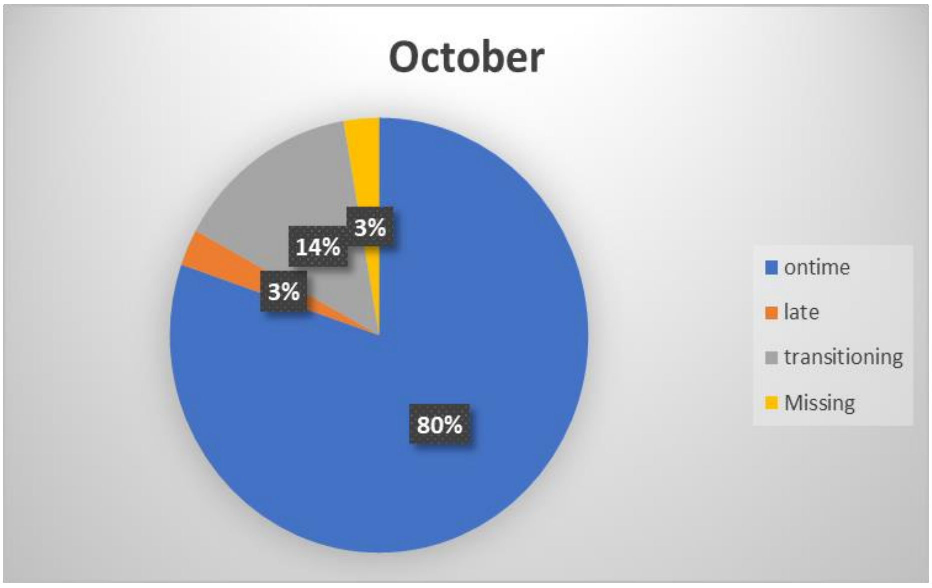
Data

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

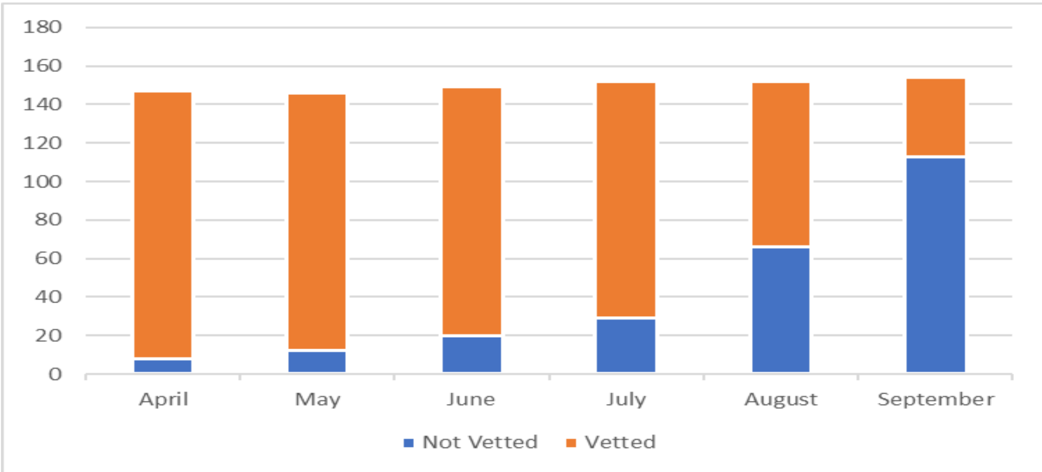






7. The above charts show the employer submission of their i-connect files. Employers are still moving on to i-connect and there are a number of employers changing payroll which have marked as transitioning.

8. <u>Vetting of returns</u>



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. <u>MARS returns</u> - 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.

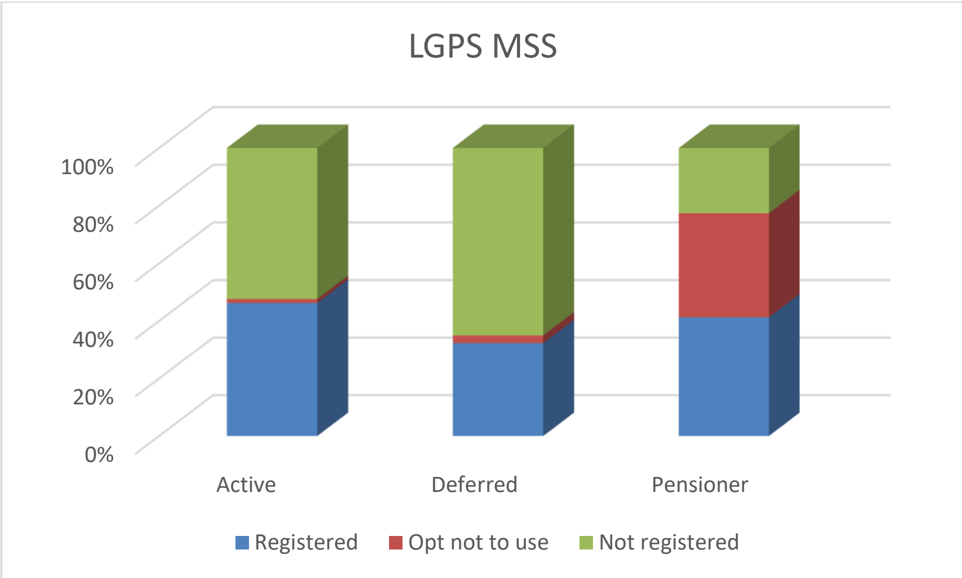
24. McCloud / Sergeant – This will be a major project with significant resource implications. We are currently working with our Actuary to establish the numbers impacted by the proposed changes. A project planning meeting is being held at the end of November.

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.)

<u>Employer flexibilities</u>

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 Basic Conts	APRIL Deficiency	MAY Basic Conts	MAY Deficiency	JUNE Basic Conts	JUNE Deficiency	JULY Basic Conts	JULY Deficiency	AUGUST Basic Conts	AUGUST Deficiency	SEPTEMBER Basic Conts	SEPTEMBER Deficiency
		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
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 Archaelogical 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											L													
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	13/11/20											
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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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Benefit Adminisation Monthly SLA Statistics					
Subject	**Legal Deadline**	**SLA Deadline**	**Standard SLA Target**	**Temporary SLA Target Apr - Aug**	**Temporary SLA Target Sept - Dec**
Deaths	Notify dependants of death benefits within 2 months from date of becoming aware of death	10 working days	**95%**	**75%**	**85%**
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%**
Divorce	Provide a quotation 3 months from date of request	10 working days	**95%**	**75%**	**85%**
Interfund In	N/A	10 working days	**90%**	**70%**	**80%**
Transfer In	Obtain transfer information and provide a quotation within 2 months from date of request	10 working days	**90%**	**70%**	**80%**
Interfund Out	N/A	10 working days	**95%**	**75%**	**85%**
Transfer out	Provide a quotation 3 months from date of request	10 working days	**95%**	**75%**	**85%**
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%**
HR Estimate	N/A	10 working days	**90%**	**70%**	**80%**
Refunds	N/A	10 working days	**95%**	**75%**	**85%**
Leavers*	Inform members who left th scheme of their leaver rights and options no more than 2 months from date of notification	40 working days	**90%**	**70%**	**80%**
Re-employments**	N/A	40 working days	**90%**	**70%**	**80%**
Assistant work***	N/A	10 working days	**90%**	**70%**	**80%**
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%**

* Frozen, Deferred, Concurrent

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

*** Address, Name, Nomination, IFA Requests

Benefit Adminisation Monthly SLA Statistics							
Subject	**SLA Target**	**Jan-19**		**Feb-19**		**Mar-19**	
		Total Number Completed	% Achieved in SLA Deadline	Total Number Completed	% Achieved in SLA Deadline	Total Number Completed	% Achieved in SLA Deadline
Deaths	**95%**	50	82.00%	56	76.80%	82	81.71%
Retirements	**95%**	120	50.00%	100	60.40%	151	76.82%
Divorce	**95%**	7	100.00%	14	100.00%	15	100.00%
Interfund In	**90%**	38	53.00%	34	71.10%	40	72.50%
Transfer In	**90%**	21	48.00%	21	61.80%	37	78.38%
Interfund Out	**95%**	26	62.00%	49	75.50%	43	95.35%
Transfer out	**95%**	39	56.00%	44	77.30%	48	93.75%
Member Estimate	**90%**	41	38.00%	108	68.50%	92	92.39%
HR Estimate	**90%**	4	75.00%	8	75.00%	12	91.67%
Refunds	**95%**	107	51.00%	127	88.20%	74	94.59%
Leavers*	**90%**	505	38.00%	447	43.53%	421	50.35%
Re-employments**	**90%**	190	42.00%	223	30.30%	260	52.53%
Totals / Average		1148	57.92%	1231	69.04%	1275	81.67%

* Frozen, Deferred, Concurrent
** Elect to Separate, Re-emp quote, Re-emp Actual,

Monthly SLA Statistics			Apr-19		May-19		Jun-19		Jul-19		Aug-19	
Subject	SLA Target	Temporary SLA Target Apr - Dec	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline
Deaths	**95%**	**75%**	1	100.00%	0	100.00%	2	0.00%	0	100.00%	0	100.00%
Retirements	**95%**	**75%**	1	100.00%	2	100.00%	1	100.00%	4	100.00%	3	100.00%
Divorce	**95%**	**75%**	0	100.00%	2	100.00%	0	100.00%	0	100.00%	0	100.00%
After retirement adjustments	**90%**	**70%**	3	0.00%	1	100.00%	2	50.00%	0	100.00%	3	75.00%
Transfer In	**90%**	**70%**	1	0.00%	0	100.00%	1	0.00%	0	100.00%	0	100.00%
Transfer out	**95%**	**75%**	0	100.00%	0	100.00%	1	0.00%	2	0.00%	1	0.00%
Member Estimate	**95%**	**75%**	0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%
HR Estimate	**90%**	**70%**	0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%
Refunds	**90%**	**70%**	0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%
Leavers*	**95%**	**75%**	4	50.00%	0	100.00%	4	75.00%	1	0.00%	5	80.00%
Member Queries	**90%**	**70%**	12	75.00%	8	87.50%	3	100.00%	5	100.00%	8	87.50%
Member changes	**90%**	**70%**	3	0.00%	3	33.00%	6	83.00%	1	100.00%	2	50.00%
Totals / Average Overall			25	68.75%	16	93.38%	20	67.33%	13	83.33%	22	82.71%

* Frozen, Deferred, Concurrent

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SLA not met
Temp SLA met
Standard SLA met

Sep-19		Oct-19		Nov-19		Dec-19		Jan-20		Feb-20		Mar-20	
Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline
0	100.00%	0	100.00%	2	100.00%	0	100.00%	1	100.00%	1	100.00%	1	100.00%
1	100.00%	3	100.00%	4	75.00%	4	100.00%	2	100.00%	0	100.00%	2	100.00%
0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%	1	100.00%	0	100.00%
0	100.00%	1	100.00%	2	100.00%	1	100.00%	5	100.00%	1	100.00%	3	100.00%
2	0.00%	0	100.00%	1	0.00%	0	100.00%	1	100.00%	0	100.00%	1	100.00%
0	100.00%	0	100.00%	0	100.00%	1	100.00%	3	100.00%	0	100.00%	0	100.00%
3	100.00%	2	100.00%	6	83.00%	0	100.00%	4	100.00%	2	100.00%	3	100.00%
0	100.00%	0	100.00%	0	100.00%	2	100.00%	0	100.00%	0	100.00%	0	100.00%
0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	100.00%
2	0.00%	1	100.00%	5	100.00%	6	100.00%	7	100.00%	6	100.00%	6	100.00%
7	100.00%	15	100.00%	9	100.00%	13	100.00%	17	100.00%	9	100.00%	8	100.00%
0	100.00%	6	83.33%	3	100.00%	5	100.00%	4	100.00%	5	100.00%	3	100.00%
15	83.33%	28	98.61%	32	88.17%	32	100.00%	44	100.00%	25	100.00%	27	100.00%

Monthly SLA Statistics

Subject	SLA Target	Jul-20		Aug-20		Sep-20		Oct-20	
		Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline
Deaths	**95%**	0	100.00%	0	100.00%	2	50.00%	0	100.00%
Retirements	**95%**	2	100.00%	1	100.00%	0	100.00%	4	100.00%
Divorce	**95%**	3	0.00%	2	100.00%	0	100.00%	0	100.00%
After retirement adjustments	**90%**	6	100.00%	3	100.00%	10	90.00%	5	100.00%
Transfer In	**90%**	0	100.00%	0	100.00%	0	100.00%	0	100.00%
Transfer out	**95%**	1	100.00%	0	100.00%	0	100.00%	0	100.00%
Member Estimate	**95%**	0	100.00%	0	100.00%	1	100.00%	0	100.00%
HR Estimate	**90%**	4	25.00%	0	100.00%	0	100.00%	1	0.00%
Refunds	**90%**	0	100.00%	0	100.00%	0	100.00%	0	100.00%
Leavers*	**95%**	6	66.00%	0	100.00%	0	100.00%	0	100.00%
Member Queries	**90%**	3	100.00%	0	100.00%	8	66.00%	6	100.00%
Member changes	**90%**	1	100.00%	6	50.00%	2	0.00%	6	100.00%
Totals / Average Overall		26	82.58%	12	95.83%	23	83.83%	22	91.67%

* Frozen, Deferred, Concurrent

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

*** Address, Name, Nomination, IFA Requests

SLA not met

Standard SLA met

Nov-20		Dec-20		Jan-21		Feb-21		Mar-21	
Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline	Total Number Completed	% Achieved in SLA deadline
0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	0.00%
0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	0.00%
0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	0.00%
0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	0.00%
0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	0.00%
0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	0.00%
0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	0.00%
0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	0.00%
0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	0.00%
0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	0.00%
0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	0.00%
0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	0.00%
0	100.00%	0	100.00%	0	100.00%	0	100.00%	0	0.00%

Oxfordshire Pension Fund

Contents

DRAFT Funding Strategy Statement — Page

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.

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.

Admission bodies

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.

<u>Scheduled bodies and resolution bodies</u>

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.

<u>General</u>

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.

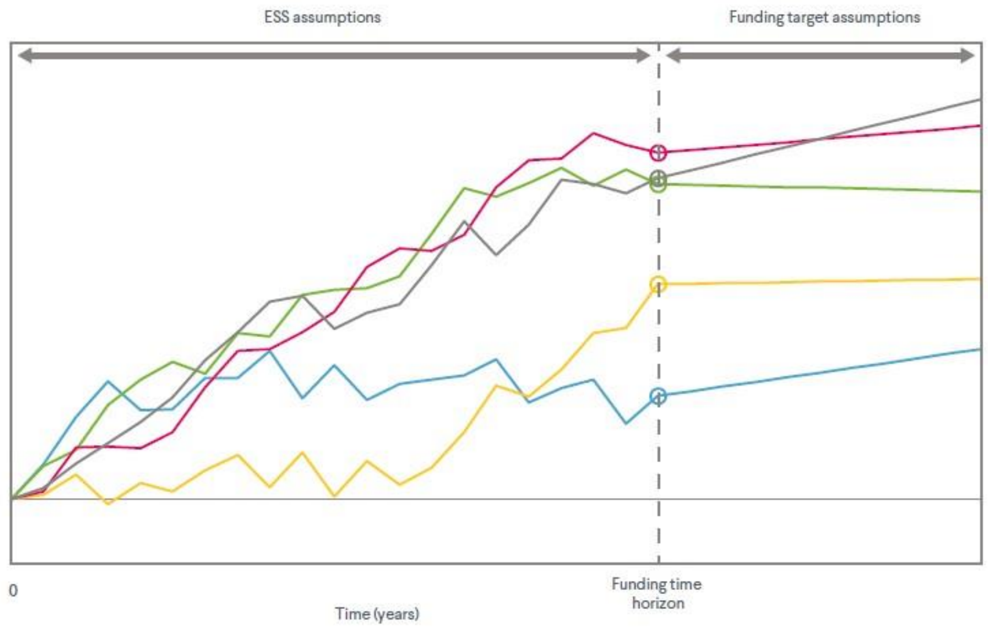
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

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.

PF11

OXFORDSHIRE PENSION FUND
REPORT AND ACCOUNTS 2019/20

Registered Number: PS049/20

CONTENTS

FOREWORD TO THE 2019/20 PENSION FUND REPORT AND ACCOUNTS BY THE DIRECTOR OF FINANCE

Introduction

The 2019/20 Report and Accounts reflect a year where Environmental, Social and Governance issues played an increasingly important role for the Pension Fund. A lot of work was done throughout the year to develop the Fund's first ever Climate Change Policy to be included as part of the Fund's Investment Strategy Statement. The year ended with the challenges presented by the Covid-19 pandemic in terms of investment performance, whilst the staff successfully transitioned to remote working with no significant impact on service delivery.

It was also Valuation year, with the first Valuation report produced by our new Fund Actuary Hymans Robertson. Despite the many challenges in terms of the cost control mechanisms introduced nationally, the McCloud age discrimination case, and the pressure on future investment returns, many employers saw stable contributions rates based on a new risk based approach to the Valuation.

Key Activities of 2019/20

In June 2019 as part of the annual review of the Investment Strategy Statement the Pension Committee agreed to set up a stakeholder workshop in the autumn to develop its Climate Change Policy. With an independent facilitator, and a range of expert from the investment and academic fields, a number of which proposed by Fossil Free Oxfordshire, this all-day workshop discussed the science behind climate change, the financial impact and the best ways of mitigating the detrimental impact. A small working group then took the key messages from the day and turned them into the first draft of the Climate Change Policy which was subsequently approved by the full Committee in June 2020, following a consultation exercise. Key elements of the new policy are a commitment to align all investments with the Paris Agreement and a maximum increase in global temperatures of 1.5°C.

Whilst the Policy is based on a long term view and consistent with the Paris Agreement targets of net zero carbon emissions by 2050, the Committee also took a couple of short term decisions and agreed to switch money from the current equity portfolios to the new low carbon passive equity fund and the sustainable equity fund established by Brunel. An initial implementation plan has also been developed to support further changes and to develop relevant metrics to monitor progress.

The financial impact of non-financial global factors on investment returns was brought into sharp focus as the financial year drew towards a close with the declaration of a global pandemic related to the spread of Covid-19. Markets saw significant and very rapid falls not seen since the financial crisis of 2008. National imposed lockdowns also saw the majority of staff working remotely from home, though the advances of technology meant that across both pension investments and administration, staff quickly settled into new ways of working, with little impact on service delivery.

The 2019 Valuation was the first carried out for the Oxfordshire Fund by Hymans Robertson and introduced a new risk based approach. Rather than taking a single set of valuation assumptions, contribution rates are set based on the risk of reaching funding targets over agreed timeframes looking at 5,000 potential future economic scenarios. The high levels of investment return over recent years that had increased funding levels close to 100%, were offset by the likelihood that such levels could not be maintained going forward, resulting in contribution rates for the majority of employers remaining stable. Key differences were seen in the further education sector where Government changes had reduced the financial covenant of the colleges, which led to the Fund agreeing to take some of the risk out of the valuation results and therefore an increase in future employer contribution rates.

Other activities during 2019/20 saw a further transition of investment assets to Brunel, with just under 50% of the Funds assets placed within portfolios managed by Brunel by 31 March 2020. Work continued along the partner funds to develop the new monitoring and assurance arrangements to oversee Brunel's management of our investments, and new reports were presented to Committee including much more detailed analysis of our ESG activity and the carbon exposure of our investments.

<u>The Fund</u>

The Fund saw a further significant change in the employer base, with 25 new scheme employers and 47 leaving the Fund. The majority of these changes were in the school's sector reflecting movement between academy trusts and new outsourcing contracts for school meals and cleaning. The Fund had a total of 64,764 members as at 31 March 2020, an increase of 2% since last year, including a 1% increase in active members.

In terms of cash-flow, whilst the trend is downwards, the Fund remains cash positive, collecting £1m on average each month more than it pays out by way of benefits. This allows the Fund to retain an investment strategy which maximises the long term returns to the Fund, without the restriction of maintaining high levels of cash or liquid assets to meet pension payments.

<u>Investment Performance</u>

The Fund lost 5.78% of its value over the year, although this was 0.44% better than the losses of the strategic benchmark against which performance is measured. These losses all occurred in the last 2 months of the year as the impact of Covid-19 began to be felt within the markets, and much of these losses have subsequently been regained as the markets have bounced back in 2020/21. The 5.8% loss when combined with the positive cash flow meant the fund finished the year at a value of £2.4bn.

<u>The Future</u>

The Pension Fund Committee has set a number of objectives within its Business Plan for 2020/21. These build on the challenges within 2019/20 and the areas of growing national focus.

For the Brunel Pension Partnership the process of developing the new portfolios and transitioning funds from the current managers continues. It is expected that all the assets from all the open vehicles will have transitioned to Brunel by the end of 2020/21, leaving just the assets in the closed private market funds, which will transition to Brunel as the money is distributed back to the Fund by the Manager. Key focus will then be to ensure Brunel develops the full range of portfolios aligned with the Paris Agreement to enable the Fund to deliver its new investment strategy.

The Implementation of the Climate Change Policy will be a major piece of work during 2020/21, with the support and challenge of Fossil Free Oxfordshire, and in conjunction with Brunel and the other funds within the partnership. Key will be identifying and collecting new metrics so that future targets can be set, and progress towards delivering the strategy can be measured.

A new area of focus will be the development of the governance arrangements of the Fund. This is an area of increased focus for the Pension Regulator, and the national Scheme Advisory Board who are sponsoring the good governance project. One of the provisional recommendations of the good governance project is a peer review of each Fund's governance arrangements and work will need to focus on the current skills and knowledge of the Committee, the performance monitoring arrangements in place, and the levels of risk management and internal controls.

The final objective for the year is the further improvement in scheme employer and scheme member engagement with the Fund. Work here will include further automation of the processes, with the completion of the implementation of iConnect to enable the automatic transfer of member data from scheme employers to the Fund, as well as increased functionality of the Member Self-Service platform. A key challenge in this area will be the retrospective collection and validation of the scheme member data to implement the Government's proposed solution to the age discrimination of the transitional arrangements to the CARE scheme put in place in 2014, as identified by the McCloud court case. This will be a challenge for both the central administration team and all scheme employers. Hopefully there are no further external surprises of the sort provided by the pandemic this year which will add further difficulties to what is already seen as a significant issue for all concern.

Lorna Baxter
Director of Finance August 2020

All Public Sector Pension schemes were required under the Public Service Pensions Act 2013 to set up a Pension Board with effect from 2015/16 to assist the administering authorities of their Pension Scheme in ensuring compliance with LGPS and other pension regulations.
The Oxfordshire Pension Fund Committee, acting as administering authority of the Oxfordshire LGPS, agreed the terms of reference of the Pension Board in March 2015. These terms of reference are available on the Board's website at https://www.oxfordshire.gov.uk/cms/content/lgps-local-pension-board.

Under the constitution of the Board, an annual report on the work of the Board should be produced by the Board for inclusion in the Fund's own annual report; and it should be presented to the Pension Fund Committee within 6 months following the end of the municipal year. This report meets that requirement for the 2019/20 financial year, covering the work from the July 2019 Board meeting to their meeting on 24 January 2020 (N.B. The meeting scheduled for 1 May 2020 was cancelled due to the lockdown restrictions in place at that time as a result of the Covid-19 pandemic).

Angela Priestley-Gibbins, the Pensions Specialist at the Thera Trust joined the Board during the year to replace Cllr Sandy Lovatt as a Scheme Employer representative. Cllr Lovatt was required to step down from the Board having lost his seat in the local government elections in May 2019, and therefore no longer met the criteria to qualify as a Scheme Employer Representative. Mark Spilsbury retired from his post as Head of Pensions in Gloucestershire and therefore stepped down from his position as Chair of the Board following the January 2020 meeting. Attendance at Board meetings was as follows:

	Attended 12 July 2019 Meeting	Attended 25 October 2019 Meeting	Attended 24 January 2020 Meeting	01 May 2020 Meeting - Cancelled
Scheme Employer Representatives				
Cllr Bob Johnston (Oxfordshire County Council)	Yes	Yes	Yes	N/A
Angela Priestly-Gibbins (The Thera Trust)	N/A	Yes	No	N/A
Lisa Hughes (River Learning Trust)	Yes	No	Yes	N/A
Scheme Member Representatives				
Stephen Davis (Oxford City Council & Unite)	Yes	Yes	Yes	N/A
Alistair Bastin (Oxfordshire County Council & Unison)	Yes	No	No	N/A
Sarah Pritchard (Oxford Brookes University)	Yes	Yes	No	N/A

All meetings were attended and chaired by Mark Spilsbury in line with his appointment as the Independent Chairman. Sean Collins, the Head of Pensions for the Oxfordshire Fund sits as Independent Chairman of the Gloucestershire Local Pension Board in a reciprocal arrangement.

Cllr Bob Johnston, Alistair Bastin and Stephen Davis regularly attended the Pension Fund Committee as observers, with one of them presenting the report of the Board to the Committee. Board Members were also regular attenders at the training events run through the year, to which all Committee and Board members were invited.

Work Programme

During 2019/20 the Pension Board continued to review the progress of the Fund in delivering against the Improvement Plan, developed to address the issues in previous years of breaches of the statutory requirements to issue Annual Benefit Statements by the end of August each year. The Board received up to date reports on the latest position at both their July and October meetings and welcomed the positive improvement in performance.

At their January meeting, the Board reviewed the standard performance data presented to the Pension Fund Committee. They welcomed the data presented and asked that the minutes of the Committee meetings were added to their own agenda so that they could assure themselves that the Committee were properly challenging the performance data presented.
At each of their meetings, the Board reviewed the Risk Register papers presented to the meetings of the Pension Fund Committee and offered a number of challenges to the presentation of the data and to individual risk scores, as well as identifying areas which they did not believe were adequately covered in the risk register. The Board noted that the risk management arrangements had improved as a direct consequence of their scrutiny and advice back to the Committee and confirmed they were happy with the current level of detail and scrutiny.

The Board also considered the Committee's Annual Business Plan at each of their meetings during 2019/20. The key issue identified by the Board was the need to strengthen the governance arrangements in terms of Committee membership and training so all members attending and voting at a Committee meeting had the necessary skills and knowledge to contribute on the agenda items presented to them. The Board also advised the Committee on the benefits amending their investment strategy to switch investments to the new low carbon portfolio developed by Brunel.

In respect of the Fund's asset allocation and climate change policy, all members of the Board with the exception of the Independent Chairman and Lisa Hughes attended the full day Climate Change Workshop held in November 2019 to support the Committee in developing its first Climate Change Policy. Alistair Bastin presented to the workshop on the findings of a recent scheme member survey on their views on the subject. Alistair subsequently joined the working group which produced the draft Policy presented to the Committee at their March meeting.

During the year, the Board also received reports on the 2019 Valuation and the new Funding Strategy Statement. The Board commented favourably on the information presented by Hymans Robertson who were undertaking their first Valuation for the Oxfordshire Fund. In particular, they welcomed the presentation by the Fund Actuary at the Employer Forum in January and the employer surgery sessions which took place that same afternoon and suggested they became a regular feature of future valuation arrangements.

Other issues looked at during the year by the Pension Board included Employer Training, Fund Manager Fees, Cyber Security and the requirements of the Pension Regulators Code of Practice 14. On this final item, they welcomed the extent to which Oxfordshire complied with the Code, whilst identifying the need to improve reporting on their own training plans, and on the monitoring of the collection of employer contributions.

Future Work Programme

Two of the key issues picked up by the Board during 2019/20 have been included in the Annual Business plan of the Pension Fund Committee and therefore will continue to areas of focus for the Board during the course of 2020/21.

The first of these is the need to review the overall governance arrangements of the Fund in light of increased scrutiny and the Good Governance review commissioned by the national Scheme Advisory Board. This work will include further review of the skills and knowledge of the Committee and the Board themselves, including a report on the results of the National Knowledge Assessment undertaken by Hymans Robertson, which all members of the Board completed.

The second key issue is the continued development of the Climate Change Policy with the development of the Implementation Plan and the future monitoring arrangements. This will be a regular item at each of the Committee and Board meetings, with the Board expected to play a key role to ensure the views of scheme employers and scheme members are fed into the new arrangements.

The Board will also have the opportunity to review the new governance arrangements being developed to enable the Pension Fund Committee to hold the Brunel Company to account. This work will cover both investment performance and performance against the engagement and responsible investment policies.

The Board will also maintain its focus on the risk register to ensure that the Committee is able to meet its statutory duties.

Board Members Training 2019/20

Alistair Bastin	CIPFA LGPS LPB Annual Event	26th June 2019
Alistair Bastin	LGA Fundamentals training- day 1	3rd October 2019
Alistair Bastin	LGA Fundamentals training- day 2	14th November 2019
Alistair Bastin	LGA Fundamentals training- day 3	18th December 2019
Alistair Bastin	Climate Change Workshop	8th November 2019
Alistair Bastin	Pre-Committee Briefing on 2019 Valuation	6th December 2019
Alistair Bastin	LGPS Annual Governance Conference	23rd to 24th January 2020
Alistair Bastin	CIPFA LPB Members Seminar	7th October 2019
Alistair Bastin	LGPS LPB Spring Seminar	20th February 2020
Angela Priestley-Gibbins	Climate Change Workshop	8th November 2019
Bob Johnston	LGA Fundamentals training- day 1	3rd October 2019
Bob Johnston	LGA Fundamentals training- day 2	6th November 2019
Bob Johnston	LGA Fundamentals training- day 3	18th December 2019
Bob Johnston	CIPFA LPB Members Seminar	7th October 2019
Bob Johnston	Climate Change Workshop	8th November 2019
Bob Johnston	Pre-Committee Briefing on 2019 Valuation	6th December 2019
Bob Johnston	LGPS LPB Spring Seminar	20th February 2020
Lisa Hughes	CIPFA LGPS LPB Annual Event	26th June 2019
Lisa Hughes	CIPFA LPB Members Seminar	7th October 2019

Sarah Pritchard	Climate Change Workshop	8th November 2019
Stephen Davis	CIPFA LGPS LPB Annual Event	26th June 2019
Stephen Davis	CIPFA LPB Members Seminar	7th October 2019
Stephen Davis	Climate Change Workshop	8th November 2019
Stephen Davis	Pre-Committee Briefing on 2019 Valuation	6th December 2019
Stephen Davis	Local Authority Responsible Investment Seminar	15th January 2020

Statement of Responsibilities for the Pension Fund

The County Council's Responsibilities

The County Council is required to:

- make arrangements for the proper administration of the financial affairs of the Pension Fund and to ensure that one of its officers has the responsibility for the administration of those affairs. For the County Council, that officer is the Director of Finance;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Pension Fund Committee has examined the Pension Fund accounts and authorised the Chairman to approve them on its behalf.

The Responsibilities of the Director of Finance

The Chief Finance Officer is responsible for the preparation of the Pension Fund's accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ('the Code of Practice').

In preparing this Statement of Accounts, the Director of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Director of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

LORNA BAXTER
Director of Finance

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF OXFORDSHIRE PENSION FUND ON THE PENSION FUND FINANCIAL STATEMENTS

Opinion

We have examined the pension fund financial statements for the year ended 31 March 2019, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 29.

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Oxfordshire County Council for the year ended 31 March 2019 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Respective responsibilities of the Director of Finance and the auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Oxfordshire County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of the information within the Oxfordshire Pension Fund Report and Accounts 2018/19 other than the Pension Fund Accounts 2018-19 on pages 45 to 79 and our auditor's statement thereon.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinions on those financial statements.

Kevin Suter (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Southampton
31 July 2019

SCHEME MANAGEMENT & ADVISORS

Administering Authority	Oxfordshire County Council County Hall Oxford OX1 1ND
Administrator	Director of Finance
Pension Fund Committee County Council Members 2018/19 Membership	Cllr Kevin Bulmer (Chairman) Cllr Nicholas Field-Johnson (Deputy Chairman) Cllr Ian Corkin Cllr Roz Smith Cllr Mark Lygo Cllr Charles Mathew Cllr John Sanders Cllr Lawrie Stratford Cllr Alan Thompson
Representatives of District Councils	Cllr Alaa Al-Yousuf (WODC) Cllr Jo Robb (SODC)
Beneficiary Observer	Steve Moran
Independent Investment Adviser	Peter Davies MJ Hudson
Fund Managers	Adams Street Partners Brunel Pension Partnership Legal & General Investment Management Partners Group UBS Global Asset Management Wellington Management Insight Investment Management
Internally Managed Funds	Listed Private Equity
Actuary	Hymans Robertson
Auditor	Ernst & Young LLP
AVC Provider	Prudential Assurance Company Ltd
Custodian	State Street Bank and Trust Company
Legal Advisers	Oxfordshire County Council Legal Services
Bankers	Lloyds Bank Plc

HOW THE SCHEME OPERATES

♦ Legal Framework

The Local Government Pension Scheme is a statutory, funded defined benefit pension scheme. The operation of the Oxfordshire County Council Pension Fund is principally governed by the Local Government Pension Scheme Regulations 2013 [as amended] (effective from April 2014).[1] The scheme covers eligible employees and employees of other bodies eligible to be employers in the Scheme. A list of all those bodies with employees currently participating in the Scheme is shown on pages 14 to 19.

This career average revalued earnings (CARE), defined benefit scheme provides benefits related to actual salary for its members and the benefits are unaffected by the investment return achieved on the Scheme's assets. 'CARE' benefits build up each year with annual revaluation while pensions paid to retired employees, their dependents, and deferred benefits are subject to mandatory increases in accordance with annual pension increase legislation. Since 2011 the amount is based the Consumer Price Index (CPI).

All active LGPS members at 31 March 2014 were transferred to the new LGPS for 1 April 2014. Their final salary benefits linked to the final pay definitions of the previous regulations continue while accrual of membership stopped at 31 March 2014.
Pension Investment and Administration is governed by Her Majesty's Customs and Revenue Office (HMRC) setting out personal maximum values of benefit and reporting structures for schemes.

♦ Contributions

The Oxfordshire County Council Pension Fund is financed by contributions from employees and employers, together with income earned from investments. The surplus of contributions and investment income over benefits being paid is invested.

The contribution from employees is prescribed by statute at rates between 5.5% and 12.5% of pay.

Employers' contribution rates are set following the actuarial valuation, which takes place every three years. The contribution rate reflects an employer experience, the fund deficit or surplus and is the rate at which employers need to contribute to achieve a 100% funding level projected over 22 years.

Contribution rates for 2019 - 2020 were based on the completed valuation of the Scheme's financial position as at 31 March 2016 and are shown on pages 14 to 19.

♦ Benefits

The benefits payable under the Scheme are laid down by the 2013 Regulations. Pension payments are guaranteed and any shortfall is met through the Pension Fund linked to employer contribution rates set by the fund valuation. The Scheme is a 'defined benefit scheme and provides a pension based on 1/49th of pensionable pay each year of membership with annual revaluation, adjusted in line with CPI. A Summary of Benefits is shown on pages 82 to 84.

Overriding legislation

The LGPS exists within rules laid down by HMRC. These provide time limits for benefit payments and also on the member limits to the amount of pension built up within a year and within a lifetime. At retirement a member has to declare any other benefits, not just from the LGPS but all pension provision, to ensure all benefits are within this limit. A tax charge is imposed if this limit is exceeded or if the member fails to make the declaration. Members can convert a portion of their annual pension to provide a larger tax free lump sum at retirement.

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[1] From 01 April 2014 new LGPS have introduced a new scheme. This is still a defined benefit scheme which is now based on Career Average Revalued Earnings (CARE)

The limits an individual can build up in a year and a lifetime are set by HMRC with additional reporting timetables for fund administration.

♦ Adjudication of Disagreements Procedure

The first stage of a dispute is, generally, looked at by the claimants' employer. The second stage referral is to the County Council and the Appointed Person. For information please contact the Pension Services Manager.

PARTICIPATING EMPLOYERS

Scheduled Bodies	Contribution Rate Payroll % 2019/20	Contribution Rate Additional Monetary Amount 2019/20
Abingdon & Witney College	13.0%	£ 210,000
Abingdon Learning Trust	19.3%	-
Abingdon Town Council	21.7%	-
AcerTrust MAT	20.4%	£ 58,000
Activate Learning Education Trust	17.6%	-
Activate Learning	13.5%	£ 427,000
Adderbury Parish Council	21.7%	-
Aspirations Academy Trust	13.9%	£ 76,000
Banbury Town Council	21.7%	-
Benson Parish Council	21.7%	-
Berinsfield Parish Council	21.7%	-
Bernwode School Trust	16.8%	£ 53,000
Bicester Town Council	21.7%	-
Bloxham Parish Council	21.7%	-
Burford School	17.8%	£ 63,000
Carterton Town Council	21.7%	-
CfBT MAT	21.1%	-
Chalgrove Parish Council	21.7%	-
Cherwell District Council	14.9%	-
Chinnor Parish Council	21.7%	-
Chipping Norton Town Council	21.7%	-
Cholsey Primary School (OPEN)	19.3%	-
Community Schools Alliance Trust	14.7%	£ 86,000
CSN Resources Ltd	14.9%	-
Cumnor Parish Council	21.7%	-

Scheduled Bodies (cont)	Contribution Rate Payroll % 2019/20	Contribution Rate Additional Monetary Amount 2019/20
Didcot Town Council	21.7%	-
Dominic Barberi Multi Academy Co	15.4%	£ 109,000
Drayton Parish Council	21.7%	-
Europa School	19.3%	-
Eynsham Parish Council	21.7%	-
Eynsham Partnership	17.6%	£ 41,000
Faringdon Academy	15.3%	£ 87,000
Faringdon Town Council	21.7%	-
GEMS Didcot Primary Academy	19.3%	-
Gillots Academy	19.3%	-
GLF – William Morris	19.5%	-
Gosford & Water Eaton Parish Council	21.7%	-
Gosford Hill Academy School	19.3%	-
Henley College	17.1%	-
Henley on Thames Town Council	21.7%	-
Heyford Park Free School	19.3%	-
Kennington Parish Council	21.7%	-
Kidlington Parish Council	21.7%	-
Kingston Bagpuize with Southmoor Parish Council	21.7%	-
Ladygrove Park Primary School	19.3%	-
Langtree Academy	19.3%	-
Leafield Parish Council	21.7%	-
Long Hanborough Parish Council	21.7%	-
MacIntyre Academy Trust	19.3%	

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Scheduled Bodies (cont)	Contribution Rate: Payroll % 2019/20	Contribution Rate: Additional Monetary Amount 2019/20
Maiden Erlegh Trust	19.3%	-
Marcham Parish Council	21.7%	-
North Hinksey Parish Council	21.7%	-
Old Marston Parish Council	21.7%	-
Oxford Brookes University	14.7%	£ 5,605,667
Oxford City Council	20.6%	-
Oxford Diocesan Trust	19.8%	-
Oxford Direct Services	20.6%	-
Oxfordshire County Council	19.9%	-
Propeller Academy Trust	15.1%	£ 43,000
Radcliffe Academy Trust	19.3%	-
Radley Parish Council	21.7%	-
Ramsden Parish Council	21.7%	-
Ridgeway Education Trust	17.4%	£ 65,000
River Learning Trust	17.0%	£ 191,000
Sonning Common Parish Council	21.7%	-
South Oxfordshire District Council	12.9%	812,000
St Johns Academy Trust	19.3%	-
Stonesfield Parish Council	21.7%	-
Sutton Courtenay Parish Council	21.7%	-
Thame Partnership Academy Trust	17.2%	£ 48,000
Thame Town Council	21.7%	-
The Gallery Trust	19.3%	-

Scheduled Bodies (cont)	Contribution Rate: Payroll % 2019/20	Contribution Rate: Additional Monetary Amount 2019/20
Academy School Trust	15.1%	£ 45,000
The Mill Academy Trust	17.4%	£ 51,000
The Oxford Academy	14.1%	-
The Pope Francis MAC	16.9%	£ 37,000
Tyndale School	19.3%	-
United Learning Trust	14.3%	£ 93,000
Vale Academy Trust	16.7%	£ 104,000
Vale of the White Horse District Council	13.2%	£ 716,000
Wallingford Town Council	21.7%	-
Warriner MAT	18.0%	£ 39,000
West Oxfordshire District Council	15.8%	-
Willowcroft Academy Trust	19.3%	-
Witney Town Council	21.7%	-
Woodstock Town Council	21.7%	-

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Admitted Bodies	Contribution Rate Payroll % 2019/20	Contribution Rate Additional Monetary Amount 2019/20
1st Homecare – Nicholson House	19.9%	-
1st Homecare (Oxford) Ltd	19.9%	-
A2 Dominion	18.1%	-
ABM Catering Ltd	-	-
Church of England Primary School, Oxford	19.9%	-
Alliance in Partnership Limited	21.0%	-
Alliance in Partnership Limited – The Cooper School (Bicester Learning Academy) catering	20.0%	-
APCOA Parking (UK) Ltd	28.4%	-
Aspens Services Ltd - John Hampden Primary	19.9%	-
Aspens Services Ltd – The Oxford Academy	14.1%	-
Banbury Citizens Advice Bureau	-	-
Banbury Homes	18.1%	-
Banbury Museum Trust	16.8%	£ 14,000
Barnardos	25.3%	-
Busy Bee Cleaning Services	19.9%	-
Cara Services Limited	19.3%	-

Admitted Bodies (cont)	Contribution Rate Payroll % 2019/20	Contribution Rate Additional Monetary Amount 2019/20
Cater Link Limited	21.1%	-
Cater Link Limited – RLT (Chipping Norton)	19.7%	-
Cater Link Limited – Dominic Barberi Multi	-	-
Academy Company (catering contract)	19.3%	-
Cater Link Limited – River Learning Trust (Garsington C of E Primary School) (catering contract)	19.7%	-
Cater Link Limited – River Learning Trust (New Marston Primary School (catering contract)	19.7%	-
Cater Link Limited – River Learning Trust (Tower Hill School, Witney) (catering contract)	19.7%	-
Cater Link – United Learning Trust	16.5%	-
Charter Community Housing	16.5%	-
Chartwells	-	-
Cleantec Services Ltd	21.0%	-
Direct Cleaning Services – Abingdon Learning Trust	19.3%	-
Ecoclean Service Ltd – Vale Academy Trust	19.4%	-
Edwards and Ward (Banbury Dashwood Academy)	19.3%	-
Edwards and Ward (Benson C.E. Primary School)	19.9%	-

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	Contribution Rate Payroll % 2019/20	Additional Monetary Amount 2019/20
Edwards and Ward (Fitzwaryn) - Propeller Academy Trust	19.3%	-
Edwards & Ward Ltd (Brightwell-cum-Sotwell CE Primary School)	19.9%	-
Edwards and Ward – River Learning Trust (Rose Hill Primary School) (catering contract)	19.9%	-
Edwards and Ward (South Moreton School) ODST	19.3%	-
Edwards and Ward (St Andrews C.E. Primary School)	19.9%	-
Edwards & Ward – St John's Primary School, Wallingford (OPEN)	19.3%	-
Edwards and Ward (Stockham Primary School)	19.9%	-
Edwards & Ward (Sutton Courtenay C of E Primary) catering contract	19.9%	-
Edwards & Ward – The Ridgeway C of E Primary School, Childrey (catering contract)	19.9%	-
Primary School) (catering contract)	19.9%	-
Energy Kidz (John Hampden)	19.9%	-

Admitted Bodies (cont)	Contribution Rate Payroll % 2019/20	Additional Monetary Amount 2019/20
Energy Kidz (St Nicholas CoE Primary School)	19.9%	-
Fresh Start Catering Ltd (Bure Park Primary School, Bicester) catering contract	19.9%	-
Fresh Start Ltd (Bloxham School contract)	19.9%	-
Fresh Start Ltd (St Mary's Catholic Primary School	19.9%	-
Fusion Lifestyle	20.6%	-
Greenwich Leisure Limited	22.3%	-
Groundwork South	19.9%	-
HF Trust Ltd (Lot 5)	19.9%	-
HF Trust Ltd (Lot 8)	19.9%	-
Hill End Outdoor Education Centre	25.9%	-
Intelligent Workplace Solutions Ltd	19.3%	-
L C Housekeeping Services – Dominic Barberi MAC (Our Lady of Lourdes Catholic Primary School) (cleaning contract)	19.3%	-

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	Contribution Rate Payroll % 2019/20	Additional Monetary Amount 2019/20
Maid Marions Ltd – The Warriner Multi Academy	20.8%	-
NYAS (National Youth Advocacy Service)	19.9%	-
Order of St John's Care Trust (Oxford)	19.9%	-
Oxford Archaelogical Unit	18.1%	-
Oxford Community Work Agency	18.1%	-
Oxford Homeless Pathways	18.1%	-
Oxfordshire LEP	19.9%	-
Oxfordshire South & Vale Citizens Advice Bureau	-	-
Oxfordshire Youth Arts Partnership	18.1%	-
PAM Wellbeing Ltd	19.9%	-
Publica	15.8%	-
Rapid Clean - Stockham Primary School	19.9%	-
Rapid Commercial Cleaning Ltd	19.9%	-
Rapid Commercial Cleaning Services Ltd – Clanfield C of E Primary School (cleaning contract)	19.9%	-
Regency Cleaning Services Ltd - Caldecott Primary School, Abingdon	19.9%	-
Regency Cleaning Services Limited – Meadowbrook College (Radcliffe Academy Trust) cleaning contract	19.3%	-

Admitted Bodies (cont)	Payroll % 2019/20	Additional Monetary Amount 2019/20
Saba Park Services	-	-
School Lunch Company (Bishop Loveday CE Primary School)	19.9%	-
School Lunch Company (Chesterton CE School)	19.9%	-
School Lunch Company (Grandpont Nursery)	19.9%	-
School Lunch Company (Great Milton CofE Primary)	19.9%	-
School Lunch Company (Hook Norton CE Primary)	19.9%	-
School Lunch Company (John Henry Newman)	19.8%	-
School Lunch Company (Nettlebed Community School)	19.9%	-
School Lunch Company (North Hinksey CE Primary)	19.9%	-
School Lunch Company (Orchard Fields)	19.9%	-
School Lunch Company (RAF Benson)	19.9%	
School Lunch Company (Standlake CE Primary)	19.9%	-
School Lunch Company (The Batt CE Primary)	19.3%	-
School Lunch Company (The Hendreds Primary)	19.8%	-
School Lunch Company (St Christopher's CofE Primary)	19.8%	-
School Lunch Company (St John the Evangelist CE Primary)	19.9%	-
School Lunch Company (St Kenelm's CofE Primary)	19.9%	-
School Lunch Company (St Mary's CE Infant School)	19.3%	-
School Lunch Company (St Mary's CE Infant School) (Cleaning)	19.8%	-
School Lunch Company (St Michael's CofE Primary)	19.9%	-

List of Participating Employers continues on next page…

PARTICIPATING EMPLOYERS

Admitted Bodies (cont)	Contribution Rate Payroll % 2019/20	Additional Monetary Amount 2019/20
School Lunch Company (St Nicolas CofE Primary)	19.9%	-
School Lunch Company (Tackley CofE Primary)	19.8%	-
School Lunch Company (Windmill Primary)	19.9%	-
School Lunch Company (Witney Community Primary)	19.9%	-
School Lunch Company (Wroxton CofE Primary)	19.8%	-
School Lunch Company (Wychwood CE Primary)	19.9%	-
School Space Ltd – Heyford Park Free School	19.3%	-
Skanska Construction UK Ltd	15.6%	-
Swalcliffe Park School Trust	18.1%	-
Thames Valley Partnership	18.1%	-
The Camden Society - Lot 1	19.9%	-
The Camden Society - Lot 2	19.9%	-
The Camden Society - Lot 3	19.9%	-
The Camden Society - Lot 6	19.9%	-
TNS Catering Management Ltd – Lord Williams	19.3%	-
UBICO Ltd	15.8%	-
West Oxon Citizens Advice Bureau	18.1%	-
Wyclean (The Mill Academy)	21.0%	-

Governance

Conflicts of Interest

All councillors and co-opted members are required to register any disclosable pecuniary interests. In preparing the year-end statement of accounts checks are made for any potential related party transactions using the interests declared by Councillors on the Pension Fund Committee.

The Governance Compliance Statement which details the degree of compliance with best practice is available on the Council's public website.

Pension Fund Committee

Committee Membership and Attendance 2019/20

Councillor	07-Jun-19	06-Sep-19	06-Dec-19	06-Mar-20
County Councillors;				
Councillor K Bulmer (on committee since May 2017)	✓	✓	✓	✓
Councillor I Corkin (on committee since May 2017)	Substitute (Cllr S Bartington)	✓	Substitute (Cllr J Matelot)	Substitute (Cllr J Matelot)
Councillor N Field-Johnson (on committee since May 2017)	✓	✓	✓	✓
Councillor L Stratford (on committee since June 2018)	✓	✗	✓	✓
Councillor R Smith (on committee since June 2019)	✓	✓	✓	Substitute (Cllr R Webber)
Councillor C Mathew (on committee since May 2017)	Substitute (Cllr M Fox-Davies)	✓	✓	✓
Councillor M Lygo (on committee since May 2017)	✓	✓	✓	✓
Councillor J Sanders (on committee since May 2017)	✓	✓	✓	✓
Councillor A Thompson (on committee since May 2017)	✓	✓	✓	✓
District Councillors;				
Councillor A Al-Yousuf (on committee since June 2018)	✓	✓	✓	✓
Councillor J Robb (on committee since September 2019)	n/a	✓	✓	✓

Committee Members Training Received 2019/20

Councillor	Date	Training Course
County Councillors;		
Councillor K Bulmer	06-Mar-20	Hymans Robertson 2019 Valuation Briefing
	13-15 May 2019	PLSA Local Authority Conference
	31-Oct-19	LGA Fundamentals Day 1
	12-Dec-19	LGA Fundamentals Day 3
	17-Jan-20	Oxfordshire Pension Fund Forum
	19-Nov-19	Brunel Investor Day
Councillor I Corkin	17-Jan-20	Oxfordshire Pension Fund Forum
	19-Nov-19	Brunel Investor Day
Councillor N Field-Johnson	06-Mar-20	Hymans Robertson 2019 Valuation Briefing
	17-Jan-20	Oxfordshire Pension Fund Forum
	19-Nov-19	Brunel Investor Day
Councillor L Stratford	06-Mar-20	Hymans Robertson 2019 Valuation Briefing
	17-Jan-20	Oxfordshire Pension Fund Forum
	19-Nov-19	Brunel Investor Day
Councillor R Smith	06-Mar-20	Hymans Robertson 2019 Valuation Briefing
	19-Nov-19	Brunel Investor Day

Councillor C Mathew	06-Mar-20	Hymans Robertson 2019 Valuation Briefing
	02-04 July 2019	LAPF Strategic Investment Forum
	03-Oct-16	LGA Fundamentals Day 1
	06-Nov-19	LGA Fundamentals Day 2
	18-Dec-19	LGA Fundamentals Day 3
	23-24 Jan 2020	LGPS Annual Governance Conference
	17-Jan-20	Oxfordshire Pension Fund Forum
	19-Nov-19	Brunel Investor Day
Councillor M Lygo	06-Mar-20	Hymans Robertson 2019 Valuation Briefing
	15-Jan-20	Local Authority Responsible Investment Seminar
	19-Nov-19	Brunel Investor Day
	17-Jan-20	Oxfordshire Pension Fund Forum
Councillor J Sanders	06-Mar-20	Hymans Robertson 2019 Valuation Briefing
	17-Jan-20	Oxfordshire Pension Fund Forum
	19-Nov-19	Brunel Investor Day
Councillor A Thompson	06-Mar-20	Hymans Robertson 2019 Valuation Briefing
	17-Jan-20	Oxfordshire Pension Fund Forum
	19-Nov-19	Brunel Investor Day

District Councillors;		
Councillor A Al-Yousuf	06-Mar-20	Hymans Robertson 2019 Valuation Briefing
	02-04 July 2019	LAPF Strategic Investment Forum
	31-Oct-16	LGA Fundamentals Day 1
	21-Nov-19	LGA Fundamentals Day 2
	12-Dec-19	LGA Fundamentals Day 3
	27-28 Feb 2020	LGC Investment Seminar 2020
	17-Jan-20	Oxfordshire Pension Fund Forum
	19-Nov-19	Brunel Investor Day
Councillor J Robb	06-Mar-20	Hymans Robertson 2019 Valuation Briefing
	17-Jan-20	Oxfordshire Pension Fund Forum
	19-Nov-19	Brunel Investor Day

Members that have been on the Pension Fund Committee in previous financial years will have attended training events in those years in addition to the training undertaken in the current financial year.

Risk Management

Internal Risk Management

Officers operate within the financial procedures and control environment of the Administering Authority. These are regularly audited by internal and external audit.

The Council's Internal Audit function undertook a review of the Pension Administration operations in 2019/20 with an overall conclusion of 'G' (There is a strong system of internal control in place and risks are being effectively managed. Some minor action may be required to improve controls.). There were four management actions resulting from the audit findings which are being addressed. The Pension Investments function was also subject to an internal audit during 2019/20. The overall conclusion was 'A' (There is generally a good system of internal control in place and the majority of risks are being effectively managed. However, some action is required to improve controls). There were four management actions resulting from the audit findings which are being addressed.

The Pension Fund Committee is responsible for the prudent and effective stewardship of the Oxfordshire County Council Pension Fund. As part of this duty the Committee oversees the monitoring and management of risk. This role includes:

- Determining the risk management policy and reconciling this with wider organisational risk policy
- Setting the risk management strategy in line with the risk policy
- Overseeing the risk management process

The risk management process involves: Risk identification, risk analysis, risk control and monitoring.

A key tool for the management of risk is the risk register. The register incorporates an assessment of the impact and likelihood of identified risks to give a risk score, assigns a target risk score, as well as the actions required to achieve the target score. The risk register is kept under review by the Director of Finance and is presented to the Committee on a quarterly basis. The risk register is also regularly reviewed by the Oxfordshire Local Pension Board.

Risks are identified and assessed using a scoring matrix. The scoring matrix assesses two elements of a risk:

- the chance of it happening
- the impact if it did happen

Risks are analysed between:

- Financial
- Administrative
- Governance

Each element is independently assessed on a scale of 1-5 (5 being the highest risk). These scores are then multiplied to give an overall score. The risk register lists the risks identified, the consequence of each risk occurring, the score assigned to each risk, the target score for each risk and the measures in place to address the risk. This process identifies the risks with the highest scores, and those furthest away from their targets, which are then closely monitored.

The table below details the highest scoring risks from the most recent version of the risk register for the Fund (a copy of the full risk register is available in the Pension Fund Committee papers for September 2020 which is on the Council's public website).

Officers are mindful of risk in carrying out their duties on a day to day basis and any significant risks identified are reviewed and managed through processes and controls accordingly. The Pensions teams have regular team meetings through which any operational risks can be discussed and dealt with appropriately.

Summary of Key Risks identified on the Pension Fund Risk Register

Risk	Cause	Impact	Likelihood	Risk Score	Actions Required
Financial					
Underperformance of Pension Investments Due to ESG Factors, Including Climate Change.	Failure to consider long-term financial impact of ESG issues.	4	2	8	Improve performance monitoring information on ESG scores within current investment portfolios, to identify any policy breaches by fund managers.
Employer Default - LGPS	Market forces, increased contribution rates, budget reductions	4	2	8	Review impact of COVID-19 on major employers, particularly HE/FE sector
Governance					
Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Poor training programme	4	2	8	Review of current governance arrangements to be proposed plus development of training plan following NKA results
Administrative					

Risk	**Cause**	**Impact**	**Likeli-hood**	**Risk Score**	**Actions Required**
Insufficient Resource and/or Data to Comply with Consequences of McCloud Judgement	Significant requirement to retrospectively re-calculate member benefits	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.

Third Party Risk Management

The Pension Fund Committee receive quarterly investment performance reports and receive regular updates from Fund Managers which provide an opportunity to ensure their strategies are in line with expectations and to discuss any risks the Committee is concerned about. Officers also have regular meetings with the Independent Financial Advisor and Fund Managers through which performance is reviewed and key issues are discussed.

The Fund's investment managers and its custodian issue annual internal control reports prepared by their auditors. For fund managers, auditors typically issue a report based on the Statement on Standards for Attestation Engagements (SSAE 16) in North America, or Audit & Assurance Faculty (AAF 01/06) in the UK. The International Auditing & Assurance Standards Board (IAASB) has also developed the International Standard on Assurance Engagements (ISAE 3402) as a global standard of reporting, for use from 2012. These documents identify internal processes and procedures, and details of the audit testing performed on them during the year. The reports are reviewed annually by the pension investments team and are used to gain assurance that the third parties' internal controls are sufficient and are operating effectively. Any concerns are discussed with the third parties to ensure corrective action is being taken where weaknesses are identified.

The following reports were received and reviewed:

Company	Report Type	Reporting Period End	Auditor
Adams Street Partners	SSAE 16	30 September 2019	KPMG
Partners Group	ISAE 3402	31 December 2019	PricewaterhouseCoopers
State Street Bank & Trust Company (Custodian)	SSAE 16	31 March 2020	Ernst & Young
Insight Investment Management	SSAE 18 / ISAE 3402	30 September 2019	KPMG
Legal & General Investment Management	AAF 01/06 / ISAE 3402	31 December 2019	KPMG
UBS	ISAE 3402	31 December 2019	Ernst & Young
Wellington	SOC 1 / ISAE 3402	31 October 2019	PricewaterhouseCoopers

The pension investment team analyse and reconcile valuation information provided by the custodian to that of the investment manager and follow up any significant variations. The custodian also undertakes a monthly reconciliation between its records and those of funds managers and is required to investigate and report the reasons for any significant variances.

The fund's Independent Financial Advisor monitors the market and the activities of investment managers and informs officers if there are any concerns, such as changes in key staff.

Scheme Administration and Administration Performance

The Pension Services team is responsible for all scheme member benefit administration. This involves liaising with all scheme employers to receive monthly and end of year data returns, checking this information prior to loading this on to the pension system.

Once data is loaded the team can then calculate and process queries and benefit payments to scheme members.

Data assurance comes from internal checks; process review; internal and external audit reviews and CIPFA bench marking against other LGPS funds.

Scheme Communications are detailed in the Communication Strategy which details types and methods of communication used to reach all fund's stakeholders. This is underpinned by the Pension Fund pages located on the County Council's website, which contains links for following fund documents:

- Communication Policy Statement
- Annual Report and Accounts
- Triennial Valuation Report
- Investment Strategy Statement
- Funding Strategy Statement
- Governance Policy Statement
- Statements of Policy about Exercise of Discretionary Functions
- Administration Strategy

Complaints are dealt with in line with the Adjudication of Disagreements Procedure which is set out in Regulation. This is a three stage process:

- Stage 1 – depending upon nature of complaint the Appointed Person from either the fund or scheme employer will review and provide a written determination to the points raised.
- Stage 2 – should the member be unhappy with the decision made at age 1 they have the right to ask for the Appointed Person at stage 2 to review their case.
- If, after this second independent review the member remains unhappy with the outcome they can then refer their case to the Pension Ombudsman.

During 2019/2020 the following complaints have been received:

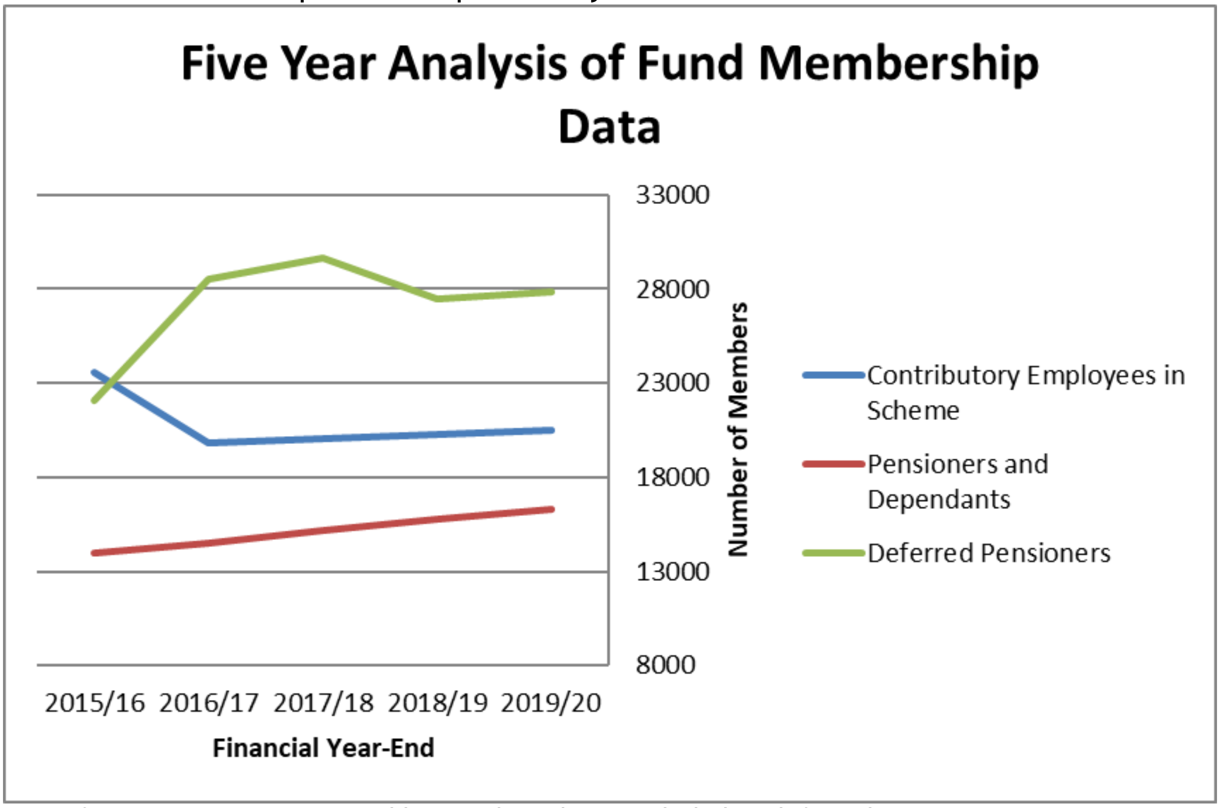
	2019/20
Number of Complaints	6
Complaints as % of Workload	0.03%

The Regulations – Under the framework of overarching pension regulations The Local Government Pension Scheme is governed by statutory regulations which are the responsibility of the Ministry of Housing, Communities and Local Government.

The LGPS is applicable to staff working in the public sector, although this excludes Fire Officers, Teachers and Police Officers who have their own separate schemes. However, it will include any staff working in those areas but ineligible to join those other public sector schemes.

Members of the scheme will be employed by Oxfordshire County Council; District Councils; Town and Parish Councils; Academies, as well as private sector companies providing services on their behalf.

The fund membership over the past five years is shown below:



Note: from 2016/17 unprocessed leavers have been included as deferred pensioners.

As at 31 March 2020 the number of staff within Pension Services is 24.78 FTE which is a small decrease against last year.

During the year staff have dealt with 20,210 tasks, which gives an average number per member of staff as 816 tasks. The top 10 tasks are shown in the table below:

Top 10 Case Types

Case Type	Completed 2019/20	Completed Within Target Time
General Enquiries	4,595	90%
Process Leavers	3,768	89%
Frozen Refunds	2,042	96%
Re-employments	1,436	87%
Retirements	1,387	86%
IFA In	848	53%
Deaths	829	51%
Transfers In	581	64%
IFA Out	563	89%
Transfers Out	444	88%

Promotion of Scheme Membership

The fund supplies template letters for employers to incorporate within their starter / new joiner process. This information will point to the centrally provided on-line guides (www.lgps2014.org) concerning costs and benefits of the LGPS for members, and also to the scheme guides. Both the brief guide and the full detailed guide are hosted on the fund website pages (www.oxfordshire.gov.uk/lgpsmembersguide). When requested the fund will comment on employer prepared automatic enrolment notices to members, which would be sent to eligible jobholders where the LGPS is the qualifying pension saving scheme.

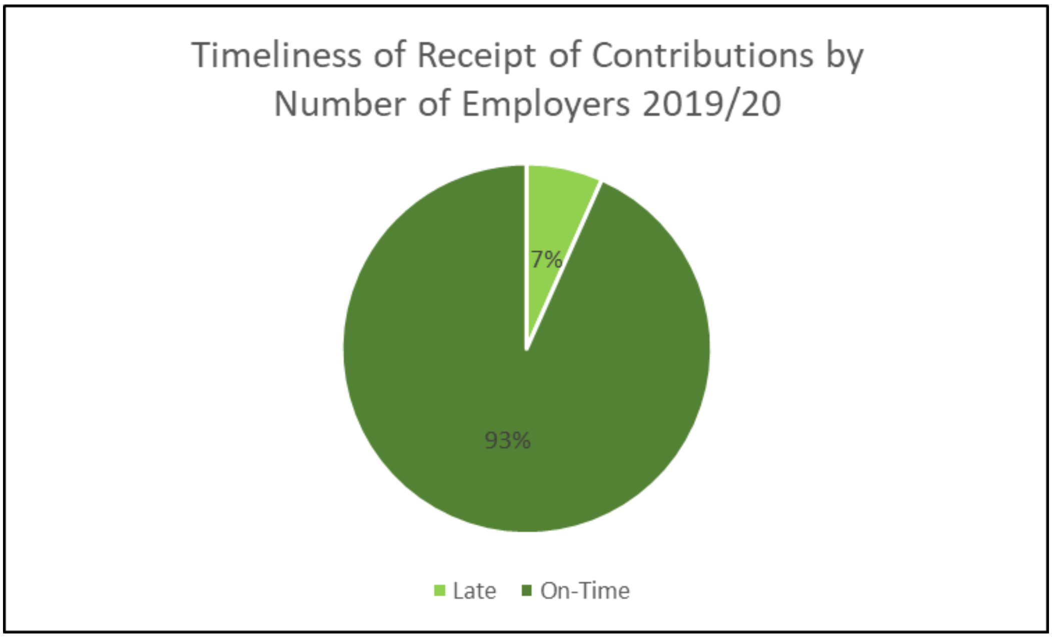
Memberships

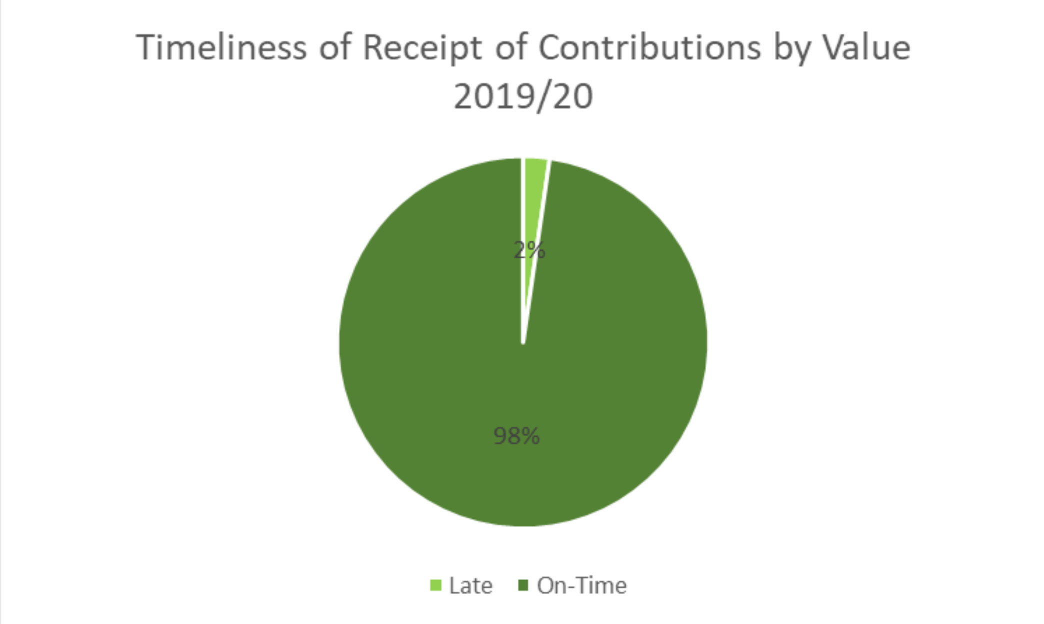
The Fund is a member of the National Association of Pension Funds, Local Authority Pension Fund Forum, and subscribes to the CIPFA Pensions Network.

Financial Performance

Contributions

Payment of contributions from employers is monitored on a monthly basis as they fall due. Reconciliations are undertaken between contributions received and those expected with any discrepancies followed up with the employer. Late payments are immediately followed up with employers to request payment. If contribution payments are repeatedly late the issue is escalated and a letter is sent to employers. Fines are also issued in accordance with the Administration Strategy. The graphs below illustrate the timeliness of the receipt of contributions from employers during 2019/20.





The average number of days that payments were late by during 2019/20 was 7.

Budget

The below table shows budget for 2019/20:

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

Pension Overpayments

Financial Year	Pension Over-payments
2019/20*	78,578.69
2018/19	222.97
2017/18	125.06
2016/17	29,341.58
2015/16*	78,422.63

* Figure is higher due to results of the National Fraud Initiative data matching exercise.

The Fund participates in the National Fraud Initiative data matching exercise which takes place every two years. This process matches data between different records to identify discrepancies that should be investigated further.

Investment Pooling – Brunel Pension Partnership

In 2015 the Department of Communities and Local Government (as it then was) issued LGPS:
Investment Reform Criteria and Guidance which set out how the government expected funds to establish asset pooling arrangements. The objective was to deliver:

- Benefits of scale.
- Strong governance and decision making.
- Reduced costs and excellent value for money, and
- An improved capacity and capability to invest in infrastructure.

This has led to the creation of eight asset pools which have significantly changed the previous approach to investing, although it should be stressed that the responsibility for determining asset allocations and the investment strategy remain with individual pension funds.

As a result of the investment pooling agenda, the Oxfordshire Pension Fund joined with nine other LGPS administering authorities to set up the Brunel Pension Partnership. Oxfordshire County Council approved the business case for Brunel, based on estimated potential fee savings of £550 million over a 20 year period across the ten funds, of which Oxfordshire’s share was £18 million with a breakeven year of 2025. The expected costs and savings for the Oxfordshire Pension Fund, as per the original business case approved, and then submitted to Government, are set out in the following table:

	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023	2023/ 2024	2024/ 2025	2025/ 2026	2026 to 2036	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Set up costs	117	1,041										**1,158**
Ongoing Brunel Costs			430	558	577	595	614	634	655	676	8,093	**12,833**
Clients Savings			(114)	(117)	(120)	(124)	(128)	(132)	(136)	(140)	(1,648)	**(2,658)**
Transition costs			1,231	2,315	12							**3,558**
Fee savings			(191)	(504)	(920)	(1,070)	(1,235)	(1,413)	(1,513)	(1,620)	(24,618)	**(33,084)**
Net costs / (realised savings)	**117**	**1,041**	**1,357**	**2,252**	**(452)**	**(599)**	**(748)**	**(910)**	**(994)**	**(1,084)**	**(18,173)**	**(18,194)**

Following approval of the business case, the Brunel Pension Partnership Ltd was established in July 2017, as a company wholly owned by the Administering Authorities (in equal shares) that participate in the pool. The company is authorised by the Financial Conduct Authority (FCA). It is responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds' assets within defined investment portfolios. In particular, Brunel researches and selects the external managers or pooled funds needed to meet the investment objective of each portfolio.

Now that Brunel is operational, the financial performance of the pool will be monitored to ensure that Brunel is delivering on the key objectives of investment pooling. This includes reporting of the costs associated with the appointment and management of the pool company including set up costs, investment management expenses and the oversight and monitoring of Brunel by the client funds. The set up and transition costs incurred to date are set out in the following table.

	Direct £000s	**Indirect £000s**	**Total £000s**	**Cumulative £000s**
Set up costs:				
Recruitment	-	-	-	**18**
Legal	-	-	-	**133**
Consulting, Advisory & Procurement	-	-	-	**82**
Other support Costs e.g.IT, accommodation	-	-	-	**0**
Share Purchase / Subscription Costs	-	-	-	**840**
Other Working Capital Provided e.g. loans	-	-	-	-
Staff Costs	-	-	-	-
TOTAL SET UP COSTS	-	-	-	**1,072**
Transition Costs:				
Transition Fee	-	46	46	**46**
Tax	-	311	311	**833**
Other Transition Costs	-	996	996	**2,735**
TOTAL TRANSITION COSTS	-	**1,353**	**1,353**	**3,615**

Investment Review 2019/20

Economic Background

The year divided into two very contrasting periods – the first ten months pre-COVID, and February - March when the COVID pandemic was confirmed.

During 2019, the rate of GDP growth slowed in the US, China and the Eurozone by 0.5% compared with 2018. In response, the US Federal Reserve cut interest rates by ¼% three times between July and October. The US-China trade dispute rumbled on, punctuated by threats of increased tariffs from both sides. A Phase 1 trade deal was signed in December, but left several disputed areas unresolved.

In the UK, the parliamentary deadlock over the Withdrawal Agreement was broken when the new Prime Minister, Boris Johnson, called a General Election for December 12th in which the Conservatives achieved an overall majority of 80. The UK withdrew from the

EU on January 31st, although negotiations about the UK-EU trade deal are continuing during the transition period.

Initially, the coronavirus appeared to be limited to the city of Wuhan and other regions of China, but during February cases were being reported in other countries and in March it was officially confirmed as a global pandemic. One country after another closed large parts of its economy, restricted cross-border travel and confined residents to their homes. To assist the ailing economies, the US and UK central banks cut interest rates to almost zero and, along with the European Central Bank, resumed Quantitative Easing programmes. Governments hastily introduced massive fiscal injections to support companies, furloughed workers, the self-employed and small businesses. Separately, the oil market was thrown into turmoil on March 9th when Russia and Saudi Arabia failed to agree on production cuts, and the Saudis announced a sharp reduction in the oil price and an increase in daily production. The oil price fell by 60% in the first quarter of 2020.

Market Returns

Equity markets had risen by more than 10% from April to December, but the sharp falls induced by the pandemic left the All-World Index 6.2% lower on the year. While North America and Japan were each 2-3% lower, UK was one of the weakest markets, with a decline of more than 18%. The Oil & Gas sector recorded a fall of over 40% for the year, while Technology (+11.6%) and Health Care (+4.0%) were the only sectors to gain ground.

[Source of equity market returns: FTSE All-World Total Return series (£)]

Government bond yields fell steadily during 2019, on the slowing economy and US interest rate cuts. The COVID emergency then caused yields to fall sharply, with the 10-year US bond yielding 0.7% at the end of March compared with 2.4% a year earlier, while the 10-year Gilt yield fell from 1% to 0.35% during the year. Sterling weakened relative to the other major currencies - against the dollar (5%), the euro (3%) and the yen (7%).

UK Commercial Property eked out a total return of just 0.1% for the year, comprising a return of 5.8% from Industrial Property and 3.9% from Offices, but a fall of 9.7% from the troubled Retail sector.

[Source: MSCI UK Monthly Index of Total Returns]

The Oxfordshire Pension Fund achieved a total return of -5.8% for the year, compared with a -5.5% return on its benchmark.

Outlook

The duration and severity of the COVID pandemic, and consequently the depth of the contraction of the global economy, is impossible to predict. In some sectors of the economy – travel, leisure and non-essential retail, for example – activity may not return to 2019 levels for several years, and there may well be corporate insolvencies. For most companies, forecasts of profits in the near future are impossible to make with any certainty, so that equity markets will continue to be volatile as the full effects of the pandemic become apparent.

Government debt will balloon as a result of the fiscal measures being taken to support economies, and increased social security payments, but sovereign bond yields should remain low as investors value their 'safe haven' status. Short-term interest rates will remain extremely low – or negative – as central banks play their part in stimulating their battered economies.

Peter Davies
Senior Adviser – MJ Hudson Investment Advisers

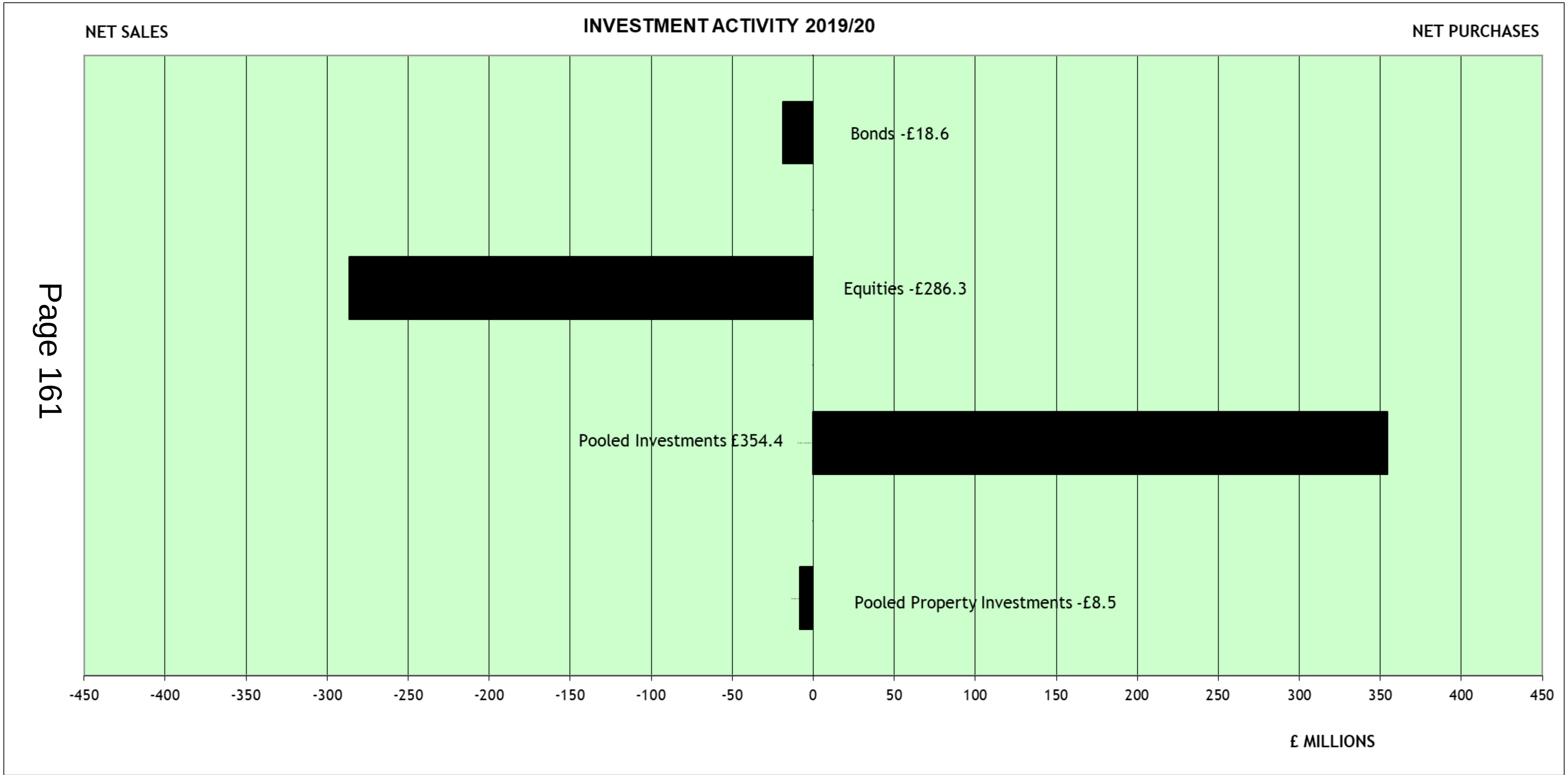
June 2020

Table showing the total returns (capital plus income) in sterling terms calculated on major indices for the year to 31 March 2020.

SECTOR		INDEX	% Total Returns Year to 31.3.20
Equities	Global	FTSE All World	-6.2
	UK	FTSE All Share	-18.5
	North America	FTSE AW – North America	-2.8
	Japan	FTSE AW - Japan	-2.1
	Europe	FTSE AW - Europe (ex UK)	-8.0
	Asia Pacific (ex Japan)	FTSE AW - Asia Pacific (ex Japan)	-11.2
	Emerging Markets	FTSE AW - Emerging	-13.0
Bonds	UK Government	FTSE-A Government	9.9
	UK Index-Linked	FTSE-A Index- Linked (over 5 years)	2.4
	UK Corporate Bonds	Markit iBoxx Sterling Non-Gilt All Stocks Index	2.2
	Overseas	JP Morgan Global Government (ex UK) Traded Bond Index (£)	8.0
Cash	UK	7 DAY £ LIBID INDEX	0.4
Property	UK Commercial	IPD All Balanced Funds Index	0.0

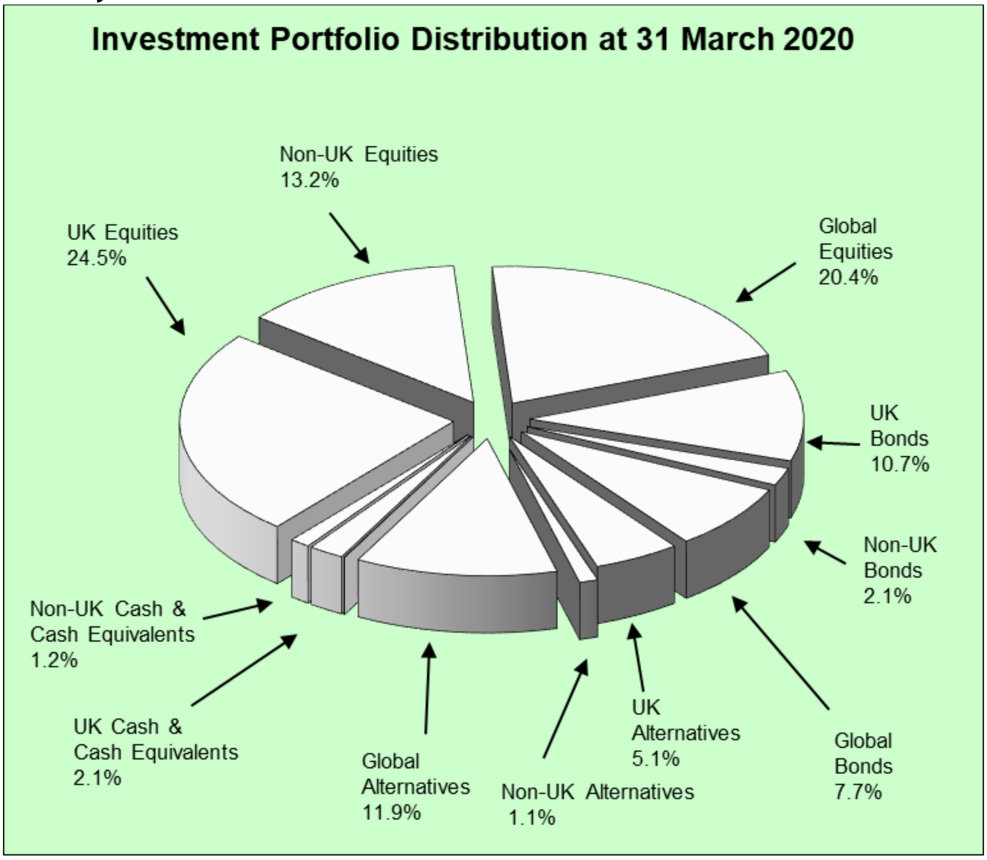
- **Investment Activity**

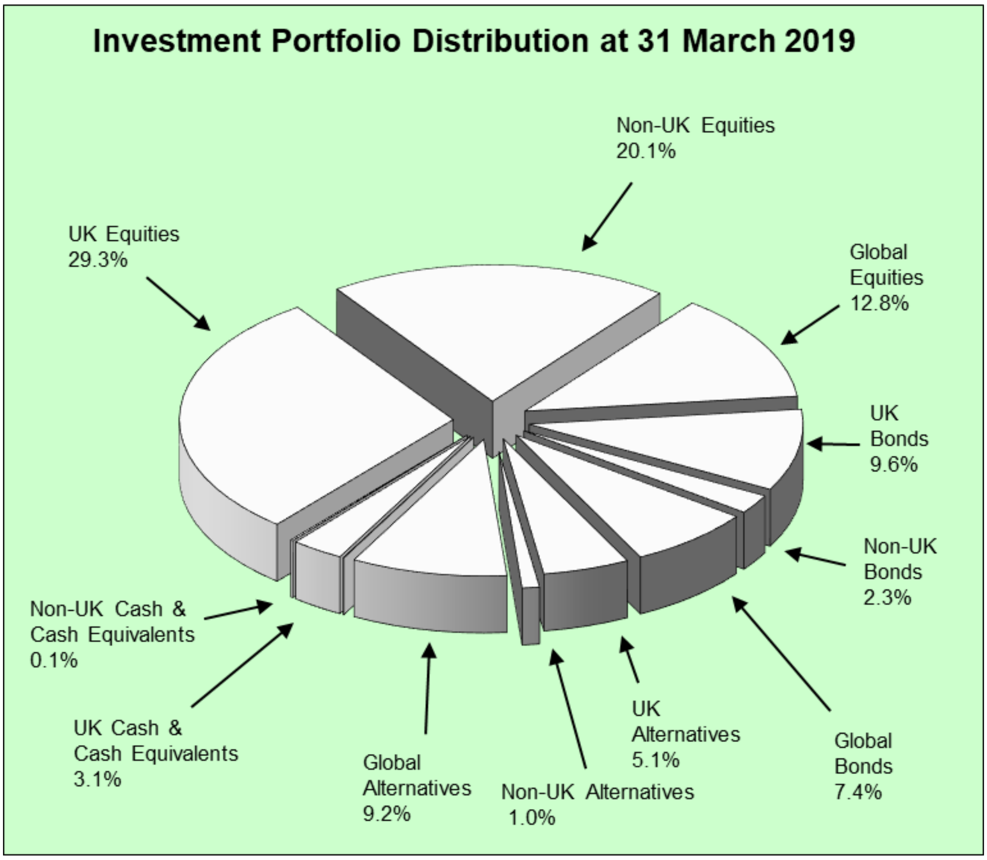
The Pension Fund invested a net £41.0 million during the year ended 31 March 2020. The amounts invested or disinvested in each principal category of asset are shown in the chart below. The large sale of equities and purchase of pooled investments is primarily a result of global equity portfolios moving from a segregated arrangement to a pooled fund structure with Brunel Pension Partnership. Derivatives are not included in the chart.



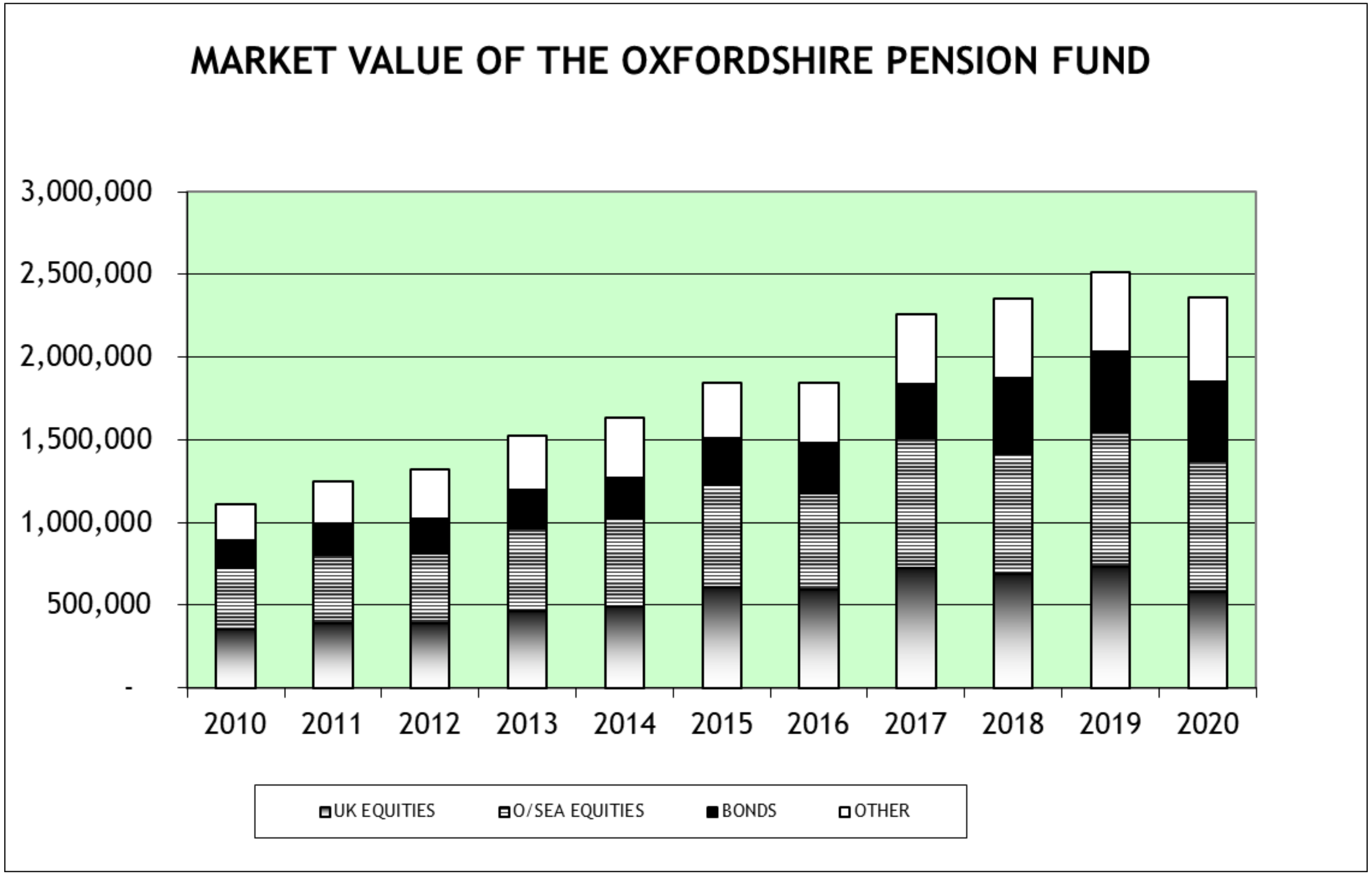
Portfolio Distribution

The distribution of the Pension Fund amongst the principal categories of assets as at 31 March 2020 is shown in the chart below. A comparative chart of the position at 31 March 2019 is also shown. Changes in the asset weightings, from one year to another, are due to investment activity and market movements.





Portfolio Asset Allocation over the Ten Years to March 2020
The total assets (including accruals) of the Pension Fund have grown from £1,112 million at end of March 2010 to £2,363 million at end of March 2020 (see chart below).
Over the period the percentage in UK equities decreased from 31.5% to 24.5% and bonds increased from 15.1% to 20.4%.



Note: In 2008 the basis of valuation changed from mid-price to bid-price

♦ Investment Benchmark and Performance

The performance of the individual Fund Managers against their benchmark is shown in the following table. Each Fund Manager is given a different target to outperform their benchmark over a rolling three-year period. The table shows that performance in 2019/20 at the total fund level was 0.1% above benchmark with an overall return of 6.8%.

Fund Manager	Target %	One Year Ended 31 March 2020		Three Years Ended 31 March 2020		Five Years Ended 31 March 2020	
		Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %	Benchmark Return %	Oxfordshire Return %
Brunel UK Equities	2.0	-18.5	-20.0	-	-	-	-
Wellington Global Equities	2.0	11.1	7.9	14.6	13.2	12.0	10.5
UBS Global Equities	3.0*	-6.2	-9.9	2.3	1.3	7.1	5.8
Legal & General UK Equities - Passive	n/a	-18.5	-18.5	-	-	-	-
Legal & General Global Developed Equities - Passive	n/a	-5.4	-5.4	-	-	-	-
Legal & General Fixed Income	0.6	4.8	4.0	3.4	3.2	4.6	4.6
Insight Diversified Growth Fund	3-5	4.7	-5.5	4.4	-0.1	4.0	0.2
UBS Property	1.0	0.0	1.9	4.9	5.7	5.8	6.6
In-House Property	Excess	0.0	5.4	4.9	7.8	5.8	10.6
In-House Private Equity	1.0	-19.4	3.8	-5.4	9.3	0.2	13.2
Brunel Private Equity	3.0	-6.2	17.4	-	-	-	-
In-House Infrastructure	4.0	4.7	16.3	-	-	-	-

Brunel Infrastructure	4.0	1.5	15.9	-	-	-	-
Brunel Secured Income	2.0	1.5	0.1	-	-	-	-
Cash	n/a	0.8	0.7	0.7	0.6	0.5	0.5
Total Fund		**-5.5**	**5.8**	**1.0**	**1.5**	**4.6**	**5.0**

* - Being phased in. Target was 1% above benchmark until June 2014.
Cash held by Fund Managers is included within total Fund Manager performance.

Further investment performance details comparing the Oxfordshire Pension Fund with other local authority funds and indices are shown in the table below.

% Returns per annum for the financial year ended 31 March 2020				
Actual Returns	1 year	3 years	5 years	10 years
Oxfordshire Total Fund Return	-5.8	1.5	5.0	7.1
Average Returns				
PIRC LGPS Universe Median Return	-4.8	1.9	5.2	6.9
Oxfordshire Benchmark	-5.5	1.0	4.6	6.9

Responsible Investment

Fund managers produce reports outlining their engagement and ESG related activity. All of the Fund's investment managers are signatories to the United Nations Principles for Responsible Investment Initiative. Fund managers and officers monitor ESG related developments and ad-hoc reports are produced for the Committee on topical ESG issues relevant to the Fund. In 2019/20 the Pension Fund adopted a Climate Change Policy recognising this as the single most important factor that could materially impact its long-term investment performance given its systemic nature and the effects it could have on global financial markets. A copy of the Policy is available on the Council's website: (https://mycouncil.oxfordshire.gov.uk/documents/s50129/PF_MAR0620R20%20Appendix%20to%20Annex%201%20OCCPF%20Climate%20Change%20Policy%20Draft.pdf).

Voting

Introduction

The UK Stewardship Code was introduced by the Financial Reporting Council in 2010, and revised in September 2012. The Code, directed at institutional investors in UK companies, aims to protect and enhance the value that accrues to ultimate beneficiaries through the adoption of its seven principles. The code applies to fund managers and also encourages asset owners such as pension funds, to disclose their level of compliance with the code.

Principle 6 of the Code states that Institutional investors should have a clear policy on voting and disclosure of voting activity. They should seek to vote all shares held and should not automatically support the board. If they have been unable to reach a satisfactory outcome through active dialogue then they should register an abstention or vote against the resolution, informing the company in advance of their intention to do so and why.

The Oxfordshire County Council Pension Fund's voting policy is set out in its Investment Strategy Statement which states that in practice the Fund's Investment Managers are delegated authority to exercise voting rights in respect of the Council's holdings. Voting decisions are fully delegated to fund managers, while recognising that the Fund maintains ultimate responsibility for ensuring that voting is undertaken in the best interests of the Fund.

Other Material

Employer Discretions

Pension Services can supply employers with related pension costs which would result following an employer's action on a discretionary policy. The employer's written decisions are required before pension services will take action in any circumstance which could incur additional cost, unless it is clear from an employer's current written policy statement that the decision is in accordance with that statement. For example, some employers will allow late transfers without further consideration while others need to make individual decisions.

Specific Requirements

The following tables have been prepared to assist the LGPS scheme advisory board in the production of an annual report for the LGPS as a whole.

Employer Bodies Summary as at 31 March 2020

	Active	Ceased	Total
Scheduled Body	88	0	93
Admitted Body	104	26	130
Total	**192**	**26**	**223**

Fund Account for the Year Ended 31 March 2020			
	Notes	2020 £'000	2019 £'000
Contributions and Benefits			
Contributions Receivable	6	(100,833)	(93,726)
Transfers from Other Schemes	7	(13,021)	(9,949)
Other Income	8	(149)	(465)
Income Sub Total		**(114,003)**	**(104,140)**
Benefits Payable	9	89,257	88,195
Payments to and on Account of Leavers	10	7,330	10,655
Expenditure Sub Total		**96,587**	**98,850**
Net (Additions)/Withdrawals from Dealings with Members		**(17,416)**	**(5,290)**
Management Expenses	11	12,433	11,030
Net (Additions)/Withdrawals from Dealings with Members Including Fund Management Expenses		**(4,983)**	**5,740**
Returns on Investments			
Investment Income	12	(18,378)	(32,698)
Commission Recapture		0	0
Profits and Losses on Disposal of Investments and Changes in Market Value of Investments	16a	174,464	(132,586)
Less Taxes on Income	12	195	244
Net returns on Investments		**156,281**	**(165,040)**
Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		**151,298**	**(159,300)**
Opening Net Assets of the Scheme		2,514,650	2,355,350
Closing Net Assets of the Scheme		**2,363,352**	**2,514,650**

Net Assets as at 31 March 2020	Notes	2020 £'000	2019 £'000
Investment Assets			
Bonds	16b	300,087	296,805
Equities	16b	86,211	360,807
Pooled Investments	16b	1,729,191	1,581,636
Pooled Property Investments	16b	161,843	172,306
Derivative Contracts	16c	3,092	1,111
Cash Deposits	16d	28,111	3,567
Other Investment Balances	16d	12,401	7,429
Long-Term Investment Assets	16b	840	840
Investment Liabilities			
Derivative Contracts	16c	(6,166)	(384)
Other Investment Balances	16d	(13,785)	(869)
Total Investments		**2,301,825**	**2,423,248**
Assets and Liabilities			
Current Assets	17	62,466	91,324
Current Liabilities	18	(3,189)	(4,419)
Net Current Assets		**59,277**	**86,905**
Long-Term Assets	19	2,250	4,497
Net Assets of the scheme available to fund benefits at year end		**2,363,352**	**2,514,650**

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

Note 1 – Description of the fund

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

General

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

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

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

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

Membership

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

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

Organisations participating in the Oxfordshire County Council Pension Fund include:

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

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

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

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

Unprocessed leavers are included as Deferred Pensioners.

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

Funding

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

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

Benefits

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

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

From 1 April 2014 the scheme became a career average scheme, where members accrue benefits based on their pensionable pay in any given year at an accrual rate of 1/49th. Accrued pension is indexed annually in line with the Consumer Prices Index. The normal retirement age is linked to each individual member's State Pension Age.

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

Note 2 – Basis of Preparation

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

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

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

The accounts have been prepared on a going concern basis. The Fund does not anticipate a significant impact on the Fund's cashflow or balance sheet position over the next couple of years as a result of the Covid-19 pandemic. The fund has not received any requests from employers for a contribution deferral and continues to receive contributions from all employers in line with the rates set in the 2019 actuarial valuation. The Fund's cashflow monitoring shows that cashflows from dealings with members continue to be positive each month and are currently running at around +£0.5m per month on average. Even if the cashflow position from dealing with members turns negative the Fund generates investment income that can also be used to pay pensions without the need to sell assets at a potentially suboptimal time. The Fund has a level of assets that would be able to cover pension payments for over a decade at current pension payment levels even if no further income was received. The Fund is subject to an actuarial valuation every three years so any deterioration in the funding position leading up to the valuation would be factored in when setting contribution rates for employers to ensure the fund is able to meet all its future obligations. The funding level of the Pension Fund as assessed by the Fund's actuary at the 2019 valuation was 99%.Therefore management are assured the pension fund remains a going concern.

Note 3 – Summary of Significant Accounting Policies

Investments

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

   (a) The majority of listed investments are stated at the bid price or where the bid price is not available, the last traded price, as at 31 March 2020.

   (b) Unlisted securities are included at fair value, estimated by having regard to the latest dealings, professional valuations, asset values and other appropriate financial information.

   (c) Pooled Investment Vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads, as provided by the investment manager.

   (d) Where appropriate, investments held in foreign currencies have been valued on the relevant basis and translated into sterling at the rate ruling on 31 March 2020.

   (e) Fixed Interest stocks are valued on a 'clean' basis (i.e. the value of interest accruing from the previous interest payment date to the valuation date has been included within the amount receivable for accrued income).

   (f) Derivatives are stated at market value. Exchange traded derivatives are stated at market values determined using market quoted prices. For exchange traded derivative contracts which are assets, market value is based on quoted bid prices. For exchange traded derivative contracts which are liabilities, market value is based on quoted offer prices.

   (g) Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

   (h) All gains and losses arising on derivative contracts are reported within 'Changes in Market Value of Investments'.

Foreign Currencies

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

Contributions

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

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

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

Benefits, Refunds of Contributions and Transfer Values

4. Benefits payable and refunds of contributions have been brought into the accounts on the basis of all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities. Transfer values are those sums paid to, or received from, other pension schemes and relate to periods of previous pensionable employment. Transfer values have been included in the accounts on the basis of the date when agreements were concluded.

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

Investment Income

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

Investment Management and Scheme Administration

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

Expenses

7. Expenses are accounted for on an accruals basis.

Cash

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

Listed Private Equity

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

Management Fees

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

Note 4 – Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

Determining the fair value of unquoted private equity investments is highly subjective in nature. Unquoted private equity investments are valued by the investment managers using various valuation techniques and this involves the use of significant judgements by the managers. The value of unquoted private equity and infrastructure investments at 31 March 2020 was £127.080m (£93.621m at 31 March 2019).

Pension Fund Liability

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

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date, and the amounts reported for the revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.
The key judgements and estimation uncertainties that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are:-

Item	Uncertainties	Potential Impact
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on fund assets. The fund engages an actuarial firm to provide expert advice on the assumptions to be applied.	The actuarial present value of promised retirement benefits included in the financial statements is £3,519m. There is a risk that this figure is under, or overstated in Note 26 to the accounts. Sensitivities to the key assumptions are as follows: A 0.5% p.a. increase in the pension increase rate would result in an approximate 9% increase to liabilities (£316m). A 0.5% p.a. increase in the salary increase rate would result in an approximate increase to liabilities of 1% (£25m). A 0.5% decrease in the real discount rate would result in an approximate 10% increase to liabilities (£344m). A one-year increase in member life expectancy would approximately increase the liabilities by 3-5%.
Unquoted Private Equity	Unquoted private equity and infrastructure investments are valued	Unquoted private equity and infrastructure invest-

	at fair value using recognised valuation techniques. Due to the assumptions involved in this process there is a degree of estimation involved in the valuation.	ments included in the financial statements total £127.080m. There is a risk these investments are under, or overstated in the accounts. The Pension Fund relies on specialists to perform the valuations and does not have the information (i.e. the assumptions that were used in each case) to produce sensitivity calculations.

Note 6 – Contributions

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

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

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

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

Note 7 – Transfers In

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

Note 8 - Other Income

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

Note 9 - Benefits

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

	Pensions Payable		Lump Sums	
	2019/20	2018/19	2019/20	2018/19
	£'000	£'000	£'000	£'000
Oxfordshire County Council	36,945	35,222	5,822	6,980
Scheduled Bodies	32,883	31,745	5,884	7,128
Resolution Bodies	769	630	853	712
Community Admission Bodies	3,702	3,451	918	669
Transferee Admission Bodies	928	791	553	867
Total	**75,227**	**71,839**	**14,030**	**16,356**

Note 10 - Payments to and on account of leavers

	2019/20 £'000	2018/19 £'000
Refunds of Contributions	387	651
Payments for members joining state scheme	4	(19)
Group Transfers Out to other schemes	0	0
Individual Transfers Out to other schemes	6,939	10,023
Total	**7,330**	**10,655**

Note 11 - Management Expenses

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

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

A further breakdown of investment management expenses is provided in Note 13.

Note 12 – Investment Income

	2019/20 £'000	2018/19 £'000
Bonds	(3,647)	(3,750)
Equity Dividends	(9,620)	(25,002)
Pooled Property Investments	(4,058)	(3,331)
Pooled Investments – Unit Trusts & Other Managed Funds	(302)	(9)
Interest on Cash Deposits	(702)	(553)
Other – Securities Lending	(49)	(53)
	(18,378)	**(32,698)**
Irrecoverable Withholding Tax - Equities	**195**	**244**
Total	**(18,183)**	**(32,454)**

Note 13 – Investment Management Expenses

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

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

Note 14 – Securities Lending

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

Note 15 – Related Party Transactions

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

Members of the Pension Fund Committee and the post of Service Manager (Pensions) are the key management personnel involved with the Pension Fund. During 2019/20, the Committee consisted of nine County Councillors, two District Councillors and a beneficiary observer. Members of the Pension Fund Committee are disclosed in the Pension Fund Report and Accounts. An amount of £0.113m was paid to Oxfordshire County Council in respect of key management compensation during the financial year as follows:

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

*Includes allowances paid to the Chairman of the Pension Fund Committee

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

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

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

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

Brunel Pension Partnership Ltd (Company Number 10429110)

Brunel Pension Partnership Ltd (BPP Ltd) was formed on the 14th October 2016 and oversees the investment of pension fund assets for the following LGPS funds: Avon, Buckinghamshire. Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire.

Each of the 9 Administering Authorities, including Oxfordshire County Council, and the Environment Agency own 10% of BPP Ltd. Pension Fund transactions with BPP Ltd are as follows:

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

Note 16 – Investments

	Value at 31.3.2020 £'000	Value at 31.3.2019 £'000
Investment Assets		
Bonds	300,087	296,805
Equities	86,211	360,807
Pooled Investments	1,729,191	1,581,636
Pooled Property Investments	161,843	172,306
Derivatives:		
- Forward Currency Contracts	3,092	1,111
Cash Deposits	28,111	3,567
Long-Term Investments	840	840
Investment Income Due	2,805	3,966
Amounts Receivable for Sales	9,596	3,463
Total Investment Assets	**2,321,776**	**2,424,501**
Investment Liabilities		
Derivatives:		
- Forward Currency Contracts	(6,166)	(384)
Investment Expenses Due	(13,785)	(869)
Amounts Payable for Purchases	0	0
Total Investment Liabilities	**(19,951)**	**(1,253)**
Net Investment Assets	**2,301,825**	**2,423,248**

Note 16a – Reconciliation of Movements in Investments and Derivatives

	Value at 1.4.2019 £'000	Purchases at Cost & Derivative Payments £'000	Sales Proceeds & Derivative Receipts £'000	Change in Market Value £'000	Cash Movement £'000	Increase in Receivables / (Payables) £'000	Value at 31.3.2020 £'000
Bonds	296,805	666,392	(685,059)	21,949			300,087
Equities	360,807	66,247	(352,573)	11,730			86,211
Pooled Investments	1,581,636	416,347	(65,953)	(202,839)			1,729,191
Pooled Property Investments	172,306	11,338	(19,827)	(1,974)			161,843
Long-Term Investments	840						840
<u>Derivative Contracts</u>							
FX	727	10,863	(10,955)	(3,709)			(3,074)
<u>Other Investment Balances</u>							
Cash Deposits	3,567	241,897	(228,813)	339	11,121		28,111
Amounts Receivable for Sales of Investments	3,463					6,133	9,596
Investment Income Due	3,966			40		(1,201)	2,805
Amounts Payable for Purchases of Investments	(869)					(12,916)	(13,785)
	2,423,248	**1,413,084**	**(1,363,180)**	**(174,464)**	**11,121**	**(7,984)**	**2,301,825**

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

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

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

	Value at 1.4.2018	Purchases at Cost & Derivative	Sales Proceeds & Derivative	Change in Market Value	Cash Movement	Increase in Receivables / (Payables)	Value at 31.3.2019

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

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

Long-Term Investments Assets

	2019/20 £'000	2018/19 £'000
Brunel Pension Partnership Ltd	840	840
	840	**840**

Bonds

	2019/20 £'000	2018/19 £'000
UK Public Sector	88,160	90,463
UK Other	611	0
Overseas Public Sector	42,602	56,336
UK Public Sector Index Linked	162,526	150,007
Overseas Public Sector Index Linked	6,188	
	300,087	**296,805**

Equity Investments

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

Pooled Investment Vehicles

	2019/20 £'000	2017/18 £'000
UK Registered Managed Funds – Property	31,152	36,649
Non UK Registered Managed Funds – Property	16,603	19,522
UK Registered Managed Funds - Other	1,218,613	1,053,116
Non UK Registered Managed Funds – Other	263,540	209,540
UK Registered Property Unit Trusts	88,599	90,716
Non UK Registered Property Unit Trusts	25,490	25,418
Non UK Registered Unit Linked Insurance Fund	246,806	318,981
	1,891,034	**1,753,942**

Total Investments (excluding derivative contracts)

	2019/20 £'000	2018/19 £'000
	2,278,172	2,412,394

Note 16c - Derivative Contracts

Objectives and policies

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

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

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

Forward Foreign Exchange (FX)

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

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

Note 16d – Other Investment Balances

	2019/20 £'000	2018/19 £'000

Receivables		
Sale of Investments	9,596	3,463
Dividend & Interest Accrued	2,492	3,742
Inland Revenue	313	224
Other	0	0
	12,401	**7,429**
Payables		
Purchase of Investments	(12,879)	0
Management Fees	(906)	(850)
Custodian Fees	0	(19)
	(13,785)	**(869)**
Total	**(1,384)**	**6,560**

Cash Deposits

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

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

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

Note 17 - Current Assets

	2019/20 £'000	2018/19 £'000

Receivables:		
Employer Contributions	7,857	7,922
Employee Contributions	1,910	1,930
Rechargeable Benefits	1,152	1,113
Transferred Benefits	1,260	1,832
Cost of Early Retirement	527	724
Inland Revenue	104	78
Other	534	566
Cash Balances	49,122	77,159
Total	**62,466**	**91,324**

Note 18 - Current Liabilities

	2019/20 £'000	2018/19 £'000
Transferred Benefits	(290)	(1,351)
Benefits Payable	(405)	(1,100)
Inland Revenue	(920)	(987)
Costs of Early Retirement	(740)	(808)
Employer Contributions	(598)	0
Staff Costs	(109)	(2)
Consultancy	(66)	(94)
Other	(61)	(77)
Total	**(3,189)**	**(4,419)**

Note 19 – Long-Term Assets

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

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

Note 20 – Assets under External Management

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

	31/03/2020		31/03/2019	
	Market Value	%	Market Value	%

Fund Manager	£'000		£'000	
Brunel Pension Partnership	1,073,335	48.59	877,323	37.98
Legal & General	513,946	23.27	493,564	21.36
UBS	386,615	17.50	458,305	19.84
Wellington	1,692	0.08	267,194	11.57
Insight	136,692	6.19	115,919	5.02
Adams Street Partners	51,667	2.34	49,697	2.15
Partners Group	44,764	2.03	48,099	2.08
	2,208,711	**100.00**	**2,310,101**	**100.00**

Note 21 - Top 5 Holdings

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

Note 22 - Taxation

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

Note 23 - Additional Voluntary Contributions

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

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

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

Note 24 - Contingent Liabilities and Capital Commitments

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

Note 25 – Investment Strategy Statement

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

Note 26 – Actuarial Present Value of Promised Retirement Benefits

	2020 £’000	2019 £’000
Present Value of Funded Obligation	3,519	4,134

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

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

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

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

In December 2018 the Court of Appeal upheld a ruling (“McCloud/Sargeant”) that similar transitional protections in the Judges’ and Firefighters’ Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections. There will therefore be a retrospective increase to members’ benefits, which in turn will give rise to a past service cost for the Fund employers.

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

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

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

Note 27 – Financial Instruments

Note 27a - Classification of Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

		2019/20			2018/19		
		Fair Value Through Profit & Loss £'000	**Financial Assets at Amortised Cost £'000**	**Financial Liabilities at Amortised Cost £'000**	**Fair Value Through Profit & Loss £'000**	**Financial Assets at Amortised Cost £'000**	**Financial Liabilities at Amortised Cost £'000**
Financial Assets							
Bonds		300,087			296,805		
Equities		86,211			360,807		
Pooled Investments		1,729,191			1,581,636		
Pooled Property Investments		161,843			172,306		
Derivatives		3,092			1,111		
Cash			77,232			80,727	
Long-Term Investments		840			840		
Other Investment Balances		12,088			7,205		
Receivables			487			520	
		2,293,352	**77,719**	**0**	**2420,710**	**81,247**	**0**
Financial Liabilities							
Derivatives		(6,166)			(384)		
Other Investment Balances		(13,786)			(869)		
Payables				(390)			(109)
		(19,952)	**0**	**(390)**	**(1,253)**	**0**	**(109)**
Total		**2,273,400**	**77,719**	**(390)**	**2,419,457**	**81,247**	**(109)**

Note 27b – Net Gains and Losses on Financial Instruments

	31 March 2020 £'000	31 March 2019 £'000
Financial Assets		
Fair Value through Profit and Loss	(174,803)	132,355
Loans and Receivables	0	0
Financial Assets at Amortised Cost	339	231
Financial Liabilities		
Fair Value through Profit and Loss	0	0
Financial Liabilities Measured at Amortised Cost	0	0
Total	**(174,464)**	**132,586**

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

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

Level 1
Fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2
Fair value is based on inputs other than quoted prices included within Level 1 that are observable either directly (i.e., from prices) or indirectly (i.e., derived from prices).
Level 3
Fair value is determined by reference to valuation techniques using inputs that are not observable in the market.

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

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

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

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

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

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

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

Reconciliation of Movement in Level 3 Financial Instruments

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

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

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

Level 3 Sensitivities

Level 3 Investments	Valuation Range +/-	Value at 31 March 2019 £'000	Valuation on Increase £'000	Valuation on Decrease £'000
UK Equities	10%	1,150	1,265	1,035
Pooled Private Equity Funds	10%	95,782	105,360	86,203
Pooled Property Funds	3%	161,843	166,698	156,988
Pooled Infrastructure Funds	5%	31,298	32,863	29,733
Long-Term Investments	0%	840	840	840

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

Note 28 – Risk

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

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

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

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

- Maintaining an element of the asset allocation in fixed income securities, the behaviour of which most closely mirrors that of the Fund liabilities. The allocation to fixed income securities is constantly reviewed with the proposal that the allocation will increase as the maturity of the fund increases, as was the case following the 2016 valuation. Whilst the Fund maintains a high proportion of active members where the payment of liabilities is not due for many decades, the Fund can afford to seek the higher investment returns associated with the more volatile asset classes.
- Maintaining an element of the asset allocation in passive equity funds which remove the risk associated with poor manager performance (though retaining the market risk).
- Ensuring a diversification amongst asset classes, and in particular an allocation to alternative asset classes for which performance has historically not correlated to equity performance.
- Ensuring a diversification of Fund Managers and investment styles (e.g. some with a growth philosophy, some with a value philosophy) to mitigate the risk of poor manager performance impacting on asset values.
- The Fund's policy on ensuring ESG factors are taken into account in investment decisions. During 2019/20 the Fund has developed a Climate Change Policy dealing with how it will manage climate change related risks and opportunities. The policy was developed as the Fund sees climate change as single most significant risk to long-term investment performance given its systemic nature.

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

The Actuary, when completing the 2019 Valuation, undertook sensitivity analysis calculations to look at the impact on potential liabilities and the funding level. A variation of 0.1% per annum in the discount rate would move the calculated funding level from 99% down to 98% or up to 100%. A change in the CPI assumption of 0.1% per annum would lead to a reduction in the funding level to 98% or an increase to 100%. A change to the rate of mortality improvement of 0.25% would move the funding level down to 98% or up to 100%.

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

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

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

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

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

The Pension Fund manages the credit risk by ensuring a diversification of investments both in terms of product and in terms of redemption dates, whilst limiting investments made to sub-investment grade bonds to those made through pooled funds. Corporate Bonds are held through a pooled fund vehicle and up to 15% of holdings can be invested in sub-investment grade bonds. Cash held in sterling at 31 March 2019 was deposited in short-term notice cash accounts and money market funds as shown in the table below:

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

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

Liquidity Risk

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

During 2019/20 the Pension Fund received/accrued income related to dealings with members of £114.0m (2018/19- £104.1m) and incurred expenditure related to dealings with members of £109.0m (2018/19 - £109.9m). There were further receipts/accruals of £18.4m (2018/19 -

£32.7m) in respect of investment income, against which need to be set taxes of £0.2m (2018/19 - £0.2m). The net inflow was therefore £23.2m (2018/19 - £26.6m).

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

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

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

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

Market Risk

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

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

Interest Rate Risk

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

Asset Type	Carrying Amount as at 31 March 2020	Change in Year in the Net Assets Available to Pay Benefits	
		+1%	-1%
	£'000	£'000	£'000
Cash and Cash Equivalents	28,111	281	(281)
Cash Balances	49,122	491	(491)
Bonds	481,794	4,818	(4,818)
Total Change in Assets Available	**559,027**	**5,590**	**(5,590)**

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

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

Currency Risk

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

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

This analysis assumes that all other variables remain constant.

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

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

Other Price Risk

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

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

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

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

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

Note 29 - Actuarial Valuation

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

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

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

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

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

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

The market value of the Fund's assets at the valuation date was £1,842m. The smoothed market value[1] of the Fund's assets at the valuation date was £1,825m representing 90% of the Fund's accrued liabilities, allowing for future pay increases. The Actuary has certified contribution rates for all Fund employers from 1 April 2017, which subject to the financial assumptions contained in the valuation, would result in the deficit being recovered over a period of no more than 22 years.

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

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

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

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

Oxfordshire County Council Pension Fund ("the Fund") Actuarial Statement for 2019/20

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated June 2017. In summary, the key funding principles are broadly as follows:

¤ 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'/dependants' 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 (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.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2019. This valuation revealed that the Fund's assets, which at 31 March 2019 were valued at £2,515 million, were sufficient to meet 99% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £31 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and liability measure as per the FSS. Individual employers' contributions for the period 1 April 2020 to 31 March 2023 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2019 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	4.3%
Salary increase assumption	2.3%
Benefit increase assumption (CPI)	2.3%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.2 years	24.3 years
Future Pensioners*	22.9 years	25.6 years

*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2019
Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Robert McInroy FFA
For and on behalf of Hymans Robertson LLP
22 May 2020

SUMMARY OF BENEFITS AT MARCH 2020

Introduction

Membership of the Local Government Pension Scheme (LGPS) secures entitlement to benefits that are determined by statute, contained within the LGPS Regulations. The regulations current for this year's report were effective from April 2014. A summary of the main benefit structure follows. There is further specific information in the sections, making up an Employee Guide currently held on the pension pages of the County public website.
www.oxfordshire.gov.uk/lgpsmembersguide

• Employers' Discretion

The regulations require each employer within the Oxfordshire Fund to determine their own local policy in specific areas. These policy statements have to be published and kept under review.
The specific areas include how employers will exercise discretionary powers to, award additional pension for a member, agreement to flexible retirement on request of the member ,setting up a shared cost AVC scheme, and waiving the reduction to a pension which is being paid early.

• Retirement

The 2014 scheme reintroduced the 2 year vesting period to qualify for any benefit other than that following a death in service. The scheme retirement age is linked to State Pension Age (SPA) for men and women, membership of the scheme continues when employment continues after SPA. All pensions contributions must cease before the 75th birthday.
Scheme benefits can be taken voluntarily after leaving employment from age 55, but the benefit payable will be reduced. Alternatively when retirement is deferred until after SPA, the benefit will be increased.

The regulations confirm 'normal retirement age' to be the personal state retirement age but not before age 65, but protection is offered to those members who previously had the entitlement for earlier retirement with an unreduced benefit. The protections offered are limited according to the age of the member and may not apply on the whole of their membership.

The earliest age for payment of pensions is age 55 and from April 2014 employer's approval is no longer required.

Flexible retirement options, from age 55 were introduced from April 2006. A person could reduce their hours or grade and request a payment of pension while continuing in employment. Employers have to agree to the whole arrangement.

Ill health retirement – the Regulations provide 3 tiers of benefit depending upon the likelihood of the member being able to obtain gainful employment in the future. An employer's assessment for ill health pension is based upon capability to carry out duties of the member's current job and must be supported by appropriate independent medical certification.

From age 55, unreduced benefits are payable immediately when an employer terminates employment due to a redundancy or efficiency dismissal.

• Benefits

A retirement benefit, whether payable immediately or deferred, consists of an annual retirement pension and lump sum retirement grant for membership to 31 March 2008 and an annual retirement pension on membership from April 2008 (see below). However there is an option for members to convert pension to lump sum retirement grant. The minimum period of membership to qualify for retirement benefits is 2 years. The standard pension calculation, for membership to

31 March 2008, is 1/80 of final years' pensionable pay for each year of membership and the retirement grant is 3/80 of final year's pensionable pay for each year of membership. From 1 April 2008 to 31 March 2014 the standard calculation is 1/60 of final years' pensionable pay for each year of membership. From April 2014 the standard calculation is pay x 1/49 for the year with annual pension revaluation. NB Where members choose to pay into the 50/50 section of the scheme their accrual for that period will be pay x 1/98 and not 1/49 as shown.

Example – retirement in 2020
25 years membership to 31 March 2014 and then six years in the 'new scheme', 'final pay' and career average pay £15,000 as at 31 March 2020
Annual Pension
20 years x 1/80 x £15,000 = **£3,750**
5 years x 1/60 x £15,000 **= £1,250**
£15,000 x 6/49 = **£1,836.73**
Retirement Grant
20 years x 3/80 x £15,000 = **£11,250**

Members can choose at retirement to exchange pension for a larger retirement grant lump sum. AVC funds can also be used to provide a larger tax free lump sum. This combined lump sum can be up to 25 percent of the member's individual total pension fund value.
There are differences for elected members: Final pay is derived from career average pay and the benefit calculation remains for the time being as 1/80 for annual pension and 3/80 retirement grant. Elected members can only remain in the LGPS for their current period of office, and is not available for newly elected councillors.

• Liability to pay future benefits

The Pension Fund financial statements provide information about the financial position, performance and financial arrangements of the Fund. They are intended to show the results of the stewardship and management, that is the accountability of management for the resources entrusted to it, and of the disposition of its assets at the period end. The only items that are required to be excluded by regulations are liabilities to pay pensions and other benefits in the future, which are reported upon in the actuary's statement.

• Increasing Benefits

Scheme members have several options as to how they increase their benefits, additional contributions to the LGPS or by contributing to the group AVC scheme arranged with the Prudential.
Additional Regular contributions (ARC's) to the LGPS to buy additional pension and set up before 1 April 2014 may continue but opening a new ARC is not possible.
Additional Pension Contributions (APC) gives members the opportunity to buy additional pension of up to £6,675. Payment can be made by a one off, or regular monthly payments.
Prudential AVCs. A member's additional contributions are invested by the Prudential to enable an annuity to be bought at retirement either from the Prudential, on the open market or as a top up pension with the LGPS. In certain protected circumstances the AVC value may also be used to buy additional LGPS membership
Members may also make their own arrangements using a stakeholder pension or an FSAVC.

• Death

Following a death in service a death grant of up to three times pensionable pay is payable. There are no minimum service requirements to qualify, but there are limits to the total of death grant payable if the member also has pensions on payment or in deferment. Scheme members are recommended to keep their 'expression of wish' nominations current.
• Pensions are due to the eligible survivors: partners and /or children. The pension due to survivors reflects the changing regulations and the partnership status. Whilst the regulations no longer require prior nomination of co-habitees, eligibility must be determined before

making payment. Widows' and Widowers' Pension; Civil Partners' Pension; Nominated co-habiting partners' Pension
The formula for pensions for surviving partners is 1/160 of the members' final year's pensionable pay for the allowable membership to 31 March 2014 with enhancements assessed under the CARE scheme from 1 April 2014 until the members state retirement age.

For a widow or widower married before the member left employment all of membership can be used.

For civil partners and cohabiting partners only membership from 6 April 1988 is allowable for pension calculations.

♦ INVESTMENT STRATEGY STATEMENT

Introduction

The Pension Fund Committee has drawn up this Investment Strategy Statement (ISS) to comply with the requirements of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and the accompanying Guidance on Preparing and Maintaining an Investment Strategy Statement. The Authority has consulted its Actuary and Independent Financial Adviser in preparing this statement.

The ISS is subject to periodic review at least every three years and more frequently if there are any developments that impact significantly on the suitability of the ISS currently in place. Investment performance is monitored by the Committee on a quarterly basis and may be used to check whether actual results are in-line with those expected under the ISS.

The Committee will invest any Fund money not immediately required to make payments from the Fund in accordance with the ISS. The ISS should be read in conjunction with the Fund's Funding Strategy Statement.

Governance Overview

Oxfordshire County Council is the designated statutory body responsible for administering the Oxfordshire Pension Fund. The Pension Fund Committee acts on the delegated authority of the Administering Authority and is responsible for setting investment policy, appointing suitable persons to implement that policy and carrying out regular reviews and monitoring of investments.

The Director of Finance has delegated powers for investing the Oxfordshire Pension Fund in accordance with the policies determined by the Pension Fund Committee. The Committee is comprised of nine County Councillors plus two District Council representatives. A beneficiaries' representative attends Committee meetings as a non-voting member.

The Committee meets quarterly and is advised by the Director of Finance and the Fund's Independent Financial Adviser. The Committee members are not trustees, although they have similar responsibilities.

Investment Objectives

The Fund's primary objective is to ensure that over the life of the Fund it has sufficient funds to meet all pension liabilities as they fall due. In seeking to achieve this aim, the investment objectives of the Fund are:

1. to achieve and maintain a 100% funding level;
2. to ensure there are sufficient liquid resources available to meet the Fund's current liabilities and investment commitments;
3. for the overall Fund to outperform the benchmark, set out in the next section, by 1.0% per annum over a rolling three-year period (N/B The Secured Income, Diversified Growth Fund and Infrastructure portfolios do not have a benchmark as such, but target cash returns plus a given percentage. They do not therefore contribute to the outperformance target).

Asset Allocation

The decision on asset allocation determines the allocation of the Fund's assets between different asset classes. The Committee believes that this is the single most important factor in the determination of the Fund's investment outcomes. In setting the asset allocation the Fund has considered advice from its Independent Financial Adviser and a report from advisers MJ Hudson on investment scenarios against the efficient frontier and the investment implications of the latest cash flow forecasts produced by the Fund Actuary.

Every three years, following the actuarial valuation, there is a fundamental review of how the assets are managed. This review considers the most appropriate asset allocation for the Fund in order to achieve its investment objectives and considers advice from the Fund's Independent Financial Adviser. A balance is sought between risk, return and liquidity. The most recent review was undertaken in February 2020.

Diversification is the Fund's primary tool for managing investment risk. Diversification can improve returns and reduce portfolio volatility by ensuring that investment risk is not concentrated in a particular asset class or investment style and by reducing exposure to losses through poor performance of an individual asset class. In considering asset class correlations it is acknowledged that these vary over time and as such, are not indicators of how assets will behave relative to each other in the future. Taking this into account, the Committee believes that spreading investments over a wide range of asset classes is the most appropriate way to benefit from diversification having considered the factors that may cause values for various asset classes to move in the future.

The Committee has developed the following guidelines to assist in ensuring appropriate diversification is maintained:

1. Exposure to a single security will be limited to 10% of the total portfolio.
2. No single investment shall exceed 35% of the Fund's total portfolio.
3. Not more than 10% of the Fund may be held as a deposit in any single bank, institution or person.

In considering the asset classes used to build the Fund's overall portfolio, consideration has been given to the suitability of those investments given the Fund's investment objectives and advice has been taken from the Fund's Independent Financial Adviser. The fund broadly defines assets as either return-seeking or liability-matching assets and seeks to develop an appropriate balance between these categories. Each asset class should be understood by the Committee, be consistent with the Fund's risk/return objectives, and provide the most effective solution for delivering a target outcome.

The Fund currently constructs its investment portfolio using eleven distinct asset classes. A target allocation and range is set for each asset class as shown in the table below.

Asset Class	**Target Allocation (%)**	**Range (%)**
UK Equities Overseas Equities	26 28	24 - 28 26 - 30
Total Equities	**54**	**50 - 58**

UK Gilts Corporate Bonds Index-Linked Bonds Overseas Bonds	To be specified	
Total Bonds	**21**	**19 - 23**
Property Private Equity Multi-Asset Infrastructure Cash	8 9 5 3 0	6 - 10 7 - 11 4 - 6 2 - 4 0 - 5
Total Other Assets	**25**	**19 - 36**

Investment Implementation

It is the Fund's Policy to implement its asset allocation through the portfolios offered by Brunel. Where Brunel do not offer a current portfolio, a request will be made under the agreed Brunel policy for the creation of new portfolios. New investments will only be made outside the pool where Brunel are unable to offer a requested portfolio, normally as a result of the current FCA permissions, or as an interim measure whilst waiting for a Brunel Portfolio to be established, or commitments to the private markets to be called.

When overseeing the selection processes of the Brunel Pension Partnership, the Pension Fund will look at the most cost-effective way of delivering the required investment out-performance rather than have a narrow focus on cost. Ultimately, it is the investment performance net of costs achieved by the Fund Managers which determines the success of the Fund in meeting its objectives.

When making asset allocation decisions for some asset classes there is a choice available between active and passive management. The Fund believes that active management can provide benefits above passive management in some situations. Active management gives the potential for outperformance relative to the passive benchmark through the selection of holdings expected to outperform the general market and through the use of cash to protect against downside risk. In considering the most appropriate type of mandate the Fund will consider the potential for outperformance, fees and risk. For some investment classes there are not passive

investment solutions currently available but the Fund will work with Brunel to monitor the market to identify any new products that are developed in the passive arena.

Where directly appointed, the individual managers' performance, current activity and transactions are monitored quarterly by the Pension Fund Committee. Where the portfolios are now managed by the Brunel Company, it is their responsibility to monitor individual Fund Manager performance, with the Pension Fund Committee responsible for monitoring the performance of the Brunel Company, and getting assurance that they are monitoring the underlying Fund Managers appropriately.

The assets are currently managed as set out in the following table.

Asset Class	Investment Manager	Benchmark	Annual Target

UK Equities	Brunel Brunel	FTSE All-Share FTSE 100	+1.25% Passive
Developed World Equities	Brunel	FTSE Developed	Passive
Global Equities	Brunel UBS	MSCI World MSCI All Countries World Index	+ 2.0% - 3.0% + 3.0%
Emerging Market Equities	Brunel	MSCI Emerging Market	+ 2.0% - 3.0%
Bonds & Index Linked - UK Gilts - Index Linked - Corporate bonds - Overseas bonds	Legal & General	 FTSE A All Gilts Stocks FTSE A Over 5 year IBoxx Sterling Non-Gilts JPMorgan Global Govt (ex UK) traded bond	+ 0.6%
Property	UBS Global Asset Management	IPD UK All Balanced Funds Index	+1.0%
Private Equity - Quoted Inv. Trusts - Limited Partnerships	 Director of Finance Adams Street Partners Group	FTSE Smaller Companies (Including Investment Trusts)	+ 1.0%
Diversified Growth Fund	Insight	3 month Libor	+ 3.0 – 5.0%
Infrastructure	Brunel	CPI	+4.0%
Secured Income	Brunel	CPI	+2.0%
Cash	Internal	3 month Libor	-

Target performance is based on rolling 3-year periods

Rebalancing

The primary goal of the rebalancing strategy is to minimize risk relative to a target asset allocation, rather than to maximize returns. Asset allocation is the major determinant of the portfolio's risk-and-return characteristics. Over time, asset classes produce different returns, so the portfolio's asset allocation changes. Therefore, to recapture the portfolio's original risk-and-return characteristics, the portfolio needs to be re-balanced.

The Fund has set ranges for the different assets included in the asset allocation, these are not hard limits but there would need to be a clear rationale for maintaining an allocation outside the ranges for any significant length of time. The fund takes a pragmatic approach to rebalancing and is cognisant that rebalancing latitude is important and can significantly affect the performance of the portfolio. Blind adherence to narrow ranges increases transaction costs without a documented increase in performance. While a re-balancing range that is too wide may cause undesired changes in the asset allocation fundamentally altering its risk/return characteristics.

Rebalancing meetings take place on a quarterly basis where the most recent asset allocation is reviewed against the target allocations and the ranges in place. A number of factors are taken into account in the decision on whether to rebalance which includes, but is not limited to; current and forecast market dynamics, and known future investment activity at the Fund level.

Where a decision is made to undertake rebalancing the Fund aims to use cash to re-balance as far as possible, as this will minimise transaction costs and keep the cash holding closer to target avoiding the need for future transactions with associated costs. The rebalancing action will not necessarily take place immediately after a decision has been made as consideration is given to market opportunities and transaction costs.

Restrictions on Investments

The Regulations have removed the previous restrictions that applied under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. These restrictions set limits for types of investment vehicles but not for asset classes. The Committee's approach to setting its investment strategy and assessing the suitability of different types of investment takes into account the various risks involved and re-balancing is undertaken as described above to ensure asset allocations are kept at appropriate levels. When making investment decisions the suitability of the proposed investment structure is considered to ensure that it is the most efficient in meeting the Fund's objectives. Therefore, it is not felt necessary to set any additional restrictions on investments.

In accordance with the regulations the Fund is not permitted to invest more than 5% of the total value of all investments of fund money in entities which are connected with the Administering Authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(d).

Risk

The overall risk for the Fund is that its assets will be insufficient to meet its liabilities. The Funding Strategy Statement, which is drawn up following the triennial actuarial valuation of the Fund, sets out how any deficit in assets compared with liabilities is to be addressed.

Underlying the overall risk, the Fund is exposed to demographic risks, regulatory risks, governance risks and financial risks (including investment risk). The measures taken by the Fund to control these risks are included in the Funding Strategy Statement and are reviewed periodically by the Committee via the Fund's risk register. Further details on the risk management process and risks faced by the Pension Fund are also included in the Annual Report and Accounts document produced by the Fund. The primary investment risk is that the Fund fails to deliver the returns anticipated in the actuarial valuation over the long term. The Committee anticipates expected market returns on a prudent basis to reduce the risk of underperforming expectations.

It is important to note that the Fund is exposed to external, market driven, fluctuations in asset prices which affect the liabilities (liabilities are estimated with reference to government bond yields) as well as the valuation of the Fund's assets. Holding a proportion of the assets in government bonds helps to mitigate the effect of falling bond yields on the liabilities to a certain extent. Further measures taken to control/mitigate investment risks are set out in more detail below:

Concentration

The Committee manages the risk of exposure to a single asset class by holding different categories of investments (e.g. equities, bonds, property, alternatives and cash) and by holding a diversified portfolio spread by geography, currency, investment style and market sectors. Each asset class is managed within an agreed permitted range to ensure that the Fund does not deviate too far away from the Benchmark, which has been designed to meet the required level of return with an appropriate level of exposure to risk, taking into consideration the level of correlation between the asset classes.

Volatility

The Benchmark contains a high proportion of equities with a commensurate high degree of volatility. The strong covenant of the major employing bodies and the current forecast cashflow position enables the Committee to take a long term perspective and to access the forecast inflation plus returns from equities.

Performance

Investment managers are expected to outperform the individual asset class benchmarks detailed in the overall Strategic Asset Allocation Benchmark. The Committee takes a long term approach to the evaluation of investment performance but will take steps to address persistent underperformance. Investment managers are required to implement appropriate risk management measures and to operate in such a way that the possibility of undershooting the performance target is kept within acceptable limits. The Fund Managers report on portfolio risk each quarter and are required to provide internal control reports to the Fund for review on an annual basis. A proportion of assets are invested passively to reduce the risks from manager underperformance.

Where Brunel are responsible for the management of a portfolio, it is their responsibility to monitor the performance of the underlying investment managers and take any action necessary to address any performance issues. The Committee will receive reports from Brunel on the performance of their portfolios and can challenge them at Committee meetings. Brunel will also provide assurance reports to the Client Group and Oversight Board detailing the results of their monitoring processes, including setting out actions they are taking to address performance.

Illiquidity

Close attention is paid to the Fund's projected cash flows; the Fund is currently cash flow positive, in that annually there is an excess of cash paid into the Fund from contributions and investment income after pension benefits are paid out. The Fund expects to be cash flow positive for the short to medium term. Despite the significant proportion of illiquid investments in the Fund, a large proportion of the assets are held in liquid assets and can be realised quickly, in normal circumstances, in order for the Fund to pay its immediate liabilities.

Currency
The Fund's liabilities are denominated in sterling which means that investing in overseas assets exposes the Fund to a degree of currency risk. The Committee regards the currency exposure associated with investing in overseas equities as part of the return on the overseas equities; the currency exposure on overseas bonds is hedged back to sterling.

Custody
The risk of losing economic rights to the Fund's assets is managed by the use of a global custodian for custody of the assets. Custodian services are provided by State Street. In accordance with normal practice, the Scheme's share certificates are registered in the name of the custodian's own nominee company with designation for the Scheme. Officers receive and review internal control reports produced by the custodian. The custodian regularly reconciles their records with the investment manager records, providing a regular report to officers which they in turn review.

Stock Lending
The Council allows the Custodian to lend stock and share the proceeds with the Council. This is done to generate income for the Fund and to minimise the cost of custody. To minimise risk of loss the counterparty is required to provide suitable collateral to the Custodian. The levels of collateral and the list of eligible counterparties have been agreed by the Fund. The Committee will ensure that robust controls are in place to protect the security of the Fund's assets before entering into any stock lending arrangements.

Pooling

The Oxfordshire Pension Fund is working with nine other administering authorities to pool investment assets through the Brunel Pension Partnership Ltd. (BPP Ltd).
The Oxfordshire Pension Fund, through the Pension Committee, retains the responsibility for setting the detailed Strategic Asset Allocation for the Fund and allocating investment assets to the portfolios provided by BPP Ltd.

The Brunel Pension Partnership Ltd was established in 2017 and became operational in 2018 after receiving authorisation from the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme. It is owned jointly by the 10 Administering Authorities. It is responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds' assets within defined outcome focused investment portfolios. In particular, it will research and select the Fund Managers needed to meet the requirements of the detailed Strategic Asset Allocations. The Oxfordshire Pension Fund is a client of BPP Ltd and as a client will have the right to expect certain standards and quality of service. A detailed service agreement has been agreed which sets out the duties and responsibilities of BPP Ltd, and the rights of the Oxfordshire Pension Fund as a client. It includes a duty of care of BPP to act in its clients' interests.

An Oversight Board has been established, which comprises of representatives from each of the Administering Authorities. It was set up by them according to an agreed constitution and terms of reference. Acting for the Administering Authorities, it has ultimate responsibility for ensuring that BPP Ltd delivers the services required to achieve investment pooling. It will therefore have a monitoring and oversight function. Subject to its terms of reference it will be able to consider relevant matters on behalf of the Administering Authorities, but will not have delegated powers to take decisions requiring shareholder approval. These will be remitted back to each Administering Authority individually.

The Oversight Board is supported by the Client Group, comprised primarily of pension investment officers drawn from each of the Administering Authorities but will also draw on Administering Authorities finance and legal officers from time to time. It will have a primary role in reviewing the implementation of pooling by BPP Ltd, and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

The proposed arrangements for asset pooling for the Brunel pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance.

Oxfordshire County Council approved the full business case for the Brunel Pension Partnership. Currently investment assets are being transitioned across from the Oxfordshire Pension Fund’s existing investment managers to the portfolios managed by BPP Ltd with the final transition due by August 2021 in accordance with a timetable agreed by all parties. Until transitions take place, the Oxfordshire Pension Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance, working in partnership with BPP Ltd. where appropriate.

Following the completion of the transition plan outlined above, it is envisaged that all of the Oxfordshire Pension Fund’s assets will be invested through BPP Ltd. However, the Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by BPP Ltd. These assets will be managed in partnership with BPP Ltd. until such time as they are liquidated, and capital is returned.

ESG Policy

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

Given the systemic nature of climate change risk to the Fund’s investments the Pension Fund has produced a separate Climate Change Policy covering its approach on this topic. The Policy was developed following a Climate Change Workshop held by the Fund in November 2019 with participants including a range of stakeholders and expert speakers. Following the Workshop, a smaller working group was formed to develop a draft Climate Change Policy based on the outcomes of the Workshop. This Policy is contained as Annex 1 to the Statement.

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

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

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

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

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

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

One of the principal benefits, outlined in the Brunel Pension Partnership business case, achieved through the enhanced scale and resources as a result of pooling is the improved implementation of responsible investment and stewardship. Once established and fully operational the Brunel Company will deliver best practice standards in responsible investment and stewardship as outlined in the BPP Investment Principles.
Every portfolio under the Brunel Pension Partnership explicitly includes responsible investment and an assessment of how social, environment and corporate governance considerations may present financial risks to the delivery of the portfolio objectives. These

considerations will therefore be taken into account in the selection, non-selection, retention and realisation of assets. The approach undertaken will vary in order to be the most effective in mitigating risks and enhancing investor value in relation to each portfolio and its objectives.

In January 2020 Brunel released its Climate Change Policy setting out how it will deal with climate related risks and opportunities in its investment approach.

Policy on Exercise of Rights

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

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

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

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

Brunel are responsible for the exercise of voting rights in respect of the Council's holdings in the pool portfolios. The Fund expects Brunel to exercise its voting rights in all markets and its investment managers are required to vote at all company meetings where practicable. Market conventions in some countries may mean voting shares is not in the best interests of the Fund, for example where share-blocking is in operation.

The Fund will look to sign up to the new Stewardship Code during the course of 2020/21.

Similarly, Brunel has developed a Stewardship Policy consistent with the requirements of the UK Stewardship Code and publishes an annual report covering their voting practices and their engagement work. Brunel has entered partnerships with a number of other like-minded investors to strengthen their voice in all stewardship activities.

GOVERNANCE POLICY STATEMENT

Introduction

1. This is the Governance Policy Statement of the Oxfordshire Local Government Pension Scheme (LGPS) Pension Fund, as required under Section 55 of the Local Government Pension Scheme Regulations 2013.

2. As required by the Regulations, the Statement covers:

Whether the Administering Authority delegates its functions in relation to maintaining a pension fund to a committee, sub-committee or officer of the Authority;
The frequency of any committee/sub-committee meetings;
The terms of reference, structure and operational procedures in relation to the use of the delegated powers; and
Whether the Committee includes representatives of scheme employers, and scheme members, and if so, whether they have voting rights.

Governance of the Oxfordshire Pension Fund

3. Under the Government requirements for a Cabinet structure in local government, the management of the pension fund is seen as a non-executive function i.e. the Cabinet or equivalent body should not carry it out.

4. Oxfordshire County Council, acting as Administering Authority for the Fund, has determined to delegate all functions relating to the maintenance of a pension fund to the Pension Fund Committee.

Oxfordshire Pension Fund Committee – Terms of Reference

5. Under the terms of the County Council's constitution, the terms of reference for the Pension Fund Committee are:

The functions relating to local government pensions etc specified in Paragraph 1 in Schedule H of Schedule 1 to the Functions Regulations, together with functions under Section 21 of the Oxfordshire Act 1985 (division of county superannuation fund).
The functions under the Fireman's Pension Scheme specified in Paragraph 2 in Section H of Schedule 1 to the Functions Regulations.

6. A more detailed interpretation of these terms of reference includes the following:

a) respond as appropriate to the Government on all proposed changes to the Local Government Pension Scheme
b) regularly review and approve the asset allocation for the pension fund's investment
c) approve and maintain the fund's Investment Strategy Statement
d) approve and maintain the fund's Funding Strategy Statement
e) approve and maintain the fund's Governance Policy Statement

f) approve and maintain the fund's Communications Policy Statement
g) review the performance of the fund,
i) appoint an actuary, and independent financial advisor(s), for the fund
j) approve an annual report and statement of accounts for the fund
k) approve an annual budget and business plan for the investment and administration of the fund
l) consider, and if appropriate, approve applications of employers to become admitted bodies to the fund
m) consider all other relevant matters to the investment and administration of the fund.

Membership of the Committee

7. The Committee's members shall be appointed by full Council and shall comprise

9 County Councillors
2 Representatives of the City and District Councils of Oxfordshire.

These 11 members of the Committee shall have full voting rights. The County Councillors will be appointed such that the majority party on the Council has a majority of seats on the Committee before taking into account the political party of the City/District representatives.

8. The beneficiaries of the Fund will also have the right to be represented by an observer to the Committee. As employees of the County Council are prohibited from having voting rights on Council Committees, and as active employees of the County Council are the single largest group of stakeholders within the Fund, providing voting rights to the Observer could prejudice the appointment against the largest stakeholder group. Therefore the Observer will not have any voting rights, but has the right to speak on any issue, subject to the approval of the Chairman of the Committee. The Beneficiaries Observer will be appointed through the appropriate trade union(s).

Operational Procedures

9. The Committee will operate under the terms of conduct set out for all Committees of the County Council. The Committee will meet quarterly, with formal agendas published in advance according to the requirements on all County Council Committees. The Committee will meet in public, unless required to go into exempt session in accordance with Part 1 of Schedule 12A of the Local Government Act 1972.

10. At each meeting, the Committee will receive reports on the investment performance of the Fund. Fund Managers will be invited to attend to present information on the performance of their own portfolio, and to answer all appropriate questions from the Committee. The Committee shall determine the frequency by which each fund manager will be required to attend its meetings.

11. Each meeting of the Committee will be attended by the appointed independent financial advisor(s) who will provide advice on all investment matters. This advice will include drawing to the committee's attention, all appropriate matters associated with the performance of the individual fund managers.

12. Any member of the public has the right to seek to address the Committee by making a formal request in advance of the meeting.

13. The Committee will consult formally with all employers on issues where it has a statutory duty to do so, before it undertakes the responsibilities set out above. This includes the formal consultation with all employers before agreeing the Statement of Investment Principles, and the Funding Strategy Statement, and any significant subsequent changes.

Local Pension Board

14. Under the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, the Committee have established a Local Pension Board. The role of the Board is to assist the Pension Committee (in its role as Scheme Manager), to secure compliance with the Regulations and all associated legislation, and to ensure the efficient an effective governance and administration of the scheme.

15. The Board has been established with 3 employer representatives, 3 scheme member representatives and a non-voting independent chairman.

16. The Board will meet on a quarterly basis, or more frequently as required. The full constitution of the Board is available on the Pension Fund’s website.

Informal Governance Arrangements

17. As well as the formal governance arrangements as set out above, the Pension Fund Committee will hold an Annual Forum to which all scheme employers are invited. This Forum will cover a review of investment performance, as well as any other items relevant at that time.

18. The Committee will also hold ad hoc communication and consultation meetings to which all employers will be invited, and issue ad hoc communication and consultation documents to all employers, where it is deemed appropriate to obtain the views of all employers, before undertaking the responsibilities as set out above.

FUNDING STRATEGY STATEMENT

The Pension Fund’s Funding Strategy Statement in effect at 31 March 2020 is available at the following link: https://mycouncil.oxfordshire.gov.uk/documents/s49079/PF_DEC0619R13%20-%20Valuation%20Report%20-%20Annex%202.pdf.

COMMUNICATIONS POLICY STATEMENT

Introduction

1. This is the Communication Policy Statement of the Oxfordshire Local Government Pension Scheme Pension Fund, established within the 1995 Regulations and now prepared under Regulation 61 of the Local Government Pension Scheme Regulations 2013.

Purpose

2. This policy sets out the Oxfordshire Pension Fund's strategy for its communications with members and employing authorities.

3. The policy applies, in the context of LGPS administration, to members as defined in Schedule 1 of the principal regulations and, in turn, by section 124(1) of the Pensions Act 1995 to include:

Active members
Deferred members, and
Pensioner members
Pensioner credit members

4. Employing authorities, as defined within the regulations, and including Teckal companies : -

Statutory Scheduled Bodies such as the County and District Councils, Colleges of Further Education and Oxford Brookes University; Academies
Designating Bodies being the Town and Parish Councils
Admission Bodies, where the Pension Fund Committee have granted scheme admission within the terms of Part 3 Schedule 2 of the Regulations

5. The Regulations require the policy statement is prepared, written and published, and for these purposes publish means being accessible on the publically available pensions website.

Aim

6. To assist all individual employers to fulfil their statutory role in the Oxfordshire Fund by providing regular current information and access to alternative sources.

7. To ensure that scheme members have access to scheme information, notice about proposed and actual changes and are made aware of the process to lodge questions and appeals.

8. To enable the Scheme Manager / Administering Authority to discharge their respective responsibilities in accordance with the Local Government Pension Scheme Regulations 2013 (as amended); The Occupational and Personal Pension Schemes (Disclosure of Information Regulations 2013 (as amended) and The Pension Regulator Guidance.

Communication Policy

9. The development and introduction of the 2013 scheme was supported nationally by websites and guidance for both employers and scheme members. Our Fund communications will continue to reference these central resources as well as reference material provided by the Fund's advisors.

10. Local communication will focus on specific administration for employers and members of the Fund. The key local communications, intended audience, publication media and frequency are detailed in the annex to this policy.

11. This emphasis does not materially alter this policy but will affect the content of local communications. The continuing encouragement to use the national websites will avoid duplication of development. Oxfordshire Pension Fund supports those national developments financially and by active engagement with the working group, which concentrates on member communications. This fund will continue to support collaboration and development of communication media with other administering authorities.

12. The Fund maintains a website which provides access to member guides, forms and information. The fund requests that employers provide a copy of the member Brief Guide or the link to the website to all new employees on commencing employment, helping to ensure that scheme information is available within disclosure timetable to members and prospective members.

13. The Fund maintains a dedicated area of the website to provide resources and information for employers.

14. The Fund has not created a profile on any social media such as Twitter or Facebook; no requests for such access have been received and there is currently no perceived benefit for these to be created.

15. This policy reflects the introduction of Member Self Service (My Oxfordshire Pension) using a secure online web portal hosted by Aquila Heywood. (This will allow all members a) to look at generic scheme information and b) to view

and make some changes to their personal pension accounts. Access was made available to Pensioner Members from April 2017 with Deferred and Active Members to follow at a later date. This allows registered members a) to look at generic scheme information and b) to view and make some changes to their personal pension accounts. Access was/will be made available to

- Pensioner Members from April 2017
- Deferred Members from April 2018
- Active Members from May / June 2018
- All new starters joining the scheme from 1 April 2018

16. Once My Oxfordshire Pension (MOP) is in place across the entire scheme membership, we will conduct a further review of the Communications Policy to reflect format and delivery of communications material Once My Oxfordshire Pension is established across the entire scheme membership, we will introduce greater functionality, such as benefit projection facilities. We will continue to encourage registration whenever member status changes.

Review of This Policy

17. This policy was reviewed in January 2017 following feedback from members and employers, a Fund-wide consultation and with reference to the disclosure regulations. We will undertake annual reviews of the Communications Policy seeking feedback from members and employers to reflect format and delivery of material in this changing environment, once the concentration on the on line portal is fully established.

COMMUNICATION

The Pension Fund Committee approved a Communication Strategy, which sets out the fund's communication policy with all employing bodies, contributors and pensioners. The following initiatives are currently in place: -

- **Annual Report and Accounts** – The investment team circulate this document to all Oxfordshire County Council Directors and all employing bodies. It is also available on line from the website page. Copies are available for public inspection in the main Oxfordshire public libraries.
- **Summary of Report and Accounts Leaflet** – The Pension Fund Investment Manager selects sections from the main document to incorporate into an issue of Reporting Pensions for all current members. Pensioners receive the fund information with their annual newsletter.
- **Annual Pension Fund Forum** – An annual event for all employers in the fund, with an open invitation to submit topics for discussion and to send representatives. The forum is to keep employing bodies informed of topical issues and events that have occurred in the last year and also to give them the opportunity to raise any questions in relation to the Pension Fund.
- **Pensions Employer/User Group** – This is a meeting held quarterly for all employing bodies within the Oxfordshire Fund. The purpose of the group is to inform, consult and discuss LGPS matters such as changes in legislation, the results of the actuarial valuation and other policy changes. We will continue with the recently revised format of presenting on specific subjects at these meetings.
- **Employee Guide to LGPS** – presents aspects of the scheme to all members as a series of short subject leaflets. Taken together they provide a full guide for members, but individually offer broad information on specific subjects. The leaflets are available from the Oxfordshire County Council Pension Fund website or on request from Pension Services.
- **Brief Guide to the LGPS** - a reduced version of the scheme guide, with main points available for all from the website. We encourage all employers to link their starting information for new employees to this guide.
- **Reports by Beneficiaries Representative** – The beneficiaries' representative attends all Pension Fund Committee meetings as an observer. He has no voting rights but is allowed to speak with the permission of the Chairman. The Representative's report after each meeting is circulated to all employers for their staff, and is also on the pensions website pages.
- **Reporting Pensions** – a quarterly newsletter distributed, with the assistance of fund employers to scheme members and those eligible to join the fund. These pick up major changes to the LGPS and ensure that Oxfordshire County Council Pension Fund complies with the Disclosure of Information Regulations.
- **Website** – Pages for the Oxfordshire County Council Pension Fund are located on the County's public website. They offer access to administration and investment information, including Pension Fund Committee reports and minutes. Fund Employers can find detailed Administration information as an online toolkit to support their role in the fund. All members; current, pensioners, and deferred, have dedicated sections, with links to newsletters, guides, and national websites.

- **Intranet** - is not maintained by Pension Services as it reflects the decisions and policies of the County Council as a fund employer. Their pages also provide links and access to the Pension Fund website. Other fund employers also provide information on their intra-net sites for employees.
- **Talking Pensions –** This is an informal monthly newssheet for all employers in the Oxfordshire Fund distributed to all Human Resources and Payroll contacts.
- **Annual Benefit Statements -** Pension Services issue statements to current members and to members who have left the scheme with an entitlement to pension but not to an immediate payment. Additional information to the Statement is available from the website.
- **Administration principles -** we encourage all new employers to attend a meeting to help acquaint themselves to our requirements and importantly, their responsibilities within the scheme.

USEFUL CONTACTS AND ADDRESSES

BENEFIT ADMINISTRATION

Pension Services
Oxfordshire County Council
4640 Kingsgate
Oxford Business Park South
Oxford, OX4 2SU

Telephone:
0330 024 1359
email:
pension.services@oxfordshire.gov.uk

ACCOUNTS AND INVESTMENTS

Financial Manager – Pension Fund Investments
Corporate Services
Oxfordshire County Council
County Hall
Oxford, OX1 1ND

email:
pension.investments@oxfordshire.gov.uk

BENEFICIARIES REPRESENTATIVE

c/o Pension Services
Oxfordshire County Council
4640 Kingsgate
Oxford Business Park South
Oxford
OX4 2SU

SPECIFIED PERSON FOR ADJUDICATION OF DISPUTES PROCEDURE
Disputes to be sent to:-

Pensions Services Manager
Oxfordshire County Council
4640 Kingsgate
Oxford Business Park South
Oxford, OX4 2SU

Telephone: 01865 323854
Email: sally.fox@oxfordshire.gov.uk

The Pensions Regulator
Napier House
Trafalgar Place
Brighton
BN1 4DW 0345 600 1011
www.thepensionsregulator.gov.uk

Pension Tracing Service
The Pension Service 9
Mail Handling Site A
Wolverhampton
WV98 1LU 0800 731 0193
www.gov.uk/find-pension-contact-details

The Pensions Advisory Service (TPAS)
11 Belgrave Road
London
SW1V 1RB 0800 011 3797
www.pensionsadvisoryservice.org.uk

Pensions Ombudsman
10 South Colonnade
Canary Wharf, London
E14 4PU 0207 630 2200
www.pensions-ombudsman.org.uk

PENSION FUND COMMITTEE - 4 DECEMBER 2020

OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

Report by the Independent Financial Adviser

Economy

1. Despite rebounding in the 3rd quarter, GDP in all regions except China is expected to show a sharp contraction for 2020 as a whole. In October the IMF forecast growth in 2021 of 5.9% in the UK and 3.9% in the US, although these may now need to be revised down because of the resurgence of the coronavirus pandemic since October. China's GDP growth for 2021 was forecast by the IMF at 8.2%. (In the table below, estimates made in August are shown in brackets).

Consensus real growth (%)						**Consumer prices latest (%)**
	2016	**2017**	**2018**	**2019**	**2020E**	
UK	+2.0	+1.6	+1.4	+1.4	-10.6 (-9.4)	+0.5 (CPI)
USA	+1.6	+2.3	+2.9	+2.3	-4.6 (-5.3)	+1.4
Eurozone	+1.6	+2.3	+1.9	+1.2	-8.3 (-8.4)	-0.3
Japan	+0.9	+1.7	+0.7	+0.7	-6.4 (-5.4)	+0.1
China	+6.7	+6.8	+6.6	+6.1	+1.8 (+1.4)	+1.7

[Source of estimates: Economist Intelligence Unit, November 7th 2020]

2. In September the US Federal Reserve announced that in setting interest rates they would be guided by the average level of inflation over a period rather than the spot level. This has been interpreted as meaning that US interest rates are likely to stay at their current level until 2023. The Bank of England announced in November it would increase its Quantitative Easing programme by £150bn.

3. As the incidence of new coronavirus cases began to rise again, regions of the UK imposed restrictions on movement and business activity. After a period of tiered restrictions, England went into a 4-week lockdown starting on November 5th. Government support via the furlough scheme was extended by five months until the end of March 2021. UK government debt is expected to reach 100% of GDP by April 2021.

4. Lockdown measures were already in force in France, Germany, Spain and other European countries, in an effort to stem the rising tide of coronavirus cases. In the US, the death toll has reached 250,000, but states differ in their response, with no clear direction from the White House.

5. Joe Biden won the US presidential election, although the Democrats have not achieved their anticipated majority in the Senate. Democrats will need to win both the run-offs in Georgia on January 5th in order to regain control of the Senate. If control remains in Republican hands, several of Biden's ambitious spending plans may not come to fruition.

Markets

Equities

6. While still buoyed up by the liquidity being injected by central banks, equity markets were prone to weakness when negative news on the spread of coronavirus came out. The UK market continued to lag all other regions.

	Capital return (in £, %) to 30.9.20			
Weight %	Region	**3 months**	**12 months**	**36 months**
100.0	**FTSE All-World Index**	**+2.9**	**+3.3**	**+20.2**
59.3	FTSE All-World North America	+4.1	+8.4	+38.2
7.5	FTSE All-World Japan	+1.5	+0.2	+9.2
13.6	FTSE All-World Asia Pac ex Japan	+3.7	+5.6	+9.0
13.6	FTSE All-World Europe (ex-UK)	+0.7	-2.7	-0.3
3.8	FTSE All-World UK	-4.8	-20.9	-20.7
11.2	FTSE All-World Emerging Markets	+3.5	+1.9	+5.0

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

7. Technology continued its strong run, and this contributed to the dominance of the US indices, which are over 20% concentrated in the five largest tech stocks. The gains in Consumer Services were largely attributable to the strength of Amazon.

	Capital return (in £, %) to 30.9.20		
Weight %	**Industry Group**	**3 months**	**12 months**
21.9	Technology	+6.7	+38.3
13.1	Consumer Services	+8.0	+14.9

12.0	Health Care	-0.2	+13.9
4.0	Basic Materials	+5.6	+3.9
100.0	**FTSE All-World**	**+2.9**	**+3.3**
11.2	Consumer Goods	+6.9	+3.1
12.4	Industrials	+6.1	+2.7
3.0	Utilities	-1.5	-10.5
2.5	Telecommunications	-4.3	-13.2
17.0	Financials	-2.6	-18.0
2.9	Oil & Gas	-16.3	-42.5

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

8. While the FTSE 100's progress was hampered by its high weights in Oil & Gas and Banking, mid-cap stocks rose on the partial re-opening of the UK economy.

(Capital only %, to 30.9.20)	**3 months**	**12 months**	**36 months**
FTSE 100	**- 4.9**	**-20.8**	**-20.4**
FTSE 250	**+1.1**	**-13.1**	**-12.9**
FTSE Small Cap	**+0.6**	**-7.8**	**-11.8**
FTSE All-Share	**-3.8**	**-19.2**	**-19.0**

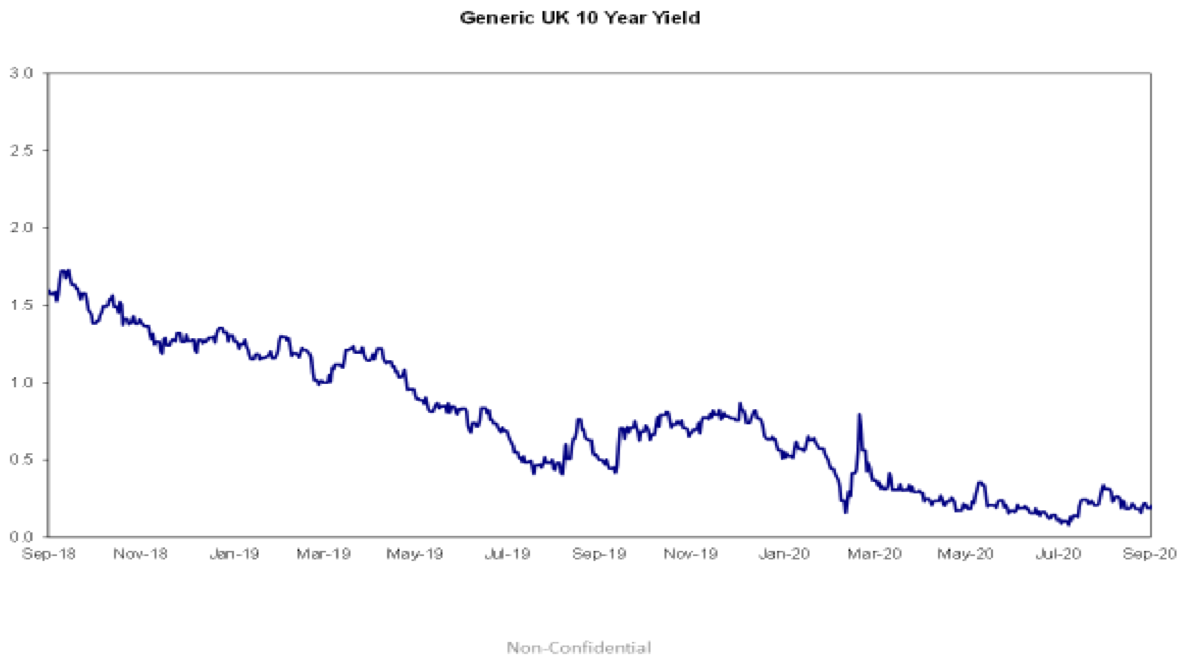
<u>Bonds</u>

9. Sovereign bond yields remained at historically low levels, as central banks continued to buy large quantities of government bonds.

10-year government bond yields (%)					
	Dec 2017	**Dec 2018**	**Dec 2019**	**June 2020**	**Sept 2020**
US	2.43	2.68	1.92	0.64	0.69
UK	1.23	1.14	0.73	0.17	0.23
Germany	0.43	0.24	-0.19	-0.46	-0.52
Japan	0.05	-0.01	-0.02	0.03	0.01

[Source: Financial Times]

10. The yield on 10-year UK gilts has been below 1% since the spring of 2019.



Currencies

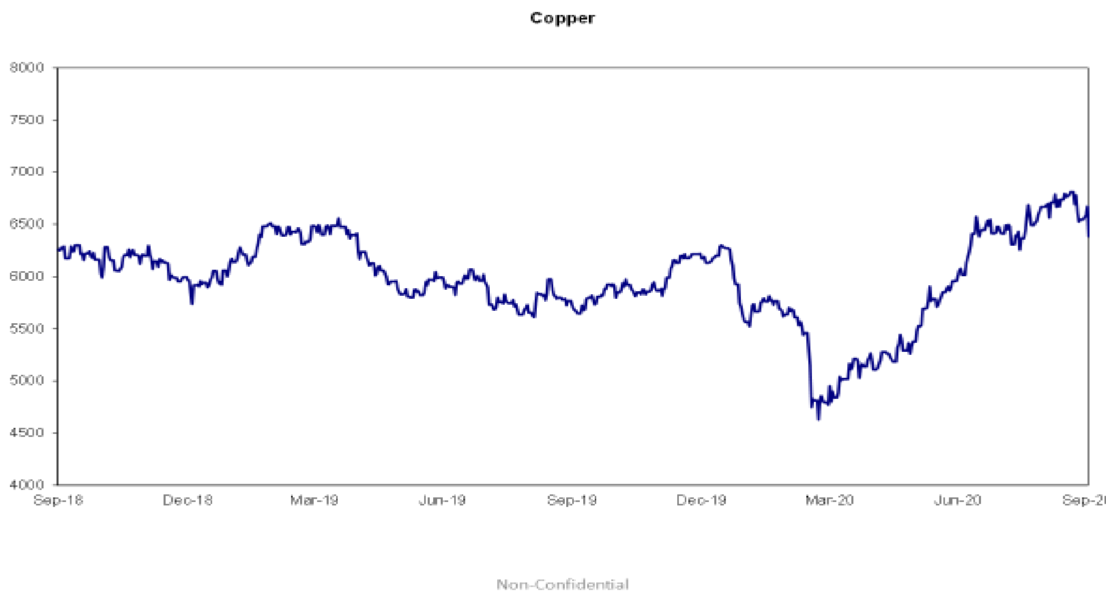
11. The pound recovered lost ground against the dollar on optimism about the outcome of Brexit negotiations with the EU.

				£ move (%)	
	30.9.19	**30.6.20**	**30.9.20**	**3m**	**12m**
$ per £	1.232	1.236	1.293	+4.6	+5.0
€ per £	1.130	1.100	1.103	+0.2	-2.4
Y per £	133.2	133.3	136.4	+2.3	+2.4

Commodities

12. The oil price has remained stable around $40 per barrel, while gold has continued to strengthen and copper has appreciated because of supply shortage and the resumption of growth in demand from China.

$	**30.9.19**	**30.6.20**	**30.9.20**	**3m**	**12m**
Gold	**1283.1**	**1771.6**	**1884.0**	**+6.3%**	**+46.8%**
Brent crude	**56.7**	**41.7**	**42.0**	**+0.7%**	**-25.9%**



Property

13. The lack of transaction activity in the property market, combined with the uncertainties over rent payments, has meant that property valuations have in effect been temporarily suspended. Institutional property managers have generally frozen transactions in their funds because of the difficulty in establishing fair prices for investors buying or selling units. The past 12 months' returns for Balanced Property Funds show a median return of -2.7%, with upper and lower quartiles of -2.0% and -4.0%. [Source: Association of Real Estate Funds, September 2020].

Outlook

14. The announcement on November 9th that the Pfizer/BioNTech vaccine had achieved 90% immunity in trials has created optimism that the coronavirus pandemic may be brought under control by mid-2021. While there is still uncertainty over the timing of authorization of the vaccine, and the logistics of mass vaccination programmes, this development has produced a sharp upturn in equity markets worldwide.

15. At a macro-economic level, however, higher levels of unemployment are expected even if economies normalize, as many sectors will have been forced to close operations permanently during lockdown or move to new business models requiring fewer staff. The increased issuance of government debt will also need to be financed.

16. Negotiations between the UK and the EU on a trade deal following Brexit are becoming very urgent, as the transition period ends on December 31st. The consequences of the eventual deal – or no deal – will begin to make themselves felt during 2021.

Peter Davies
Senior Adviser – MJ Hudson Investment Advisers

November 18th, 2020
[Graphs supplied by Legal & General Investment Management]

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Quarterly Engagement Report

July-September 2020

Local Authority Pension Fund Forum

Rio Tinto

BHP, Tesco, Sainsbury, ArcelorMittal, National Grid

CLIMATE EMERGENCY

Puutu Kunti Kurrama and Pinikura Aboriginal Corporation

Rio Tinto under pressure from investors over Juukan Gorge

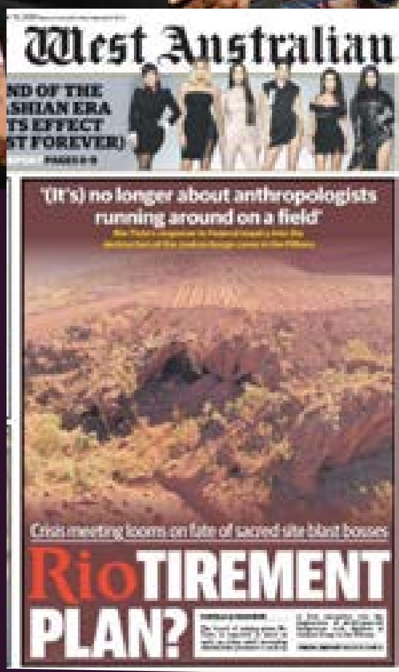
As LAPFF has been learning more about **Rio Tinto**'s involvement in the destruction of the historically significant caves at Juukan Gorge in Western Australia, there have been increasing concerns about the company's corporate governance practices. Consequently, the Forum – along with other investor groups, most prominently the Australasian Centre for Corporate Responsibility (ACCR) - has been pushing the company to review its corporate governance arrangements.

One of the main strategies in this engagement has been to issue press releases citing LAPFF's concerns as various details of Rio Tinto's practices were revealed through a range of investigations. There has been an internal investigation led by a non-executive director on Rio Tinto's board, which resulted in the elimination of short-term bonuses for three senior executive members, including the CEO. Subsequently, the CEO and two other senior executives resigned.

The Forum received significant press coverage for its support of this measure. LAPFF also issued press releases responding to information issued by Australian Parliamentary inquiries into this matter. There appears to be increasing evidence of corporate governance failures, particularly in relation to engaging properly with indigenous communities, emanating from these inquiries.

> "My interaction with Mr. Thompson, in his roles as Chair of both Rio Tinto and 3i, has been positive thus far. However, I sense that investors are losing confidence in his leadership and in his board at Rio Tinto. It will be a long road back for the company."
>
> Cllr Doug McMurdo

LAPFF is continuing to ask questions of the Rio Tinto board about its response to the mounting information on corporate governance failures. The Forum currently has requested LAPFF Chair, Cllr Doug McMurdo, meet with the Chair of Rio Tinto, Simon Thompson, about the



West Australian

'(It's) no longer about anthropologists running around on a field'

Crisis meeting looms on fate of sacred site blast bosses

RioTIREMENT PLAN?

What happened at Juukan Gorge?

In May, Rio Tinto destroyed 46,000-year-old Aboriginal caves in the Juukan Gorge region of Western Australia. The explosions were part of a government sanctioned mining exploration in the region. The caves are of cultural significance to the Puutu Kunti Kurrama and Pinikura (PKKP) people who claim Rio Tinto did not engage with them adequately before the disaster.

Rio Tinto has since apologised, and senior executives have resigned. However, an Australian parliamentary enquiry is continuing and may yet reveal further corporate governance failings.

CLIMATE EMERGENCY

Juukan Gorge incident. In the meantime, LAPFF is participating in a collaborative investor group led by Adam Matthews at Church of England to discuss a way forward not only for Rio Tinto, but the mining industry more broadly. LAPFF has also engaged with Rio Tinto in relation to the company's progress on scopes 1 and 2 carbon emission targets; progress on partnerships; and review of trade association memberships.

BHP Next Investor Target on Indigenous Peoples Engagement

With BHP's AGM coming up, investors are keen to ensure the company avoids another Juukan Gorge-type situation. A repeat is of particular concern in relation to its proposed Resolution Copper mine in Arizona, USA. BHP is in a joint venture with Rio Tinto to scope out the possibility of operating the mine, with BHP as the non-operating partner. Given the company's partnership with Rio Tinto and its joint venture with Vale in the Samarco dam which collapsed in Brazil, there are concerns about how BHP engages with environmental, social and governance issues in joint ventures where it is the non-operating partner.

In the wake of the Juukan Gorge disaster, BHP announced that it will not damage 40 cultural heritage sites in Western Australia without extensively consulting Traditional Owners. The Forum has engaged at length with BHP this quarter ahead of the AGM to understand more about the company's plans and its approach to community engagement.

A LAPFF representative attended a shareholder meeting in July to hear BHP's cultural heritage team discuss its operation. Cllr McMurdo then met with both BHP Chair Ken MacKenzie and Vice President of Governance, Geof Stapledon to ask about joint ventures and community engagement. Cllr McMurdo took some comfort in the fact that BHP has two safety checks on cultural heritage, including measures Rio Tinto does not have. First, BHP re-engages with affected communities if it has not undertaken work within 12 months of approval from the communities on a given site. Second, the community engagement department at BHP is located within the site-level function rather than the corporate headquarters.

Still, investor confidence in the mining sector has been shaken, which has, in part, led to the Australasian Centre for Corporate Responsibility (ACCR) filing three shareholder resolutions with BHP, one of which is on cultural heritage. The cultural heritage resolution is in three parts and calls for:

(a) a moratorium on the destruction of cultural heritage sites until better laws are enacted in Australia to protect Indigenous communities in the context of mining projects;

(b) non-enforcement of contractual provisions essentially imposing a 'gag order' on communities to allow them to speak about concerns regarding mining projects on their land;

(c) disclosure of the approach to cultural heritage held by the industry associations to which BHP belongs.

The other two resolutions cover a constitutional amendment to allow for advisory shareholder resolutions to be filed and the Covid-climate link. LAPFF will issue a voting alert on these resolutions shortly.

Climate Action 100+

NET ZERO BENCHMARK

The Forum is proud to be a member of Climate Action 100+, a collaboration with 518 investor groups with $47tn in assets. From 2021, the CA100+ net zero benchmark will help its members assess a company's alignment to net zero emissions. Using 30 indicators, the benchmark will provide comprehensive analysis on which companies are leading the transition to net-zero emissions, alongside a range of other indicators used by investors to inform investment and corporate engagement strategies. LAPFF's involvement with CA100+ has helped in successful engagements this quarter and we expect the benchmark will encourage more companies to reduce carbon emissions and demonstrate high ambition to align with the Paris Agreement goals.

THE ARCELORMITTAL CLIMATE CHALLENGE

Steelmaking accounts for 7-9% of global carbon emissions today, and as the largest steelmaker in the world ArcelorMittal is responsible for a significant share. The majority of carbon emissions come from the process of iron ore reduction. The carbon challenge for the industry in the coming decades must be to transform the way in which iron ore is turned into steel.

Over the period of engagement, ArcelorMittal has been responsive and LAPFF and other lead investors have had notable success with the company separately identifying carbon-neutral hydrogen technology as central to its longer term zero-carbon transition.

Most recently ArcelorMittal has set an objective for the whole group to be carbon neutral by 2050 in addition to its shorter term target in Europe to reduce CO_2 emissions by 30% by 2030.

Such targets are encouraging but it is active shareholders that must continue to hold the company – and others like it – to their targets. Our engagements continue.

COMPANY ENGAGEMENT

ArcelorMittal and National Grid CA100+ Engagements Continue

Engagement to date with ArcelorMittal has led to a 30% carbon emission reduction target for its European operations by 2030, and for carbon neutrality for 2050. A follow-up meeting at the beginning of July sought commitments to global targets for 2030 and 2050. At the National Grid meeting, the Forum's objectives were for greater clarity on when the company will set scope 3 targets, and a commitment to report on climate lobbying and alignment with trade industry positions.

The meeting with ArcelorMittal resulted in a commitment for a group 2030 carbon emission reduction target to be disclosed in a report released later this year. This had been delayed due to repercussions from the Covid-19 pandemic. At a collaborative meeting with National Grid representatives, Cllr Rob Chapman, LAPFF vice-chair, raised a number of areas, including the provision of electric vehicle charging stations. The company had previously identified this as the most positive area of 'value change' for shareholders, but progress on this has been slow. For setting scope 3 targets, the challenge for the company, which has been proactive in the UK for aiming for a carbon-neutral grid by 2025, in its US gas and electricity distribution operations. Following up on a LAPFF question to the AGM, the company committed to look at disclosing company positions on direct and indirect lobbying.

As joint-lead investor, LAPFF sent letters to the chairs of both companies, providing information on the new Climate Action100+ Net Zero Benchmark which will rank companies from 2021 onwards. The benchmark builds on Taskforce on Climate Related Financial Disclosure (TCFD) recommendations and looks at the most significant aspects of companies' corporate strategy related to climate. The companies were asked to work toward providing disclosures consistent with the framework; align with net zero by 2050 or sooner; and work with companies on action plans. A response was requested for October.

LAPFF joins other investors on anti-deforestation push

The impact of deforestation on climate change is a growing concern. LAPFF has worked with other investors to push the Brazilian government to stem deforestation in the Amazon. At a meeting with Tesco, one objective was for the company to set out how it aimed to achieve its target of fully recyclable packaging by 2025.

The investor coalition drafted and co-signed a letter to the Brazilian government and held a call hosted by Storebrand to encourage better protection of the Amazon.

LAPFF's meeting with **Tesco** discussed how the company's meat supply chain might contribute to deforestation through its supplier, JBS, which received a lot of media attention on this issue. The soy, which is used to feed the cattle eventually purchased by Tesco as meat, is targeted by the campaign. This issue has raised the complicated nature of commodity supply chains and why it is important to conduct effective environmental and human rights due diligence on the entire supply chain, not just first or second tier suppliers.

The Tesco meeting also addressed the problem of plastics in the supply chain. Hygiene requirements resulting from Covid-19 have forced Tesco to re-orient its short-term efforts to reduce packaging. However, the company has retained its long-term strategy and will continue to work on rolling it out.

The investor coalition appears to have helped drive proposed legislation on stemming deforestation in supply chains. LAPFF has drafted a consultation response to DEFRA draft legislation[1] designed to prevent forests and other natural areas from being converted illegally into agricultural land. The legislation would require a number of larger companies to ensure their 'forest risk' commodities have been produced legally.

[1] https://consult.defra.gov.uk/eu/due-diligence-on-forest-risk-commodities/

COMPANY ENGAGEMENT

LAPFF engages further on climate finance

For much of this year, LAPFF has engaged with major asset managers and insurers on their climate change activities. The goal is to ensure they gain awareness of the impact the insurance side of their businesses does - and can - have on climate change.

So far, the Forum has engaged with eight of the eleven companies contacted. This quarter, LAPFF engaged with **HSBC** and **Allianz**.

Overwhelmingly, engaged companies see the investment aspect of their businesses as more relevant to tackling climate change, with little or no thought given to the role their insurance sides can play. That said, those companies offering property and casualty insurance agree this business is vulnerable to climate change, more so than the health and life insurance lines. However, one company noted that health and life insurance might be equivalently - or even more - affected in future. Only one company representative recognised and spoke about the companies' impact on climate change rather than just the impact of climate change on their business.

LAPFF will work to set up meetings with the remaining three companies: Lloyds Banking Group, Aviva Group, and Berkshire Hathaway. When this initial round of engagements has been completed, the meeting information will be assessed to determine new objectives to take this work forward.

Tailings Dam engagement reaches milestone

Since February 2019, LAPFF has joined in the investor initiative on tailings dam safety to ensure that collapses - such as those in Mariana and Brumadinho, Brazil - do not occur again.

There have been various sub-initiatives stemming from the over-arching project established by Adam Matthews from the Church of England Pensions Board and John Howchin from the Swedish Council of Ethics to the AP Funds. One such initiative was a tripartite relationship between Principles for Responsible Investment (PRI), UN Environmental Programme (UNEP), and International Council on Mining and Metals (ICMM) to establish a Global Tailings Standard. The Standard was launched on 5 August with over 1,200 webinar participants.

While affected communities were consulted in the drafting of the Standard, they were concerned that their input was not incorporated adequately. A number of investors also raised concerns about the lack of an independent body to monitor its implementation. These points will likely continue to be areas of focus as the Standard is rolled out.

LAPFF ramps up engagement on supply chain due diligence

Between the Boohoo scandal in Leicester, the supply chain component of the Modern Slavery Act, and the proposed deforestation in the supply chain law, UK investors face supply chain challenges from several quarters. LAPFF has engaged with a number of other investors to explore initiatives that address supply chain concerns.

During the quarter, LAPFF representatives joined a supply chain due diligence workshop hosted by the newly independent Workforce Disclosure Initiative. Attendees discussed what companies and investors can do to improve workplace standards at supplier facilities. LAPFF also met with Andrew Adams at CCLA to discuss joining an investor coalition to promote compliance with the Modern Slavery Act. This would be in addition to the Forum's participation in Rathbone's engagement with companies that fail to adhere to Modern Slavery Act requirements. LAPFF is also working with other investors to stem deforestation in company supply chains, as mentioned above.

The details of the CCLA engagement are to be decided, and the LAPFF consultation response on the proposed law on deforestation in the supply will be shared when complete. The Forum also held a

Garment workers overcrowded into the back of a truck, commuting home after work, Phnom Penh, Cambodia

COMPANY ENGAGEMENT

webinar on environmental and human rights due diligence which covered all the issues above.

Cybersecurity Engagements Underway

The LAPFF membership increasingly recognises the variety of business risks that can stem from companies' cyber-security failures. In response members expressed interest in engaging further on this issue. Consequently, LAPFF has begun a round of engagements with transport and logistics companies, which can be particularly vulnerable to cyberattacks, to assess their cyber resilience.

Letters have been sent to Bunzl Plc, AP Moller-Maersk, Wincanton Plc, Expeditors International of Washington Inc. and C.H. Robinson Worldwide Inc. Meetings have been conducted with Clipper Logistics Plc and Royal Mail Plc.

Subsequent engagements with other companies will take place over the coming months.

LAPFF signs onto ICCR Covid-19 letters to pharmaceutical companies

There has been concern that some pharmaceutical companies might take advantage of the Covid-19 pandemic by implementing unfair distribution or pricing practices. The Interfaith Centre on Corporate Responsibility (ICCR) organised a collaborative engagement between investors and a number of pharmaceutical companies to ensure they are adhering to fair practices in the context of the virus.

Letters to most of the seventeen companies have been sent, with responses received from Sanofi – which is working on a coronavirus vaccine – and Biogen, which is not. AstraZeneca also sent a letter reassuring investors about the company's approach to developing a vaccine. A major focus for the company seems to be reducing the body's overblown immune response to Covid-19, and it is looking both to a vaccine and existing drugs to help deal with this problem. The company is insistent upon following

appropriate clinical trial protocols and ensuring access to the vaccine once it is available.

Lead investors are following up with other companies for either first responses or clarifications to responses. There have also been discussions about engaging with company audit committees to understand how they are addressing coronavirus within their company risk frameworks.

AGMs & VOTING ALERTS

Although the summer period was quieter with regard to AGMs and voting alerts, there were a couple of notable engagements. Engagements with **SSE** and **National Grid** – both held virtually due to coronavirus - focused on climate practices. LAPFF has engaged with both companies for many years now and for SSE was seeking to continue the long-lasting relationship.

The Forum also issued voting alerts for Homeserve, Experian, and Ryanair. The Homeserve and Experian voting alerts addressed remuneration concerns. This followed on from other LAPFF remuneration alerts this year which coincided with the remuneration policy resolutions up for vote in 2020 at many UK companies. The Ryanair voting alert raised concerns about the company's response to the Covid-19 pandemic.

In preparation for the SSE AGM, Cllr Rob Chapman met with SSE Chief Sustainability Officer, Rachel McEwen, who thanked LAPFF for its helpful engagement over the years. LAPFF then asked a question about carbon capture and storage at the SSE AGM. The Forum's question was both posted on SSE's website, and CEO Alistair Phillips-Davies mentioned the Forum by name in responding to LAPFF's question in a video.

Questions submitted for the National Grid AGM asked the company to commit to disclosing consistency or otherwise between corporate climate change policies and the positions taken by trade associations to which the company belongs. The company was also pushed on its delayed setting of scope 3 carbon emission reduction targets. The company response was published on its website, indicating that it would provide information on scope 3 targets in October and a commitment to look at lobbying disclosure would follow in a subsequent meeting.

Ms McEwan also sits on the Scottish Just Transition Commission, so Cllr Chapman asked her if she would be willing to talk about her participation in this Commission with LAPFF. Given the Covid pandemic, it is not clear when or how this communication will happen, but she has agreed to speak to LAPFF on the just transition. For National Grid, the next 'call in' point will be its October ESG day.

POLICY ENGAGEMENT AND CONSULTATION RESPONSES

SUBSTANTIAL IMPROVEMENTS

ArcelorMittal issued a press release at the end of September announcing a group-wide target to be carbon neutral by 2050. Testing of technology to reach this goal will include a direct reduced iron – electric arc facility for carbon-free steelmaking to be up and running in Hamburg by 2023.

A meeting with Martin Scicluna, the chair of **JS Sainsbury** provided detail underpinning the company's net zero by 2040 target, announced since the last meeting with LAPFF. The discussion covered aspects of scope 3 emissions such as incentivising the use of electric vehicle for deliveries and by customers. The meeting also covered the response to the pandemic including doubling the companies' on-line sales and a focus on employee engagement. Progress towards the plastic reduction goal of 50% by 2025 was explored in addition to management of deforestation within cattle and soy supply chains.

POLICY ENGAGEMENT

IIGCC meeting

A LAPFF representative participated in an Institutional Investors' Group on Climate Change (IIGCC) webinar on the proposed EU Carbon Border Adjustment mechanism. LAPFF has not taken a formal position, but was able to explain how this has been a central element of engagement with ArcelorMittal to date, particularly with the strong and long-held support the chair, Lakshmi Mittal, has voiced for such a mechanism. Discussions with CA100+ co-lead investors for utility companies and IIGCC have continued over the past couple of weeks, around a potential response to Ofgem on its 'RIIO-2 draft determinations'. These determinations set out Ofgem's 'approach to ensuring energy transmission network companies have sufficient revenue to run an efficient network'. The original intention was for a short note of concern from investors about risks if investments into the grid are insufficient for companies to fulfil their net zero commitments. However, to ensure a balanced approach, not favouring either the company or regulator's position, the response will contain a more general call on Ofgem to ask the companies to set out net zero plans.

CONSULTATION RESPONSES

LAPFF has submitted a number of consultation responses during the quarter. One was a consultation on the future of audit. Of note is that Baroness Sharon Bowles appears to have run with LAPFF's IFRS engagement, submitting a long list of Parliamentary questions on audit company practice, at least one of which has yet to be answered.

The Forum also responded to a Department of Transport consultation on the phasing out of vehicles powered by fossil fuels. A third submission went to the House of Commons Select Committee Inquiry on Decarbonisation and Green Finance.

BEIS Select Committee

LAPFF responded to the BEIS Select Committee Inquiry following up on its 2019 Future of Audit Inquiry. The Committee addressed progress on implementing the findings of

- the Kingman Review into replacing the Financial Reporting Council and
- the Competition and Markets Authority Review of the audit market.

The LAPFF response was both favourable to those reviews and concerned at the slow progress in their implementation.

On the subject of the Brydon Review, LAPFF commented that *"The Brydon Review is disappointing and confuses and distracts from the sound recommendations of the BEIS Committee report"* and *"LAPFF believes that the best driver of audit quality is implementing existing law properly which the Committee concluded the large accounting firms have been avoiding. Brydon has ended up in the same muddle on the same issues that the large accounting firms were muddled over in giving evidence to the Committee."*

LAPFF concluded the only change to the law should be to implement the structural reforms of the Financial Reporting Council (FRC) from the Kingman Review.

On the Committee's question whether *"audit reform [can] help track progress made by companies in meeting the UK's Sustainable Development Goal commitments and in particular Net Zero"*, LAPFF flagged this as an area where 'greenwash' can already be seen. Some companies and sectors give the appearance of progress towards net zero because such a target provides scope to exaggerate deducted elements to achieve the 'net'. This includes loose commitments to plant trees or capture carbon at some time in the future.

LAPFF also expressed concern that the longstanding problems with the auditing profession, mean auditors would have a negative effect on getting reliable financial information. In the case of Wirecard, NMC Healthcare (the FTSE 100 company now in administration) and Patisserie Valerie, it is clear that the auditors could not properly verify cash in the bank.

CONSULTATION RESPONSES

The Financial Reporting Council's response to International Accounting Standard 1 ('IAS 1') consultation

Further to the UK's exit from the European Union, all new international accounting standards will have to be endorsed by the Secretary of State and then Parliament. The International Accounting Standards Board (IASB) consulted on a revision to the key standard IAS 1 to which the FRC drafted a response giving the UK's position, which is itself open for comment.

The proposed standard is wrong in several respects. The words describing the numbers required are incorrect. The purpose of the accounts is wrong, which in UK law is for shareholder and creditor protection. It misses the interrelationship between profits, capital and going concern. It also puts the emphasis on management intent deciding whether a company is a going concern or not. The actual driver is whether the company is and can be funded by cash flow generated or by new or replacement external sources of funding. The LAPFF response to the FRC points out these issues and focuses on the BEIS Select Committee Inquiry into the Future of Audit which had already concluded in the correct way.

The LAPFF response has been copied to the Secretary of State, the Law Commission and the BEIS Select Committee.

A key problem is the IASB has accommodated the false construct of an 'expectations gap' regarding the quality of accounts; thus giving auditors an excuse to not look for fraud. As frauds may impinge profits, capital and going concern, a standards system which seeks to obfuscate or avoid the issue of fraud will also have to obfuscate the very elements it affects; profits, capital and going concern.

The recent High Court case against Grant Thornton has been upheld by the Court of Appeal. That makes the auditor duty in respect of profits, capital and going concern unequivocal where there is fraud.

'Decarbonisation and Green Finance' The Treasury Select Committee call for evidence

LAPFF made a submission to the Committee drawing heavily on the fact that renewables have become cheaper than fossil fuel sources.

There was a premise that the transition to a lower carbon economy would be costly. But with the cost of renewables below the cost of currently low fossil fuel prices, there is an economic incentive to invest in greener energy sources, with not only the low carbon benefit but also less volatility and other problems associated with carbon and methane emissions in the distribution of fossil fuels.

A second premise was that a move to renewables would be at the pace of the fossil fuel companies transitioning their businesses. The International Energy Authority's models have tended to be influenced by such thinking. However, the pace of investment in solar power, offshore and onshore wind as well as storage by batteries and electrolysis for hydrogen production have led the way, with some fossil fuel assets becoming stranded earlier than anticipated.

It therefore appears that the negative cost of transition will not be the cost of the new energy system but the demise of the old one, stranded assets, and stranded debt and equity funding in the fossil fuel sector.

The US coal mining industry is a case in point. Peabody Energy, the USA's largest coal mining company, which had a market capitalization in excess of $20bn, now has debt of $10bn and a market capitalization of $250m having had two Chapter 11 bankruptcies to get there. Exxon, formerly the largest US listed company, has recently fallen out of the Dow Jones Index.

A transition that will benefit market entrants with new technologies and affect existing operators negatively, needs to be handled in a rational and balanced way.

A risk therefore is backdoor ways that maintain the fossil fuel industry via grants and other assistance. LAPFF cited that state support for carbon capture and storage (CCS) for the power sector. This model has seen CCS used to keep coal power plants open rather than close and replace them with renewables.

Response to the FCA consultation on proposals to enhance climate-related disclosures by listed issuers

LAPFF responded to the FCA's consultation on climate-related disclosures. The FCA proposed introducing a new rule for UK premium listed companies, requiring them to state whether they comply with the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) and to explain any non-compliance.

The Forum strongly supports the introduction of mandatory carbon emissions and risk reporting. The Forum also supports the recommendations of the TCFD and has long promoted mandatory climate risk reporting.

The Forum's response therefore welcomed the proposed rule as greater disclosure would help investors fulfil their stewardship duties and also enable more informed decisions about capital allocation. LAPFF did note some concerns about the effectively voluntary nature of the rule. While companies do face challenges in being TCFD compliant, the potential scale of the value at risk and urgency of the climate emergency demand a mandatory approach. The Forum would therefore suggest if the rule is to be brought in on a 'comply or explain' basis, that the FCA also announce its intention to make the rule

WEBINARS AND MEDIA COVERAGE

mandatory after a set date (e.g. in three years' time). This would provide a clear signal to the market and give all listed companies time to be compliant. It would also ensure that the benefits and objectives clearly outlined in the consultation document are not limited to one segment of the market.

Response to IIGCC Paris aligned investment initiative: Net zero investment framework for consultation

The IIGCC have drafted a net zero investment framework for consultation. The Forum congratulated the IIGCC on producing the document, which is likely to be extremely helpful to many LAPFF members.

The Forum made a few general comments aimed at strengthening the framework. For example improving the focus on how asset owners can better ensure their managers are meeting their climate priorities, having more of a focus on the just transition and emphasising the need to be cautious of company claims around carbon capture and storage.

MEDIA COVERAGE

The Forum received a range of coverage on its press releases related to Rio Tinto and Juukan Gorge. You can find these press releases and others on the press section of the new LAPFF website, along with related press articles about LAPFF's involvement in the Juukan Gorge engagement.

LAPFF was also referred to in this article on Tesla and this article on the Forum's participation in CCLA's collaborative engagement on the Modern Slavery Act.

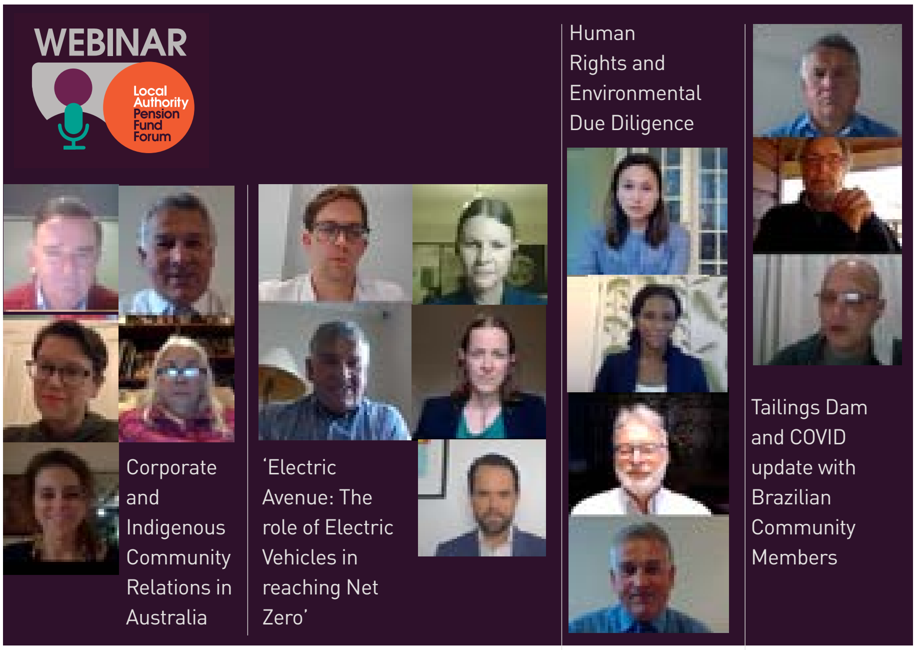
The Forum made it into Reuters and the India Times with its call to ban new petrol, diesel and hybrid cars by 2025.

IPE cited LAPFF's concern about International Accounting Standard (IAS) 1.

NETWORKS AND EVENTS

LAPFF webinars

During the Covid pandemic, the Forum offered a series of webinars on topical responsible investment issues. LAPFF held successful webinars on electric



vehicles; developments on Covid-19; and updates on tailings dams, hearing from affected community members from Brazil, and environmental and human rights due diligence, among others.

The webinar on electric vehicles saw a vigorous discussion on the contribution of this technology to the UK's net zero commitment. Speakers contributed from the USA west coast, Berlin and London. Speakers included Jakob Thomä, co-founder of the 2 degree investing initiative from Berlin; Katie Fehrenbacher, Senior Writer, Transportation, GreenBiz Group from the USA west coast and Sandra Roling, Head of EV100 and Colin McKerracher of Bloomberg, from London.

LAPFF has established a productive working relationship with the Australasian Centre for Corporate Responsibility (ACCR) in working on the Rio Tinto Juukan Gorge engagement. The Forum has also been liaising with representatives of Brazilian communities to establish a more consistent and two-way engagement framework with community members.

In respect of both relationships, LAPFF hosted webinars to highlight issues of concern. The Forum and ACCR co-developed a webinar featuring prominent aboriginal community leader, Marcia Langton, and another well-respected community leader, Karrina Nolan. Both Marcia and Karrina shared their thoughts and concerns on the Rio Tinto Juukan Gorge disaster. LAPFF also contributed to the drafting of shareholder resolutions filed by ACCR with BHP in respect of its approach to engagement with indigenous peoples, and in relation to Covid-19 and climate.

LAPFF then hosted a webinar with Brazilian community members, Vagner Diniz and Nicolson Resende, who described their challenges in engaging Vale over reparations for tailings dam collapses, tailings dam safety, and company Covid-19 practices. Both Vagner and Nicolson set out a list of asks for investors which LAPFF will review and speak with community members to determine how best to proceed.

Toward the end of the quarter, LAPFF hosted a webinar with three lawyers – Robert McCorquodale, Arianne Griffith, and Anna Kirkpatrick – to hear their perspectives on the need for mandatory environmental and human rights due diligence. All three speakers noted the increasing number of laws in this area and cited their impacts for investors.

LAPFF also had a representative from Investors for Opioid & Pharmaceutical Accountability (IOPA) participate in a call. A recent call noted that the opioid crisis worsened during the Covid-19 pandemic, with many people thrown by the isolation of lockdown and other restrictions that mean they do not receive the support they need.

The Forum has re-committed to supporting the Access to Nutrition Index. Cllr Caron raised nutrition in the meeting with Tesco because good health and nutrition are deemed to be important factors in stemming the severe impacts of Covid-19.

COMPANY PROGRESS REPORT

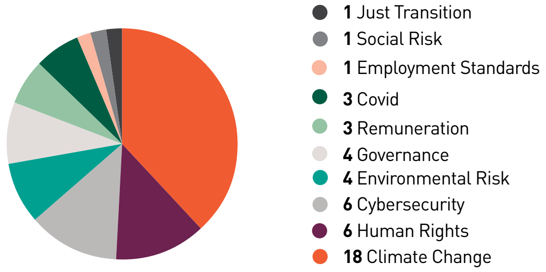
27 companies engaged over the quarter during 38* engagements

*The table below is a consolidated representation of engagements so reflects the number of companies engaged, not the number of engagements

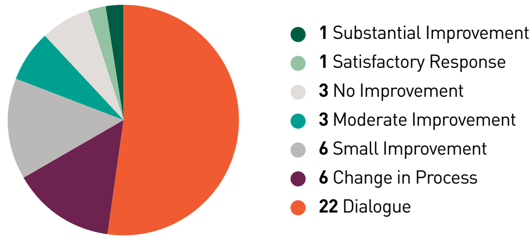
Company	Activity	Topic	Outcome	Position Engaged	Domicile
3i GROUP PLC	Meeting	Remuneration/ Climate Change	No Improvement	Chairperson	GBR
ALLIANZ SE	Meeting	Covid/ Climate Change	Change in Process	Specialist Staff	DEU
ANGLO AMERICAN PLC	Sent Correspondence	Human Rights	Dialogue	Chairperson	GBR
AP MOLLER - MAERSK AS	Sent Correspondence	Other	Dialogue	Chairperson	DNK
ARCELOR MITTAL SA	Meeting	Climate Change	Moderate Improvement	Specialist Staff	LUX
BHP GROUP PLC	Meeting	Governance/ Human Rights	Dialogue	Chairperson	GBR
BLACKROCK INC	Sent Correspondence	Climate Change	Awaiting Response	Exec Director or CEO	USA
BT GROUP PLC	AGM	Climate Change/ Environmental Risk	Awaiting Response/ Moderate Improvement	Exec Director or CEO	GBR
BUNZL PLC	Sent Correspondence	Other	Dialogue	Chairperson	GBR
C.H. ROBINSON WORLDWIDE INC.	Sent Correspondence	Other	Dialogue	Chairperson	USA
CLIPPER LOGISTICS PLC	Meeting	Social Risk/ Covid/ Governance	Dialogue/ Satisfactory Response/ Small Improvement	Chairperson	GBR
DELTA AIR LINES INC	Meeting	Climate Change	Moderate Improvement	Specialist Staff	USA
EXPEDITORS INTERNATIONAL OF WASHINGTON INC.	Sent Correspondence	Other	Dialogue	Chairperson	USA
EXPERIAN PLC	Alert Issued	Remuneration	Dialogue	Chairperson	IRL
HOMESERVE PLC	Alert Issued	Remuneration	Dialogue	Chairperson	GBR
HSBC HOLDINGS PLC	Meeting	Climate Change	Change in Process	Specialist Staff	GBR
NATIONAL GRID PLC	AGM/ Meeting	Climate Change	Small Improvement	Chairperson	GBR
REGIS RESOURCES LTD	Meeting	Climate Change/ Governance	No Improvement	Chairperson	AUS
RIO TINTO GROUP (GBP)	Meeting	Human Rights/ Governance/ Climate Change	Dialogue/ Change in Process/ Small Improvement	Chairperson	GBR
ROYAL MAIL PLC	Meeting	Cybersecurity	Dialogue	Specialist Staff	GBR
SAINSBURY (J) PLC	Meeting	Climate Change/ Environmental Risk	Substantial Improvement	Chairperson	GBR
SSE PLC	Meeting/ AGM	Just Transition/ Climate Change	Change in Process/ Small Improvement	Chairperson	GBR
SUZANO SA	Sent Correspondence	Environmental Risk	Dialogue	Chairperson	BRA
TESCO PLC	Meeting	Environmental Risk/ Governance	Change in Process/ Dialogue	Chairperson	GBR
TULLOW OIL PLC	Meeting	Governance/ Climate Change/ Covid	Change in Process/ Dialogue/ Small Improvement	Chairperson	GBR
VALE SA	Sent Correspondence	Human Rights	Dialogue	Chairperson	BRA
WINCANTON PLC	Sent Correspondence	Other	Dialogue	Chairperson	GBR

ENGAGEMENT DATA

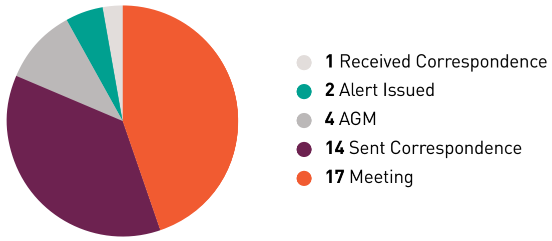
ENGAGEMENT TOPICS



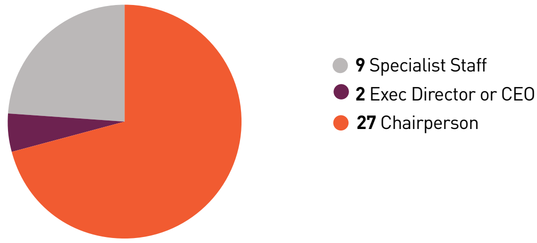
MEETING ENGAGEMENT OUTCOMES



ACTIVITY



POSITION ENGAGED



COMPANY DOMICILES

LOCAL AUTHORITY PENSION FUND FORUM MEMBERS

Individual Member Funds
Avon Pension Fund
Barking and Dagenham Pension Fund
Barnet Pension Fund
Bedfordshire Pension Fund
Bexley Pension Fund
Brent Pension Fund
Cambridgeshire Pension Fund
Camden Pension Fund
Cardiff & Glamorgan Pension Fund
Cheshire Pension Fund
City of London Corporation Pension Fund
Clwyd Pension Fund (Flintshire CC)
Cornwall Pension Fund
Croydon Pension Fund
Cumbria Pension Fund
Derbyshire Pension Fund
Devon Pension Fund
Dorset Pension Fund
Durham Pension Fund
Dyfed Pension Fund
Ealing Pension Fund
East Riding Pension Fund
East Sussex Pension Fund
Enfield Pension Fund
Environment Agency Pension Fund
Essex Pension Fund
Falkirk Pension Fund
Gloucestershire Pension Fund
Greater Gwent Pension Fund
Greater Manchester Pension Fund
Greenwich Pension Fund
Gwynedd Pension Fund
Hackney Pension Fund
Hammersmith and Fulham Pension Fund
Haringey Pension Fund
Harrow Pension Fund
Havering Pension Fund
Hertfordshire Pension Fund
Hounslow Pension Fund
Islington Pension Fund
Kingston upon Thames Pension Fund
Lambeth Pension Fund
Lancashire County Pension Fund
Leicestershire Pension Fund
Lewisham Pension Fund
Lincolnshire Pension Fund
London Pension Fund Authority
Lothian Pension Fund
Merseyside Pension Fund
Merton Pension Fund
Newham Pension Fund
Norfolk Pension Fund
North East Scotland Pension Fund
North Yorkshire Pension Fund
Northamptonshire Pension Fund
Nottinghamshire Pension Fund
Oxfordshire Pension Fund
Powys Pension Fund
Redbridge Pension Fund
Rhondda Cynon Taf Pension Fund
Shropshire Pension Fund
Somerset Pension Fund
South Yorkshire Pension Authority
Southwark Pension Fund
Staffordshire Pension Fund
Strathclyde Pension Fund
Suffolk Pension Fund
Surrey Pension Fund
Sutton Pension Fund
Swansea Pension Fund
Teesside Pension Fund
Tower Hamlets Pension Fund
Tyne and Wear Pension Fund
Waltham Forest Pension Fund
Wandsworth Borough Council Pension Fund
Warwickshire Pension Fund
West Midlands Pension Fund
West Yorkshire Pension Fund
Westminster Pension Fund
Wiltshire Pension Fund
Worcestershire Pension Fund

Pool Company Members
Border to Coast Pensions Partnership
Brunel Pensions Partnership
LGPS Central
Northern LGPS
London CIV
Wales Pension Partnership