



To: **Members of the Local Pension Board**

Notice of a Meeting of the Local Pension Board

Friday, 9 July 2021 at 10.30 am

Council Chamber - County Hall, New Road, Oxford OX1 1ND

Please note that Council meetings are currently taking place in-person (not virtually) with social distancing at the venue. Meetings will continue to be live-streamed and those who wish to view them are strongly encouraged to do so online to minimise the risk of covid-19 infection.

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

Places at the meetings are very limited due to the requirements of social distancing. If you still wish to attend this meeting in person, you must contact Khalid Ahmed by 9am four working days before the meeting and he will advise if you can be accommodated at this meeting and of the detailed Covid-19 safety requirements for all attendees.

Yvonne Rees
Chief Executive

1 July 2021

Committee Officer: **Khalid Ahmed**
Tel: 07990 368048; Email: khalid.ahmed@oxfordshire.gov.uk

Membership

Chairman – Matthew Trebilcock

Scheme Members:

Alistair Bastin	Stephen Davis	Sarah Pritchard
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Employer Members:

Angela Priestley-Gibbins	Vacancy	Vacancy
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Notes:

- ***Date of next meeting: 22 October 2021***

Declarations of Interest

The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

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

Whose Interests must be included?

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

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

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

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

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

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

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

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

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

List of Disclosable Pecuniary Interests:

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

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

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

AGENDA

- 1. Welcome by Chairman**
- 2. Apologies for Absence**
- 3. Declarations of Interest - see guidance note opposite**
- 4. Petitions and Public Address**
- 5. Minutes (Pages 1 - 6)**

To approve the minutes of the meeting held on 23 April 2021 and to receive information arising from them.

- 6. Unconfirmed Minutes of the Pension Fund Committee - 11 June 2021 (Pages 7 - 14)**
- 7. Annual Report of the Pension Board (Pages 15 - 20)**

The Board is required to publish an Annual Report covering their work of the previous year, for inclusion in the Report and Accounts of the Pension Fund. The attached draft report for the 2020/21 year covers the Board's meetings from July 2020 to April 2021.

The Board is invited to review the draft report and agree the final report for publication, including any appropriate amendments.

- 8. Review of the Annual Business Plan (Pages 21 - 28)**

The Board is invited to review the latest position against the Annual Business Plan for 2021/22 as considered by the Pension Fund Committee at their meeting on 11 June 2021, and to offer any comments to the Committee.

- 9. Risk Register (Pages 29 - 34)**

This is the latest risk register as considered by the Pension Fund Committee on 11 June 2021. The Board is invited to review the report and offer any further views back to the Committee.

- 10. Administration Report (Pages 35 - 40)**

The Board is invited to review the latest Administration Report as presented to the

Pension Fund Committee on 11 June 2021, including the latest performance statistics for the Service.

It should be noted that the Pension Fund Committee agreed an extra resolution:

“That approval be given to an extension to the temporary reduction in service level agreement targets (down to 75%) until the next meeting of the Committee”.

11. Investment Management Fees (Pages 41 - 46)

The Board is invited to consider the attached report on investment management fees and investment performance covering the 3 year period to 31 March 2021 and offer any comments to the Pension Fund Committee

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

The Board is invited to confirm the issues they wish to include in their latest report to the Committee.

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

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

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LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 23 April 2021 commencing at 10.30 am and finishing at 12.30 pm

Present:

Voting Members: Matthew Trebilcock – in the Chair

Alistair Bastin
Stephen Davis
Councillor Bob Johnston
Angela Priestley-Gibbins
Sarah Pritchard

By Invitation: Ian Colvin and Andrew McKerns from Hymans
Robertson LLP

Officers:

Whole of meeting Sean Collins, Service Manager Pensions Insurance and Money Management; Sally Fox, Pension Services Manager; Colm Ó Caomhánaigh, Committee Officer

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

13/21 APOLOGIES FOR ABSENCE

(Agenda No. 2)

Sean Collins reported that Lisa Hughes had resigned from the Board for personal reasons. He had thanked her for her work on the Board. Members of the Board agreed that she had been a very active participant in their discussions and would be missed.

14/21 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE OPPOSITE

(Agenda No. 3)

There were no declarations of interest.

15/21 MINUTES

(Agenda No. 5)

The minutes of the meeting held on 22 January 2021 were approved.

16/21 UNCONFIRMED MINUTES OF THE PENSION FUND COMMITTEE - 5 MARCH 2021

(Agenda No. 6)

The meeting had before it the draft minutes of the last Pension Fund Committee meeting for consideration. Members who had attended the meeting confirmed that the draft minutes were an accurate record in their view and noted that the presentation by David Vickers of Brunel had been very impressive.

Sean Collins responded to questions on the resignation of Peter Davies as Independent Financial Adviser. He stated that Peter Davies was continuing to work on an ad hoc basis and that he hoped an appointment would be made before the June Committee meeting.

17/21 GOVERNANCE REVIEW

(Agenda No. 7)

The Board had been invited to consider the Governance Review which was presented to the March meeting of the Pension Fund Committee. Council subsequently had agreed to the proposed amendments to the Constitution as set out in the proposal from Hymans Robertson.

The Board had been invited to offer any comments on the process to fill the representative places on the new Pension Fund Committee and to offer any comments in respect of the other recommendations of the Hymans Robertson report, so that these can be taken into account when the Committee further considers the findings at their June meeting.

Ian Colvin, Head of Public Sector Consultancy and Governance at Hymans Robertson LLP, gave a presentation summarising the report. The Chairman suggested that the meeting discuss each of the recommendations in turn.

Recommendation 2

Sean Collins confirmed that this recommendation had been agreed by the Pension Fund Committee and had been adopted by Full Council.

Members discussed the number of places allocated to county councillors as well as city and district councillors and possible difficulties in reflecting political proportionality. Sean Collins responded that whatever number one chose, there was potential for problems in certain scenarios. He noted that the five city and district councils had no problem selecting just two representatives. The Chairman added that political proportionality was a requirement since it was a statutory committee.

Sean Collins asked if Members wanted to reconsider the make-up of the Board now that the membership of the Pension Fund Committee had been broadened. He recalled that they had previously targeted the academy sector but that they were now going to have representation on the Committee.

It was suggested that Members attend the June meeting of the Pension Fund Committee in order to introduce themselves to the new Committee members.

However, it was noted that the meeting would have to take place physically, not virtually, and due to social distancing requirements, there would be limited space at the meeting. It was agreed though that it would be beneficial to have at least one Member attend the Committee meeting.

Sean Collins stated that he would initiate recruitment for both the Board and Committee and let people know that there were vacancies on both. If there are more people interested than the places available, they will take into account the current membership and aim to balance the representation of different sectors.

Recommendation 1

Agreed.

Recommendation 3

Members supported the proposal to review the Terms of Reference of the Board and the Committee. It was agreed that greater clarity on communication between the two bodies would be helpful. In particular, they agreed that it would be beneficial to have a member of the Committee attend Board meetings in the same way that a member of the Board attends Committee meetings.

Recommendation 4

Agreed.

Recommendation 5

The criticism was raised that the Board had no opportunity to input into decisions of the Committee because there was no time for the Board to meet between the publication of the committee's agenda and the meeting. Others responded that individual Board members could make representations through Committee members but that the role of the Board was to scrutinise decisions after they were made and not to lead the Committee in its decision-making.

It was noted that the new composition of the Committee could lead to a new relationship with the Board. It was agreed to review the relationship after six months.

Recommendations 6, 7, 8 and 9

Agreed

Recommendation 10

Sean Collins emphasised that this was about a more formal approach to training and assessment that would include the power to remove somebody if they were not properly engaging. The recommendation was agreed.

Sean Collins agreed to take the report to the June Committee meeting back to the Board for further discussion.

18/21 REVIEW OF THE ANNUAL BUSINESS PLAN

(Agenda No. 8)

The Board was invited to review the latest position against the Annual Business Plan for 2020/21 as considered by the Pension Fund Committee at their meeting on 5 March 2021, and to comment on the Business Plan agreed for 2021/22.

Sean Collins noted that the objectives for 2021/22 largely followed on from 2020/21. The objectives on climate change were always going to take more than one year to achieve.

Members asked if in future the Green, Amber, Red indicators could also be flagged by text so that it is clear for those who cannot see the colours.

Sean Collins stated that an update will go to the Pension Fund Committee every quarter. Work was ongoing on improving the presentation and ensuring that it was clearly linked to the risk register.

19/21 RISK REGISTER

(Agenda No. 9)

The Board had been invited to review the latest risk register as considered by the Pension Fund Committee on 5 March 2021 offer any further views back to the Committee.

The report was introduced by Sean Collins. There were no red indicators. There had been one in the last report related to the exit cap but that had been removed by the government. The outcomes of the February 2021 review had been reflected in the report.

The report was noted.

20/21 ADMINISTRATION REPORT

(Agenda No. 10)

The Board had been invited to review the latest Administration Report as presented to the Pension Fund Committee on 5 March 2021, including the latest performance statistics for the Service.

Asked about the McCloud judgement, Sally Fox responded that the data received for employers was being examined by the Systems Team to identify any gaps. They will then be sent to the Employer Team who will set out a plan to contact employers who are affected to get that information. Scheme employers had been alerted to the situation.

On staffing, Sally Fox reported that she had several vacancies and four new staff on training. The more experienced team members were being distributed thinly in order to support the less experienced.

The report was noted.

21/21 ITEMS TO INCLUDE IN REPORT TO THE PENSION FUND COMMITTEE

(Agenda No. 11)

It was agreed that the key points to feedback to the Committee on the Governance Review were as follows:

- To notify the Committee of the vacancy on the Board and the process for recruitment.
- The suggestion to have a Committee member attend each Board meeting.
- The Terms of Reference review should clarify the roles, relationships and communications between the Board and Committee.
- The importance of training and assessment.
- The suggestion to review the relationship after six months.

22/21 ITEMS TO BE INCLUDED IN THE AGENDA FOR THE NEXT BOARD MEETING

(Agenda No. 12)

The Committee discussed possible items for the next agenda. The Chairman noted that they would receive another report on the Governance Review following the Pension Fund Committee meeting.

It had already been agreed to provide a report on investment performance and costs for the July meeting. Sean Collins agreed to include a comparison of fees over the last three years.

..... in the Chair

Date of signing

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PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 11 June 2021 commencing at 10.00 am and finishing at 11.25 am

Present:

Voting Members: Councillor Bob Johnston– in the Chair

Councillor Kevin Bulmer
Councillor Nick Field-Johnson
Councillor Richard Webber
Councillor I.U. Edosomwan

Non-Voting Members: Steve Moran (Scheme Member Representative) (attended virtually)
Alistair Fitt (Oxford Brookes University Representative) (attended virtually)

By Invitation: Alistair Bastin (Local Pension Board Member), Peter Davies (Independent Financial Adviser), Angela Priestley-Gibbins (Local Pension Board Member)

Officers: Lorna Baxter (attended virtually), Sean Collins, Sally Fox (attended virtually) (all Finance) and Khalid Ahmed (Law and Governance)

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

17/21 ELECTION OF THE CHAIRMAN FOR THE 2021/22 MUNICIPAL YEAR
(Agenda No. 1)

That Councillor Bob Johnston be elected Chair of the Committee for the 2021/22 Municipal Year.

18/21 ELECTION OF DEPUTY CHAIRMAN FOR THE 2021/22 MUNICIPAL YEAR
(Agenda No. 2)

That Councillor Kevin Bulmer be appointed Vice-Chair of the Committee for the 2021/22 Municipal Year.

19/21 APPOINTMENT OF REPRESENTATIVE TO THE BRUNEL OVERSIGHT BOARD
(Agenda No. 5)

That Councillor Kevin Bulmer be appointed as this Committee's representative to the Brunel Oversight Board.

20/21 MINUTES

(Agenda No. 6)

The Minutes of the meeting held on 5 March 2021 were approved and signed as a correct record.

21/21 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 7)

The Committee received a public address from Mr Peter Wallis from Fossil Free Oxfordshire.

Thank you for allowing me to address the Pension Fund Committee as a County Council employee, LGPS scheme member and member of Fossil Free Oxfordshire. I extend a welcome to new Committee members and welcome back the old hands. It is a very responsible job, and your dedication is hugely appreciated by scheme members.

We at Fossil Free Oxfordshire are delighted that tackling the climate emergency is top of the Oxfordshire Fair Deal Alliance's shared goals. The County Council acknowledged the climate emergency in 2019 and made a commitment to becoming a carbon neutral council by 2030, showing strong leadership in addressing climate change.

The Pension Fund Committee has taken some important steps to address climate change. Climate risk is classed in its risk register as amber and is included in the Investment Strategy Statement. A climate change policy has been agreed, with the aim of decarbonising the whole fund by 2050.

However, the LGPS continues to invest in fossil fuels and has not set targets for reducing those high-emission, high-risk, low-return investments. As such, the pension fund remains a drag on the Council's climate agenda.

The pace of change in climate change and the global response is dizzying. We would like to draw your attention to three significant developments literally in the last three weeks, and to urge you to be more ambitious in your targets.

On May 18, the International Energy Agency, the world's leading energy organisation, stated that exploration and development of new oil and gas fields - the primary activity of fossil fuel companies - must stop this year if the world is to stay within safe limits of global heating and meet the goal of net zero emissions by 2050. The fossil fuel sector has consistently under-performed the rest of the equity markets over the last 10-15 years, and the IEA report will have a further major impact for energy markets.

On May 26, a court in the Netherlands ruled in a landmark case that Shell is responsible for its CO₂ emissions and those of its suppliers and must cut its carbon emissions by 45% by 2030 compared to 2019 levels. Arguments have been made against divesting the fund from fossil fuel companies, favouring the idea of

'engagement'. However, we don't need fossil fuel companies to just invest a bit more, or even a lot more, in renewable alternatives. We need them to have a plan to shut down their fossil fuel-based business activities entirely in the course of the next twenty years. Shareholder engagement as a way of achieving that is like asking a lion very politely if he would consider the advantages of vegetarianism. Despite decades of 'engagement', investment in renewables by Shell is currently only around 10% relative to the company's total capital expenditure in fossil fuels.

On 27 May the World Meteorological Organisation said by 2025 - that's in four years - there's a 40% chance of at least one year being 1.5C hotter than the pre-industrial level, up on the 20% chance in their previous estimate. 1.5C is the safer of two temperature limits set by the Paris Agreement on climate change.

That's 3 game changing announcements in just 10 days of last month. David Attenborough recently stated that; 'investing pension savings into fossil fuels is "crazy" as it supports industries that are threatening the future that pensions are saving for.' Climate change will impact on future generations as extreme weather events damage property and livelihoods and put pressure on farming and food supply locally. Moreover, burning fossil fuels disproportionately affects the poorest people nationally and globally, and it seems deeply unethical as one of the richest countries to profit from investments that are causing other people misery.

As members of the Pension Fund Committee, you're in a powerful position, and can have a positive impact on the world. The pension fund has a lot of money to manage. We call on you to invest in a world worth living in.

Fossil Free Oxfordshire applauds the fund setting a target for decarbonising the fund. However, many targets nationally and globally are being brought forward in light of grim news of the impact of climate change and fears of passing the tipping point for runaway warming.

The County Council has a 2030 target, why not the Pension Fund?
We also call on you to ask Brunel to develop funds that are fossil fuel-free.

Fossil Free Oxfordshire appreciates being able to participate in the Climate working group and would like to continue our involvement as a critical friend. We hope to offer constructive challenge, pointing to issues of climate risk and climate justice. We encourage you to be brave leaders in addressing this critical issue.

22/21 MINUTES OF THE LOCAL PENSION BOARD

(Agenda No. 8)

The unconfirmed Minutes of the Local Pension Board, which met on 23 April 2021 were noted.

23/21 REPORT OF THE LOCAL PENSION BOARD

(Agenda No. 9)

The Committee was provided with a report by the Independent Chairman of the Pension Board.

Alastair Bastin, Member of the Board introduced the report and outlined details of the reports which were considered at the meeting.

Reference was made to the discussion which took place on the relationship between the Board and the Pension Fund Committee and it was agreed that the Chairman of the Committee would attend Board meetings to answer questions and clarify decisions made at the Committee.

Members were informed that the Board welcomed the Pension Fund Committee's proposals relating to provision of a more robust training programme for its Members.

RESOLVED – That the report of the Local Pension Board be noted, together with the commitment of the Chairman of the Pension Fund Committee to attend future Board meetings.

24/21 REVIEW OF THE ANNUAL BUSINESS PLAN

(Agenda No. 10)

The Service Manager for Pensions informed Members that the report set out the latest progress against the key service priorities set in the business plan for the Pension Fund for 2021/22.

The four key objectives for the Oxfordshire Pension Fund were:

- To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pensions Regulator
- To achieve a 100% funding level
- To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
- To maintain as near stable and affordable employer contribution rates as possible.

One of the service priorities was to deliver key progress on the implementation of the Climate Change Policy. The Committee was informed that there had been limited progress in this area partially due to the local election process restricting the ability to hold meetings of the Climate Change Working Group and resources prioritised on closing the Pension Account Accounts.

Discussion took place on the membership of the Climate Change Working Group and it was agreed that the membership should be the Chair and Vice Chair of this Committee, a scheme member representative (Steve Moran), a representative from Fossil Free Oxfordshire, Alistair Bastin (Representative from the Local Pension Board) and the Independent Financial Adviser. Members agreed that once the final scheme employer representatives had been appointed, that further Committee Members could be appointed.

A second service priority was the delivering of further improvements to the governance arrangements of the Fund. Officers had continued to meet regularly with

Hymans Robertson to develop action plans to deliver against the 9 outstanding actions of the independent governance review carried out by Hymans.

Details of the proposals to the September meeting were provided. Discussion took place on the revised training policy and training programme, which included regular assessments of the skills and knowledge of the Committee and Board Members and supporting officers.

The Service Manager for Pensions provided the background to the priority to improve the data management arrangements between the Fund and both scheme employers and scheme members, particularly around the retrospective work to remedy the age discrimination issues from the McCloud/Sargeant court cases. It was noted that the Committee would have to make a policy decision on the amount of resources it wished to allocate to this at some stage.

Another priority was to review the arrangements with Brunel following the transition of the majority of Fund assets to Brunel portfolios.

Members were informed that the Fund was in the middle of the transition process for the fixed income assets, and on completion, 80% of the Funds' assets would be invested in Brunel portfolios. A breakdown was provided of the remaining £600m held outside Brunel which provided the Committee with flexibility to make minor amendments to its strategic asset allocation.

Discussion took place on the current investment reports from Brunel and on the frequency with which the Committee wanted to see officers from Brunel to question them on the portfolio performance. It was agreed that the Chief Investment Officer be asked to attend annually, with the option of requesting attendance of other officers when specific issues or concerns were raised.

RESOLVED – (1) That the progress against each of the key service priorities as set out in the report be noted.

(2) That approval be given to the future membership of the Climate Change Working Group as follows: Chair and Vice-Chair of this Committee, a scheme member representative (Steve Moran), a representative from Fossil Free Oxfordshire, Alistair Bastin (Representative from the Local Pension Board) and the Independent Financial Adviser.

(3) That approval be given to the Chair of this Committee (or representative in his absence) to attend future meetings of the Local Pension Board to answer questions from Board members on decisions made at the most recent Committee meeting;

(4) That it be agreed that in relation to the attendance of Brunel at meetings of this Committee, that the Chief Investment Officer be asked to attend annually, with the option of requesting attendance of other officers when specific issues or concerns were raised.

25/21 AGE DISCRIMINATION CASES IN THE FIREFIGHTERS PENSION SCHEME

(Agenda No. 11)

Members were provided with a report which provided details of the latest legal position in relation to the age discrimination cases in the firefighters pension scheme, and advising the Committee to the likely need to call a special meeting of the Committee to determine their policy in advance of Regulation changes.

The Committee was provided with details of the background to the issues with the Firefighters Pension Scheme which had resulted from the establishment of the Firefighters Pension Scheme 2015. This had resulted in a number of legacy Firefighters Pension Schemes remaining open which had meant Members had transferred to the 2015 scheme at different points dependent on age.

The Committee was informed that there were a number of legal issues to resolve before progress could be made on the age discrimination cases in the Firefighters Pension Scheme. The Council's Monitoring Officer was seeking advice from Queens Counsel in addition to awaiting the production of the Scheme Advisory Board's National Framework.

The Committee asked that the Council's Monitoring Officer be invited to attend the next meeting of the Committee to provide an update.

RESOLVED – (1) That the Committee noted the latest legal position on the age discrimination cases in the Firefighters Pension Schemes and on the intention to call an additional meeting of this Committee to determine the Council's policy in advance of revised Regulations once in receipt of further legal advice and the publication of the National Framework.

(2) That the Council's Monitoring Officer be invited to attend the next meeting of the Committee to provide an update on the legal opinion.

26/21 RISK REGISTER

(Agenda No. 12)

Consideration was given to a report which updated Members on the latest position on the Fund's Risk Register, including any new risks identified since the report to the last meeting.

Members noted the addition of the new risks of the age discrimination issues relating to the Firefighter's Pension Scheme and the proposed appointment of a new Governance Officer to mitigate the key person risk identified in the Hymans Robertson independence governance review.

RESOLVED – (1) That the changes to the risk register be noted.

27/21 ADMINISTRATION REPORT

(Agenda No. 13)

The Committee was provided with a report which updated Members on the key administration issues including the iConnect project, service performance measurement and any write offs agreed in the last quarter.

An update was provided on staffing within the Team and reference was made to the approval which was given at the last meeting of the Committee, to temporarily reduce the service level agreement from completion of 90% / 95% of work to be completed within deadline to 75% of work being completed in deadline. The Committee was asked to extend this arrangement until the next meeting.

The Pensions Service Manager informed the Committee that under the current Financial Scheme of Delegation there was provision for the authorisation of Pension Fund payments separate to the authorisation of payments for goods and services. The Committee was asked to extend this delegation to also include the two Managers within the Employers Team to the list of authorised signatories.

RESOLVED – (1) That the information in the report be noted.

(2) That approval be given to an extension to the temporary reduction in service level agreement targets (down to 75%) until the next meeting of the Committee.

(3) That approval be given to the changes to the Scheme of Delegation to add the two Employer Team Managers to the list of officers authorised to approve payments from the Pension Fund.

28/21 EXEMPT ITEMS

(Agenda No. 14)

RESOLVED - That the public be excluded for the duration of items 15 and 16 in the Agenda (during discussion on confidential matters) since it is likely that if they were present during those items there would be disclosure of exempt information as defined in paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) .

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.

29/21 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 15)

The Independent Financial Adviser provided the Committee with an overview of the current and future investment scene and market developments across various regions and sectors.

The information reported was noted.

The public was excluded during this item because its discussion in public was 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.*

30/21 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 16)

The report set out an overview of the current and future investment scene and market developments across various regions and sectors.

The Committee thanked Peter Davies, Independent Financial Adviser for the work he carried out in his role.

The report was noted.

The public was excluded during this item because its discussion in public was 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.*

31/21 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 17)

There was nothing to report.

..... in the Chair

Date of signing

The Oxfordshire Local Government Pension Scheme (LGPS) Pension Board

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 2020/21 financial year, covering the work from the July 2020 Board meeting to their meeting on 23 April 2021.

Board Membership

The Board started the year with an Interim Independent Chairman, Paul Blacker, who held the position of Director of Finance at Gloucestershire County Council. He chaired the first two meetings of the year, until a permanent appointment was made to the position of Head of Pensions at Gloucestershire. Matthew Trebilcock then chaired the final two Board meetings of the year. Lisa Hughes, one of the Scheme Employer representatives resigned her position on the Board for personal reasons immediately before the April meeting. Attendance at Board meetings was as follows:

	Attended 17 July 2020 Meeting	Attended 23 October 2020 Meeting	Attended 22 January 2021 Meeting	Attended 23 April 2021 Meeting
Scheme Employer Representatives				
Cllr Bob Johnston (Oxfordshire County Council)	Yes	Yes	Yes	Yes
Angela Priestley-Gibbins (The Thera Trust)	Yes	Yes	Yes	Yes
Lisa Hughes (River Learning Trust)	No	Yes	Yes	n/a
Scheme Member Representatives				
Stephen Davis (Oxford City Council & Unite)	Yes	Yes	Yes	Yes
Alistair Bastin (Oxfordshire County Council & Unison)	Yes	Yes	Yes	Yes
Sarah Pritchard (Brookes University)	Yes	Yes	Yes	Yes

Cllr Bob Johnston, Angela Priestley-Gibbins, 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.

Following the County Council elections in May 2021, Cllr Bob Johnston was appointed to Chair the new Pension Fund Committee. He has therefore resigned from his position on the Board as required under the Constitution. Two new scheme employer representatives are therefore being sought to sit on the Board for the 2021/22 year.

Work Programme

The July 2020 meeting of the Board was the first virtual meeting of the Board during the lockdown arrangements imposed due to the spread of the coronavirus. As a consequence, the agenda was lighter than normal, and focussed on the Investment Strategy including the Climate Change Implementation Plan and the standard Administration Report. Alistair Bastin has sat on the Climate Change Working Group as a representative of the Board and scheme members in looking to develop proposals for implementing the Climate Change Policy.

The Board made a request to ensure that whatever the circumstances, they should always have an item on the Risk Register on their agenda, even where it had not been considered by the proceeding meeting of the Pension Fund Committee. The Board also asked for the draft minutes of the preceding Committee meeting to come to their meetings to ensure they were able to consider all matters on a timely basis. Both requests were subsequently agreed by the Pension Fund Committee.

At the October, January and April meetings, the Board considered the reports presented to the Pension Fund Committee on future Governance arrangements, the review of the Annual Business Plan, the Risk Register and the Administration Report. The Board took a very keen interest in the Governance review, which started with the completion of the National Knowledge Assessment tool run by Hymans Robertson. All members of the Board completed the assessment, and their combined score of 72, out-ranked the average score of the Committee (56) and placed them 3rd out of the 18 Boards that completed the assessment.

The Board were then very keen to engage with the subsequent independent governance review of the Fund conducted by Hymans Robertson, with Bob Johnston, Alistair Bastin and Lisa Hughes all volunteering for individual interviews with members of the review team. The Board were keen for the review to clarify what they saw as a lack of clarity around the terms of reference of the Board and Committee and in particular the relationship and communication between the 2 bodies. They also supported a more robust training regime including annual assessment of the effectiveness of the

training undertaken for both Committee and Board members. At their October meeting they considered whether introducing payment of a stipend would lead to improvements in the relationship between the Committee and Board, but ultimately rejected the proposal.

In reviewing the reports on the Annual Business Plan and the performance of Administration Services, the Board focussed on the format of the reports received by the Committee and their usefulness in allowing effective strategic oversight of the delivery of the Committee's objectives. The Board made a number of suggested improvements to the reports to include a more visual presentation of the key issues through RAG ratings with direction of travel indicators, supported by shorter summary statements, and a focus on those performance issues outside expected outcomes. These proposals were subsequently accepted by the Committee.

Two other proposals made by the Board subsequently accepted by the Committee were to strengthen the relationship between the review of the Annual Business Plan and the Risk Register, and for a representative of the Committee to attend future Board meetings to provide clarification in respect of Committee decisions and hear directly from the Board members on issues of concern.

Finally, at their January 2021 meeting, the Board received a report on the annual fees paid to investment managers alongside the investment performance achieved by these managers. The Board made no firm proposals as a result of their review but have asked for a further report covering a 3-year period to be brought to their meeting in July 2021.

Future Work Programme

Many issues covered by the Board in 2020/21 will continue to be a focus for attention in the next year. In particular, the Board will continue to review the proposed changes to the governance arrangements to ensure the effective delivery of the statutory responsibilities of the Committee and to build an improved relationship between the Committee and the Board.

The Board will play a key role in supporting the Committee in delivering its responsibilities following the McCloud judgement and the need to retrospectively collect and review data for the scheme members in scope of the proposed remedy arrangements. There will be a number of challenges in terms of the collection of data for scheme employers, and the presentation of outcomes to scheme members where the Board's input will be important in determining the Committee's final approach.

Another key area for the Board to consider during 2021/22 will be the preparation for the next tri-ennial valuation of the Fund due at 31 March 2022. The Board will be invited to feed in comments into the review of the Funding Strategy Statement which will determine the principles to be followed in the valuation.

The Board will also maintain its focus on the standard administration report, review of the annual business plan and the risk register to ensure that the Committee is able to meet its statutory duties.

Board Members Training 2020/21

Appendix

Alistair Bastin	Pre-Committee – Good Governance	11th September 2020
Alistair Bastin	LGPS Autumn Seminar	28 th September 2020
Alistair Bastin	Brunel Investor Day – Public Markets	18 th November 2020
Alistair Bastin	Brunel Investor Day – Private Markets	19 th November 2020
Alistair Bastin	Pre-Committee – Governance Review	4 th December 2020
Alistair Bastin	LGA Webinar	26 January 2021
Alistair Bastin	Pre-Committee – TCFD reporting	5 March 2021
Angela Priestley-Gibbins	LGPS Autumn Seminar	28 th September 2020
Angela Priestley-Gibbins	LGA Fundamentals Webinar - day 1	6 th October 2020
Angela Priestley-Gibbins	LGA Fundamentals Webinar - day 2	7 th October 2020
Angela Priestley-Gibbins	LGA Fundamentals Webinar - day 3	8 th October 2020
Angela Priestley-Gibbins	Brunel Investor Day – Public Markets	18 th November 2020
Angela Priestley-Gibbins	Brunel Investor Day – Private Markets	19 th November 2020
Angela Priestley-Gibbins	Pre-Committee – Governance Review	4 th December 2020
Angela Priestley-Gibbins	LGA Webinar	26 January 2021
Angela Priestley-Gibbins	Pre-Committee – TCFD reporting	5 March 2021
Bob Johnston	Pre-Committee – Good Governance	11 th September 2020
Bob Johnston	LGA Fundamentals Webinar - day 2	7 th October 2020
Bob Johnston	LGA Fundamentals Webinar - day 3	8 th October 2020
Bob Johnston	Pre-Committee – Governance Review	4 th December 2020
Bob Johnston	LGA Webinar	26 January 2021
Bob Johnston	Pre-Committee – TCFD reporting	5 March 2021
Lisa Hughes	Brunel Investor Day – Public Markets	18 th November 2020
Lisa Hughes	Brunel Investor Day – Private Markets	19 th November 2020
Stephen Davis	Brunel Investor Day – Public Markets	18 th November 2020
Stephen Davis	Brunel Investor Day – Private Markets	19 th November 2020
Stephen Davis	Pre-Committee – TCFD reporting	5 March 2021

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Division(s): n/a

PENSION FUND COMMITTEE – 11 JUNE 2021

REVIEW OF THE BUSINESS PLAN 2021/22

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to:**
 - a. **note progress against each of the key service priorities as set out in the report;**
 - b. **agree future membership of the Climate Change Working Group;**
 - c. **comment on the proposal from the Local Pension Board that a representative of the Committee attends all future meetings of the Board to answer questions from Board members on decisions made at the most recent Committee meeting;**
 - d. **agree a draft outline for future attendance of Brunel Officers at this Committee.**

Introduction

2. This report sets out the latest progress against the key service priorities set in the business plan for the Pension Fund for 2021/22. The Plan was agreed by the last meeting of the old Committee in March 2021.
3. The key objectives for the Oxfordshire Pension Fund as set out in the Business Plan for 2021/22 remain consistent with those agreed for previous years. These are summarised as:
 - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pensions Regulator
 - To achieve a 100% funding level
 - To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
 - To maintain as near stable and affordable employer contribution rates as possible.
4. The service priorities for the year do not include the business as usual activity which will continue alongside the activities included in the service priorities. Business as usual activities are monitored as part of the Administration Report and the report on Investment Performance.

Key Service Priorities – Progress to Date

5. There were 4 service priorities included in the 2021/22 Plan each with a number of key measures of success. The latest position on each is set out in the

paragraphs below. The assessment criteria agreed by the previous Committee for each measure of success is as follows:

- 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

6. Deliver Key Progress on the Implementation of the Climate Change Policy. The position against the 3 agreed measures of success are set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Metrics, benchmarks and targets in place for all portfolios to assess progress against the 7.6% per annum reduction in carbon emissions - AMBER	Benchmark report produced for all equity portfolios and the corporate bond investments as at December 2019 and December 2020.	Benchmark report to be reviewed by the Climate Change Working Group and key findings and proposed targets to be brought to the September meeting of the Committee. Work to be undertaken with Brunel to identify metrics and benchmarks for remaining portfolios.
Metrics, benchmarks and targets in place to assess progress in investing in climate solutions - RED	No action to date – resources focussed on closure of accounts as planned.	Definitions of investments in climate solutions to be agreed, current investments assessed and future targets set.
Robust Arrangements in place to assess the effectiveness of the Engagement Strategy and Voting Process in advance of the 2022 stocktake - RED	No action to date – resources focussed on closure of accounts as planned.	Review of current engagement and voting reports to assess quality of existing target outcomes set for engagement, and how success is measured. Review voting and escalation processes and assess whether timescales for achieving desired change are realistic.

7. There has been limited progress on the further implementation of the Climate Change Policy over the first 2 months of 2021/22, and as such the three measures of success are scored Amber or Red. However, this position is not

unexpected, as the local election process restricted the ability to hold meetings of the Climate Change Working Group, and Officers were required to prioritise resources on closing the Pension Account Accounts in line with statutory deadlines. Going forward, the Committee will need to consider whether there are sufficient resources within the Pension Investment Team to deliver the full range of additional responsibilities associated with the Climate Change Policy and other responsible investment initiatives.

8. In line with the decisions at the last Committee, we have now received the report to provide carbon data on the equity and corporate bond investments, with data for both December 2019 and December 2020. It is intended to take this report initially to the Climate Change Working Group and then bring a full report to the September meeting of this Committee. It is also intended that the Working Group undertake the initial work set out above in respect of investing in climate solutions and monitoring the effectiveness of our engagement and voting strategies and include initial recommendations to the September meeting of the Committee.
9. In light of its new membership, the Committee are invited to consider the membership of the Climate Change Working Group. Previous membership consisted of the Chair and Vice Chair of the Committee along with the Opposition Spokesperson, a scheme member representative from the Local Pension Board, a representative from Fossil Free Oxfordshire and the Independent Financial Adviser.
10. Deliver further improvements to the governance arrangements of the Fund. There were 3 specific measures of success set out in the 2021/22 Business Plan in respect of this priority. The progress against these is set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
New Committee Constitution in place - GREEN	New constitution agreed by full Council in March 2021, elected member appointments made in May, alongside agreement to the scheme member and Oxford Brookes University representatives. Process for appointing the Academy and District Council representatives initiated.	Leaders Group to appoint representative of the City/District Councils. Process to appoint Academy representatives to be concluded.
New ways of working for the Committee and Board to be in place to	Series of meetings held with team from Hymans Robertson to	Full report to the September Committee on each of the 9

satisfaction of members - AMBER	take forward all recommendations from the independent governance review.	outstanding recommendations
Full Training Programme in place, with levels of engagement and skills and knowledge scores increasing - AMBER	Draft training programme developed with the support of Hymans Robertson.	Initial skills and knowledge assessment to be completed for all Committee and Board Members. Training programme to be finalised to pick up any gaps identified from initial assessment. Review process to be put in place.

11. Officers have continued to meet regularly with Hymans Robertson to develop action plans to deliver against the 9 outstanding actions of the independent governance review carried out by Hymans. Two of the measures are showing as amber due to the amount of work still required to finalise the proposals to be brought to the September meeting of the Committee, although good progress has been made, and all targets should be delivered.
12. The proposals to the September meeting will include:
- A scheme specific conflict of interest policy, including how the conflict between the roles of the County Council (and its officers) acting as the Administering Authority and as Scheme Employer will be managed.
 - A review of the terms of reference for this Committee and the Local Pension Board to ensure roles and responsibilities are fully understood and clear communication channels exist between the two bodies. On this point the Committee are invited to comment on the proposal from the Board that a representative of the Committee attends all future Board meetings to answer questions from members of the Board on decisions taken at the last Committee meeting.
 - The future staffing structure of Pension Services to mitigate the current key person risks and strengthen the governance and communication function. This will also include a proposal in response to the draft proposal from the national Good Governance Review about the nomination of the LGPS Senior Officer.
 - A review of Committee agendas to ensure there is sufficient time to focus on the key responsibilities of the Committee. This will be supported by a governance matrix which sets out the timetable for the key decisions facing the Committee going forward. This matrix is currently being drafted with the support of Hymans Robertson.
 - A revised training policy and training programme including the approach to regular assessment of the skills and knowledge of the Committee and Board members and supporting Officers. We are currently developing an outline training programme with Hymans to tie in with the governance matrix and the key issues likely to face the

Committee over the next 12 months, including the response to the age discrimination cases in both the LGPS and Firefighters Pension Schemes, delivery of the climate Change Policy and preparing for the 2022 Valuation.

13. Further improve the data management arrangements between the Fund and both scheme employers and scheme members. There were 4 measures of success set for this service priority within the Business Plan, and progress against these measures is set out below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Improved scores recorded in customer satisfaction surveys - AMBER	Customer satisfaction scores sent out regularly	Increase number of survey responses to build meaningful feedback.
Increase take up of Member Self Service (MSS) - GREEN		Further develop the scope of MSS and improve the functionality for scheme members.
Further Improvements in data quality scores - GREEN	Resolution of long term Guaranteed Minimum Pension (GMP) issues	Resolve outstanding issues with missing addresses and historic cases with missing data.
Clear Policy in place for calculating benefits where underpin benefits cannot be established due to missing data - AMBER	Full review of all data previously received from scheme employers and analysis of gaps underway.	Complete review of data gaps and produce policy paper for Committee setting out the scale of the issue, the key risks in collecting outstanding data and key risks associated of undertaking benefit calculations in absence of data.

14. The biggest challenge in data management terms currently facing the Committee is the retrospective work required to deliver the proposed remedy to the age discrimination issues identified through the McCloud/Sargeant court cases. At this point we are still assessing the scale of the issue as the majority of the scheme employers had continued to send us the data set now required, even though at the time it was not expected to be necessary. The data had not been verified and loaded to the Pensions System, so this now forms a key task, alongside identifying all gaps.
15. Where gaps do exist in the data, we will need to review the amount of time and effort required in seeking the missing data, and the likelihood that it will be collectable. The main challenges will be in cases where the scheme member

has moved employer, or the scheme employer has changed their legal status (e.g. moving to a new Academy Trust), and/or the employer has changed payroll provider in the period since 2014 and the introduction of the new Care Average Revalued Earnings (CARE) scheme.

16. The Committee will need to develop a policy as to the amount of resource it wishes to commit to collecting all missing data, and the ability to carry out benefit calculations without the missing data and the risks associated with doing so.
17. Review the arrangements with Brunel following the transition of the majority of Fund assets to Brunel portfolios. Progress against the two measures of success for this service priority are set out below.

Measure of Success	Key Progress Achieved	Outstanding Actions
All investment portfolios deliver long term performance in line with their specifications - AMBER	Officers have work through the Client Group with Brunel to agree draft format of new reports.	Introduce revised performance and assurance reports. Training session to be provided for Committee members on the assurance process.
High confidence/satisfaction scores expressed by Committee members in next client Survey - AMBER		New monitoring arrangements to be agreed by the Committee including future Committee attendance of Brunel officers.

18. We are currently in the middle of the transition process for the fixed income assets, and on completion 80% of the Funds assets will be invested in Brunel portfolios. Of the remaining £600m held outside Brunel, there is:
- £140m held in closed end funds, where the money will be transferred to the equivalent portfolio at Brunel as the investments with the current legacy managers mature and money is distributed back to the Fund
 - £185m is held in cash or retained by the legacy fixed income manager whilst awaiting calls against the commitments made to the private market portfolios in Brunel
 - £125m is invested in publically quoted private equity companies. Brunel do not currently offer an equivalent investment opportunity and the previous Committee agreed to hold this money outside Brunel.
 - £150m is invested in the legacy diversified growth fund. The previous Committee did not believe that the new Brunel portfolio met the same investment objectives and therefore determined not to transition this Funds. This money therefore provides this Committee with flexibility to make minor amendments to its strategic asset allocation.
19. As the majority of funds have now transitioned to Brunel, all 10 Client Funds have taken the opportunity to review the current reporting arrangements to

ensure both the investment performance reports and the assurance reports are providing the information necessary for Funds to meet their responsibilities. A number of changes have been agreed and Brunel are currently taking these forward and revised reports will be available for the Committee later this year.

20. It is intended to run a short training session for Committee members to talk through the assurance process to build confidence that the long-term performance of the investments should be in line with the portfolio specifications.
21. Elsewhere to today's agenda, the Committee will be asked to review the current investment performance reports from Brunel. The Committee are invited to consider how frequently they would like to see the Officers from Brunel to enable them to question them on portfolio performance and developing issues within the investment world. It is suggested that as a minimum, we invite the Chief Investment Officer to the Committee on an annual basis, with the option to request the attendance of the Head of Listed Markets, the Head of Private Markets and/or the Chief Responsible Investment Officer where the Committee have specific issues or concerns that they wish to explore in more detail.
22. Part C of the Business Plan sets out the Fund's budget for 2021/22 which totals £15,588,000. At this point, just 2 months into the financial year it is too early to identify any significant variations in expenditure. The position will be updated at each future meeting of the Committee.
23. 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. As noted above, officers are currently working with Hymans Robertson to produce a comprehensive draft training programme which will be presented to the September meeting of this Committee for approval. This will take into account the skills and knowledge of the new Committee as well as additional subjects relevant to the Committee's work programme for the year.

Lorna Baxter
Director of Finance

Contact Officer
Sean Collins
Tel: 07554 103465

June 2021

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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 – Business as Usual	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	June 2021	At Target
2	Investment Strategy not aligned with Pension Liability Profile	Financial – Business as Usual	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	June 2021	At Target
3	Investment Strategy not aligned with Pension Liability Profile	Financial – Business as Usual	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	June 2021	At Target
4	Under performance of asset managers or asset classes	Financial – Business as Usual	Loss of key staff and change of investment approach at Brunel or underlying Fund Managers.	Long Term - Pension deficit not closed.	Financial Manager	Quarterly assurance review with Brunel. Diversification of asset allocations.	3	2	6	↔			3	2	6	June 2021	At Target
5	Actual results vary to key financial assumptions in Valuation	Financial – Business as Usual	Market Forces	Long Term - Pension deficit not closed.	Service Manager	Actuarial model is based on 5,000 economic scenarios, rather than specific financial assumptions.	3	2	6	↔			3	2	6	June 2021	At Target
6	Under performance of pension investments due to ESG factors, including climate change.	Financial – Business Plan Objective	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.	September 2021	4	1	4	June 2021	Proposals to Committee at September 2021 meeting on suite of metrics and exercise to set benchmark scores as at December 2019.

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 – Business as Usual	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	June 2021	At Target
8	Employer Default - LGPS	Financial – Business as Usual	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.	3	2	6	↓			3	2	6	June 2021	At Target
9	Inaccurate or out of date pension liability data – LGPS and FSPS	Financial & Administrative – Business Plan Objective	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	June 2021	At Target
10	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative – Business Plan Objective	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	June 2021	At Target
11	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative – Business Plan Objective	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	June 2021	At Target
12	Insufficient resources to deliver responsibilities- – LGPS and FSPS	Administrative – Business as Usual	Budget Reductions	Breach of Regulation	Service Manager	Annual Budget Review as part of Business Plan.	4	1	4	↔			4	1	4	June 2021	At Target
13	Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Governance – Business Plan Objective	Poor Training Programme	Breach of Regulation. Loss of Professional Investor Status under MIFID II	Service Manager	Training Review	4	2	8	↔	Training Programme put in place on review of new Committee requirements.	September 2021	4	1	4	June 2021	Risk score retained above target whilst new members of the Committee are appointed and initial skills and knowledge assessment completed.
14	Insufficient Skills and Knowledge amongst – LGPS and FSPS Officers	Administrative – Business as Usual	Poor Training Programme and/or high staff turnover	Breach of Regulation and Errors in Payments	Service Manager	Training Plan. Control checklists.	3	2	6	↔			3	1	3	June 2021	Likelihood score above target due to numbers of new staff and pressure from pandemic conditions.

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		
15	Key System Failure – LGPS and FSPS	Administrative – Business as Usual	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme	4	1	4	↔			4	1	4	June 2021	At Target
16	Breach of Data Security – LGPS and FSPS	Administrative – Business as Usual	Poor Controls	Breach of Regulation, including GDPR	Pension Services Manager	Security Controls, passwords etc. GDPR Privacy Policy.	4	1	4	↔			4	1	4	June 2021	At Target
17	Failure to Meet Government Requirements on Pooling	Governance – Business Plan Objective	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	June 2021	At Target
18	Failure of Pooled Vehicle to meet local objectives	Financial – Business Plan Objective	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	June 2021	At Target
19	Significant change in liability profile or cash flow as a consequence of Structural Changes	Financial – Business as Usual	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	June 2021	At Target
20	Insufficient Resource and/or Data to comply with consequences of McCloud Judgement	Administrative – Business Plan Objective	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	Feb 2021	Awaiting Government response to consultation exercise on new Regulations to assess full impact.
21	Legal Challenge on basis of age discrimination in Firefighters Pension Schemes	Legal & Administrative – Business Plan Objective	Pressure from Fire Brigades Union to act in advance of new Regulations	Court Order to deliver remedy	Pension Services Manager	Seeking to follow consistent approach in line with Scheme Advisory Board guidance.	4	3	12	New	Legal Advice to be received, National Framework to be published by Scheme Advisory Board. Local Policy determined.	September 2021	4	1	4	June 2021	New risk due to increased litigation by Fire Brigades Union.

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		
22	Loss of strategic direction	Governance – Business Plan Objective	Loss of key person	Short term lack of direction on key strategic issues	Director of Finance		3	2	6	New	Review structure to strengthen governance and communication functions	December 2021	2	2	1	June 2021	Risk as identified in the independent governance review by Hymans Robertson

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PENSION FUND COMMITTEE – 11 JUNE 2021

ADMINISTRATION REPORT

Report by the Director of Finance

RECOMMENDATION

The Committee is **RECOMMENDED** to

- a) **Note the report**
- b) **Agree the changes to the Scheme of Delegation to add the 2 Employer Team Managers to the list of officers authorised to approve payments from the Pension Fund**

Introduction

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

Staffing

2. There are two changes to staffing levels reported last quarter. A new administration assistant joined the Benefits Administration team on 01 June, and, at the time of writing this report, an appointment has been made for the office administrator role.
3. During the period there have been three team members recording 5 or more days of sickness absence which comes to a combined total of 45 days absence in the quarter.
4. Additionally, there are some performance issues which are being addressed, but these have resulted in performance slipping rather than improving.

Incoming Data

5. The number of late / missing data returns has increased slightly during May. These returns are being chased.
6. Vetting of incoming data returns is set up as all returns to be cleared by the 18th of the month following receipt. The latest figures for March 2021, which would be due to be received on 19th April and vetted by 18th May are showing:
 - Completed 63%
 - Queried 22%
 - Admission in progress 3% and
 - Outstanding 12%

7. The Investment Team monitor late and missing contributions. In April 9 scheme employers made payment after 19th May. Further analysis will be provided in the next report.

Workload and Performance

8. At the last meeting of the Committee a request was made to temporarily reduce the service level agreement from completion of 90% / 95% of work to be completed within deadline to 75% of work being completed in deadline. The committee agreed to this change, requesting an updated report to be submitted this quarter.
9. As noted in paragraph 3 and 4 above there has been some long-term sickness and performance issues which have added to the initial issue of having several staff in training at same time. The sickness absence would equate to 0.70 FTE across the whole quarter. This had a direct effect on the statistics which are *, as the senior administrators were doing this work whilst administrators are training. The final * reflects the continuing administration assistant vacancy.
10. The impact of the issues above reflects in the numbers as:

	April	March
• APC	00.00	83.33
• Interfunds In *	25.00	26.09
• Interfunds Out*	09.09	73.33
• Transfer Out	20.51	27.08
• HR Estimates	50.00	88.24
• Refunds *	36.66	83.33
• Assistants *	88.00	60.00
• New Starters – no information.		

11. Managers are working with our IT suppliers to identify how the system reporting can be improved and developed to provide better management information and reporting.

Projects

12. In the coming quarter the projects to note are:
 - GMP Reconciliation – the changes were made to the April payroll for scheme members where under or over payments had been identified. GMP remains on the project list as checks and any corrections need to be applied to both active and deferred records.
 - Implementation of i-connect – bar a couple of tidy up meetings all scheme employers are fully operational on system with the exceptions of OCC and OBU. For OCC this will link up with end of year to ensure that all data is matched, and files being uploaded are monitored. Once complete process will be fully handed back to OCC payroll for July. For

OBU a similar process has been followed as for OCC – the process was handed over at end of May.

- Administration to Pay has been the project with the most delays to timetable. The implementations in February and March were achieved, however work on retirements has been delayed yet again and is now scheduled for go live in June 2021.

Area of Work	Implementation date	Implemented (Y/N)
IFA out	February 2021	Y
TV out	February 2021	Y
Refunds (not including over 75s and post 14 leavers being paid more than 5 years after leaving) *	March 2021	
Retirements from active status (redundancy, efficiency, ill health, age retirement)	May 2021	
Retirements from deferred pension	July 2021	
Death **	September 2021	
Trivial Commutations	November 2021	
Fire	January 2022	

* Solution being sought with software suppliers to deal with post 75 and post 14 leavers being paid after 5 years as the tax implications are different and Altair does not calculate these at present

** Deaths. Further work needs to be done in cases where death grants are split between multiple beneficiaries.

13. The next major project for the team will be the “McCloud” project which is included as part of the annual business plan.

14. All other projects are on target.

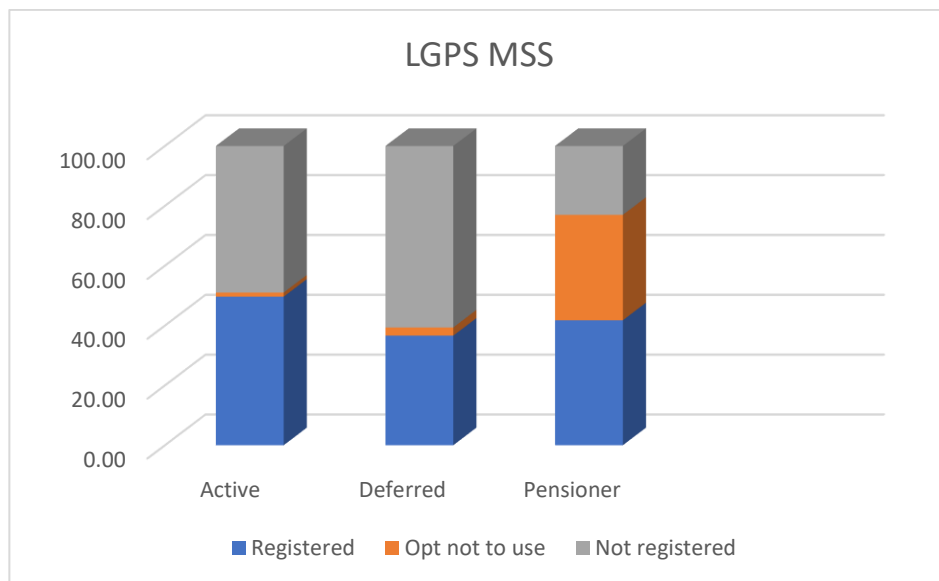
Communications

15. Scheme communications are being sent out on agreed timescales, although there is little, if any feedback from recipients.

16. In the last quarter work on the member pages of our website has been completed.

17. As detailed in the business plan a customer survey was launched in March. Generally, this is an online link although it can be posted out to members if they are not registered for online use.

18. During the quarter 19 replies were received. Of these 10 were from employer representatives who had attended one of our training sessions – these were well received and scored at 4.7/5.0 on average.
19. The remaining 9 comments, mainly from scheme members, were more of a mixed response with an average score of 4.2/5.0. Any complaints received via this survey were recorded as such.
20. Member self-service numbers are gradually increasing with just under 50% active members now signed up.



Employers

21. There are no issues to report

Complaints

22. In the last quarter, the formal complaint which had been outstanding with the scheme employer since August 2020 has been concluded with the member being granted ill-health retirement.
23. Of the two cases reviewed at stage 2 there has been no progress in one case but in the second the member has chosen to refer this back for further review by the scheme employer.
24. There has been an increase of informal complaints being recorded, which is indicative of the performance within the benefit team, with 9 cases being recorded in the last quarter.

Scheme of Delegation

25. Under the current Financial Scheme of Delegation there is provision for the authorisation of Pension Fund payments (e.g. transfer payments, retirement grants, tax payments) separate to the authorisation of payments for goods and services. These provisions delegate authority to authorise payments below £500,000 to the Service Manager – Pensions, Pension Services Manager, Communications Manager and the Systems Manager. For payments above £500,000 authorisation must be from 2 of the above list.
26. Both the Pension Services Manager and the Communications Manager are employed on part time contracts. As such, there are times when it is difficult to ensure 2 of the named officers are available to authorise payments. To provide greater flexibility and mitigate the risk that benefit/tax payments would be delayed in the absence of the necessary officers through leave, sickness, non-working days or away in meetings it is proposed to add the 2 Managers within the Employers Team to the list of authorised signatories. It should be noted that the employer Team is not responsible for the generation of any of the expected payments and therefore the inclusion of the Team Managers as authorised signatories does not create any conflicts of interest or risks around separation of duties.

Write Off

27. For the first quarter in recent times there are no amounts to write off.

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June 2021

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OXFORDSHIRE LOCAL PENSION BOARD – 9 JULY 2021

INVESTMENT MANAGEMENT COSTS AND PERFORMANCE

Report by the Director Finance

Recommendation

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

Introduction

2. This is the fourth in a series of reports considered by this Board in respect of the costs and performance of the investment management portfolios run on behalf of the Pension Fund Committee. The previous reports have all looked at annual performance in the years ending March 2018, 2019 and 2020 respectively.
3. One of the concerns expressed by Officers in drafting these previous reports is that a single year's data on investment performance is too short a period. The majority of fees paid are on a fixed rate basis and vary in line with overall asset values rather than performance. In any one year therefore comparison of fees paid to performance against benchmark will be impacted by the position in the investment cycle with results likely to imply different conclusions for value and growth managers for example. This report therefore looks at fees paid and investment performance over a 3-year period.
4. In previous reports Officers have also stated their concerns that looking simply at fees and investment performance is too narrow a view of the overall performance of our fund managers and fails to take into account the wider objectives of the Committee's investment strategy. In particular, there is a requirement to ensure the overall investment strategy provides for a sufficiently diversified set of investments to mitigate risk. In recent years there is also much greater attention paid to the management of the environmental, social and governance risks within the investment portfolios which may not necessarily be reflected in short-term investment performance. Indeed, many of those companies best placed to manage the transition to a low carbon economy may suffer poorer investment performance in the short term as they fund the transition.

Data for the Period 1 April 2018 to 31 March 2021

5. Annex 1 shows the investment management fees paid against each of the portfolios for the last three financial years, alongside the investment performance for the respective portfolios.
6. A key issue in undertaking any analysis at the present time is immediately obvious from the Annex in that very few of the portfolios have a 3 year history

for the period, due to the transition of assets from the legacy fund managers to Brunel. It is therefore very difficult to draw any firm conclusions.

7. The transition to Brunel has also introduced another distortion to the figures in that we have gained greater transparency over the underlying costs in respect of some of the private market portfolios. As well as providing information on their own fees, Brunel have provided information in respect of the fees paid to the underlying fund managers in the property and private equity portfolios. These underlying fees were previously netted off against the performance figures returned by the legacy managers. The increase in property fees for 2020/21 will therefore be offset by increased out-performance in the investment performance figures for the portfolio.
8. The greater transparency accounts for the majority of the increase in overall level of fees from 30.1bps in 2018/19 to 37.8% in 2020/21. There is also an element explained by the higher fees paid to the legacy private equity managers in 2020/21 which are related directly to performance.
9. Over the 3-year period, the average level of fees is broadly in line with the performance above benchmark achieved by the fund managers. The performance report to the last meeting of the Pension Fund Committee indicates that over a 5 year period, fund managers have added considerable value relative to their fees (total outperformance of 0.8% per annum) although over 10 years, the figure drops to 0.2% per annum.
10. It should be noted that the Committee do not have the option of investing all the Funds assets into passive options of the current asset classes to achieve investment performance in line with the benchmark. Passive options exist for the equity and fixed income portfolios but not for the majority of the private markets. Fee avoidance would therefore involve involving the asset class itself and amending the Investment Strategy.
11. If we look at the asset classes in turn, we can make the following observations:
 - Equities account for about 57% of the total investments but only 33% of the total fees. The average fee cost of the equity portfolios is 23 bps. Due to the transitions to Brunel we do not have any 3 year performance figures, but all Brunel equity portfolios significantly exceeded their benchmarks in the last year, including the Global High Alpha portfolio which outperformed its benchmark by 10.9%, which equates to over £30m. Switching the whole equity investments to passive portfolios could save up to £3m but would potentially forego much greater investment returns.
 - Fixed income accounts for around 17% of the current portfolio and 12% of the total fees, with an average fee of 25bps. The 3 year performance of the portfolio managed by Legal and General shows out performance of 0.9% indicating annual investment out performance net of fees of £3.25m

- Property represents around 6% of the total assets, and accounts for 12% of the total fees. There is not a passive version of the property portfolios, so this would be an asset class we would need to reduce exposure to if we believed we were not getting value for money from the fees paid. The long-term figures for UBS before the property assets were transitioned to Brunel, indicated that investment performance was exceeding fees by around 15 bps per annum, over both 3 and 10 year periods.
- Private Equity involves the highest fee levels in the current portfolio, accounting for over 25% of total fees whilst representing just 8.5% of the total investments. However, this asset class has been one of the strongest performing asset classes within the Fund over a sustained period of time, with 10 year figures showing out-performance against the benchmark by 4.3% well in excess of the average fees paid.
- The Diversified Growth Fund accounts for around 5-6% of the total investments and total fees. Whilst over the most recent 3-year period the portfolio has performed below the benchmark, it has exceeded the benchmark over a 5-year period. The Committee have already determined to review the current allocation to the Diversified Growth Fund as part of their next review of the strategic asset allocation.
- The remaining portfolios (infrastructure, secured income and private debt) do not have a long enough track record to complete any meaningful analysis.

Lorna Baxter
Director of Finance

June 2021

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Fund Manager	Fees as per 2018/19 Accounts	Fees as per 2019/20 Accounts	Fees as per 2020/21 Accounts	3 Year Performance
	£000	£000	£000	
Global Equities - Wellington	1,071	715		
Global High Alpha - Brunel		385	1,174	
Sustainable Equities - Brunel			469	
Emerging Markets - Brunel		166	435	
UK Equities - Brunel	307	850	818	
UK Equities - Baillie Gifford	643			
Passive Equities - LGIM	93			
UK Passive Equities - Brunel (\$)	11	29	41	
Developed World Passive Equities - Brunel (\$)				
Global Equities - UBS	881	863	429	
Total Equities	3,006	3,008	3,366	
Fixed Income - LGIM	1,106	1,197	1,273	0.9
Property - Bridges Fund Management	204	373	203)
Property - Partners Group	409	- 202	-95) -0.3
Property - UBS	252	245	65	
UK Property - Brunel			891	
International Property - Brunel			165	
Total Property	865	416	1,229	
Private Equity - Adams Street	765	805	1,393)
Private Equity - Epiris	144	141	280)
Private Equity - Longwall Ventures	178	178	146)
Private Equity - Partners Group	409	106	436) +6.0
Private Equity - Brunel		798	607	
Total Private Equity	1,496	2,028	2,862	
Infrastructure - Brunel		261	169	
Infrastructure - Partners Group	288	263	549	2.6
Total Infrastructure	288	524	718	

Secured Income - Brunel		52	41		
Diversified Growth Fund - Insight	571	602	597		-1.2
Total	7,332	7,827	10,086		0.3
Total Fees Relative to Average Asset Values (bps)	30.1	32.1	37.8		

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