

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