

LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 5 May 2023 commencing at 10.30 am and finishing at 12.30 pm

Present:

Voting Members: Matthew Trebilcock – in the Chair

Alistair Bastin
Stephen Davis
Liz Hayden
Angela Priestley-Gibbins

Members of pension Fund Committee in Attendance: Councillor John Howson

Officers: Sean Collins (Service Manager for Pensions),
Sally Fox (Pension Services Manager),
Mukhtar Master (Governance & Communications Manager),
Rebecca O'Shea (Communications Manager) and Jack Latkovic (Law and Governance).

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

12/21 WELCOME BY CHAIRMAN

(Agenda No. 1)

The Chair opened the meeting by inviting everyone to introduce themselves.

13/21 APOLOGIES FOR ABSENCE

(Agenda No. 2)

Marcia Slater and Cllr Bob Johnston had sent apologies for this meeting. Cllr John Howson was an observer for this meeting instead of Cllr Johnson.

14/21 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE BELOW

(Agenda No. 3)

Apologies for absence were submitted by Marcia Slater.

15/21 MINUTES OF THE MEETING OF 20 JANUARY 2023

(Agenda No. 4)

The minutes of the meeting held on 20 January 2023 were agreed as a correct record.

16/21 UNCONFIRMED MINUTES OF THE PENSION FUND COMMITTEE - 3 MARCH 2023

(Agenda No. 5)

The meeting had before it the draft minutes of the last Pension Fund Committee meeting of 03 March 2023 for consideration. The draft Minutes were noted.

SS

17/21 SCHEME MEMBER ENGAGEMENT

(Agenda No. 6)

The Board was provided with a report which set out the revised Communications Policy and the draft implementation plan for Member engagement.

The Board was invited to note the revised Communications Policy agreed at the last Pension Fund Committee and review the draft implementation plan for the Member Engagement Plan developed by the Governance and Communications Team of the pension fund.

The Governance & Communications Manager and the Communications Manager for the Pension Fund introduced the report.

The Board was informed that a revised fund Communications Policy was approved at the last Pension Fund Committee on the 3 March 2023. It was noted that further to the findings of the Member Engagement Review, which was presented to the last Board meeting, a draft implementation plan (Appendix A) had been developed.

The Board welcomed the report and thanked the officers for their work on the draft plan. The Board queried item 6 (Collaboration with Unions) on the draft plan. It was highlighted that the current plan stated discussions with one union representative. It was felt that to improve coverage, discussions should also be held with the scheme member representative on the Pension Board. The officers welcomed the suggestion and agreed to update the plan to reflect the change.

The Board noted the tasks within the plan and the deadline date (30 September). The officers explained that these were initial fact-finding tasks, rather than implementing big changes. The officers advised the Board that the first stages were to fact-finding and evaluate options and did not necessarily mean that all the tasks would be fully implemented by the 30 September. The officers agreed to update the plan to make the task completion stages clearer.

The Board sought further information regarding item 2 (Website Improvement) and noted the offer of support to assist discussions with IT. The officers noted that a key

task had been to improve the interface and navigation. The officers advised the Board that it was their hope to improve the current website, the alternative would be to create a new website and the officers would bring the item back to the Board for further discussion.

The Board raised a question about item 12 (Run a member satisfaction survey). The Board queried if it would be possible to gain members thoughts on how the pension fund is invested. The officers agreed to review the possibility of including investment questions in the members survey. It was noted that the responsible investment officer would be invited to the next meeting. Officers also agreed to keep the Board updated on progression of the engagement element of the Implementation plan.

The officers discussed item 3 (Board representatives contributing to the member newsletter) The officers explained to the Board that they felt members who represent the Board would have good ideas of what other members wanted to know and the issues which were of interest to the wider member group.

The Board:

- 1) Noted the report and that the Committee had agreed the revised Communications Policy at the last Pension Fund Committee and
- 2) reviewed the draft implementation plan for the Member Engagement Plan developed by the Governance and Communications Team of the fund.

18/21 REVIEW OF THE ANNUAL BUSINESS PLAN

(Agenda No. 7)

The Board was asked to review the position against the Annual Business Plan for 2022/23 and the Plan for the new financial year as considered by the Pension Fund Committee at their meeting on 3 March 2023 and to offer any comments to the Committee.

The officer discussed the progress of the main four main objectives for the last financial year. When discussing the first objective (Review and Improve the Scheme's Data), It was noted that 2 of the KPI's were green and 3 were amber. The officer advised that reasonable progress had been made against the priorities, However, some areas had not made any real progress, i.e., developing data for the standard service KPI's to be included in the quarterly performance reports, so the score against this outcome was amber.

Progress against cyber risk and data security was noted. Cyber risk had retained an amber rating considering the breaches already reported this year, and the need to strengthen the monitoring arrangements in respect of the wider cyber risks.

The officer informed the Board of progress against the second objective (The development of the approach to technology), and the decision to extend the contract with Heywood's and that the amber indicator (Use of the online services) was to be carried forward into the new year.

In terms of the third objective (Enhanced Delivery of Responsible Investment responsibilities) the officer informed the Board that it was largely green, with one red area where no progress had been made around the stewardship code. It was noted that this was largely as a result of not recruiting the responsible investment officer at the start of the financial year and not having the capacity to do the work.

The officer informed the Board that the area with the poorest performance against the objectives was the fourth objective (Deliver improved and consistent service performance to scheme members). In terms of service performance, the officer advised the Board that it was partly because of wanting to make sure the service would operate at the right level throughout the year. The officer reminded the Board that the indicator had started the year in red, and from the outset was going to be difficult to achieve.

The officer advised the Board that the indicator 'All services delivered in line with regulatory guidance' was amber and was largely outside the control of officers as they had spent all year waiting for government guidance on the McCloud, pooling and TCFD which did not materialise. The officers noted that they were unable to progress the task because the government had not provided the guidance to do so.

The last area was around the scheme engagement policy. The Board was advised that whilst one member of staff had been employed the final member of the Governance and Communications team had not yet been recruited, so work would continue during the new financial year. The indicator scored amber because it did not make much progress.

The officers noted an underspend in terms of the budget for the delivery of those services which was largely as the consequence of the lack of staff and the vacancies held during the year, which in turn impacted on the ability to deliver some of that work.

The Board noted that central government had now released the McCloud guidance with a note advising that further resources would be needed along with a recommendation to set up a resourcing plan; the Board asked if a resourcing plan had been created.

The officer advised the Board that some guidance had been received, but not the full guidance. It was noted that the regulations would be released on 30 September to be implemented from the day after (1st of October). In terms of resources, the Board was updated on the current successful recruitment campaign which included some temporary staff. Officers confirmed that a resource plan was in place and just required finalising with HR, the officers agreed to share the resourcing plan with the Board.

The Board was informed that there would not be any funding from central government to help affect the remedies in the pension funds. The Board discussed the court cases the Unions brought to challenging the cost cap. The cases were unsuccessful, but the Unions would look to appeal the decisions, leading to a further period of uncertainty over benefit calculations.

The Board reviewed the forward plan in the second section of the report. The officer noted that the 2023/24 business planning workshop which all the Board members attended. The Board were advised that their comments had been reflected in the overall objectives of the Business plan. He noted that the main job of the Pension Fund Committee is to pay pensions as and when they are due and to minimise the cost to the stakeholders.

The Board discussed the delivery of all the regulatory changes and the governance arrangements for the fund. The Board also raised a query about the review of the administration strategy. The officer advised the Board that a report on the breaches Policy would be brought to the June Committee. The officer also informed the Board that the responsible investments and stewardship code report would be brought to the June Committee.

The Officer advised the Board that regarding making further improvements to technology, several workshops had been held with Heywood's to maximise the full capabilities of their systems. The Board raised a query regarding the breaches policy and reporting arrangements. The officers agreed to bring the review of the breach policy back to the Board. The Officers also confirmed that Board members would be invited to the Pre-Committee training.

The Board noted the report and:

- 1) That the Committee noted the progress against the service priorities for 2022/23;
- 2) That the Committee approved the Business Plan and Budget for 2023/24 as set out at Annex 1;
- 3) That the Committee approved the Pension Fund Cash Management Strategy for 2023/24.
- 4) That the Committee delegated authority to the Director of Finance to make changes necessary to the Pension Fund Cash Management Strategy during the year, in line with changes to the County Council's Treasury Management Strategy;
- 5) That the Committee delegated authority to the Director of Finance to open separate pension fund bank, deposit and investment accounts as appropriate;
- 6) That the Committee delegated authority to the Director of Finance to borrow money for the pension fund in accordance with the regulations.

19/21 RISK REGISTER

(Agenda No. 8)

The Board was provided with the latest risk register which had been considered by the Pension Fund Committee on 3 March 2023. The Board was invited to review the report and offer any further views back to the Committee.

The officers advised the Board that a revised version of the risk register would be presented to the Committee in June.

Reference was made to Risk 15 in relation to fund officers having sufficient skills and knowledge to carry out their roles effectively. It was noted that work was taking place with HR to recruit to vacant roles. It was hoped that there would be an appointment to the Responsible Investment post shortly. The officers noted that it was currently a high-risk area that would reduce going forward.

The officer noted the amber risks, and reference was made to the National Knowledge Assessment and prioritising training sessions to support the areas the Board needed to address.

The Board noted the report and the scheduled training sessions.

20/21 ADMINISTRATION REPORT

(Agenda No. 9)

The Board considered the latest Administration Report which was presented to the Pension Fund Committee on 3 March 2023, including the latest performance statistics for the Service.

The Board was informed that the first recommendation was incorrect that the team sought an additional post and was also replacing an administrator for an existing post.

In relation to performance statistics, the Team was doing well, despite staff movements and changes, incoming iConnect returns were being vetted and quickly and there were fewer outstanding queries. It was noted that administration cases were fluctuating but there was confidence that this would be up to date by the end of the financial year.

Reference was made to complaints and the Board was informed there was twenty-one informal complaints, and thirteen formal complaints under the adjudication of dispute procedures.

The Board was advised that as detailed in the report, it was the officer's recommendation that the Fire Pension Board minutes be included in the Committee reports from June onwards.

In relation to projects, officers had been working on death processes which were complex, and the committee agreed to make one change to the level of recovery of overpayments. The second change was regarding the Member nominations for those who should receive death grants.

It was noted that the Director of Finance had agreed the release of the deferred ill health benefits under delegated powers which had been reported to the Committee.

It was noted that the iConnect project had concluded and the officer advised the Board that they were expecting their first live return from the County Council in the next few weeks.

In relation to debt management, arrangements had been made with the county debt collection team to chase debt which had not been chased since April. It was noted that no data breaches had been recorded.

The Board suggested creating a graph to present the number of cases open and cases completed against the SLA.

The Board noted the report and that

- 1) The Committee approved the increase in establishment of one administrator post
- 2) The Committee commented on changes to way in which performance information is presented and what other information should be included
- 3) The Committee confirmed that it would like to receive a copy of the fire administration report to the fire pension board minutes with this report
- 4) The Committee confirmed that if the proposed changes to the nomination process was acceptable
- 5) The Committee confirm that the proposed changes to the recovery of overpayments in cases where the pensioner has died, was acceptable

21/21 CYBER SECURITY

(Agenda No. 10)

The Board was provided with a report that reviewed the actions taken to date and set out the plans to review and update the fund's cyber security. The Board noted the engagement work with suppliers and colleagues.

The officers noted that penetration testing has been undertaken with nothing to report. It was noted that the Committee discussed a specific penetration test for the fund next year.

In relation to patches, it was noted that producing a list of patches / security updates was not feasible given that there had been over 70 patches for Microsoft Edge alone in the last year.

The final point of discussion was regarding the single sign on processes. It was noted that that the team would hold quarterly meetings with IT colleagues to review progress.

The Board noted the report and:

- 1) The Committee reviewed the report and determined any further actions to be taken
- 2) The Committee confirmed that the report was to be produced on an annual basis
- 3) The Committee decided agreed that pension specific fund penetration testing should be carried out

22/21 STRATEGIC ASSET ALLOCATION

(Agenda No. 11)

The Board received a report on the asset allocation. Officers advised the Board that the review was one of the most important things that the committee does, and it was carried out every three years in line with the Valuation process.

Officers focused on the recommendations that the Committee considered and agreed.

1. Against a higher inflationary environment to work with Brunel to ensure that the Fund's assets continue to match the liability profile at the cashflow level, including if necessary, generating sufficient income to fund increased pension payments.
2. To consider if the Fund should put in place a currency hedging strategy, utilising the resources available through Brunel.
3. To review the exposure to the UK equity market with the objectives of:
 - i. Reducing the overweight position of UK Equities in comparison to the Global UK weighting over time. Consideration will be given to switching to either the Paris Aligned Global passive sub fund or to the active Global Sustainable Investment sub fund.
 - ii. For the retained UK exposure to achieve better representation to UK plc in earnings terms and reducing carbon/ climate risk exposure, either on a passive or active basis.
4. To review the Emerging Markets mandate so as to remove exposure to China so far as is practically possible.
5. In the absence of similar arrangements being offered by Brunel, to retain the listed Private Equity (PE) portfolio and return the management of that to a semi-active basis to ensure that an appropriate balance of investments is maintained.
6. To continue to work with Brunel and independently to meet the Fund's evolving ESG and Climate policy requirements.
7. To consider the DLUHC "Levelling Up" local investment proposals

8. To confirm that the Fund will continue to reinvest on a timely basis capital distributions made by legacy managers and Brunel as investments mature. Cash and making sure there is sufficient cash to actually pay pensions as the committee.

The officers advised the Board that for many years the fund had been cash positive i.e., retained more money every month from employers and scheme members than paid out in pensions. However, the amount of excess cash had been declining over the last few years. It was noted that the Committee had agreed to work with Brunel to look at their investments to ensure they receive sufficient cash from their investments on a timely basis.

The Board discussed currency hedging and officers informed the Board that the fund had never hedged any of its currency. It was noted that the report from the independent investment advisor suggested the Committee continue to look at the issue. The Committee deferred a final decision to the June Committee.

The Board discussed the allocation and exposure to the UK markets. The Board also discussed the exposure of the FTSE 100 to the fossil fuel industries as it was one of the highest carbon intense portfolios. It was noted that the Committee agreed to explore options to reduce the weight to the UK and exposure to climate risks at the June Meeting. It was also noted that the Committee discussed potentially switching money to the Paris aligned global passive fund or global sustainable fund.

The Board noted the Committee's comments on the listed private equity market. It was noted that Oxfordshire had long-standing investments in private equity companies who were listed on the stock exchange. The officers informed the Board that the Committee had agreed to continue those investments in the short term outside of the pool. It was noted that the independent advisor was concerned that those were now very large and perhaps needed to be rebalance across some of the other companies.

The Board noted the report and recommended the Committee to take into account its comments on costs and net fees performance as appropriate within the decision making.

23/21 ITEMS TO INCLUDE IN REPORT TO THE PENSION FUND COMMITTEE

(Agenda No. 12)

It was agreed that the following be included in the report to the next Pension Fund Committee:

- Highlight the costs and performance net of fees in determining future asset allocations
- To increase use of graphs and trend analysis in performance reports

24/21 ITEMS TO BE INCLUDED IN THE AGENDA FOR THE NEXT BOARD MEETING

(Agenda No. 13)

The Board were keen to be updated on the McCloud progress. The officers informed the Board that this was a vital part of the business plan which was a standing item and would be brought back to the next meeting.

..... in the Chair

Date of signing