

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 7 March 2025 commencing at 10.15 am and finishing at 12.25 pm

Present:

Voting Members: Councillor Donna Ford – in the Chair

Councillor Michael O'Connor (Vice-Chair)
Councillor Imade Edosomwan
Councillor John Howson
Councillor Peter Stevens

Non-Voting Members: Alistair Fitt, Oxford Brookes University (non-voting)
Steve Moran, Pension Scheme Member (non-voting)

By Invitation: John Arthur, Independent Financial Advisor
Tom Hoare, Hymans Robertson
Reece Notman, Hymans Roberts

Local Pension Board Members Alistair Bastin
Angela Priestley-Gibbins
Janet Wheeler

Officers Mark Smith (Head of Pensions), Vicki Green (Pension Services Manager), Mukhtar Master (Governance & Communications Manager), Gregory Ley (Pension Fund Investment Manager), Josh Brewer (Responsible Investment Manager), Anna Lloyd (Governance & Communications Officer), Lucy Brown (Senior Democratic Services Officer)

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.

Apologies were received from Councillor Nick Field-Johnson, Councillor Ian Middleton, Councillor Jo Robb (non-voting member of District Councils), Lorna Baxter (Executive Director for Resources and Section 151 Officer) and Liz Hayden (Local Pension Board member attending as observer only).

2/25 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

None received.

3/25 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 3)

None received.

4/25 MINUTES OF THE PENSION FUND COMMITTEE

(Agenda No. 4)

The minutes of the meeting held on 13 December 2024 were agreed as a correct record of the meeting.

John Arthur, Independent Financial Advisor wished to clarify that the action raised at the previous meeting attended by his colleague, Anita Bhatia regarding information on benchmarking the Fund's quarterly and yearly performance against other funds could not be provided as this information was not publicly available. The Committee asked if this information could be provided in a private session to the Committee, and John Arthur agreed to follow this up and report back. **(ACTION)**

5/25 MINUTES OF THE LOCAL PENSION BOARD

(Agenda No. 5)

The Committee **RESOLVED** to note the unconfirmed minutes of the Local Pension Board which had met on 24 January 2025.

6/25 REPORT OF THE LOCAL PENSION BOARD

(Agenda No. 6)

Alistair Bastin, Local Pension Board Member introduced the report which set out the items the Local Pension Board wished to draw to the attention of the Committee following their last meeting. He advised that the Board considered the reports presented to the previous Committee meeting, and that a request had been made that the Independent Financial Advisor provide information regarding active vs passive investments within his next report.

He also advised that the Board had suggested the removal of the date 'May 2025' to Risk 24, as it was felt that every election contained the same risks in turnover of a committee. The Board had also suggested they be involved in the Workforce Strategy due to the wealth of experience contained within the Board.

The Committee **RESOLVED** to note the report.

7/25 ANNUAL BUSINESS PLAN 2025/26

(Agenda No. 7)

Mark Smith, Head of Pension Fund presented the report of the Executive Director of Resources and Section 151 Officer which reviewed progress against the key priorities set out in the Annual Business Plan for 2024/25. The Plan also set out the proposed business plan, budget, training plan and cash management strategy for the Pension Fund for 2025/26.

He provided further information regarding the key service priorities that were included in the 2024/25 Plan measured against their success, of which the majority were rated as being met or on target to be met. He also advised that the two main causes for overspend in the 2024/25 budget had been for payment of the previous year's external audit fees and the difficulty in estimating investment management fees in advance as the value of the asset fees were unknown at that time.

In response to a question from the Committee regarding the difficulties in estimating the investment management fees, Mark Smith advised that due to the recent push to investment in private markets, these are significantly more expensive than listed equities for example, but also depending on the size of the value of the assets and the value of the Fund, the fees increase in line with that.

In response to a question regarding the AMBER rating for the measure of success on key progress achieved for 2024/25, the increase in average scores for the National Knowledge Assessment, whilst at 100% completion rate, had not moved to GREEN due to the relatively new members of the Committee having just completed training.

In response to a question raised regarding the level of funding budgeted to support the required staffing to enable adequate resource to complete the work required, Mark Smith advised that whilst there was adequate staff in place, the challenge to promote existing staff to senior positions prevented those existing vacancies being filled. The Committee requested that up to date variances be provided for the 2024/25 Pension Fund Budget – Q3 Update as the % variance figure was not correct as reported due to the outstanding roles being carried.

In response to a question raised regarding the rising Brunel Contract Costs when compared to the Fund's local costs, Gregory Ley, Pension Fund Investment Manager advised that these costs had been reviewed by Officers as part of the Financial Sub-Group with Brunel, and felt to be appropriate increases, but would have also been caused by system upgrades. Officers were requested to check if these increases were in line with other Pools, to determine where Brunel were placed. **(ACTION)**

In response to queries raised regarding the level of increase for 2025/26 External and Internal Audit Fees, Gregory Ley advised that there had not been an internal audit carried out in 2024/25, but this has been confirmed for 2025/26, and external audit fees had been agreed by the public body, Public Sector Audit Appointments.

The Committee were RESOLVED to:

i) Note the progress made against the service priorities for 2024/25; and

ii) Approve the Business Plan, Budget, Training Plan and Cash Management Strategy for 2025/26

8/25 RISK REGISTER REPORT

(Agenda No. 8)

Mukhtar Master, Governance and Communications Manager presented the report of the Executive Director for Resources and Section 151 Officer which presented the latest position on the Fund's risk register, including any new risks identified since the report to the last meeting. He advised that following a holistic review of the register, no new or emerging risks were identified, however he wished to advise the Committee that a number of initiatives currently taking place within the Council that could potential present risks but cannot be taken into account until they are progressed.

He provided further context to Risk 12: insufficient resources from Committee to deliver responsibilities, which had increased from a green rating to an amber rating due to increased workload as a result of the OCC Transformation project that is underway which would lead to a likely increase in pension estimates, increasing the workload for the fund.

In response to a question from the Local Pension Board regarding Risk 15: insufficient skills and knowledge amongst officers, Mark Smith, Head of Pensions advised that all options for supporting retention and recruitment of staff would be explored as part of the Workforce Strategy, that would include agile working options and benefits as it was recognised that the Council was unable to match the higher salaries paid by the private sector.

In response to a question from the Committee regarding Risk 24: impact of a potential turnover of Pension Fund Committee members as a result of the election, it was agreed by the Committee that the Training Plan would be presented to the June meeting as an information item only, with no changes being made to the agreed policy, and Mark Smith updated the Committee on the proposed training scheduled as part of the new and existing Councillor Induction Programme. It was also agreed that the date of May 2025 be removed from the risk, as it should relate to any change to the Committee, and not just the election scheduled for May 2025, and this was confirmed as carried out by Mukhtar Master.

The Committee also raised concerns of the rating of Risk 19: failure of pooled vehicle to meet local objectives, and whether this should be increased due to failure of Brunel to meet benchmarking objectives and whether this should be raised to amber to ensure it is highlighted as a potential issue for future Committee members to consider.

In response to concerns raised regarding the impact of staffing changes within Employers of the Scheme, Mark Smith advised that any significant impact of staffing changes to the Fund could be included within the reports to the Committee.

The Committee requested that Officers write to the relevant Minister to highlight their concerns of any changes to government initiatives that would impact the number of staff in Academies and Higher Education establishments able to join the LGPS, for example the creation of subsidiaries. **(ACTION)**

The Committee were RESOLVED to note the latest risk register and accept that the risk register covered all key risks to the achievement of their statutory responsibilities, and that the mitigation plans, where required, were appropriate.

9/25 GOVERNANCE AND COMMUNICATIONS REPORT INCLUDING CYBER SECURITY REVIEW

(Agenda No. 9)

Mukhtar Master, Governance and Communications Manager presented the report of the Executive Director for Resources and Section 151 Officer which covered the key governance and communication issues for the Fund, including a report on any breaches of regulation in the last quarter. The report also covered the recent Cyber Security review undertaken by the Fund.

He provided an update on the progress made regarding the General Code of Practice, which was coming to an end, and advised the Committee that these would be completed by the end of the financial year, and an independent compliance review would be carried out by Hymans Robertson against all 51 modules.

He also advised the Committee of the first annual review of Cyber Security undertaken by all fund staff, with mock phishing exercises run by OCC IT and quarterly update meetings to ensure that the fund are regularly briefed and updated on all the latest developments within the specialist area. He also advised of a decrease in breaches for the period October to December 2024 and provided additional context to the data breaches that had occurred in that quarter. It was noted that none of the breaches were materially significant and as such were not reported to either The Pensions Regulator or the Information Commissioner.

In response to a query from the Committee regarding the number of repeat contribution and data breaches recorded, which was not shown in the report. Vicki Green, Pension Services Manager advised that these had been identified as smaller employers and the Fund was working with those to rectify those issues and was covered in more detail in the Administration Report. She advised that these contribution breaches would be escalated, because although they were very small employers which only related to 12 members, it was highlighted as a concern.

In response to query regarding the use of OCC IT to review the Fund's cyber security processes, it was noted that the use of an external reviewer would be more beneficial and would explore whether OCC use an external provider when reviewing all cyber security processes within the Council, and would it be picked up under that.

The Committee RESOLVED to:

- i) Note the Fund's update on the Pension Regulator's General Code of Practice.**

- ii) **Note the Fund's annual review of Cyber Security.**
- iii) **Note the latest quarter's breaches for the fund.**
- iv) **Note the communications update.**

10/25 ADMINISTRATION REPORT

(Agenda No. 10)

Vicki Green, Pension Services Manager presented the report of the Executive Director for Resources and Section 151 Officer which updated the Committee on the key administration issues including service performance measurement, the debt recovery process and any write offs agreed in the last quarter. She provided additional information regarding the increase in new cases of benefit administration work which was usual for this time of year due to new starters.

She also advised that 3.5% of employer monthly returns had not been vetted, however the workload had been distributed across the remaining team to be completed. It was also noted that there had been improvements to quality of checks, training and the monitoring of workload and performance to mitigate these issues going forward.

The Committee requested that subsequent reports show comparisons to the previous quarters to identify changes to any of the statistics presented in the report. **(ACTION)**

The Committee raised concerns that the team were carrying 2 Senior Administrator vacancies and 3 Administrator vacancies, and noted that this be flagged for review when moving into the new Committee following the May elections.

The Committee were RESOLVED to note the decision made on the Fire Remedy project by the delegated Manager on behalf of the Pension Fund Committee.

11/25 REPORT OF THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 11)

John Arthur, Independent Financial Advisor presented the report which provided an overview of the financial markets, the overall performance of the Fund's investments against the Investment Strategy Statement and commentary on any issues related to the specific investment portfolios. The report included the quarterly investment performance monitoring report from Brunel.

He commented on the effect on the market environment on the newly elected US President, which led to the strong US equity market performance and strong performance of US technology stocks, particularly those focused on AI. He highlighted that over the long term the Fund continues to meet its requirements, despite it underperforming as a benchmark, being above the Fund's actuarial discount rate assumption for future investment returns, which would have helped improve the funding ratio between the triennial actuarial revaluations.

He provided additional context on Q4, and the impact of the Tesla share price and noted that if this was a fair reflection of the benefit of a close relationship to the US

president, then the rules of capitalism had changed and the role and reach of the US Government is vastly different from what we have experienced in the past.

In response to a question from the Committee regarding the decision to invest passively when compared with active management and their cheaper investment management costs, he advised that over the past 10 years passive managers had performed better, however due to the concentration, it would be a time to stick with active equity managers.

In response to a question from the Committee, John Arthur advised the use of Pimco as an external asset manager for a shorter duration bond portfolio, which would not require a full procurement process. Fund Officers agreed to provide Committee an update between meetings on options regarding rebalancing the overweight equities, noting Fund Officers had the delegated authority to rebalance the portfolios when appropriate (**ACTION**).

The Committee thanked the Independent Financial Advisor for his comprehensive report.

12/25 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT (Agenda No. 12)

Josh Brewer, Responsible Investment Officer presented the report which provided the Committee with an opportunity to raise any concerns concerning Corporate Governance and Responsible Investment which needed to be brought to the attention of the Committee. He highlighted that Brunel had provided a high-level report which identified the top 10 greenhouse gas emitters in the Fund's portfolio, and whilst the report only provided a snapshot, however due to the sensitive information within this report, could only be shared in a closed session of the Committee. It was agreed that this information could be shared by Brunel at a closed session of the Pension Fund Working Group.

He highlighted the link to the Local Authority Pension Fund Forum (LAPFF) quarterly engagement report and spoke to the table that outlined which companies from the LAPFF engagements held within the Oxfordshire equity portfolios and the engagement carried out by Brunel over the last 12 months.

In response to a query as to why there continued to be engagement with these companies, Josh Brewer agreed that there should be an evaluation of the engagement approach, and an Alignment Policy was being developed for 2025 to ensure that companies are on a realistic pathway to net zero.

In response to a query on private markets, the approach taken for climate change presents both a risk and opportunity and are reviewed differently when reviewing the markets within the Fund.

The Committee noted the report.

PF3

..... in the Chair

Date of signing