

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 6 September 2024 commencing at 10.15 am and finishing at 12.45 pm

Present:

Voting Members: Councillor Donna Ford – in the Chair

Councillor Imade Edosomwan
Councillor Nick Field-Johnson
Councillor John Howson
Councillor Peter Stevens

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

By Invitation: John Arthur, Independent Financial Advisor

Local Pension Board Members Alistair Bastian
Angela Priestley-Gibbins

Officers: Lorna Baxter (Executive Director for Resources and Section 151 Officer), Mark Smith (Pension Service Manager), Vicki Green (Pension Services Administration Manager), Mukhtar Master (Governance & Communications Manager), Greg 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. 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.

104/24 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies were received from Councillors Middleton and O'Connor, and Liz Hayden, Local Pension Board member.

105/24 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

There were none received.

Following questions from the Committee regarding temporary appointments and the training requirements of any Substitute Member attending the Committee, the Committee were advised that this would be discussed in more detail under Agenda Item 9: Governance and Communications Report.

106/24 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 3)

There were none received for this meeting.

107/24 MINUTES OF THE PENSION FUND COMMITTEE

(Agenda No. 4)

The minutes of the meeting held on 7 June 2024 were agreed as a correct record of the meeting, subject to the following amendments:

Item 81/24: Councillor Howson requested a drawing of lots to decide the Chair following the tied vote and objected to the adjournment.

Item 81/24 Cllr Johnston also announced his resignation from the Committee as he was leaving.

108/24 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 5 July 2024.

109/24 REPORT OF THE LOCAL PENSION BOARD

(Agenda No. 6)

Alistair Bastin, Local Pension Board Scheme Representative 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 had reviewed the following standard reports: Annual Business Plan, Governance and Communications Report, Administration Report and Risk Register. The Board also reviewed the Governance and Communications Policy Reviews and Fund Cashflows and 2025 Triennial Valuation reports. He highlighted that the Board would continue to advertise the vacancy for an Employer Representative on the Board, and as part of the discussions on the Risk Register Report, the matter of insufficient resource and/or data (risk 21) was raised and noted that it would be likely the risk rating would increase in this area. The Board had also requested that further information be provided to aid understanding on the rationale of management fees, specifically active versus passive, as a way of way of making savings.

In response to the query raised above regarding the rationale of management fees, Greg Ley, Pension Fund Investment Manager, advised that as the fees were determined by pooled vehicles, they were not subject to management fees from a cashflow perspective. However, it was noted that you would pay lower fees for

passive investments, and this split between the two would be demonstrated in the Committee's next asset review.

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

110/24 REVIEW OF THE ANNUAL BUSINESS PLAN 2024/25

(Agenda No. 7)

Mark Smith, Pension Services Manager presented the report of the Executive Director of Resources and Section 151 Officer which set out the latest progress against the key service priorities set in the business plan for the Pension Fund for 2024/25 scheme year. He outlined the three key service objectives and provided an update on the latest position on each against their assessment criteria for each measure of success.

In response to a query from the Committee regarding the Amber rating of the measure of success: Increase in average scores for the National Knowledge Assessment, Mark Smith advised that this could be reviewed following further discussions but noted that as it stood at the current time, the two new members of the Committee had engaged well and made progress towards completing their mandatory training.

In response to a question relating to the data cleanse included as part of end of year work, under Increased Common Data and Scheme Specific Data Quality scores, Mark Smith advised that this mainly related to the smaller employer scheme members, however more information was available in the Administration Report at Item 12.

Following a question raised regarding the level of training that should be mandatory for not just Committee Members, but also Substitute Members that could sit on the Committee, Mukhtar Master, Governance and Communications Manager, advised that this would be addressed under Item 9: Governance and Communications Report.

The Committee were RESOLVED to:

- a) review progress against each of the key service priorities as set out in the report; and**
- b) agree any further actions to be taken to address those areas not currently on target to deliver the required objectives.**

111/24 RISK REGISTER REPORT

(Agenda No. 8)

Mukhtar Master, Governance and Communications Manager presented the report of the Executive Director of Resources and Section 151 Officer which set out the current risk scores in terms of impact and likelihood, and a target level of risk and a mitigation action plan to address those risks not currently at their target score. The risk register was attached at Appendix 1. He advised that there were no red risks and no new emerging risks to report to the Committee, however highlighted the new National Wealth Fund that would invest in industries of the future which could impact on Risk

18: Failure to Meet Government Requirements on Pooling or could require a separate risk altogether.

Following a question regarding if the Committee wished to make changes to its training policy, Lorna Baxter, Executive Director of Resources and Section 151 Officer advised that this would be a decision taken by this Committee to be ratified at Full Council. Mukhtar Master advised that for training requirements for Committee members, there was a requirement under the Constitution and Terms of Reference for the Committee for Substitute Members to have received training in line with the Training Policy. The Training Policy stated that all Members of the Committee should complete training as follows:

a. attend:

- In their 1st year – an induction section on the Oxfordshire Pension Funds Policies, and either
 - The 3-day LGA Fundamentals Course or
 - The 5 Core and 4 DB on-line modules of the Pension Regulators Trustee Toolkit.
- In each subsequent year – all pre-Committee training, and a minimum of 2 days additional training.

He further advised that it was beneficial for new Members of the Committee to join the Committee as soon as possible and complete training within a specified time period, rather than hold off membership and risk lack of quorum. However, he did point out an anomaly, in that Substitute Members to the Committee were expected to complete training prior to sitting on the Committee as a Substitute, whereas Members of the Committee were allowed one year to complete this training.

Members of the Committee and the Local Pension Board discussed the implications of both Committee members joining the Committee with and without the training, and whether the time period of one year should be shortened to better fulfil the requirements of requisite knowledge that was required for this Committee.

Lorna Baxter advised that she understood that there was an inconsistency between the training requirements of the Committee Members and any named Substitutes and suggested that Induction training could be completed by all Members prior to attendance at a committee meeting, and then allow some time to complete the remaining mandatory training. She also highlighted the possibility of a whole new Committee following the May 2025 elections and advised that Induction training would be part of a package supplied to all new and existing Members. It was suggested that this scenario be added as a risk to the Risk Register, as a separate risk, of which was agreed by the Committee for the next meeting. **(ACTION)**

The Chair of the Committee agreed the approach for all members joining the Committee to have completed Induction Training, and then to complete the mandatory training modules within a specified time period, and that this would apply to Substitutes as well as Committee Members.

In response to comments raised regarding Risks 18: Failure to Meet Government Requirements and Pooling and 19: Failure of Pooled Vehicle to meet local

objectives, Mark Smith advised the Committee that they were working closely with other pooling partners and Brunel to ensure they were kept informed of any government programmes or consultations for developing the pool.

The Committee 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, and to add an additional risk which covered the risks involved in a new membership of the Committee following the May 2025 elections of the Council.

112/24 GOVERNANCE AND COMMUNICATIONS REPORT

(Agenda No. 9)

Mukhtar Master, Governance and Communications Manager presented the report of the Executive Director of Resources and Section 151 Officer which covered the key governance and communications issues for the Fund, including a report on any breaches of regulation in the last quarter. He highlighted the General Code of Practice Action Plan 2024/25 shown in Appendix 1, which had been reprioritised to ensure that modules were reviewed based on the following criteria: (1) Regulatory requirements; (2) TPR expectations; and (3) best practice. It was hoped that all modules would be completed by March 2025. He also advised the Committee on the LGPS National Knowledge Assessment 2024 which would assess all the knowledge and skills of the Committee and Board members, and also following on from a request made at the last Committee meeting, Appendix 2 provided a list of all training that had been undertaken by Committee and Board members.

Following discussion regarding the gaps in training identified in Appendix 2, and taking into account Lorna Baxter's advice during the previous agenda item regarding the process of changing the Training Policy, the Committee requested the following be a recommendation to modify the Training Policy as follows:

- Amended to state that all Members and Substitutes of the Committee complete Induction Training prior to being eligible to attend Committee meetings.
- The LGA Fundamentals or TPR Toolkit training be completed by 31 December in the year that any Member or Substitute join the Committee.
- Induction training and any pre-committee training be offered to all Councillors.

The Committee also requested that the implications of non-attendance of Pension Fund Committee training and eligibility to sit on the Committee be conferred to Group Leaders.

The Committee were resolved to:

- i) Note the Fund's update on the Pension Regulator's General Code of Practice.**
- ii) Note the Knowledge & Skills update.**
- iii) Review and note the latest quarter's breaches for the fund.**
- iv) Note the communications update.**

113/24 GOVERNANCE AND COMMUNICATION POLICY REVIEWS

(Agenda No. 10)

Mukhtar Master, Governance and Communications Manager presented the report of the Executive Director of Resources and Section 151 Officer which presented the following: Firefighters' Pension Scheme policy documents which included Fire Pension Board Terms of Reference, Administration Strategy and the Conflict of Interest Policy; and the Oxfordshire Pension Fund Conflict of Interest Policy which were all included within the Appendices attached to the report.

Following a comment from the Committee that only generic emails should be used so that contact details move with the role, rather than a person, **the Committee were RESOLVED to approve the following:**

i) Firefighters' Pension Scheme policy documents:

- (1) Fire Pension Board Terms of Reference**
- (2) Administration Strategy**
- (3) Conflict of Interest Policy**

ii) Oxfordshire Pension Fund:

- (1) Conflict of Interest Policy**

114/24 ANNUAL REPORT AND ACCOUNTS INCLUDING TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT

(Agenda No. 11)

Greg Ley, Pension Fund Investment Manager presented the draft Annual Report and Accounts for the Pension Fund, which included the latest TCFD report, and progress against the targets set out in the Fund's Climate Change Policy. He highlighted the asset allocation tables presented on page 133, the first of which provided information on the amount of asset values at 31 March 2024 which was pooled and not-pooled. The second table showed the Pension Funds' investments in the UK using the guidance from Preparing the Pension Fund Annual Report Guidance for Local Government Pension Scheme Funds for April 2024. He also highlighted the TCFD report which provided detail of the Fund's exposure to fossil fuel reserves and whilst there was not a target on that measure, there was a 60% reduction in 2023, and a 83% reduction since measuring began in 2019.

In response to a question regarding how robust those reductions in fossil fuel reserves were, Greg Ley advised that the report provided information on the weaknesses of monitoring single measures and climate change metrics were utilised to provide a more complete picture.

The Committee expressed concerns regarding the Investment Benchmark and Performance information provided within the Accounts which showed the Council had failed to meet the benchmark and a significant amount of that under the one-year period was within the Brunel part of the funding and that there was a risk that this would impact on the three-year rolling average.

In response to a question regarding the difference in budgeted management fees compared to the actual fees included within the report, Greg Ley advised that this was due to how the funds were measured, which now included additional costs that had been previously allocated elsewhere. However, even with those changes stripped out, there was still a significant difference to the budgeted figures and the

Committee were advised that it was very difficult to budget for management fees, but this could be reviewed as part of the asset allocation review due to take place later in the year. Greg Ley agreed to supply the Committee with a breakdown of the management fees. **(ACTION)**

The Committee noted the report.

115/24 ADMINISTRATION REPORT

(Agenda No. 12)

Vicki Green, Pension Services Manager presented the report of the Executive Director of Resources and Section 151 Officer which updated the Committee on the key administrative issues including service performance measurement, the debt recovery process and any write offs agreed in the last quarter. She provided an update on the current level of staffing and recruitment to those posts that were vacant, and also an update on the numbers presented for the performance statistics in the report.

In response to a question regarding the write off of a historical outstanding overpayment that had resulted from a scheme member's death which had not been notified to the Council, Vicki Green advised that this had been identified during a National Fraud Initiative report and that further initiatives were planned to enable the Council to investigate these cases more fully. She advised that this was a historical case, and better procedures to streamline processes were being developed to ensure similar cases do not occur.

Vicki Green advised that a review of historic death cases where there was outstanding information needed to complete the files would be brought to the December Committee meeting.

The Committee RESOLVED to ~~consider~~ agree the write-off of a historical outstanding overpayment resulting from the death of scheme members.

116/24 REPORT OF THE INDEPENDENT INVESTMENT ADVISOR

(Agenda No. 13)

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

He further highlighted the Fund had risen since almost pre-Covid levels, however it was behind in benchmarking mainly due to Brunel's selection of managers in the Global Equity portfolios. He advised that whilst it seemed that inflation was now under control, the sensitivity around the changes in long-term trends for inflation meant that spikes in inflation could still materialise in the short term and it was not expected that inflation would fall as quickly as reported. He advised the Committee consider the level of equity weighting back to the benchmark in their asset allocation

and reinvest in shorter dated UK corporate investment grade bonds, however advised that this product was not offered by Brunel and would require outside investment.

Mark Smith, Pension Service Manager advised the Committee that Brunel would attend the December Committee meeting to answer questions from the Committee.

In response to a request for additional performance data of asset allocation to Table 2 of the report, John Arthur advised the assumption was that the Committee were supplied with the Custodian's and Brunel's performance reports and had therefore not supplied this within his report but would do so in future reports.

Following discussion by the Committee, it was agreed that Officers would review workable options on affordable housing, and these would be presented to the next Committee meeting. It was also agreed that when reviewing the mix of active and passive investments, Officers also review the blends of those investments between high technology investments and those with lower carbon impacts. **(ACTION)**

The Committee thanked the Independent Advisor for his report.

117/24 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 14)

Greg Ley, Pension Fund Investment Manager presented the Local Authority Pension Fund Forum Quarterly Engagement Report for April – June 2024, which provided the opportunity to raise any issues concerning Corporate Governance and Responsible Investment to be brought to the attention of the Committee.

Following a question regarding the progress made by list of companies provided in the report, Greg Ley advised that whilst there was good progress made across the board, there were still some companies engaging more than others. It was agreed that any companies of concern would be flagged in a report to the Committee. **(ACTION)**

In response to a query raised by the Committee regarding the agreement to move investments from the FTSE 100 Index to the FTSE 250 Index, John Arthur, Independent Financial Advisor advised that following conversations with Brunel, the mandate had been agreed and the appointment of managers would take place before the year end with transition in the next financial year.

The Committee noted the report.

Lorna Baxter left the meeting and did not return.

118/24 RESPONSIBLE INVESTMENT POLICY - MONITORING AND REPORTING

(Agenda No. 15)

Josh Brewer, Responsible Investment Officer presented an update on the Responsible Investment Policy and advised of the changes to the recommendations on the paragraphs noted in recommendation (b).

He advised that at the June 2024 Pension Fund Committee, the Committee resolved to agree the final version of the Responsible Investment Policy, and to agree a set of metrics and targets to measure progress, and these were provided in Annex 1. He advised of the potential issues to be aware of when setting targets, and this was supported by the Independent Financial Advisor who advised the Committee to focus on the direction of travel rather than rely on figures that were subject to movement.

The Committee were RESOLVED to:

- a) **agree the proposed set of Responsible Investment metrics and targets included at Annex 1; and**
- b) **agree the inclusion of the wording in paragraphs ~~20 and 21~~ S and T in the Fund’s Responsible Investment Policy regarding the exclusion of tobacco holdings.**

119/24 EXEMPT ITEMS

(Agenda No. 16)

The Committee RESOLVED that the public be excluded for the duration of Item 17 in the Agenda since it was likely that if they were present during those items there would be disclosure of exempt information as defined in Part 1 of Schedule 12A of Page 10 the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it was considered that, in all circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing that information.

120/24 CESSATION OF A SCHEME EMPLOYER

(Agenda No. 17)

The Committee received a verbal update from the Pension Services Manager regarding the report published at the previous Pension Fund Committee meeting held on 7 June 2024.

The Committee discussed the item in private session.

..... in the Chair

Date of signing