

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