PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 11 September 2020 commencing at 10.00 am and finishing at 12.38 pm.

Present:

Voting Members:	Councillor Kevin Bulmer – in the Chair Councillor Nicholas Field-Johnson (Deputy Chairman) Councillor Mark Lygo Councillor Charles Mathew Councillor John Sanders Councillor Roz Smith Councillor Alan Thompson
Other Members in Attendance:	Councillor Bob Johnston and Mr Alistair Bastin, Local Pension Board.)
District Council Representatives:	District Councillor Alaa Al-Yousuf District Councillor Jo Robb
By Invitation:	Mr Steve Moran (Beneficiaries Observer) and Mr Peter Davies, Independent Financial Advisor.
Officers:	Director of Finance, Lorna Baxter, Sean Collins, Sally Fox and Gregory Ley; Deborah Miller (Law & 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 and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda, reports and schedule, copies of which are attached to the signed Minutes.

106/20 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS
(Agenda No. 1)

Apologies for absence were received from Councillor Ian Corkin and Councillor Lawrie Stratford.

107/20 MINUTES
(Agenda No. 3)

The Minutes of the Meeting held on 5 June 2020 were approved and signed as an accurate record, subject to amending ‘Johnson’ with ‘Johnston’ and ‘Alister’ with ‘Alistair’ in the list of attendance.

Matters Arising

In relation to Minute 105/20, Councillor Field-Johnson thanked Mr Collins for his report, noting that the report focused on year 1 and 2 and that he had hoped to see a report of the liabilities of the Fund for the next 5 and 10 years, together with some sensitivity analysis. Mr Collins agreed to bring a short report to the December Meeting once the biggest employers had been through a budget cycle to see if there was a significant fall in membership numbers and to look at what the base lines were and at what level action would need to taken.

108/20 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

The Committee received a public address from Mr Karl Wallendszus on behalf of Fossil Free Oxfordshire (FFO). He thanked the committee for involving them in the workshop on climate risk at the end of last year and the working group that followed. They welcomed the shift on climate policy that had occurred since then. Sean Collins had described FFO as “critical friends” so in that spirit he highlighted some issues that were still of concern to them.

He welcomed the overall target to reduce emissions by 7.6 % p.a. for the companies the Pension Fund invests in. Emission reductions should however go hand in hand with reducing investments in companies which hold fossil fuel reserves. Providing unlimited capital to fossil fuel companies, whilst urging other companies to reduce emissions, did not make sense. Therefore, he urged the Committee to adopt targets to reduce exposure to fossil fuel investments.

FFO were hoping that the transfer of £135m from the Passive UK Equity portfolio to the Passive Low Carbon portfolio, as recommended by the independent financial adviser in March, would be an initial step. However, they noticed that only £120m was transferred in May, of which only £24m originated from the Passive UK Equity portfolio, the other £96m being transferred from the Passive Global Equity portfolio, which already had a low exposure to fossil fuels. As a result, the overall exposure to fossil fuels was still high, much higher than some other pension funds in the Brunel pool, such as the Environment Agency and Wiltshire.

Over the last three months Brunel had significantly reduced the fossil fuel exposure of the Passive Global Equity portfolio, which FFO applauded. He asked the Committee to urge Brunel, perhaps in collaboration with other member pension funds, to reduce exposure to fossil fuels in their other portfolios as well, in particular the UK Equity portfolios. In their latest quarterly statement, Brunel had admitted that the poor performance of the Passive and Active UK Equity funds was a result of overexposure and poor performance of fossil fuel companies. That underperformance had been evident for a number of years. According to their calculations, the fossil fuel component of the Brunel portfolios lost £46m in the first four months of 2020, much higher than other sectors. So stranded assets were now a reality. The Pension Fund had a fiduciary duty to maximise returns, and excessive exposure to fossil fuel companies hindered that duty. He urged the Committee not to be complacent.

109/20 MINUTES OF THE LOCAL PENSION BOARD

(Agenda No. 5)

The unconfirmed Minutes of the Local Pension Board which met on 17 July 2020 were noted.

110/20 REPORT OF THE LOCAL PENSION BOARD
(Agenda No. 6)

The Committee had before it the latest report by the Independent Chairman of the Local Pension Board. Councillor Bob Johnston, Local Pension Board Member, spoke to the report on the board's behalf, which invited the Committee to respond to the key issues contained within it.

Councillor Johnston highlighted the issues set out in the report, including the agreement that the risk register should go to all future meetings of the Board and that in future, the Board wished to receive the unconfirmed minutes of the Committee.

The Committee, whilst agreeing to the idea of the Local Pension Board receiving the minutes, expressed some reservation around the Local Pension Board receiving the unconfirmed minutes of the Committee prior to the Committee seeing and agreeing them. They asked the Committee Officer to investigate the issue.

RESOLVED: to note the comments of the Board and agree that they were happy to have their draft minutes made available to the Board in advance of the them being agreed by the next meeting of the Committee itself, subject to the Committee officer checking the requirements surrounding draft minutes.

111/20 REVIEW OF THE ANNUAL BUSINESS PLAN 2020/21
(Agenda No. 7)

The Committee had before it a report (PF7) which reviewed progress against the key objectives and budget set out in the 2020/21 Business Plan. Full reports on the objectives in respect of implementing the Climate Change Policy and improving the Governance of the Fund were included later on in the agenda.

Mr Collins reported that in terms of Brunel the report updated the current position and confirmed the fact that Brunel had restarted the transitions and that they were due to transition the monies from UBS portfolio to the Brunel portfolio at the end of the month. The report also looked at further improved engagement with scheme members.

RESOLVED: to note the progress against the key service priorities and the budget as set out in their annual business plan for 2020/21.

112/20 CLIMATE CHANGE POLICY IMPLEMENTATION PLAN UPDATE
(Agenda No. 8)

At the June 2020 meeting, the Pension Fund Committee agreed a Climate Change Policy Implementation Plan that set out how the fund will look to deliver against its Climate Change Policy. The Committee had before it a report (PF8) which was the first update on delivery against the implementation plan and will form a standing item on Pension Fund Committee agendas.

Mr Ley introduced the report and in particular highlighted the actions taken in the last quarter outlined in paragraphs 9 and 10 of the report. Brunel were currently working with The Institutional Investors Group on Climate Change on the development of their Paris Aligned Investment Initiative. This piece of work aimed to explore how investors could align their portfolios with the goals of the Paris Agreement including methods for assessing alignment. Brunel were participating in testing the outputs of the work using data from their portfolios. It was hoped that the work would lead to the ability to assess alignment with the Paris Agreement across the Brunel portfolios.

Officers had investigated the various investor groups focusing on climate change that the Fund could join. At this stage it was recommended that the Pension Fund join the Climate Action 100+ initiative and The Institutional Investors Group on Climate Change. Both of these bodies were well established with clear goals that aligned with those of the Pension Fund and benefited from the support of a wide investor base.

Members were asked to note that Faith Ward, the Chief Responsible Investment Officer at Brunel was scheduled to attend the December 2020 meeting of this Committee when all the above issues could be discussed in more depth. The Chairman asked the Committee to submit any questions they might have for the Chief Responsible Investment Officer to Sean prior to the Committee Meeting, so that she could armed with the answers to the questioned.

Councillor Roz Smith questioned whether Mr Ley had any comment from the statement from Hymans Robertson from the training in the morning around setting a target on Reserves. Mr Ley commented that he was happy to look at reserves. Brunel provided data around the Funds exposure to reserves on fossil fuel companies so it would be possible to set a target. He undertook to provide a report on this area in the next update to the Committee.

RESOLVED: to:

(a) note the report;
(b) endorse the Fund applying to join the Climate Action 100+ initiative and The Institutional Investors Group on Climate Change.

113/20 GOVERNANCE REVIEW

(Agenda No. 9)

The Committee had before it the Governance Review (PF9), which responded to the service priority included within the Business Plan for 2020/21 to review the governance of the Fund in light of the increased focus on this issue from the Pension Regulator and the Scheme Advisory Board. The main report which had been produced by Hymans Robertson also included the findings from the recent National Knowledge Assessment and proposed a further review of governance arrangements and a detailed training plan to address the weaknesses identified within the results of the Assessment.

According, Mr Ian Colvin, Hymans Robertson had been invited to the Committee to speak to his Report. Mr Colvin, in introducing the report highlighted the actions going forward to undertake a review of the funds governance arrangements in view of the changing pace of the LGPS and the requirements put on LGPS Funds, to look at the Funds policies and processes and to speak to key officers and members, actions and minutes with a view to carrying out an assessment against the regulator's expectations so that they could benchmark and provide recommendations going forward.

The second piece of work would focus on the results of the National Knowledge Assessment, to adopt a training plan based on what the National Knowledge assessment had told them, together with issues that individuals had raised as areas on which they needed further training on which would flexible to deal with any changes.

Councillor Charles Mathew questioned what the cost of fees would be. Mr Collins said he had a figure (which was not substantial) and would agreeing fees with Hymans Robertson prior to going ahead but emphasised that if this work was not carried out, it could cause potential problems with the pension regulator in the future.

Councillor Roz Smith questioned whether the training be coming out of a training budget for the County Council and indicated that her preference for training would be online and face to face training. The Chairman reported that Pension Fund Budget was separate from the County Council and would be coming from that. Councillor Lygo stated that he would wish to also see a sounding board developed.

RESOLVED: to (subject to Sean Collins agreeing the fees)

(a) note the update provided by Hymans Robertson at Annex 1 and, the results of Oxfordshire's participation in the National Knowledge Assessment;
(b) agree to ask Hymans Robertson to undertake the proposed governance review, and to ask Officers to finalise the details of the review with Hymans Robertson including the fee payable; and
(c) agree the proposed training programme and ask Officers to continue to work with Hymans Robertson to develop appropriate options for each of the subjects to be covered. Members are asked to provide any preferences for on-line, face-to-face or written training delivery.

114/20 RISK REGISTER

(Agenda No. 10)

The Committee had before it a report (PF10) which updated the Members on the Fund's Risk Register, setting out the position on risks reported to the last meeting and adding in new risks identified in the intervening period.

Mr Collins reported that since the risk register was last updated in March, there had been a number of significant events, including the Covid-19 pandemic, the publication of the consultation on changes to the LGPS Regulations as a consequence of the McCloud case, and the revision of the Committee's Investment Strategy Statement including the new Climate Change Policy. The risk register had been reviewed in light of those events. One risk had been lowered, risk 2, and two increased. There were now 4 risks which required regular review, and these were set out in the report. He further reported that they had taken on the point from Local Pension Board to report the risks in future to every Board meeting.

One of the four risks scored Amber was the new risk 20 from the March register which covered the implications of the proposed new Regulations seeking to remedy the Court decisions in the age discrimination cases brought by McCloud and Sargeant. It was now known that the proposals involved bringing a wider group of scheme members within the current protection arrangements, initially only offered to those with 10 years of retirement.

The proposed changes would involve the Administering Authority having to complete 2 calculations for each scheme member to determine whether they were better off under the new 2014 CARE arrangements, or the previous final salary arrangements. The additional calculation to determine a member's pension entitlement under the previous final salary arrangements would require data not routinely maintained on the pension's software since the scheme changes in 2014. Whilst Oxfordshire has continued to collect this data from scheme employers since 2014, it had not been fully validated or loaded to the pension record. The data had not been provided where members had transferred into the Oxfordshire Fund since 2014.

There was therefore a significant risk that for certain scheme members, the Fund would not hold the data required to carry out the final salary pension entitlement, and/or would not be able to obtain/validate it from the scheme employer who could be outside the Oxfordshire Fund, had ceased to exist, no longer be a member of the Oxfordshire Fund, or changed their payroll provider since 2014. It was also likely that in some cases the information would need to be obtained/validated from multiple employers. There would a significant risk therefore that the required calculations will not be possible in all cases.

The second element of this risk related to the increased administrative effort required from both the scheme employers and the Administering Authority in order to meet the increased requirements. Even where it might possible to obtain the necessary data, there could be insufficient resources to complete the task. As this was a task that will impact across the whole of the LGPS, it was unlikely that there would be sufficient agency resource to fill all the gaps.

They were currently working with the Fund Actuary to identify the members who would be in scope for the extended protection, and to set up a project to load and validate the data they had already received, and to work with scheme employers and other Funds to collect the outstanding data. The Project Team would also review the resources necessary to undertake the work required and would determine whether to seek to make temporary appointments to the internal teams or seek to outsource the additional work to a 3rd party.

Another key aspect of the project would be to work with the Scheme Advisory Board on producing clear guidelines on how to calculate benefits in those cases where it was not possible to collect historic data to mitigate the risk of future claims against the Fund.

The Chairman reiterated the concerns made by Mr Collins in terms or resource and felt that there needed to be an industry response to this issue.

In relation the National Knowledge Assessment, the Committee noted that only 18 out of 99 authorities had completed the assessment.

Mr Collins reported that at the Committee briefing, the Chairman had raised a further risk to be added to the Register around the new regulations on the £95,000 exit payment cap and the potential challenges around how they provided information to employees and scheme members. In view of that the Chairman had asked for it to be added to the Risk Register so it could be monitored.

RESOLVED: to note the changes to the risk register and offer any further comments.

115/20 ADMINISTRATION REPORT

(Agenda No. 11)

The Committee considered a report (PF11) which gave an update on the latest position on administration issues and which requested determination on a number of issues as set out in the report, the resolutions for which are set out below.

Mrs Fox reported that at present the team was carrying vacancies for 2 senior administrators; 4.50 administrators and 2 administrative assistants. An additional senior administrator vacancy had been created by the secondment of a member of staff who would be covering the current team leader’s maternity leave which started at the beginning of October. The senior administrator vacancies were not filled internally so those jobs would need to be advertised externally. The administrator posts had been advertised externally with over 200 responses received. Following an arduous selection process 4 candidates had been appointed and would be joining the team shortly.

Both administrative assistant roles were out to advert, and it was hoped that appointments would follow shortly. With such a high level of new recruits, team leaders were now setting out a training plan for our new entrants whilst maintaining the through put of work for the overall team. The employer team would be moving to their new operating structure so that team members would deal with a specific group of scheme employers for all contact with the Fund.

In relation to data, Mrs Fox referring to the addenda, reported that Scheme employers were required to submit both data and contribution payments by 19th of month following payroll. Data returns were currently being made either via MARS or I-connect. Late MARS returns had been recorded for six scheme employers in April and May; 3 scheme employers in June and 2 scheme employers in July. All returns were chased and subsequently received, so no fines had been issued. The data for the I-connect returns was not so clear cut given that employers were moving across to the new system and where payroll changes were taking place returns had been delayed, at our request, whilst member records were moved and data was locked down so that it cannot be overwritten. Where necessary chases for data returns had been made. A new system report would enable better monitoring of the incoming returns.

As identified by the Pension Board’s review of the Pension Regulator’s Code of Practice 14, the performance reporting should include a regular review of the receipt of pension contributions from scheme employers and members. This report had been developed and was provided as an addendum to the report. The address tracing exercise was now underway. A system report was due to be run shortly for review following end of year process, so that overall data quality scores can be checked ahead of the annual submission to The Pension Regulator.

The Chairman asked Mrs Fox to pass on the Committee's thanked for all their efforts on completing end of year.

Complaints remained low and were all around ill health retirement.

Administration to Pay project was due to be completed in December 2018 and had been subject to continual delays. Initial testing raised a number of queries which had to be referred back to our software supplier, the solution, re-testing and further referrals have gone around several cycles which are now coming to conclusion. This would be reported on at the next meeting.

In relation to iconnect, 153 Employers were currently live with 30 employers left. Work was on going to bring on other scheme members. The i-connect project finish date had been delayed due to end of year additional resource required, issues with larger employers and i-connect over writing information if not closed down correctly and issues with address data on file.

Sign up for the Members self-service currently stood at 42.16% (+2.27%) of active members; 28.89% (+1.93%) of deferred members and 39.77% (+2.78%) % of pensioner members. The number of members actively choosing to opt out of member self-service are: active 1.33% (+.05%); deferred 2.71% (-0.02%) and pensioners 35.98% (-.034%). From February 2020 members are able to run online calculations (estimates) of their benefits which, it is hoped, will increase the take up of this service.

Since the introduction of MSS this had been promoted as our main method of communication with scheme members and there had been annual exercises to encourage further take up. Therefore, it was hugely disappointing that having sent out emails to say that annual benefit statements were now available to view that the system has crashed several times during the week of writing this report. This has not just affected the Oxfordshire Fund but other Funds across the country. This matter was being dealt with.

Sally updated the ABS figures provided in the report and stated that 19,770 ABS had been issued for active members representing over 99.5% of active membership.
In relation to self-service, Ms Jo Robb questioned whether there were any plans to access how 'user-friendly' it was and to see whether those that used it liked the interface and were able to get the information they wanted. Mrs Fox responded that the member self-service was part of the pension software package and that they did ask members for feedback, which generally they did not receive. The suppliers did have a system of collecting suggestions and comments which they did respond to.

Mr Collins reported that they had seen a raft of consultations from the Government over the past few months. The first announcement came out on the 16th July regarding the Government's response to the McCloud and Sergeant Court cases, where the Courts ruled against the Government, and declared the transition arrangements established under the major changes to the schemes following the Hutton review breached the age discrimination legislation.

In the first part of the announcement, the Treasury set out its proposed response in respect of the public sector schemes excluding the LGPS where changes had come into effect from 1 April 2015. For this Committee this first announcement is relevant to the Fire Service Pension schemes. The transition arrangements for firefighters were very different from the changes under the LGPS in that those protected scheme members remained in the old scheme, whilst everyone else was moved to the new scheme (some on a phased basis). The proposed remedy was based on providing members with choice between which scheme they wanted to belong to, with a key consultation question in respect of when members make that choice – either immediately of at the time of retirement.

Given the complexity of this consultation document (and the fact that the lead officer within the Pensions Service Team for the Fire schemes also plays a critical role in producing the Annual Benefit Statements for all Fire and LGPS staff), it had not been possible to produce a draft response in time for this Committee. It was therefore proposed to draft a response in conjunction with the Fire Service Pension Board for submission to the Government before the consultation closes on 11 October 2020. This would be circulated to all members of the Committee prior to submitting.

The second part of the announcement on 16 July came from the Ministry for Housing, Communities and Local Government and proposed the changes to the LGPS Regulations to remedy the age discrimination identified in the McCloud/Sergeant cases. In short, the proposal was to define all scheme members who were active members in the 2008 Scheme on 31 March 2012, and who had membership in the 2014 scheme without a disqualifying break in service as eligible for underpin protection. This included all Members who had left the LGPS in the intervening period since 1 April 2014 who met the criteria.

The statutory underpin would apply for all membership for eligible members for the period 1 April 2014 to 31 March 2022 (the date applicable for the initial underpin, as those who qualified had to be within 10 years of their normal retirement date). The membership must be within a single membership record, so any member who had had a break or moved between Funds must elect to aggregate previous membership with their current record. The Government was proposing to give those who previously chosen not to elect to aggregate a further 12-month window in which they could make an election. Where members were eligible for the statutory underpin, they would receive the higher of the pension calculated under the 2008 and 2014 Regulations for their qualifying membership.

The proposals would have a significant impact on staff within Pension Services, and within payroll teams within Scheme Employers. There would be major challenges in ensuring they could retrospectively obtain all the data required to carry out the calculations of the pension benefits under the 2008 Regulations for the period back to 1 April 2014. Whilst they had asked scheme employers to provide this data since 2014, it had not been loaded to the pensions system nor validated, so there now might be data that was missing or inaccurate. It was also the case that they would not have received the relevant data in from other Funds where a member has transferred to the Oxfordshire Fund since 1 April 2014.

These points and others (particularly in respect of the potential issues associated with the annual allowance charge had been included in the draft consultation response included at Annex 2 to the report. Members were asked to provide any comments and to approve the draft (as amended) for submission to the Government by the deadline of 8 October 2020.

At this stage it was not possible to calculate the cost of the proposals as final costs would depend on the future service records of all eligible members and the pay awards they received before their normal retirement date. For older members and those who leave the LGPS in the near future, it was unlikely the cost would be significant as the 2014 Scheme on which current Valuations were based was likely to provide the higher pension based on a higher accrual rate (1/49th of pensionable pay per annum rather than 1/60th) and pay increases lower than CPI, the factor used to annual revalue the CARE pension. For young scheme members, there was the potential for them to see significant increases in pay over the remaining period of their membership, either through promotion or pay increases, which would lead to higher costs where their pension benefits were higher under the 2008 scheme. In the third part of the announcement though, the Government confirmed that they have un-paused the cost control mechanism, so that they might well see further retrospective proposals for changes in the scheme to increase the costs of the public sector schemes back to the minimum thresholds set under the cost control mechanisms.

On 20th July the Treasury made a statement in respect of the Goodwin court case, where a member of the Teacher’s Pension Scheme brought a case of sex discrimination related to the difference paid to male and female survivors of the death of a female partner. The Government had confirmed their intention to remedy the discrimination and to ensure similar remedies were applied across all public sector schemes. The details of this and the potential costs were not yet known.

On 21 July 2020, the Government published their response to the consultation on introducing an exit payment cap of £95,000 on people leaving the public sector. Despite concerns expressed in the consultation responses, the Government had opted to press ahead with their proposals and had published the draft Regulations. Those Regulations now required approval in both Houses and would come effective 21 days on receipt of this approval. It was understood the Government was seeking to complete the process before the end of 2020.

The draft Regulations confirmed that the early retirement costs met by employers would be included in the costs which were capped. This would have implications for high paid and long serving staff, especially those made redundant soon after their 55th Birthday, where the current LGPS Regulations required them to take an unreduced pension. It was hoped that MHCLG would publish changes to the LGPS Regulations to be enacted alongside the introduction of the Exit Payment Cap to deal with this issue and other concerns, likely to be through giving those made redundant the option of deferring their pension, rather than being forced to take a reduction on their pension. Since the writing of the report, Mrs Collins confirmed that the proposed changes from MHCLG would now affect everyone made redundant after the age of 55. There was also a significant risk of scheme members not understanding the options available to them with up to five options which would need to be costed. Legal advice would need to be sought before any action was taken on this.

The Chairman agreed that legal advice would need to be sought. Mrs Fox reported that she had requested an initial meeting on this matter with the legal team.

Timing of the changes would be critical to the level of additional work on staff within Pension Services, as well as to employers looking to plan financial savings in light of the budget pressures arising from the current pandemic. Of particular concern, would be redundancies agreed before the changes were made, but not actioned until after the Regulations become enacted. Any calls for voluntary redundancies would also need to be clear of the potential impact on pension benefits if the new Regulations are enacted before the redundancy.

Finally, on 26 August 2020, the Government published their response to last year's consultation on increasing flexibilities in respect of employer contributions. The Government response stated strong support for their key proposals, with a subsequent request to fast track their implementation to support dealing with the financial circumstances associated with the Covid-19 pandemic. The Government had therefore agreed to take forward the following proposals and have published the draft Regulations under which they will be enacted:

a. Increase the flexibility for the Administering Authority to request the Actuary to calculate a new employer contribution rate for one of more scheme employers between formal Valuations where there had been a significant change in financial circumstances. The flexibility also applied to the scheme employer, who could also ask for the calculation of a new rate. Further details must be included in the Fund's Funding Strategy Statement
b. Provide a formal power to the Administering Authority to spread an exit payment over an agreed timescale. Many Funds had achieved this through side agreements, so the intention here was to introduce greater transparency and consistency, with the detail again to be set out in the Funding Strategy Statement.
c. Provide the power for the Administering Authority to allow an employer ceasing to retain any active members to continue to pay secondary contributions to offset any past service deficit, rather than be required to meet a single cessation valuation. Again, this was something the Funds including Oxfordshire had previously achieved through side agreements, but the changes including the requirement to set out policy within the Funding Strategy Statement, would improve the transparency and consistency of the arrangements.

Councillor Charles Mathew stressed that the extra work had been caused by the Government providing inaccurate or incomplete legislation and therefore a letter should go to Government seeking compensation for the additional work put on Pension Funds as a result. Mr Collins agreed to add it to the Consultation response. However, he stressed what was needed was skilled administrators to carry out the work. He undertook to ensure that both points were in the response.

Mr Alistair Bastin reported that the initial thoughts from UNISON pensions representatives on the costs of sorting out the McCloud judgement and the extra cost of the underpin, would balance out what had been happening with the cost cap, so eventually it would be cost neutral.

RESOLVED: to:

(a) note this report and thank staff for their hard work and efforts towards end of year;
(b) agree to delegate the preparation of a response on the consultation of changes to the Fire Service Pension Scheme to the Director of Finance following consultation with the Fire Service Pension Board, and
(c) agree the response to the consultation on the extension of the Statutory Underpin in the LPGP as set out in Annex 2, amended as appropriate.

116/20 GMP RECONCILIATION PROJECT

(Agenda No. 12)

The Committee had before it a report (PF12) which provided details of the provisional outcome of the scheme's GMP reconciliation exercise and sought members views on what parameters should be applied to the final run.

ITM Limited had been undertaking this exercise on behalf of the Oxfordshire Pension Fund. Following corrections to HMRC records identified as incorrect, ITM received the final data cut from HMRC in May and had produced a provisional results report for both LGPS and Fire Pension Scheme. Mrs Foxx presented the reports to the Committee and sought agreement to support the decisions required on the way forward. Unfortunately, a number of discrepancies have been identified in the reports, and ITM have been asked to undertake further work to correct these and submit revised reports. The discrepancies were set out in the report circulated to all members of the Committee.

Mrs Fox drew the Committee’s attention to the revised recommendation set out in the Addenda in relation to thresholds. She reported that should the Committee agree to the recommendations today, the changes would be made and then they would give members 3 months grace to get used to any adjustments in their monthly payments.

Councillor Lygo questioned whether the period of 3 months was a legal period. Mrs Fox replied that the 3 months was seen as a reasonable period to alleviate any financial hardships the changes could impose. Mr Collins added that the 3 months also took people to the other side of Christmas.

Councillor Thompson questioned whether there was any yearly or monthly data on how much the over-payments per person were. Mrs Fox reported that they did not yet have that break down in information, only headline figures. More detail would follow shortly.

The Committee **RESOLVED** to confirm:

a) that no trivial threshold amount should be applied to any identified member records;
b) that any underpayments identified should be paid to members as soon as possible on receipt of a final report from ITM, and interest paid in line with LGPS Regulations;
c) there should be no recovery of any historic overpaid pension identified by this exercise, and that members should be given 3 months written notice before any reduction identified by this exercise is applied to their pension in payment.

117/20 ANNUAL REPORT AND ACCOUNTS

(Agenda No. 13)

The Committee had before it the draft Annual Report and Accounts for the Pension Fund (PF13). Mr Ley reported that the Government had pushed back the auditing of the Accounts due to Covid and therefore it had been pushed back to the 30 November. Therefore, officers would be bringing the full report on the Audited accounts to the next meeting of the Committee.

RESOLVED*:* to note the report.

118/20 BUDGET OUTTURN 2019/20

(Agenda No. 14)

The Committee had before it the Budget Outturn 2019/20 report (PF14) which analysed the actual spend by the Oxfordshire County Council Pension Fund during 2019/20 against the budget and highlights the reasons for any material variances.

Mr Ley reported that the overall position was that they were slightly underspent by £270,000.

RESOLVED: to receive the report and note the out-turn position.

119/20 EXEMPT ITEMS

(Agenda No. 15)

The Committee RESOLVED that the public be excluded for the duration of items 16,17 and 18 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 I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it is considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

THE REPORTS RELATING TO THE EXEMPT ITEMS WERRE PUBLIC. ANY EXEMPT INFORMATION WILL BE REPORTED ORALLY.

120/20 OVERVIEW AND OUTLOOK FOR INVESTMENT MARKETS

(Agenda No. 16)

The Committee had before it the report of the Independent Financial Adviser (PF16) which set out an overview of the current and future investment scene and market developments across various regions and sectors. The report itself did not contain exempt information and was available to the public. The Independent Financial Adviser would also report orally, and any information reported orally will be exempt information.

The public should be excluded during this item because its discussion in public would be 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.

Mr Peter Davies, Independent Financial Advisor introduced his report. The equity market rally which began in late March continued at a slowing pace during the quarter, with the result that the All-World Index ended June less than 1% below its end-2019 level. The UK market, however, lagged all other regions, and is well adrift over 1- and 3-year periods. US equities have recouped most of the losses sustained in February and March.

The surge in the Technology sector accounted for much of the gain in the global index, with Health Care and Consumer Services (two of the more resilient sectors in Q1) rebounding strongly. Financials continued to lag the broader market. The recovery in the FTSE 100 was hampered by the weakness in the Oil & Gas and Financials sectors.

Government bond prices rose during the quarter as yields reduced further, while corporate bonds continued their sharp rally as Central Banks stepped in to buy bonds as part of their quantitative easing programmes. The pound was little changed against the dollar and the yen in the quarter, but lost ground against the euro. In July however, sterling rose by 6% against the dollar, reaching $1.31, and also rose 4% on the yen and 1% on the euro.

He further reported that with the coronavirus pandemic having claimed 750,000 lives worldwide and increasing numbers of cases being reported in many regions, it was clear that the direct and indirect effects of the pandemic would dominate the economic outlook for a long while yet. Fiscal and monetary actions had cushioned the impact in the short term, but in time the full effects of the pandemic would become apparent in elevated levels of unemployment, corporate failures and, possibly, social unrest. Against this background it was hard to see equity markets continuing their recent rally, which had taken them close to the peak levels of February. Government bond yields, meanwhile, should maintain their current levels as central banks mop up the increased issuance and hold interest rates down.

Councillor Field-Johnson questioned Mr Davies if he had a view on how International holdings would be affected. Mr Davies replied that the Sterling could take a further fall, that the Dollar was a bit weak, but that the Euro remained very strong.

RESOLVED: to receive the report, tables and graphs, to receive the oral report, to consider any further action arising on them and to bear the Independent Financial Adviser's conclusions in mind when considering the Fund Managers' reports.

121/20 OVERVIEW OF PAST AND CURRENT INVESTMENT POSITION

(Agenda No. 17)

The Independent Financial Adviser presented the Brunel Portfolios Performance Report for the past quarter ending 30 June 2020.

RESOLVED: to receive the report.

122/20 SUMMARY BY THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 18)

The Independent Financial Adviser was invited to summarise any issues arising from the previous discussions. No further summary was required. However, the Financial Advisor reported that the new Chief Investment Officer from Brunel had been invited to the March Meeting of the Committee

RESOLVED: the Committee noted the report.

123/20 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 19)

This item was on the Agenda to provide the opportunity to raise any issues concerning Corporate Governance and Socially Responsible Investment which needed to be brought to the attention of the Committee.

The Committee noted the Quarterly Engagement Report from the Local Authority Pension Forum and the Client Update Report from Brunel on Responsible Investing and that the Committee wishes to continue engaging positively with its stakeholders and hoped to hold a further workshop in March 2021.

.... in the Chair

Date of signing ....