

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 1 December 2023 commencing at 10.00 am and finishing at 12.18 pm

Present:

Voting Members: Councillor Bob Johnston – in the Chair

Councillor Kevin Bulmer (Deputy Chair)
Councillor Imade Edosomwan
Councillor Nick Field-Johnson
Councillor John Howson

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)

Other Members in Attendance: N/A

District Council Representatives: N/A

By Invitation:

Officers:

Whole of meeting Lorna Baxter (Executive Director of Resources), Sean Collins (Pensions Service Manager), Gregory Ley (Financial Manager-Pension Fund Investment), Josh Brewer (Responsible Investment Officer), Mukhtar Master (Governance and Communications Team Leader), Anna Lloyd (Governance and Communications Officer), Sally Fox (Pension Services Manager), John Arthur (Independent Investment Advisor) and Shilpa Manek (Democratic Services Officer)

Part of meeting N/A

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.

48/23 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies for absence were received from Alistair Baxton and Sean Collins would present the report.

49/23 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

There were no declarations of interest received.

50/23 MINUTES

(Agenda No. 3)

Councillor Field-Johnson asked when the report comparing gross fees pre and post Brunei in paragraph 35/23 would be presented at Committee and was informed that this had been addressed in the independent advisor's report and a report would be presented to the Committee at a future meeting.

The Committee were informed that the Government Consultation had now ended, and the Government had agreed to broadly carry on with what they initially proposed. Nothing was made mandatory, and reports would be presented to the Committee as and when required.

RESOLVED: The minutes of the meeting held on 8 September 2023 were agreed as a correct record.

51/23 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

No requests had been made for petitions and public address.

52/23 MINUTES OF THE LOCAL PENSION BOARD

(Agenda No. 5)

RESOLVED: that the minutes of the Local Pension Board which met on the 20 October 2023 were noted.

53/23 REPORT OF THE LOCAL PENSION BOARD

(Agenda No. 6)

Sean Collins, Service Manager Pensions, gave an update to the Committee. The Board wanted to draw two things to the attention of the Committee, covered in paragraphs 5 and 6.

Paragraph 5 referred to an item already discussed on Pension scams and the Board had agreed that this should be included in the risk register and therefore had been

added. This was specifically covering the risk that the Fund would have to re-imburse members for pension scams where they had failed to adequately protect the member.

Paragraph 6 referred to an update that had been provided to the Board on the work being done on responsible investment and the Board had suggested that going forward, the work of the Climate Change Working Group changed to the Responsible Investment Working Group.

Both of the items would be furthered discussed later on in the agenda.

A point was raised about the duplication of work of the Working Group and the Committee, but Members of the Committee were reassured that the Terms of Reference of the Working Group would be carefully written so no duplication would occur.

RESOLVED: that the Committee noted the comments of the Board.

54/23 ANNUAL BUSINESS PLAN 2023/24

(Agenda No. 7)

Sean Collins, Service Manager Pensions, presented the report to the Committee. The Committee received updates on the four priority areas as below:

Delivery of the Regulatory Changes

All the actions were green as the government had still not provided responses and with respect to the pension dashboard, the government had delayed after the targets had been set. A project was ongoing around McCloud and this would be reported later on the agenda. It was reported that suitable progress was being made on all the changes from government.

Improving the Governance Arrangements for the Fund

Most of the targets were given a green status and two were amber. The Workforce Strategy was delayed as government guidance was being waited for over a year and this had still not arrived. It had been agreed that the work needed to be started and a report would be presented to the Committee at the March 2024 meeting.

ACTION: Full Workforce Strategy Report to be March 2024 Agenda

Councillor Jo Robb asked about the discussion that had taken place at a previous meeting about the Committee structure as the Committee had agreed that there would be additional voting members, which had been endorsed. The Service Manager informed the Committee that it had been endorsed by Council and they were currently waiting for the actual appointment of the two new elected members which was due to be agreed at Council on 12 December 2023. The Vice Chair added that the political balance still needed to be agreed.

ACTION: The Executive Director of Resources to contact Democratic Services for the political balance of the two new elected members of the Committee.

The second amber target was the knowledge assessment, a target was set to increase the average score of the Committee. The target was not hit hence the target remained amber.

The Delivery of Enhancing the Delivery of Responsible Investment Responsibilities

There were two amber targets on how to extend work done on the listed markets to the private markets. A lot of good information had been collected but were looking to still work with Brunel to extend the metrics. The second amber target was around decarbonisation where the single metric target had not been met. However, it was agreed that more balanced set of metrics were required to assess overall alignment with the Paris Treaty so work was still ongoing around this target.

The Chair and Committee congratulated Officers for the green targets on the successful application in respect to the Stewardship Code.

The Committee were informed about a meeting that had taken place with the client group about the Engagement Policy and it had been agreed that further work was required, and a full report would be presented at the March 2024 Committee meeting. Transparency had been discussed with Brunel and how much should be in the public domain, discussions were still taking place with other funds.

ACTION: Item on the Engagement Policy to be added to March 2024 Agenda.

Councillor Jo Robb commented that more needed to be done on the good stories and how the Fund was leading the way in many areas. More Communications needed to come directly from the Communications Team.

ACTION: Look into more communication on the good stories

Deliver more Efficiency and Effectiveness through enhanced technology

A number of targets were amber, for these the results were still being awaited.

Councillor Bulmer asked for timescales on the Pension Board to review the survey results and work with Officers action to improve assessment process.

Councillor Howson commented on the postal system and was informed that this was currently being tested for the McCloud changes which members must be informed about.

The budget update remained the same as last reported.

ACTION: The timescales to be included to actions on targets.

RESOLVED: that the Committee reviewed the progress against each of the key service priorities as set out in the report and agreed further actions above to be

taken to address the areas not currently on target to deliver the required objectives.

55/23 GOVERNANCE AND COMMUNICATIONS REPORT

(Agenda No. 8)

Mukhtar Master, Governance and Communication Team Leader, presented the report to the Committee. The three parts of the report were briefly summarised: Hyman's Knowledge Progress Assessment Results, Recording of Breaches and The McCloud Regulations.

The Hyman's Knowledge Process Assessment had been carried out last year and again this year, the Board and the Committee had different requirements for gaining and maintaining knowledge and understanding. The core areas that had been listed for the Board and the Committee in the report. The results were good, and the additional training carried out did help to lift the results. In terms of the improvement action in the business plan, this had not been achieved as both the Committee and the Board scores had gone down.

The recording of breaches was a developing area and lots of work had been carried out. The table in the report showed 41 breaches in Quarter 2 (July-Sept) but that was a result of better reporting, not necessarily because there had been more breaches.

The final point that Members were informed about was the McCloud Regulations that were in force from 1 October 2023. Communications to members under the Disclosure Regulations were currently being worked on by the Communications Team.

The Chair and Committee Members commented that the questions in the assessment were the most difficult to complete. The questions had been over complicated and were more difficult to understand and complete and were very obscure. It seemed as Hyman's had moved away from the Committee's knowledge, on what it needed to know. Councillor Howson agreed with the comments but also commented that it was commendable that seven members of the Committee had scored highly in at least one topic. The Committee felt that feedback should be given to Hyman's. Any specific comments could be sent to Sean Collins to include in the feedback. It was also requested that it would be interesting to see national averages and it was confirmed that this may be possible next year.

ACTION: Feedback to be sent to Hyman's on the comments raised by the Committee on the questions.

RESOLVED: that the Committee noted the results and recommendations of the recent Hyman's Knowledge Progress Assessment and reviewed and noted the latest quarter's breaches for the fund and noted the communications update regarding the McCloud Disclosure requirements.

56/23 RISK REGISTER AND RISK MANAGEMENT FRAMEWORK

(Agenda No. 9)

Mukhtar Master, Governance and Communication Team Leader, presented the report to the Committee. The key risks were highlighted to the Committee, and these included adding a risk for pension scams to members. This risk had been agreed at the Pensions Board and had been added and since a lot of work had already been done, the requirements had already been met and therefore the risk had been assigned a score of green, 3. There were no risks that had increased in the quarter. Risk 21, insufficient resource and/or data to comply with the consequences of McCloud Judgement and Sargeant, had reduced from a red rating, 12 to an amber rating, 8, as two new staff had been recruited to the project. The project plan had been developed and implemented and various enquiries had been sent out to employers. There had been a lot of progress and the risk had been mitigated well. Two risks had been removed from the risk register, the risk on legal challenge on the basis of age discrimination in the Firefighters Pension Scheme, as the amended legislation had been received and was in place and secondly, the risk on the departure of the Independent Investment Advisor (IIP). The previous IIP left and been replaced by another qualified IIA by the APEX Group. All the other risks had been assessed and remained the same as last quarter.

The Committee were informed that a new Risk Management Framework had been developed for the fund setting out the key processes and responsibilities for effective risk management. This was not a mandatory document but useful to have in place.

The Chair asked about Risk 25, Potential loss of key members of staff and the Committee were informed that this was an emerging risk added to the register last quarter and had now become an issue as the Pension Service Manager, Sally Fox, would be retiring after 21 years of service and this would be her last meeting. The Service Manager would also be retiring within the next year so the Team would be losing key skills and knowledge. Discussions were taking place on how to mitigate the risk. The Chair commented that the risk should be red, and all agreed that given what was now known, Risk 25 should be red.

The Committee took the opportunity to thank Sally Fox for her dedicated 21 years of service to the fund.

Councillor Howson asked why Risk 13 and 14 had different scores and was advised that the Board had lost more Members and there was still a vacancy on the Board and the Committee had had its five voting Members in place for a while and when the two new Members joined, they would require training.

The Executive Director of Resources added that the two job descriptions were being updated and job adverts would be advertised as soon as possible, but there would be no handover for the first position.

Councillor Field-Johnson raised a point about Risk 14, the Board's training had been good so felt that the risk rating should not be red but the turnover of Board Members

was a high risk so should be red, so suggested that the risk be split into two risks. The Chair requested that this be looked into for next quarter.

ACTION: Risk 14 be reconsidered and be split into two separate risks.

RESOLVED: that the Committee noted the latest risk register and accepted that their statutory responsibilities, and that the mitigation plans, where required were appropriate taking into regard the comments from the Committee especially for Risks 14 and 25. The Committee also agreed the new Oxfordshire County Pension Fund Risk Management Framework as set out in Appendix A.

57/23 ADMINISTRATION REPORT

(Agenda No. 10)

The Chair began by again thanking Sally Fox for 21 years of service, always going above and beyond the call of duty in one of the most difficult areas of the Council. The Committee thanks Sally Fox and wished her well in her retirement.

Sally Fox, Pension Service Manager, presented her last Administration Report to the Committee. The Committee were informed that a further two Officers would also be retiring in the quarter ending March 2024. There had also been one promotion so staffing was an ongoing issue and there would be a large recruitment drive in the New Year. The only point to raise on the Performance Statistics would be that the workload was increasing especially with the number of leavers in the Team. The data quality scores that would be included this quarter had been delayed as the Pension Regulator had moved the deadline for the annual return from November to January. The additional time was being used to tidy up the addresses in order to meet the regulators requirements. The update would be presented at the next meeting. The contribution monitoring process which had been introduced was showing positive results by engaging more quickly and consistently with scheme employers. The late returns were slowly reducing. The two projects to inform the Committee about were the transfer of AVC provider which was almost finalised and the McCloud work that had already been discussed within the meeting. Sally also discussed the management of historic debt and the actions that were being taken. The report showed that invoices accounting to under £15K that had been statute barred from recovery and the most significant amount had related to a deceased pensioner where the money could not be retrieved. Invoices amounting to just under £4K, charges had been applied to scheme employers in line with the administration strategy and these had not been paid. This would be mitigated in the future as the debt recovery team were now working very closely with the pension team and recovering debt. Section 3 referred to the invoices currently being sued, and section 4 referred to a situation where the scheme employer had gone into liquidation and the debt would have fallen back to the Council through valuation. Section 5 related to another deceased pensioner where instalments were being made but had stopped. Pension Services were seeking to identify a suitable relative to pursue the remaining debt. Finally, £43.66 had been written off for Members that had died and the debt was no longer retrievable.

The Chair asked about the scheme delegation and who wrote off the debt and was advised that the Pension Service Manager wrote off debt and reported to the Committee.

RESOLVED: that the Committee noted the progress against the Administration objectives for the year; determined no additional information was required to be included in this report; Agreed the write off of the 5 historic debts in Section 1 of Annex 4 totalling £14,747.35; and Noted the write off of the historic debts included in Section 2 of Annex 4 totalling £3,803.44, and the current debts of £43.66 written off as agreed under the Scheme of Delegation.

58/23 POLICY REVIEWS

(Agenda No. 11)

Sally Fox, Pension Service Manager, presented the report to the Committee. It was reported that there were four policies that were scheduled for review. The Early Release of Benefits, the Admin Authority Discretionary Policy and the Admission and Termination Policy had no changes. The Voluntary Scheme Pays Policy had been amended with two changes; the limit which had gone up from £40K to £60K and the inclusion of additional paragraphs under the Fire Service Pensions.

RESOLVED: that the Committee received the report and agreed the changes made to the Voluntary Scheme Pays Policy

59/23 ADMINISTRATION STRATEGY REVIEW

(Agenda No. 12)

The Pension Service Manager, Sally Fox, presented the report to the Committee. At the September 2023 meeting, the Committee had received the changes proposed to the Administration Strategy. This was then sent to Scheme Employers for consultation. Eight responses had been received with comments and amendments. There were:

- The newsletters were sent out monthly and this had been questioned to why it was monthly and not quarterly like other funds. The Pension Service Manager and the Team felt that there was enough information for the newsletter to continue as a monthly newsletter. Members asked about the cost implications and was advised that it was an online publication sent by email, so about 1-1.5 day of Officer time. Members agreed that a monthly publication was good to continue.
- To reduce the timing between the signing of the admission agreement to a contract start date. It was at 90 days, but this had been reduced to 30 days, on request.
- To confirm the cost of £100 to charge per record where no earnings/contributions had been posted during the financial year, normally for casual staff. This had been challenged but this takes a lot of Officer time to remove records.
- To agree that Officers to report quarterly to the Committee, the value of charges made during each period, in line with the Administration Strategy.

RESOLVED: that the Committee received the report and confirmed the current frequency of employer newsletters, amended the administration strategy to reduce the number of days admission agreements had to be signed to 30 days ahead of a contract start date, confirmed the charge of £100 per record where no earnings /contributions had been posted during the financial year and asked Officers to report quarterly the value of charges made during each period.

60/23 REPORT OF THE INDEPENDENT INVESTMENT ADVISOR

(Agenda No. 13)

The new Independent Advisor, John Arthur, presented the report to the Committee. The Independent Advisor gave his background to the Committee. The points highlighted from the report included that the Fund fell in value this quarter by 0.3% to £3.212bn. It was behind the benchmark over the medium and long-term. The poor performance was largely driven by the performance of the Brunel Global Sustainable Equity Portfolio which returned -4.2% over the quarter against a 0.7% rise in the MSCI All Countries Global Equity benchmark. The Global High Alpha Equity portfolio also fell by -0.6% underperforming its benchmark by -1.2%. Against this, the Funds Private Equity allocation, both held directly and via Brunel, performed well as did the private debt allocation, however, Infrastructure and Secure Income performed more poorly. Driven partially by this quarter's underperformance, the fund was now lagging its benchmark over 3 years (by -2.0%), 5 years (-0.7%) and 10 years (-0.1%) but the returns of 7.2% per annum over the last ten years, being above funds actuarial assumption for future investment returns, would have driven much of the improvement in the funding ratio between the triannual actuarial revaluations.

The Independent Advisor continued to update the Committee on the report. He noted that inflation was falling across the developed world and interest rates had reached their peak and would soon begin to fall, but likely to remain higher than targeted for longer than previously expected. He noted a number of demographic factors impacting on future growth, as well as the problems in China in terms of their weak Covid recovery and on-going property issues. Going forward, decarbonisation of the economy which would also be an inflationary pressure. In the view of the Independent Advisor, inflation was unlikely to drop below 3% on a sustainable basis, it was likely to be more volatile and higher on average than seen before. It was the view of the Independent Advisor that there would a recession next year.

The Chair asked for clarification on the US dollar point, the Independent Advisor explained that the strength of the US Dollar was driven by the US economy, which in turn was driven by the strength of the US consumer, assuming that the dollar was appreciating in other countries. In times of stress, people bought dollars as they believed that it was the safest currency. With the way politics was currently in the US, the debt level was increasing, the debt itself had been downgraded by the credit rating agencies, undermining the dollar strength.

Members raised the following points:

- Sterling was more overvalued than the dollar in the current economy.
- 4% inflation would help the UK economy, leading to reduced interest rates.

- Since Brunel did not have a short-term government bond that the fund could invest in, would the alternate be increasing the cash position because that would give a closer position to a guaranteed return. This was not known.
- There was support for a UK smaller companies index linked allocation or FTSE 250 allocation and it would be good to see an update from Officers to whether Brunel had created this fund as asked for and it was good to see the Independent Advisor endorsing the approach.
- The sustainable equities that had underperformed quite significantly. It had been recommended that Brunel was challenged, and the manager of the fund be asked for a review. It would be good to take this forward. It would be good to scrutinise Brunel and the manager to understand why. The Chair and Vice Chair agreed with the action. The Independent Advisor commented that it was an unfortunate time to launch the fund but Brunel, as a pool, were stronger in their commitments to environmental issues and the wider responsible investments sphere than any other pool and the LGPS sector was ahead of the corporate sector. It was important to challenge Brunel.
- For the UK mandate, work was being done with Brunel and other funds. Three of the funds who were currently invested had agreed to support change but the decision from the fourth fund was outstanding.. The request would now be made that Brunel take forward the proposal. It would still be 6-9 months before money was put into it.
- What was causing the underperformance and since making the decision on China some time back, how was this playing out? The Independent Advisor commented that there had been a number of issues of why the portfolios had underperformed. The Independent Advisor felt that Brunel was doing the correct thing, but the challenge was necessary to hold Brunel to account.
- The Committee requested that the private equities and legacy holdings be broken down so that the Committee could see the figures clearly.

ACTION: A summary to be sent to Members and the report reinstated to include in future reports.

RESOLVED: that the Committee formally requested Officers to set up further opportunities for training in respective private equity in context of private equity and high interest rates. Challenge Brunel on the portfolio that was underperforming and request an updated review of the manager. Have a split of what equities were international and European. And on the alternative investments, Officers to ask Brunel to provide the necessary data to conduct the review of alternate investments.

The Chair requested that the Independent Advisors report clearly state the recommendations as in other reports.

61/23 INVESTMENT STRATEGY STATEMENT

(Agenda No. 14)

The report was presented by Gregory Ley, Financial Manager-Pension Fund Investment and Josh Brewer, Responsible Investment Officer. It was reported that the Funds Investment Strategy Statement had been updated since the comments received at the last meeting. The Funds Climate Change Policy was also included but no changes had been proposed to that.

The Committee were informed that the largest risk was climate change but the fund was also exposed to a wider range of risks highlighted in the report annex. Responsible Investment was seen as important to the fund members. A survey had been carried out that had received 4000 responses. Over 60% of members felt that fund investments should avoid negative impacts or have a positive impact, social issues were more important than environmental issues and that members had recognition of the wider issues. The next step would be to draft a Responsible Investment Policy to identify the key priorities and an action plan to implement the priority areas.

The next step was to hold a workshop before the next Committee meeting for all Committee and Local Pension Board members. The aim of the workshop would be to develop a set of investment beliefs and identify the responsible investment areas that were the priorities to the fund. The outcomes of the workshop would be used to produce a draft Responsible Investment Policy for consideration at the next Committee meeting.

The Committee thanked and commended the Responsible Investment Officer for the number of responses received from the consultation.

The name of the policy was discussed and the suggestion of calling the policy an Investment Policy, but the Committee agreed that it would be better to use the suggested name in the report.

The Responsible Investment Officer clarified the aim of the workshop would be to give stakeholders a clear set of responsible investment beliefs and priorities so that a policy could be drafted by Officers. The timetable would be to hold the workshop in mid to late January 2024, policy to be drafted and reviewed at the next Committee meeting in March 2024, feedback and decisions from that meeting to be integrated into the final version of the policy to be agreed at the June 2024 Committee meeting and signed off.

The Independent Advisor commented that by doing this, the Fund would be adopting best practice and would be ahead of other funds and also fiduciary duty was part of the Independent Advisors role to monitor.

Councillor Robb commented that there was normally a report presented to the Committee on the LAPFF, would it be possible to invite them to speak at the workshop on responsible investment. Also was this an opportunity for some Communications on the level of responses to a consultation leading to a workshop. These two points were left with Officers to consider.

RESOLVED: That the Committee approved the revised Investment Strategy Statement, instructed Officers to set-up a workshop to develop the Fund's Responsible Investment Policy prior to the 01 March 2024 Pension Fund Committee Meeting and change the Climate Change Working Group to the Responsible Investment Working Group to take effect once the Fund had agreed a Responsible Investment Policy.

PF3

..... in the Chair

Date of signing