

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 1 March 2024 commencing at 10.15 am and finishing at 1.25 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

Councillor Ian Middleton

Councillor Michael O'Connor

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

Local Pension Board Members: Alistair Bastin

By Invitation: John Arthur (Independent Investment Adviser)
David Vickers (Chief Investment Officer, Brunel)

Officers: Sean Collins (Service Manager, Insurance and Money Management), Mukhtar Master (Governance & Communications Manager), Gregory Ley (Financial Manager – Pension fund Investment), Josh Brewer (Responsible Investment Officer), Anna Lloyd (Governance & Communications Officer) Sharon Keenlyside (Senior Democratic Services Officer), Jack Ahier (Democratic Services Officer)

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.

62/24 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies for absence were received from Alistair Fitt.

63/24 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

There were none.

64/24 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 3)

Kate Robinson, Staff-Led Climate Action Group, Oxfordshire County Council addressed the meeting on Item 10.

65/24 MINUTES OF PREVIOUS MEETING

(Agenda No. 4)

The minutes of the meeting held on 1 December 2024 were agreed as a correct record subject to the following amendments:

Page 2, 48/23, Line 2 should read Alistair Bastin;

Page 7, 57/23, Line 3 should read "The Committee thanked Sally Fox".

66/24 MINUTES OF THE LOCAL PENSION BOARD

(Agenda No. 5)

RESOLVED: that the minutes of the Local Pension Board were noted.

67/24 PRIVATE EQUITY REVIEW

(Agenda No. 6)

The Committee Clerk read out the exempt statement.

The Committee **RESOLVED** that, having been satisfied that the public interest test would be better served by not disclosing relevant information, and in accordance with the provisions of Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business because of the likely disclosure of exempt information as defined in Paragraphs 3 of Part 1 of Schedule 12A of the Act as amended.

RESOLVED to note the Private Equity Review.

68/24 REPORT OF THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 7)

The Independent Financial Advisor, John Arthur, presented the report to the Committee.

The Fund rose by 4.7% in the fourth quarter of 2023 which was slightly below the benchmark of 5%, driven mainly by Private Equity underperforming their benchmarks. This underperformance of the Fund was a continuation of the trend of the past few years. However, the returns of 7.4% p.a. for the last 10 years were above the Funds' actuarial discount rate assumption.

The Independent Financial Advisor discussed Government Bond Yields and changes in the US and UK economy, including the effects of the rapid rise in interest rates, high inflation and high wage inflation.

The Committee discussed Private Equity markets and the concern that part of the Private Equity business model during the past 10 years had been the use of cheap debt to boost returns.

The Independent Financial Advisor supported Brunel's work on the UK Equity Mandate as explained on page 27 of the report.

A member of the Committee was concerned about the UK Equity Mandate and the exclusion of the FT-100 companies which may align with the Funds' investment values and strategy and would deliver growth for the Funds' Portfolio. The Independent Financial Advisor explained that a lower carbon impact was likely to be found in UK Smaller Companies outside of the FT-100 index and most long-term data showed that smaller companies grew at a rapid rate and outperformed over multi decade periods. It was more in line with the Funds' investment policies.

Within the mandate description to underlying managers was the ability to hold 25% of the portfolio off benchmark.

The Chair thanked the Independent Financial Advisor for the report.

RESOLVED to:

- a) **note the report of the Independent Financial Advisor,**
- b) **agree that the Committee does not increase its exposure to Private Equity after consideration of the report of the Independent Investment Advisor,**
- c) **agree to invite M&G Investments UK to the September Committee meeting and receive a presentation from them.**

69/24 ANNUAL REVIEW OF INVESTMENT PERFORMANCE

(Agenda No. 8)

The Committee received a presentation from David Vickers, Chief Investment Officer, Brunel which covered the main issues arising from the performance of the Brunel portfolios over the past year and highlighted key issues for the forthcoming year.

The Chief Investment Officer, Brunel explained to the Committee that the role of Brunel was to run the portfolios on behalf of the Fund according to the mandates set by the Fund. The advantages of the UK Smaller Companies mandate was a reduced basis risk, they were more likely to be companies with lower carbon impact, gave higher returns and gave 60% exposure to the UK domestic economy.

Officers explained to the Committee that the Fund's liabilities were UK based because they rise with UK inflation and therefore UK smaller companies were a better match.

A Committee member raised a concern that in excluding all companies within FT-100, a company may be excluded that did reflect the UK economy and was low carbon.

The Chief Investment Officer Brunel explained that within the mandate there was 25% held off benchmark that would allow underlying managers to invest in companies within FT-100 should they wish to.

The Chief Investment Officer Brunel discussed the performance of individual portfolios within Brunel and the rationale behind them, particularly focussing on investments with infrastructure elements.

The Chair thanked the Chief Investment Officer for the Annual Review of Investment Performance.

RESOLVED to note the Annual Review of Investment Performance.

70/24 REVIEW OF POST-POOLING INVESTMENT COSTS

(Agenda No. 9)

The Committee had before it a report, as requested by the Committee at the last meeting, which provided an analysis of the management fees payable by the Pension Fund pre-and post-pooling.

Gregory Ley, Financial Manager – Pension Fund Investment, presented the report to the Committee.

The Chair thanked the Financial Manager – Pension Fund Investment, for the report.

RESOLVED to note the report.

71/24 DRAFT RESPONSIBLE INVESTMENT POLICY

(Agenda No. 10)

The Committee were in receipt of a report which set out the draft Responsible Investment Policy.

The Chair invited the speaker to address the committee.

The Speaker represented a Staff-led Climate Action Group who endeavoured to keep up to date with the work of Oxfordshire County Council and its Pension Fund to ensure that the Fund were investing in a sustainable and fair future.

The Group was impressed by the Climate Report which the Wiltshire Pension Fund has published to demonstrate its commitment to addressing the climate emergency. They felt that this report was clear, comprehensive, and easily accessible for its pension scheme members to understand. The report showed active scrutiny of the top 10 emitters and a clarity of vision when directing the Brunel Pension Fund to divest from specific companies, such as Suncore and MEG Energy, due to their lack of action in transitioning to, and their core business aims being incompatible with, a zero-carbon future. They were also impressed by Wiltshire's focus on the positive case studies which showed where investments had been made in local and zero-

carbon initiatives, such as delivering 226 modular houses in East Sussex and carbon neutral greenhouses.

The Group appreciated that the Oxfordshire Pension Fund was currently undertaking improvements on communicating with its members on its holdings and approach, for example with the quarterly list of holdings. They observed that the material available did not give the sort of accessible information presented by Wiltshire on ways in which the fund was addressing the challenges posed by climate change.

The Group asked that the Pension Fund reviewed the work it was undertaking in this area and that the Fund consider the benefits of the Wiltshire approach.

Due to the lack of accessible communications from Oxfordshire Pension Fund, the Group were unclear on what the stance was in relation to MEG Energy and Suncore investments, as well as other top emitters.

The Chair thanked the speaker.

Committee members discussed concerns regarding the lack of information on the Oxfordshire County Council Pension Fund website pages and suggested that plans to improve it were added to the Business Plan.

Josh Brewer, Responsible Investment Officer, presented the report to the Committee.

The Fund had identified the following four priorities for its responsible investment activities: Climate Change, Nature and Biodiversity, Human Rights, including Supply Chain Labour Standards and Slavery and Governance.

If approved, the draft policy would go out to formal consultation to stakeholders.

Once approved, a more detailed strategy would be developed to monitor progress and ensure commitments were being met through this policy.

Committee members felt that the draft Responsible Investment Policy was a clear report that reflected the discussions from the workshop and an excellent starting point. It was felt that the Councils excellent Communications Team could be better engaged and used more effectively. Officers noted that whilst greater transparency was always welcomed, there needed to be care when discussing the Fund's position in relation to individual company holdings to avoid breaching the Market Abuse Regulations.

Members enquired as to how public health was incorporated into the draft policy. The Responsible Investment Officer explained that public health was part of the human rights section – a very broad subject that needed to be narrowed down. The officer agreed to review the draft policy to see how public health could be integrated and shown more clearly.

The policy was a live document that would be constantly reviewed and any new issues that emerged would be integrated into the policy.

RESOLVED to agree the draft Responsible Investment Policy as presented at Annex 1 to the report as the basis of a consultation exercise with key Fund Stakeholders.

72/24 REPORT OF THE LOCAL PENSION BOARD

(Agenda No. 11)

Alistair Bastin, Local Pension Board Scheme Representative, gave an update to the Committee.

The Board had reviewed the Regulators General Code of Practice and had asked for a quarterly report to discuss compliance.

The Board raised concerns regarding succession planning following the retirement of a key officer of the Pension Fund and with another key officer retiring this year.

The Chair confirmed that there was a report on compliance with the General Code of Practice on the agenda.

RESOLVED that the Committee noted the comments of the Board.

73/24 ANNUAL BUSINESS PLAN 2024/25

(Agenda No. 12)

Sean Collins, Service Manager Pensions, presented the report to the Committee.

The report set out the business plan and budget for the Pension Fund for 2024/25 and key priorities for the Fund as agreed at the workshop, detailed the key service activities for the year, and included the proposed budget and cash management strategy for the service. The report also reviewed the progress against the key service priorities included in the 2023/24 Plan as context for setting the key priorities going into the next financial year.

Members asked if there had been feedback from Hymans regarding criticism of the knowledge assessment. Members felt that the test included knowledge that members were not required to know. The Service Manager had contacted Hymans who had argued that it was a difficult balance, and they were expecting government guidance on this. Hymans expected Committee members to have sufficient knowledge & skills to be able to robustly challenge advice from officers and advisors.

Members made the point that there was no opportunity for learning from the test itself and asked for this to be fed back to Hymans.

The Service Manager spoke about having training and knowledge recognised in terms of special responsibility allowances. The Pension Fund Committee members had a training burden that was greater than other committees.

The Service Manager reported to the Committee that an escalation policy leading to selective divestments had been agreed with Brunel and other partner Funds. Specific targets had been agreed for 2024, with more ambitious targets provisionally agreed for 2025. This would be reported to Committee in the June meeting. Some parts of

the report may be confidential due to potential impact on individual companies, and the needs to comply with the Market Abuse Regulations.

The Committee went into private session to discuss annex 2.

The committee clerk read out the exempt statement.

The Committee **RESOLVED** that, having been satisfied that the public interest test would be better served by not disclosing relevant information, and in accordance with the provisions of Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business because of the likely disclosure of exempt information as defined in Paragraphs 3 of Part 1 of Schedule 12A of the Act as amended.

The Committee opened the meeting to the public.

The Service Manager Pensions highlighted 3 priority areas identified in the workshop on 15 January and introduced the first of these as: further improvements to Governance – workforce planning, succession planning for two key posts, code of practice compliance and essential skills and knowledge.

Members enquired about succession planning and were informed that a job advertisement had been drafted to replace key officers and should go out next week. It was hoped that a replacement for the Service Manager Pensions would be able to start before the current officer leaves to enable a hand-over period. The position of Pension Services Manager was being covered by the Service Manager Pensions and the team leaders. There was a national shortage of skilled staff in this field and Hymans would find it difficult to provide temporary cover.

If a suitable candidate cannot be found, it was suggested that support could be sought from a colleague elsewhere in the LGPS whilst the Fund continued to recruit.

Councillor Howson asked for it to be noted that it was not possible for the Committee to do its work properly when the recruitment process was slow in advertising for key members of staff.

The Service Pensions Manager highlighted the second priority in the plan which was to improve the operational effectiveness of pension administration, improving data collection processes and to continue to develop the website, and the third priority to review the Investment Strategy Statement in light of the 2005 Valuation, Government policy, cashflow requirements and the responsible investment priorities.

RESOLVED to:

- a) Note the progress against the service priorities for 2023/24;**
- b) Determine their preferred approach to the proposed activity-based exclusions as set out in Annex 2 and agreed in the exempt minutes.**
- c) Approve the Business Plan, Budget, Training Plan and Cash Management Strategy for 2024/25 as set out at Annex 1, and authorise**

the Executive Director of Resources & Section 151 Officer to approve the Special Reserved Matter in respect of the Brunel budget.

74/24 RISK REGISTER REPORT

(Agenda No. 13)

Sean Collins, Service Manager Pensions, presented the report to the Committee 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 that are currently not at their target score. The report also set out any progress on the mitigation actions agreed for those risks not yet at target and identified any changes to the risks which had arisen since the register was last reviewed.

RESOLVED that the Committee noted the latest risk register and accepted that the risk register covered all key risks to the achievement of their statutory responsibilities, and that the mitigation plans, where required, are appropriate.

75/24 GOVERNANCE AND COMMUNICATIONS REPORT

(Agenda No. 14)

RESOLVED to defer this item due to time constraints.

76/24 WORKFORCE PLANNING REPORT

(Agenda No. 15)

RESOLVED to defer this item due to time constraints.

77/24 ADMINISTRATION REPORT

(Agenda No. 16)

The Service Manager Pensions presented the report which updated the Committee on the key administration issues including service performance measurement, the debt recovery process and any write offs agreed in the last quarter.

RESOLVED to:

- a) **Agree the change of contract for two administrators from temporary to permanent posts;**
- b) **increase in establishment of one administrator post and one assistant post and**
- c) **review team performance statistics and determine if any further information is required.**

78/24 CYBER SECURITY POLICY REVIEW

(Agenda No. 17)

RESOLVED to defer this item due to time constraints.

79/24 SCHEME OF DELEGATIONS POLICY REVIEW

(Agenda No. 18)

RESOLVED to defer this item due to time constraints.

80/24 CORPORATE GOVERNANCE AND RESPONSIBLE INVESTMENT

(Agenda No. 19)

RESOLVED to defer this item due to time constraints.

..... in the Chair

Date of signing