



**Local Pension Board
Friday, 21 October 2022**

ADDENDA

- 4. Unconfirmed Minutes of the Pension Fund Committee - 10
October 2022**

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PENSION FUND COMMITTEE

MINUTES of the meeting held on Monday, 10 October 2022 commencing at 10.15 am and finishing at 12.25 pm

Present:

Voting Members: Councillor Bob Johnston – in the Chair

Councillor Kevin Bulmer (Deputy Chair)
Councillor Imade Edosomwan
Councillor John Howson

Non-Voting Members: Alastair Fitt (Oxford Brookes University)
Sally Cook (Academy Sector Member) (Remotely attended)
Alan Staniforth (Academy Sector Member) (Remotely attended)
District Councillor Jo Robb (District Councils) (Remotely attended)

By Invitation: Philip Hebson (Independent Financial Adviser)
Tom Hoare (Hymans Robertson) (Remotely attended)
Robert McInroy (Hymans Robertson) (Remotely attended)

Local Pension Board Members: Alistair Bastin (Remotely attended)
Angela Priestley – Gibbins (Remotely attended)
Marcia Slater (Remotely attended)

Officers: Lorna Baxter (Director of Finance)
Sean Collins (Service Manager Pensions Insurance and Money Management)
Sally Fox (Pension Services Manager) (Remotely attended)
Gregory Ley (Financial Manager- Pension Fund Investment)
Mukhtar Master (Governance & Communications Manager) (Remotely attended)
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.

31/22 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies for absence were received from Councillor Nick Field-Johnson and Steve Moran.

32/22 MINUTES

(Agenda No. 3)

The Minutes of the meeting held on 10 June 2022 were approved and signed.

In relation to Minute No. 26/22 – Changes to the Constitution of the Pension Fund Committee, the Committee was informed that Council approved the appropriate changes to the Terms of Reference and Constitution of the Committee. On the recommendation on allowances being paid to both Pension Fund Committee and Local Pension Board Members, this would be looked at in more detail.

33/22 MINUTES OF THE LOCAL PENSION BOARD

(Agenda No. 5)

The unconfirmed Minutes of the Local Pension Board held on 8 July 2022 were noted.

34/22 REPORT OF THE LOCAL PENSION BOARD

(Agenda No. 6)

The Committee was provided with the report of the Local Pension Board which was introduced by Alastair Bastin.

Reference was made to the Board's request to the Pension Fund Committee that the Committee review the risk scores for both risks 16 and 17 and the recommendation that an over-arching policy document in respect of cyber security be introduced.

RESOLVED - (1). That the Committee agreed the following:-

a) to note the comments of the Board contained in the report as set out below,

b) to note the suggested changes to the risk register which have been incorporated into the risk register report elsewhere on this agenda.

35/22 FUNDING STRATEGY STATEMENT AND THE 2022 VALUATION

(Agenda No. 7)

Robert McInroy and Tom Hoare of Hymans Robertson attended the meeting and presented the report.

Members were provided with a report which set out the high-level results for the whole Fund following the 2022 Valuation, with further work required before the results for the individual scheme employers are available.

The report also set out the revised Funding Strategy Statement which sets the ground rules on which the Valuation is based.

Reference was made to the worsening future economic outlook, particularly in relation to rising inflation, which would impact on the cost of future benefit accrual and was a risk.

RESOLVED – That the position on the 2022 Valuation be noted and approval be given to the draft Funding Strategy Statement and accompanying annexes as the basis of consultation with scheme employers.

36/22 REVIEW OF THE BUSINESS PLAN 2022/23

(Agenda No. 8)

The Committee was provided with an update on progress against the key priorities set out in the Annual Business Plan for 2022/23.

Review and Improve the Scheme's Data

The Committee was informed that three measures of success were amber:

- Data of a standard to support delivery of all service KPIs as reflected in quarterly performance reports – There had been limited work undertaken on developing data for the standard service KPIs to be included in the quarterly performance reports
- No data security breaches were reported and Cyber Security Policy is updated (where required) with clear information on roles and responsibilities – There had been two data breaches which were detailed later in the agenda. Members were informed that from analysis undertaken, several gaps in the current approach had been identified, particularly in respect of monitoring compliance with the various policies.

Develop a holistic approach to technology across Pension Administration Services

The Committee was informed that three measures of success were amber. Members were informed that insufficient work has been completed on the project to move the risks against completing this project from Amber.

Progress had been made on the managing of the project and on a time-line which would enable the Committee to make a decision on whether to re-tender the contract or extend the initial arrangements. More work needed to be completed to provide the assurance that the specification could be completed in time to complete the research into what was currently available, and a decision made on the most appropriate way forward.

A full report would be presented to the December Committee.

Enhanced Delivery of Responsible Investment responsibilities

The Service Manager for Pensions, Insurance and Money Management reported that there had been delays in the recruitment for the new Responsible Officer, with the

need to go through an appeal process in respect of grade set through the Job Evaluation process.

There were concerns at being able to attract a suitable candidate at the revised grade agreed, but the decision had been made to test the market rather than delay the recruitment process any further.

Reference was made to the work on the engagement policy and improved reporting which was directly tied into the current Climate Change Stocktake exercise being run by Brunel and the Funds in the partnership.

The one area shown as Amber against this objective related to a successful application in respect of the Stewardship Code. This work required the successful appointment of the additional resources, and Members were informed that from other Funds who have already completed the process there was a lot of work involved. It was not possible to confirm the target could be met this financial year.

Deliver improved and consistent service performance to scheme members

The Committee was informed that performance had been improving, however it remained below Service Level Agreement (SLA) targets on a number of measures. With the successful recruiting of additional staffing, performance standards should be increased and brought back into line with the SLA. Reference was made to the new Governance Office who was now in post.

The measure of success around successful management of scheme changes was currently amber as the publication of the long-awaited consultation had only just been received. This included guidance on pooling in general, the implementation of the Task Force on Climate related Financial Disclosures (TCFD) template, and the implementation of the McCloud remedy.

The measure of success against the engagement policy with scheme members was also amber which reflected the challenges experienced in this area to date, and the need to appoint to the additional communications officer post to take forward the work to review best practice elsewhere and develop a new Policy for Oxfordshire.

RESOLVED – That the Committee reviewed the progress against each of the key service priorities as set out in the report.

37/22 RISK REGISTER

(Agenda No. 9)

The Committee was presented with a report on the latest position on the Fund's risk register, including any new risks identified since the report to the last meeting.

Reference was made to the request from the Local Pension Board at their meeting on 8 July 2022, that the risks scores for Risks 16 and 17 should be increased until such time the Fund had a comprehensive cyber security policy in place. Therefore, the risk score for both Risk 16 in respect of system failure (potentially through malware) and

Risk 17 in respect of data security breaches, have been increased and are now shown as Amber.

There were three Amber risks which related to the skills and knowledge of the key groups involved in the administration of the Pension Fund, namely the Members of this Committee, Members of the Local Pension Board and the Pension Fund Officers.

The Service Manager for Pensions, Insurance and Money Management reported that an email had been sent out to Committee and Board Members to enable the National Knowledge Assessment to be carried out to assess skills and knowledge of Members.

The Chair referred to the impact of staff turnover and the loss of expertise being the main reason for the amber rating of the risk of insufficient skills and knowledge amongst Pension Fund Officers.

RESOLVED – That the latest risk register be noted and the Committee accepts that the risk register covers all key risks to the achievement of their statutory responsibilities, and that the mitigation plans, where required, are appropriate.

38/22 ADMINISTRATION REPORT

(Agenda No. 10)

The report 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.

Members were updated on staffing within the Team, together with performance. On performance statistics Members were updated that there were 33 admission agreements to be finalised.

The Chair welcomed the listing of complaints of the way they were being dealt with.

In relation to Data Quality the return scores were lower than the previous year which was due to running two systems side by side.

The Committee was informed that there had been little progress in relation to Debt Management as there had been no progress in finding an officer to monitor and chase outstanding payments. Last quarter the total of outstanding invoices reported was incorrect as it excluded amounts due from scheme employers for early release of pension.

Reference was made to payroll adjustments which could not be recovered due to ten deaths in the quarter. Therefore, the Committee was asked to consider writing off £37.46 which could not be recovered.

There had been ten deaths in the quarter where payroll adjustments cannot be recovered which amounted to a write off £37.46, to be agreed by the Committee.

RESOLVED - (1) That approval be given to the change to wording of the fund's discretionary statement relating to trivial commutation and small pots.

(2) That approval be given to the write off of £37.46 of irrecoverable debt.

39/22 CYBER SECURITY

(Agenda No. 11)

Consideration was given to a report which set out the approach for managing the cyber security risks facing this Committee and how the Committee can monitor the success of this approach.

The Committee was informed that in relation to the Pension Fund, there were cyber security measures in place, however, it was acknowledged that there needed to be better communication with IT and the Fund's suppliers to ensure compliance.

The report contained a number of actions which would take place to ensure the Fund was fully compliant.

Discussion took place on the contents of the report and reference was made to the need of assurance from suppliers. There was discussion on potential breaches and the Committee was assured that such incidents would be reported to the Committee as a matter of urgency.

RESOLVED – That the actions outlined in the report be noted and it was agreed that a further report be submitted to the Committee providing assurances from suppliers of the measures put in place to combat cyber incidents to the Fund.

Councillor Bob Johnston vacated the Chair and Councillor Kevin Bulmer took the Chair

40/22 ANNUAL REPORT AND ACCOUNTS 2021/22

(Agenda No. 12)

The Committee was asked to note this report presenting the Annual Report and Accounts for the Pension Fund and highlight any issues raised by external audit.

A Member asked for the reason for the almost £1m additional costs in administration and officers undertook to provide this information.

In relation to liquidity risk, reference was made to Academies which formed a large part of the Pension Fund and the liquidity risk this posed due to shifts in the number of employees. Members were informed that this was determined by Government policy and consideration could be given to adding a general "Cash Flow" item to the Risk Register.

RESOLVED – That the Committee endorses the Annual Report and Accounts.

41/22 TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT 2021/22

(Agenda No. 13)

The Committee received a report which set out the performance of the Pension Fund on the Implementation of its Climate Change Policy and the priorities for the forthcoming period.

Members were informed that the total for investments in Bonds on page 211 of the agenda pack had been duplicated across both 2021/22 and 2020/21. The correct figure for 2021/22 should be amended to read 80,934.

RESOLVED – (1) That approval be given to the draft Task-Force for Climate-related Financial Disclosures Report 2021/22

(2) That delegated authority be given to the Director for Finance for responsibility for submitting a response to the Government on their recent consultation of future Task-Force for Climate-related Financial Disclosures reporting, having first taken the advice of the Climate Change Working Group.

42/22 REPORT OF THE INDEPENDENT INVESTMENT ADVISER

(Agenda No. 14)

The Fund's Independent Investment Adviser submitted a report which provided an overview of the financial markets, the overall performance of the Fund's investments against the Investment Strategy Statement and commentary on any issues related to the specific investment portfolios. The report also included the standard quarterly investment performance monitoring reports.

The Committee was informed that the value of the Fund in the quarter had fallen to £3.05bn, a decrease of £215m compared to the end March value of £3.26bn.

Reference was made to the conflict in Ukraine which was impacting on public markets. With an increasingly inflationary environment, with higher energy and food prices which were driving CPI even higher. Future strategy would have to make provision for the likelihood of a higher level of inflation beyond the short-term outlook.

There were concerns expressed regarding Brunel's lack of transparency concerning the management of their sub-funds, particularly in relation to performance of their managers. Members noted that Brunel held around 80% of Oxfordshire Pension Fund assets and Members requested that Brunel be asked to give the Independent Investment Adviser to the Fund, access to the relevant information. **[Action: Service Manager for Pensions, Insurance, and Money Management]**

The Independent Investment Adviser informed the Committee that in relation to currencies in quarter 3 there would be big differentials. With the strength of the US dollar and the pounds current weakness, there were recession fears, rising living costs, inflation and the threats of public sector strikes. Rising inflation was not good news for the Fund.

In relation to interest rates which were continuing to rise, it was expected that they would continue to rise as the Bank of England try to counter rising inflation. This would mean Fund Managers would look to invest in Gilts.

RESOLVED – (1) That depending on the feedback from Hyman Robertson’s knowledge assessment, Brunel be asked to produce a training programme for Fund elected members and others that will provide information about the asset classes that they manage and their processes.

(2) That Brunel be asked to support the forthcoming Strategic Asset Allocation review, to ensure that the Fund’s developing requirements can be accommodated.

43/22 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 15)

Members were informed that officers had responded to consultation on Climate Action 100+ providing feedback on issues discussed previously by the Committee around asking them to have more focus on companies delivering actual emission reductions, rather than just plans and targets.

Also, suggestions were asked for workstreams and they were asked to look at the Investor State Dispute Settlement process.

The Committee noted the information reported.

..... in the Chair

Date of signing