

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 10 June 2022 commencing at 10.30 am and finishing at 12.15 pm

Present:

Voting Members: Councillor Bob Johnston – (in the Chair)
Councillor Kevin Bulmer (Deputy Chair)
Councillor Imade Edosomwan
Councillor Sally Povolotsky (Remotely attended)

Non-Voting Members: Sally Cook (Academy Sector Member) (Remotely attended)
Alan Staniforth (Academy Sector Member) (Remotely attended)
Steve Moran (Pension Scheme Member) (Remotely attended)
District Councillor Jo Robb (District Councils) (Remotely attended)

By Invitation: Philip Hebson (Independent Financial Adviser)
Tom Hoare (Hymans Robertson)
Catherine McFadyen (Hymans Robertson)

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

Officers: Sean Collins (Service Manager Pensions Insurance and Money Management)
Sally Fox (Pension Services Manager) (Remotely attended)
Gregory Ley (Financial Manager- Pension Fund Investment)
Khalid Ahmed (Law and Governance)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports copies of which are attached to the signed Minutes.

17/22 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

An apology for absence was submitted by Councillor Eddie Reeves.

18/22 MINUTES

(Agenda No. 3)

The Minutes of the meeting held on 4 March 2022 were approved and signed.

19/22 MINUTES OF THE LOCAL PENSION BOARD

(Agenda No. 5)

The unconfirmed Minutes of the Local Pension Board, which met on 22 April 2022 were noted.

20/22 REPORT OF THE LOCAL PENSION BOARD

(Agenda No. 6)

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

The Committee was informed that there had been no significant issues raised at the Board meeting. Alistair Bastin reported that he had been appointed to the Brunel Oversight Board as a Scheme Member representative.

The report was noted.

21/22 REVIEW OF THE ANNUAL BUSINESS PLAN 2022/23

(Agenda No. 7)

Consideration was given to a report which provided 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

Members were informed that the two amber actions included completing verification of end of year data and putting together all data required for service KPIs.

Develop a holistic approach to technology across Pension Administration Services

The Committee was informed that there had been some work carried out to identify the additional resources for the project, however, the Project Lead had not been appointed.

A Member referred to the recent workshop where the preference had been to look holistically at a review of technology services. In addition, officers were asked what the implications would be if the appointment of a Project Lead was not made. The Service Manager for Pensions, Insurance and Money Management replied that there

was uncertainty regarding what expertise was out there and someone with the required technical skills was required for the post.

The report on the review was needed in sufficient time to enable the Committee to consider whether they would want to re-tender. There was a risk that if an appointment was not made, the procurement process could not take place and the current contract would have to be extended.

Enhanced delivery of Responsible Investment opportunities

Most of this project was underway, however, the recruitment of the Responsible Officer would commence later in June.

Deliver improved and consistent service performance to scheme members

Reference was made to regular performance figures being received each month; however, SLA targets were not being met in a number of areas due to difficulties in recruiting additional staff and a backlog of work.

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

22/22 ACTUARIAL VALUATION 2022

(Agenda No. 8)

The Fund Actuary presented a report on the 2022 Valuation and sought the agreement of the Committee to the financial and demographic assumptions to be used within the Valuation process.

Reference was made to the key assumptions for the approach to be taken:

Financial Assumptions

The financial assumptions required to be set for the 2022 valuation were as follows:

- Future investment return - It was proposed to increase the prudence level associated with these assumptions from 67% used in the 2019 Valuation to 70%
- Consumer Price Inflation (CPI) - Inflation expectations were expected to be slightly higher (around 0.4% to 0.5% p.a.) than at the 2019 valuation due to the current high economic outlook for inflation in the short term.
- Inflationary salary increases – These were linked to the CPI inflation assumption reflecting sustained local government budgeting constraints over the longer term.
- Longevity assumptions – This was how long was it expected members to live based on death rates. Adjustments would be made to avoid the assumption being skewed by excess deaths due to Covid-19 in 2020 and 2021. Future improvements in longevity would be based on how death would change in the future.
- Other demographic assumptions - This affected the timing and size of the future benefit payments

RESOLVED - That the assumptions recommended by the Fund Officers and Fund Actuary for the 2022 triennial valuation of the Oxfordshire County Council Pension Fund, including the small increase in level of prudence be endorsed by the Committee.

23/22 REPORT FROM THE CLIMATE CHANGE WORKING GROUP

(Agenda No. 9)

This Committee was provided with a summary of the discussions held by the Climate Change Working Group at their meeting on 5 May 2022.

Members were informed that the working group had received a confidential version of the 2022 Global Investor Statement to Governments on the Climate Crisis. It had been agreed that the Statement was consistent with the Oxfordshire Policy and that officers be authorised to sign the Statement on behalf of the Pension Fund Committee under their delegated powers.

A full analysis of the latest carbon metrics report would be considered at the next meeting of this Committee. The Sustainable Equities portfolio had appointed a new Fund Manager who specifically targeted the energy transition, which resulted in higher short term carbon emission figures with the potential for significantly lower emissions in the longer term.

Reference was made to the last meeting of the Committee, where it was asked what the implications were of applying the current engagement policy to the current portfolios.

The Committee was informed that a key point noted by the working group was that the Fund only invested in 51 of the 166 Climate Action+ companies.

The working group was broadly content with the engagement policy as it would enable sufficient challenge to Brunel and the underlying Fund Managers to manage the engagement in a timely manner, consistent with meeting the targets under the current Policy.

Concerns were raised from the analysis that the Climate Action 100+ list did not cover the banks and financial companies associated with financing much of the on-going exploration and development of new fossil fuel reserves.

Members were also informed that the working group noted that the UK as a portfolio had significantly higher exposure to these companies on the Climate Action 100+ companies list.

District Councillor Jo Robb commented that there needed to be stringent criteria adopted to begin to exclude fossil fuel companies from the Fund investments. She expressed concern at the lack of timescales to exclude companies and argued that these should be brought forward to enable exclusion of companies at an earlier point of time. There were still oil companies investing in oil exploration.

Discussion took place on timescales and reference was made to the Engagement Policy which set out a procedure whereby the allocation policy was reviewed annually in March. The Pension Fund Committee had a fiduciary duty to have a good reason to exclude any company. Changes could not happen overnight but would take place over the next five years.

District Councillor Jo Robb asked that the assessment criteria be amended on capital allocation so that it specifically states that the company's future capital expenditure is aligned with the Paris Agreement goal of limiting global temperature rises to 1.5 degrees centigrade. It was noted that this wording was taken directly from the Climate Action 100+ Assessment Model and any changes would need to go back to Climate Action 100+ for consideration. It was agreed that this would be discussed further by the working group.

RESOLVED – (1) That the progress made to date in the work of the Climate Change Working Group be noted.

(2) That approval be given to the Engagement Policy and Officers be asked to use this as the basis for negotiations with the Brunel company and the other 9 Funds within the Brunel Pension Partnership in developing an Engagement Policy for the Partnership as a whole.

24/22 RISK REGISTER

(Agenda No. 10)

The Committee was provided with a report on the latest position on the Fund's risk register.

Members were informed of progress on certain amber risks.

- Insufficient skills and knowledge on the Committee and Board – In the initial knowledge assessment, it had indicated there was a gap in current level of skills and knowledge
- Implementation of the McCloud remedy – The Government response to the consultation was still awaited. There was still the equivalent risk associated with the Fire Service.

Members discussed the skills and knowledge risk and officers were asked to inform the Audit and Governance Committee of the additional workload Pension Fund Committee and Local Pension Board Members had due to the level of training required. This was picked up as part of the subsequent discussions on the constitution of the Committee.

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.

25/22 ADMINISTRATION REPORT

(Agenda No. 11)

The Committee was provided with a report which updated Members on the key administration issues including service performance measurement, the debt recovery process and any write offs agreed in the last quarter.

In relation to staffing, Members were informed that there had been a further resignation from the Team which meant there were now three vacancies. Six temporary administrative posts had been identified but these would be difficult to recruit to as recruitment was a challenge. Work had taken place with local recruitment agencies; however, they had failed to provide applicants. Also, the timing for recruitment was not ideal as the current contract framework was coming to an end.

The Committee was informed the staffing shortages had caused pressure on staff with a high level of sickness absence adding to the pressures. Progress was being made towards meeting SLA targets, however, statistics indicated that those target level of performance had not been met.

Members discussed the staffing issues, and it was asked that consideration be given to adding the implications of staff shortages to the Risk Register. The Chair said he would discuss this with officers.

An update was provided on complaints with 50 having been received for 2021/22, of which 5 were still open. The biggest area for complaints was members having to give three months' notice to take their pension benefits. This placed pressure on the Team in terms of updating details on IT systems.

Fire Service Pension Member queries had increased but SLA achieved for April was 97.78%.

Members noted that the findings from the Cyber Security workshop would be reported to the next meeting of the Committee.

For Debt Management, there had been little progress in recruiting a person to monitor and chase outstanding payments, although discussions had taken place with Oxfordshire County Council's debt management team on the possible use of their staff time to help.

RESOLVED – (1) That approval be given to the temporary increase to establishment of 6 temporary FTE.

(2) That the Committee agreed that current standards are moving towards an acceptable level, and that the additional staffing sought should address the shortfall in performance.

(3) That approval be given to the write off of £16.78.

(4) That the Committee place on record, their appreciation of the work of the Administration Team during this difficult period.

26/22 CHANGES TO THE CONSTITUTION OF THE PENSION FUND COMMITTEE (Agenda No. 12)

Consideration was given to a report which set out a revised set of proposed changes to the Constitution of the Pension Fund Committee to those initially agreed in September 2019 and Members were invited to recommend the changes to Council via the Audit and Governance Committee for adoption.

The Service Manager for Pensions Insurance and Money Management outlined the proposed changes to the Committee.

It was proposed that named substitutes of the Committee be appointed to ensure meetings were quorate. These substitutes would have to attain the level of skills and knowledge consistent with the Committee's Training Policy.

Discussion took place on the training requirements for Committee and Local Pension Board Members. It was suggested that in addition to the introductory mandatory course for which all Members must attend, the Training Policy covered a minimum level of specialist or refresher training that each Member should attend. This could be set at 2 days, alongside internal training provided before the quarterly Committee meetings.

Presently, officers within the Pensions Investment Team would circulate suitable courses, including the PLSA Local Authority Conference and Seminar, and the Local Authority sessions run by the LGC. Members would also be free to select specific courses based on a specialist interest.

There was also on-line Learning Academy developed by Hymans Robertson which included a range of pension subjects.

The Committee acknowledged that Members of both the Pension Fund Committee and the Local Pension Board had to undertake an extensive training programme and this should be recognised.

RESOLVED – (1) That the contents of the report be noted.

(2) That approval be given to amend the Governance Policy to mandate all Members of the Committee to complete training in line with the Training Policy as set out in paragraph 18 of the report.

(3) That approval be given to only named substitutes of the Committee being allowed where they have completed training in line with the Training Policy.

(4) That Council be RECOMMENDED via the Audit and Governance Committee to make the appropriate changes to the Terms of Reference and Constitution of the Pension Fund Committee to formalise the new governance arrangements and

(5) That Audit and Governance Committee be asked to review the situation whereby Members of the Pension Fund Committee (and their trained substitute Members) and the Local Pension Board, be considered for an allowance due to the skills and expertise required in carrying out their roles.

27/22 REPORT OF THE INDEPENDENT FINANCIAL ADVISOR

(Agenda No. 13)

The Independent Financial Advisor submitted a report which covered an overview of the financial markets, the overall performance of the Funds' 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.

Reference was made to the summary of the report and Members were informed that a number of Brunel funds were having a difficult time. The value of the Fund in the quarter fell to £3.26bn, a decrease of £117m compared to the end December value of £3.38bn.

The Fund produced a return of -3.5% over the quarter, which was -2.3% behind the benchmark. Purely on a single quarter basis performance against benchmark had been disastrous for the active equity portfolios, which have dragged down the 12-month positions with it.

Reference was made to the impact of the Russian invasion of Ukraine, global inflation, rising energy prices had on performance of investments. However, Private Equity had a really good quarter, but more importantly the one year and longer performance periods looked excellent.

Higher inflation would feed through to higher pension payments for next year (possibly 10%) which would need to be taken into consideration for cash flow management. Rising energy prices exacerbated by the Russian-Ukraine conflict impacted on commodities.

The Committee was provided with details of the low points in performance and that scrutiny would be made of Brunel to this effect. Members were informed that Pension Fund officers met with Brunel on a regular basis. It was agreed that Brunel meet with the Committee annually unless there were specific issues that Members wanted to discuss with Brunel.

Officers reported that Brunel's Portfolios were monitored, however, there was an issue about the appropriate level of involvement. It was noted that Brunel were looking at improving reporting to the Committee and it hoped this would occur at the December meeting of the Committee.

RESOLVED - (1) That the Independent Financial Adviser be thanked for the detailed report and the information contained therein be noted.

(2) That it be recommended that the Strategic Asset Allocation Group be asked whether commodities be included in their review.

28/22 EXEMPT ITEMS

(Agenda No. 14)

RESOLVED - That the public be excluded for the duration of the following items in the Agenda since it is likely that if they were present during these 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 outweighs the public interest in disclosing the information.

The meeting adjourned at 12.05pm and reconvened at 12.10pm.

29/22 REPORT FROM THE CLIMATE CHANGE WORKING GROUP - EXEMPT ANNEX

(Agenda No. 15)

The Committee received and noted a draft statement prepared by The Investor Agenda and is confidential at this stage until it has been agreed with all potential signatories and formally published

The public was excluded during this item because its discussion in public was likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

30/22 ADDITIONAL VOLUNTARY CONTRIBUTIONS - UPDATE

(Agenda No. 16)

The confidential report set out the latest review of the provision of Additional Voluntary Contribution services to the Pension Fund and sought the Committee's views of future arrangements.

RESOLVED – That approval be given to officers exploring the options for the provision of AVC services and a report be requested to the September Committee setting out a recommended course of action.

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 is considered that, in all the circumstances of the case, the public interest in

maintaining the exemption outweighs the public interest in disclosing the information, in that such disclosure would prejudice the trading activities of the Scheme Provider involved and would prejudice the Administering Authority in negotiating new commercial arrangements and therefore their ability to properly discharge their statutory duties and their fiduciary duty to scheme members.

..... in the Chair

Date of signing