

LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 19 January 2018 commencing at 10.30 am and finishing at 12:50 pm

Present:

Voting Members: Mark Spilsbury – in the Chair

Alistair Bastin
Stephen Davis
Councillor Bob Johnston
David Locke FCA
District Councillor Sandy Lovatt
Sarah Pritchard

Officers:

Whole of meeting Sean Collins, Service Manager (Pensions); Sally Fox, Pensions Manager; Julie Dean (Committee 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.

43/17 WELCOME BY CHAIRMAN

(Agenda No. 1)

The Chairman welcomed all to the meeting.

44/17 MINUTES

(Agenda No. 5)

The Minutes of the meeting held on 20 October 2017 were approved and signed as a correct record.

With regard to Minute 40/17 – Risk Register – Sean Collins reported that a new actuary had been appointed from Hymans Robertson, effective from 11 December 2017. In response to a question from a member of the Board asking about the discount rate typically applied to future pension liabilities by the new Actuary, Mr Collins stated that Hymans Robertson, whilst traditionally setting a lower discount rate than the other Actuarial firms, were happy that the current Oxfordshire rate was

not out of line with their financial parameters. They also offered some interesting ideas in the form of self - help, online tools, together with technical support, which would allow more cost-effective support to the LGPS.

45/17 EMPLOYER MANAGEMENT

(Agenda No. 6)

The Board considered the latest in a series of reports to the Pension Fund Committee and this Board on the Fund's approach to employer management (LPB6). The report set out the key issues discussed with the Pension Regulator at the meeting held in December and included a copy of the latest improvement plan which looked to meet the regulatory requirement to issue annual benefit statements (ABS) to all active and deferred scheme members by 31 August 2018. The Board was invited to note the latest position on employer management and the current improvement plan and to offer any comments to the Pension Fund Committee on 9 March 2018.

The Board established the following:

- That it was for the Pension Fund Committee to decide if there had been a material breach of the pension regulations or not and if it was the former, to report the Authority to the Pension Regulator. It was also within the powers of Local Pension Boards to do the same;
- In response to concerns about the safety and security of the iconnect system, the Board learned that the Chairman of Pension Fund Committee shared its concerns and was keen to explore it further. Moreover, he was keen to use the Board's expertise in order that more detailed questions could be asked, thereby establishing the relevant risks. If required, the Committee could then instigate a proper mitigation plan. **The Board therefore AGREED that a report raising the Board's concerns regarding cyber security be circulated to the members of Pension Fund Committee prior to the next meeting of the Committee on 9 March 2018, with a view to the possibility of this issue being added as a risk on the Committee's Risk Register;**
- If a decision was made to embark on iconnect as a solution, a 12 – 18 month lead time would be required before iconnect became mandatory, to ensure sufficient planning and implementation time for the employers and OCC. Sean Collins accepted that greater two-way conversations were needed with the employers than in the past to facilitate change and reduce issues with data submissions. Sally Fox reported that currently there had been little response from the majority of employers to communications from the Pension Team. The Employers Side acknowledged this point but highlighted the pressures facing all employers, and the capacity challenges facing all, but in particular facing some of the smaller employers. Sally Fox stated that some employers had already decided that they would not wish to utilise the iconnect system and this had been accepted for the time being on the proviso that they submit the correct data information;

- It was established that the law required a target of 100% for Annual Benefit Statements to be sent by 31 August. The Board suggested that the Committee, in determining the materiality of any breach, should consider the issuance of 95% or over as a benchmark. This would be accompanied with a caveat of a communications plan for those individuals who did not receive their statement, as well as a letter to those employers where material numbers of staff did not receive their statement to inform them of the situation, and action being taken to resolve it.

46/17 REVIEW OF THE ANNUAL BUSINESS PLAN

(Agenda No. 7)

In accordance with the previous request of the Board, this item allowed the Board to review the quarterly progress report which had been considered by the Pension Fund Committee on 1 December 2017.

A member of the Board put forward his personal wish that concerns relating to ESG issues be reflected in the Business Plan on the basis that the general awareness of ESG matters was much sharper than last year. Mr Collins responded that work with Brunel to produce a standard way of scoring impacts in ESG policy was already in this year's plan. He added that this work was now being taken forward and Brunel was doing extensive work with State Street, the new Fund Administrator, in order to develop new, robust reports which would offer greater transparency. Following further discussion on the merits of an ethical policy, Sean Collins advised that the Pension Fund Committee had discussed the issue on numerous occasions and had received a significant amount of advice, including from the Chief Responsible Investment Officer at Brunel, who was highly regarded in this field based on her previous work at the Environment Agency. The Committee's current policy was reflected in Investment Strategy Statement.

47/17 RISK REGISTER

(Agenda No. 8)

The Board considered the latest Risk Register as presented to the Pension Fund Committee on 1 December 2017 (LPB8). It included the changes made following the comments of the Board at the last meeting.

The Board considered whether the Board's concerns regarding cyber security were correctly reflected in the Register, given the concerns raised at Agenda Item 7. Sean Collins agreed that there might be a need to revisit the risk score in the future when the General Data Protection Regulations (GDPR) were implemented. Sally Fox added that the information was audited.

The Board **AGREED**:

- (a) that the Committee be requested to look again at the current scoring of the cyber security risk;
- (b) to include a timeline in the March report in relation to the work on the Cash Flow Model; and

- (c) to urge the Committee to set up a training day for all members of the Board and the Committee.

48/17 BRUNEL PENSION PARTNERSHIP

(Agenda No. 9)

Sean Collins gave an oral report on the latest position on the development of the Brunel Pension Partnership (BPP), including an update on the development of the new investment portfolios. He reported as follows:

- The Oversight Board (OB) had endorsed the Services Agreement Strategy subject to any minor changes. There was now a Services Agreement and Schedule to provide services to the Fund (providing Brunel had received the relevant approvals from the Financial Conduct Authority);
- The Business Plan for 2018/19 had now been signed off by all ten funds. Minor changes had been made by the OB, the principle one being the addition of a Code of Conduct for all Board members;
- A portfolio pack had been produced in order that Pension Fund Committee could make their indicative allocations. This had been unchanged since the first draft drawn up by the Client Group. Tender arrangements were currently in the process of production - therefore by 1 April 2018 the passive manager should be known.

Sean Collins confirmed that the Minutes of the OB meeting would be made available to Board and Committees once the Chairman had agreed them. He added that the Minutes of previous OB's were already available.

With regard to a query concerning decision-making, Sean Collins reported that the nominated shareholder representative for this Pension Fund was the Council's Director of Finance, Lorna Baxter, following consultation with the Chairman of the Committee and himself. The Committee had discussed this arrangement at length and had wanted to keep it under review. All decisions were to be reported to Committee, but retrospectively. Currently the Chairman of Pension Fund Committee was happy to be advised in this way.

Sean Collins reported that a decision had been made by HMRC that there would be no relief on stamp duty on other taxes payable during the transition of assets. Brunel had therefore been working with Alpha, PwC and Russell Investments on proposals to mitigate the potential tax liability. The Client Group had agreed, an outline proposal and a further detailed report would be considered by the Client Group at the end of February.

In response to a query about the costs incurred by the setting up of Brunel and when it was expected that there would be net savings from pooling, Sean Collins stated that, at this stage there were few variations in the figures included in the approved Business Case. To date all had been developed in line with the Business Case, with a small variation in respect of cash flow regarding the custodian, but expectations were that the final savings would be greater than initially assumed. The Chairman

confirmed that the need for the Company to monitor fees in detail as it went forward had been raised by the Oversight Board and the Board had been reassured that arrangements would be put in place to track savings once the asset transitions started.

In response to a query about why the Fund membership had not been consulted on the Investment Strategy Statement (ISS), Sean Collins stated that this was an issue for the Scheme Member representatives to think about how this could be done. Members of the Board then considered the various ways in which the Member consultation process could be improved including:

- via the use of member self-service when in operation;
- a rider to be placed on the bottom of the Annual Benefit Statement;
- via newsletters to scheme members and employers via the website; and
- via the Annual Report.

Sean Collins pointed out that ESG issues were highly complex, thus making it very difficult to have a meaningful conversation with the full membership of the scheme. It was his view that the conversations with Employer/Scheme representatives at this Board about what action was to be taken, if any, about various issues should be sufficient.

The Chairman pointed out that as the three-yearly ISS had only just been agreed by the Committee, it would, in his view, be worthwhile waiting until consideration of the next version of the Statement in the context of the last two years to determine any changes to the consultation arrangements. On the basis of this advice, the Board **AGREED that more consideration would be required in advance of the publication of the next Investment Strategy Statement on consultation mechanisms, and therefore it would be prudent to begin to start thinking now. In the meantime, Sean Collins stated that if Board members wished to draft some consultation questions, he would be more than happy to conduct any conversations here at meetings of the Board.**

49/17 GENERAL DATA PROTECTION REGULATIONS (GDPR)

(Agenda No. 10)

At the last meeting, the Board had requested that it be kept up to date on the project to manage the implications of the new General Data Protection Regulations (GDPR) which comes into effect from 25 May 2018. The progress report which was submitted to the 1 December 2017 meeting of the Committee was before the Board (LPB10). The Board was asked if they wished to offer any comments to Committee.

Sally Fox reported that her Team was working through all paper records and working with national groups to prepare Oxfordshire County Council's privacy notice.

The Board AGREED to note the report.

50/17 EXEMPT ITEM

(Agenda No. 11)

The Board AGREED that the public be excluded for the duration of item 12 in the Agenda since it was likely that if they were present during this item 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 item in the Agenda 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.

51/17 EMPLOYER COVENANTS

(Agenda No. 12)

At its last meeting the Board had requested a report on employer covenants. A report had been submitted to the 1 December 2017 meeting of the Committee, a copy of which was now before the Board (LPB12).

The public was 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 information was supplied in commercial confidence.*

Sean Collins reported that, following discussion, the Pension Fund Committee had decided that no clear actions were required. The Committee had asked that a further report be brought to the 9 March 2018 meeting to include further information on issues relating to asset security in the event of an employer becoming bankrupt, and any ensuing proposals for change to the current Funding Strategy Statement as a basis for future consultation. He added that it was about making the information clear about risks and how the Fund managed any risks going forward.

After a short discussion the Board AGREED that it did not wish to offer any comments back to the Committee at this point, but to keep the subject under review.

READMISSION OF PRESS AND PUBLIC**52/17 ITEMS TO INCLUDE IN THE REPORT TO THE PENSION FUND COMMITTEE**

(Agenda No. 13)

The Board decided that the following items be included in its report to the next Pension Fund Committee meeting on 9 March 2018:

- Security/capacity concerns relating to iconnect;
- Annual Benefit Statements – materiality question – for referral to the regulator in the context that the internal target must be 100%;
- A robust statement in the Business Plan regarding cyber security, including iconnect. Challenge back to Committee regarding the scoring of current cyber security risks;
- Recommendation to review shareholder decision-making at the end of 2018/19; and
- Request to Committee to review consultation arrangements in relation to the next Investment Strategy Statements.

..... in the Chair

Date of signing