

PENSION FUND COMMITTEE

MINUTES of the meeting held on Friday, 3 December 2021 commencing at 10.00 am and finishing at 12.20 pm

Present:

Voting Members: Councillor Bob Johnston – in the Chair

Councillor Kevin Bulmer (Deputy Chair)

Councillor Imade Edosomwan

Councillor Nick Field-Johnson

Councillor Richard Webber

Non-Voting Members: District Councillor Jo Robb, District Councils (non-voting)
Shelley Cook, Academy Sector (non-voting)
Alistair Fitt, Oxford Brookes University (non-voting)
Steve Moran, Pension Scheme Member (non-voting)
Alan Staniforth, Academy Sector (non-voting)

By Invitation: Philip Hebson, Independent Financial Adviser

Officers:

Whole of meeting Sean Collins (Finance), Colm Ó Caomhánaigh (Law & Governance)

Part of meeting

Agenda Item

10

Officer Attending

Sally Fox, Pension Services Manager

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.

51/21 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

There were no apologies received.

52/21 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE

(Agenda No. 2)

There were no declarations of interest.

53/21 MINUTES

(Agenda No. 3)

The minutes of the meetings held on 10 September 2021 and 12 November 2021 were approved and signed.

Sean Collins updated the meeting on Item 50/21, Age Discrimination Cases In The Firefighters Pension Scheme. Since the Committee meeting, the Government had withdrawn the previous guidance. They were advising fire authorities not to process any further payments. This put the Council in a difficult position. The courts had said the legislation was unlawful and payments must be made to remedy this.

These developments did not change the position regarding the recommendation from the last Committee meeting because it was agreed in principle pending clarification of the details.

Asked how others were responding, Sean Collins responded that the Chief Fire Officer was in contact with his counterparts and there were moves through the Local Government Association to develop a common approach. It was estimated that Oxfordshire had fewer cases involved than many other authorities and that would affect decisions regarding the balance of risk.

Sean Collins suggested that the Committee clarify that the recommendation be implemented as and when the implications have been agreed between the Chief Finance Officer and the Chief Fire Officer. It will then be reported to the Committee. This was agreed.

54/21 MINUTES OF THE LOCAL PENSION BOARD

(Agenda No. 5)

The unconfirmed Minutes of the Local Pension Board, which met on 22 October 2021 were noted.

55/21 REPORT OF THE LOCAL PENSION BOARD

(Agenda No. 6)

The Committee was provided with a report by the Independent Chairman of the Pension Board.

Sean Collins summarised the meeting. The Board considered the Governance Review and in particular conflicts of interest and were satisfied that the policy covered these adequately. The Board welcomed the Climate Report produced in line with the requirements of the Taskforce for Climate-related Financial Disclosures (TCFD).

On the risk register the Board noted the risk related to skills and knowledge of the Pension Fund Committee and that there was no corresponding risk in relation to the Board, even though it has two new members. It was proposed to add a new risk under the Risk Register item later in this meeting.

The other question discussed was the special business planning meeting of the Committee and the role of the Board in that. It was confirmed that the special

meeting will discuss issues around the business plan with the final draft being brought to the March meeting of the Committee. The Board will have an opportunity to provide comments to that meeting.

56/21 REVIEW OF THE ANNUAL BUSINESS PLAN

(Agenda No. 7)

The Committee considered a report providing an update on progress against the key priorities set out in the Annual Business Plan for 2021/22, including an update on the progress in implementing the Climate Change Policy.

Sean Collins noted that the ratings on the Climate Change objective were one Green and two Amber, reflecting that work still needed to be done in agreeing new metrics.

The Climate Change Working Group had discussed a paper produced by Fossil Free Oxfordshire on developing an engagement policy. The key principles from this paper have been included in a first draft policy statement included as an annex to this report, and the Committee was recommended to endorse these principles. Then the Climate Change Working Group will develop timeframes and a detailed criteria sector-by-sector and the policy will be taken at the March meeting for approval.

A key question will be: can we insist that the fund manager exclude certain companies or do we set out the expectation and then assess the fund manager's performance against those? Sean Collins expressed a preference for the latter because issues other than climate change may need to be taken into account as well as fiduciary duty.

Members of the Committee raised issues that Sean Collins responded to as follows:

- The criteria in paragraph 16 were general to all sectors. Fossil fuel reserves would only be relevant to certain sectors.
- For any difficult issues, agreement was reached between funds within the Brunel Partnership through discussions with the client group, the Oversight Board, where Councillor Bulmer was our representative, and the shareholders group where the Director of Finance was our representative. Any controversial issues would come to this Committee first.
- It could happen that the funds do not agree and there could be two sets of portfolios.

It was agreed that the second objective relating to improving governance arrangements was on track.

There were two amber ratings under the third objective relating to Data Management. These were due to the lack of response from customers and central guidance being awaited on the McCloud case.

The fourth objective relating to arrangements with Brunel was rated Amber as a number of funds and the new independent financial adviser had outstanding questions about the information provided. However, this was on target to be resolved by the end of the year.

The recommendations were proposed by Councillor Bulmer and seconded by Councillor Field-Johnson.

RESOLVED: to

- a) **review progress against each of the key service priorities as set out in the report;**
- b) **agree that no further actions were needed to be taken to address those areas not currently on target to deliver the required objectives; and**
- c) **endorse the draft Engagement Policy contained as an Annex to this report and ask the Climate Change Working Group to further develop the Policy to include more details on timeframes and specific criteria for consideration at their March meeting.**

57/21 GOVERNANCE REVIEW

(Agenda No. 8)

The Committee had before it a report providing the updated position on the nine outstanding recommendations from the Independent Governance Review undertaken for the Fund by Hymans Robertson, two of which required follow up work from the Officers in conjunction with Hymans Robertson.

Sean Collins introduced the report and suggested two possible dates for the special meeting to discuss the 2022/23 Business Plan and Budget. He drew attention to the list of issues in paragraph 6 of the report which was a long list but added that it might be possible to combine issues.

It was clear that there was a lot of work for the Committee in the year ahead which would have resource implications. The Committee would need to decide how quickly it wanted to move on the issues. He also asked the Committee to identify if any issues had been left out.

Sean Collins went on to summarise the results of the skills and knowledge tests undertaken by members of the Committee and Local Pension Board. The scores were lower than the old Committee and Board but that was not surprising given the number of new members. The highest scores were on Governance and the lowest on Actuarial Methods, Standards and Practices which needed to be included early in the training programme.

Next year Hymans Robertson will conduct tests across the pension funds so that it will be possible to get comparisons. The scores and training undertaken by members will be reported every year and officers were trying to ensure that they had a full record of training undertaken by longer-standing members prior to this year. Sean Collins reminded members to inform officers of any training undertaken that is not booked through them.

Members of the Committee provided the following comments:

- The tests included some areas that were not covered in the training materials.
- Some members have undertaken substantial training since those tests were conducted so the scores should be better now.
- Different members of the Committee will bring different skills and knowledge and professional advice is available to the Committee as well.
- Unison provides training for scheme member representatives through both national and regional fora.

Sean Collins responded that while there are professional advisers available, committee members needed to have sufficient knowledge to challenge them appropriately. If a problem arises the Pension Regulator will want to know the information the Committee had, what it had challenged and what it had done about it.

It was agreed that the special meeting be held on 4 February 2022. The recommendations were proposed by Councillor Bulmer, seconded by Councillor Edosomwan and agreed.

RESOLVED: to

- a) Agree 4 February 2022 as the date for the special meeting to discuss the 2022/23 Business Plan and Budget;**
- b) Note the priority areas already identified at paragraph 6 and agree there were no further additional items they wished to cover at the special meeting;**
- c) Note the results of the Knowledge Assessment exercise, and agree the draft training programme included at Annex 2 to this report;**
- d) Commit to undertaking the training appropriate to their role.**

58/21 RISK REGISTER

(Agenda No. 9)

Previously, the Committee had agreed that the risk register should form a standard item for each quarterly meeting. A copy of the report also goes to each meeting of the Pension Board for their review. Any comments from the Pension Board were included in their report to this meeting.

Sean Collins reported that the risk related to skills and knowledge of the members of the Local Pension Board had been added and scored as Amber, largely due to the fact that there were two new members and it would be desirable for their score to be higher.

He emphasised that the Committee was no longer just recommended to note the report but had to satisfy itself that the risk register covered all key risks to the achievement of their statutory responsibilities, and that any mitigation plans were appropriate.

Asked to update the Committee on the recruitment of a governance officer, Sean Collins responded that it would be actioned after the Christmas period.

The recommendations were proposed by Councillor Bulmer, seconded by Councillor Field-Johnson and agreed.

In addition, the Committee requested the Constitutional Review Working Group to allow possible substitutes on the Pension Fund Committee but only if they were fully trained and had kept their knowledge current.

RESOLVED: to note the changes to the risk register and accept that the risk register covers all key risks to the achievement of their statutory responsibilities, and that the mitigation plans, where required, are appropriate.

59/21 ADMINISTRATION REPORT

(Agenda No. 10)

The Committee considered a report updating on the key administration issues including the iConnect project, service performance measurement and any write offs agreed in the last quarter.

Sally Fox summarised the report. There were still delays in iConnect and team leaders were reviewing both the structures and processes in place. Since March the benefit team had been working to a reduced Service Level Agreement (SLA) standard, as agreed by this committee. They were making progress but in order to achieve a sustained improvement, team leaders were requesting that the temporary SLA targets continue until March 2022. They were recruiting another 4 administrators which will mean that 90% of team Administrators were or will be in training.

Sally Fox reported that the unauthorised payment charge which will fall to be met by the Fire Service relating to issues around the change of retirement age was likely to be over £100,000. Changes had been made to prevent recurrences of this. The position had also been confirmed that it was this Committee's responsibility as Scheme Manager to report all unauthorised payments and not that of the Chief Fire Officer.

Members of the Committee noted that the situation with the benefit team was improving but hoped that this would be the last extension of the reduced SLA. Sally Fox responded that she had challenged the managers on this and made it clear that they were expected to deliver on the improvements in the coming quarter.

Asked about the lack of customer feedback and the increase in the number of complaints, Sally Fox agreed to include the number of complaints and number resolved in future reports. In an effort to increase feedback, the customer surveys will be featured more clearly on the website and they will consult with colleagues on national communications for advice.

The recommendations were proposed by Councillor Bulmer, seconded by Councillor Field-Johnson and agreed.

RESOLVED to:

- a) **determine that no further information was required to ensure they are in a position to monitor service standards are consistent with their responsibilities under the Regulations;**
- b) **agree that the further actions being taken are reasonable to address the shortfall in performance and that they expected performance to return to the targeted levels by the end of the financial year;**
- c) **agree the further extension of reduced SLA targets until March 2022; and**
- d) **agree the write off of £40.81.**

60/21 INTRODUCTION TO THE NEW INDEPENDENT FINANCIAL ADVISER

(Agenda No. 11)

Philip Hebson was introduced as the new Independent Financial Adviser. He said that he was delighted to take on the role and honoured to succeed Peter Davies. He hoped to bring fresh eyes and a different perspective to the role. He outlined his 41 years of experience in the sector.

61/21 REPORT OF THE INDEPENDENT FINANCIAL ADVISER

(Agenda No. 12)

The Committee received the first report of the new Independent Financial Adviser, covering 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.

Philip Hebson summarised his report and gave some first impressions:

- He believed that Property had recovered since Covid, that the office sector was resilient and that there was a demand for Covid-friendly high-quality space especially in London.
- It was possible for companies to have very good internal governance but be operating in a country with a poor human rights record for example. He believed that concerns at government level were likely to move up the agenda.
- There were concerns that investment in renewables was going to cost more as demand increased, and increased cost meant increased risk.
- In the Brunel report he found it difficult to see who was managing money and how they were managing it. He believed that the public market information needed greater detail while the private market section needed to be more concise.
- He did not share the general view that the recent increase in inflation was temporary. Energy prices might correct themselves but labour will probably continue to be more expensive.
- On COP26 his analysis was that a lot was achieved, even if it was not as much as some people wanted. There was an opportunity to continue the movement in the

right direction through investments. In particular, forestry was good for profits and good for carbon credits.

Members of the Committee raised a number of issues and Philip Hebson responded as follows:

- While the City of London was quieter, most city centres were busy again. Many financial firms still needed staff in office. There was also an issue with increased mobility of labour which will take some time to work through.
- As funds divest from fossil fuel companies, there is a risk that the assets will end up in the private equity sector in the hands of people who care little about the climate or environment.
- Some major oil companies were amongst the biggest investors in renewable energy. It was likely that they will split their fossil-fuel and non-fossil fuel interests at some point in the future.
- Oil and gas companies were still exploring because the reality was that there will continue to be a demand for these fuels as the transition cannot happen overnight.
- There was a risk now in equity which had performed very well in recent years. However, he believed that bond markets were currently overvalued.
- He would support a move into infrastructure but at the moment there was a lot of money chasing very few projects.
- You can insure forestry against most risks except disease. That can be limited by good design.
- The fund was well placed to take opportunities to assist the less wealthy parts of the world following the lack of willingness seen at COP26 on the part of the wealthy nations. The fund had already moved in that direction and it was important to continue a balanced and informed approach.

62/21 REPORT OF THE LEGACY FUND MANAGERS

(Agenda No. 13)

The Committee received a report covering the meetings held between Officers and Legal and General Investment Management and Adams Street Partners on the performance and associated issues of their legacy portfolios.

Members thanked officers for a clear and detailed report. The report was noted.

63/21 CORPORATE GOVERNANCE AND SOCIALLY RESPONSIBLE INVESTMENT

(Agenda No. 14)

This item was to provide the opportunity to raise any issues concerning Corporate Governance and Socially Responsible Investment which need to be brought to the attention of the Committee.

Members of the Committee noted that a number of the companies drawn to attention as having issues around governance and environment were in the fund's top 10 active equities.

Sean Collins responded that we look more closely at the companies that we are heavily invested in – it does not necessarily mean that they are the worst companies. Regarding issues around the Energy Charter Treaty, the Local Authority Pension Fund Forum (LAPFF) will take that issue up in their general engagement – they did not have it as a separate topic.

The Chair thanked Councillors Nick Field-Johnson and Richard Webber who were standing down from the Committee after this meeting.

..... in the Chair

Date of signing