LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 20 October 2017 commencing at 10.30 am and finishing at 12.35 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 (Resources)

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.

36/17 WELCOME BY CHAIRMAN

(Agenda No. 1)

The Chairman welcomed all to the meeting. In particular he welcomed new member of the Board, District Councillor Sandy Lovatt.

37/17 MINUTES

(Agenda No. 5)

The Minutes of the meeting held on 21 July 2017 were approved and signed as a correct record.

38/17 EMPLOYER MANAGEMENT

(Agenda No. 6)

The Board had before them the Employer Management report (LPB6) which was the latest in a series of reports to the Pension Fund Committee and this Board on the Fund's approach to employer management. It covered the latest position in respect of Oxfordshire's regulatory requirement to issue annual benefit statements to all active and deferred scheme members by 31 August 2017; the plan to issue the outstanding statements; and the key learning points and actions going forward.

The Board was invited to note the latest position and the proposed actions to address the issues; and also to offer any comments to the Pension Fund Committee.

During the general discussion, the Board established the following:

- The Pensions Team were still short of three members of staff. Training of new members of staff impacted on performance;
- The Diocese had successfully completed a test run on their computer system, with direct assistance from Sally Fox. This had necessitated an £44k input in software development;
- UNISON reiterated their offer of assistance with liaison between employees who had not yet received their Annual Benefit Statements and with the poorer performing employers. David Locke also offered to broker a meeting if needed;
- Employers had been asked to give any issues which they wished to have discussed at the quarterly Employers Group meeting;
- The Pensions Team was pushing to correct any system errors earlier so that iconnect, when introduced, could assist with establishing, on a monthly basis, what was outstanding thus allowing issues to be resolved earlier and in advance of the following month’s return;
- The Pensions Team were now meeting with the Chief Executives/Chief Finance Officers of Employer organisations to discuss any issues or action that needed to be taken;
- The organisations in the Employers Group who were not engaging were very resource intensive for the Pensions Team;
- A number of authorities had sent their benefit statements out on time but this had been achieved by the use of additional staff and overtime and leave embargos. It was also clear that a number operated less stringent checks on the data included in published statements and did not report performance across the complete pool of active members, so boosting the percentage of statements issued. The matter was on the Agenda for the new Southern Area Pension Group to review;
- Introducing a standard approach to employer returns was restricted because both nationally and locally Pension Funds and Scheme employers were required to set discretionary policies under the Regulations which resulted in different requirements.

At the conclusion of the discussion, the Board **AGREED** noted the current position and to inform Pension Fund Committee:

(a) that the Board welcomed the potential actions to discuss with employers as set out at paragraph 9 of the report;
(b) that the Board welcomed the positive feedback on interventions made by the Team to encourage better returns from employers; and

(c) to acknowledge that the Pensions Team required time to plan new projects which would require a number of pieces of work for submission to the Board and to Committee.

39/17 REVIEW OF THE ANNUAL BUSINESS PLAN - 2017-2018

(Agenda No. 7)

At its 15 September 2017 meeting, the Pension Fund Committee had received its first report to review progress against the five key service priorities included in the report for the Pension Fund, 2017/18 (LPB7). As many of these priorities directly linked to the mitigation plans for the key risks within the Fund's Risk Register, the report provided more detail on the status of these risks.

With reference to paragraph 13 of the report regarding cash flow modelling, the Board asked what the cash flow position was in a typical month. Mr Collins responded that it amounted to £750k more in cash collected each month in respect of members' benefits than the amounts paid out by way of current pensions.

The Board also asked about potential changes in academy structures with schools moving between Funds where all were part of a Multi-Academy Trust and the potential cash flow implications. Sean Collins responded that this would require Secretary of State permission. He added that any significant out-sourcing, such as that planned by Oxford City Council and West Oxfordshire District Council could seriously affect cash-flow. Modelling work was taking place on the impact of these changes, should a number of scheme members be transferred.

Mr Collins assured the Board that independent legal advice was provided to the Committee.

Cllr Bob Johnston, who regularly attended Pension Fund Committee meetings as an observer, and who often acted as the Board's representative, presenting the Board's Minutes and report, stated that, in his opinion, the level of expertise amongst Committee members was better than expected, given that the Committee comprised mainly of new members. He expressed a confidence that the new Committee would carry out its responsibilities effectively.

With regard to the Committee's management approach to the environment, social and governance (ESG) risks associated with the Fund's investments, Sean Collins stated that the law was clear and that the Committee had a fiduciary duty to make decisions in the best interests of the stakeholders. Advice received had indicated that decisions could be made on ethical grounds as long as there was no detrimental impact on this duty. The Oxfordshire Pension Fun's stance was not to screen investments allowing decisions to be made on a case by case basis. The Committee's first Investment Strategy Statement, agreed at the March 2017 meeting, made it clear that this Committee expected its fund managers to integrate the consideration of all ESG risks, including climate change, into their investment decisions.

The Board **AGREED** to note the report and that there were no points within the report that they wished to flag up to the Committee.

40/17 RISK REGISTER

(Agenda No. 8)

The Board considered the report LPB8 which had been submitted to the last meeting of Pension Fund Committee on 15 September 2017 and that had included the comments from this Board made at its July meeting. The Committee had been invited to consider the current risk ratings in respect of the risks queried by the Board (ie. risk scores 4, 8 and 10.

In relation to Risk 10, Sean Collins confirmed that the contract for the provision of external resource had now been finalised and work was ongoing.

In response to various questions in respect of the work of the Fund Actuary from the Board, Sean Collins explained that a number of issues would be built into the tender documentation for the new actuary, the appointment of which was due in December of this year. He added that all points made by the Committee in September had been picked up. The Chairman had wanted the dates for completion of action to remain and not be allowed to slip. This would give the Committee and the Board a clearer picture in order to understand the Business Plan properly and to be able to re-examine the risks, if required.

In response to a query about the resilience of the Pensions Team, and if succession planning was taking place, Sean Collins responded that training for more junior staff was provided, but this was a double-edged sword in that if vacancies within Oxfordshire did not materialise, they could be encouraged to seek promotion elsewhere. He was of the view that sometimes a fresh perspective was a positive alternative.

Sean Collins was asked if risks associated with Brexit had been given any consideration. He responded that the key issue was that the LGPS was a long-term scheme and so the key risk to this was if the Government made changes to policy, the worst possibility being if the Government was to close the LGPS. The implications of Brexit would largely be short-term and therefore did not need specific inclusion in the risk register.

The Board asked about Oxfordshire’s LGPS approach to employer covenant reviews. Sally Fox responded that there was a different approach between funds regarding covenants. Oxfordshire’s approach would be for the actuary to do the review and the Committee to look at the ensuing report to decide the approach. Assurance was given that the covenant report would be submitted to the Committee and then to the Board. Sean Collins added that the Committee had ceased admitting community admission bodies and academy covenants were now underwritten by the Secretary of State. The key bodies where significant risk was identified were Oxford Brookes University and the colleges of education, where there was no third party acting as guarantor..

In relation to the outstanding training date for all members (Risk 11) for all members of the Committee and the Board, Sean Collins reported that this had not been overlooked and would take place in the Spring of 2018.

41/17 BRUNEL PENSION PARTNERSHIP

(Agenda No. 9)

Sean Collins gave an update on the Brunel Pension Partnership (BPP) stating that:

- Since the formation of the company, key staff had continued to have been appointed, 50% of whom were from LGPS employees, and the other 50% from the private sector;
- The two appointed members on the Oversight Board were both Unison members. Both had attended its last two meetings;
- The main piece of work was the appointment of State Street to the role of administrator/custodian. All funds were to transition to State Street according to a planned approach, Oxfordshire being the first to transition by mid - November;
- Members of the Board would meet the Client Relationship Director and the Shareholder non-executive director would also be present at the event which Oxfordshire was hosting, to which members of the Committee and the Board had been invited on 17 November 2017;
- The offices for BPP would be in central Bristol;
- Expenditure to date was in line with the budget.

In response to a question with regard to the case made by BPP regarding the transfer of assets and stamp duty to the Treasury, Sean Collins stated that this had been discussed by the cross-pool tax working group. Due to the differences in the ways the other pools had been set up, the tax issue had not been a priority for the others. The Government’s view was that the Pension Funds would benefit over the longer term and therefore should be responsible for meeting all short term costs.

42/17 ITEMS TO INCLUDE IN REPORT TO THE NEXT PENSION FUND COMMITTEE

(Agenda No. 10)

The Board decided that the following items be included in the Board’s report to the next Pension Fund Committee:

- Project plan to explain the GDPR – and the report, when complete, to include the impact and likelihood of modelling
- Covenant report.

.... in the Chair

Date of signing ....