

**Oxfordshire Pension Fund: Business Plan 2023/24**

**Service Manager - Pensions: Sean Collins**

**Service Definition:**

- To administer the Local Government Pension Scheme and the Fire Fighters Pension Schemes on behalf of Oxfordshire County Council in line with the Regulatory Framework and the Committee's Fiduciary Duty.

**Our Customers:**

- Scheduled scheme employers e.g. County Council, District Councils, Oxford Brookes University, other Colleges and Academies
- Designating scheme employers e.g. Town & Parish Councils
- Admission Bodies including charitable organisations with a community of interest, and bodies where services have been transferred on contract from other Scheme Employers
- Contributory Employees
- Pensioners and their Dependants
- Council Tax payers

**Key Objectives:**

- Fulfil the Fiduciary Duty to all key stakeholders
- Administer pension benefits in accordance with the relevant regulations and the guidance as set out by the Pension Regulator, to a high service standard for scheme members
- Achieve a 100% funding level (LGPS only)
- Ensure there are sufficient liquid resources available to meet the Fund's liabilities and commitments (LGPS only) and
- Maintain as nearly a constant employer contribution rate as is possible (LGPS only).

## Part A: Service Activities

Service Activity	Outputs	Outcomes
<b>Investment Management – LGPS Only</b>		
Management of the Pension Fund Investments	<p>The Fund is invested in assets in accordance with the Committee’s wishes.</p> <p>The Fund’s assets are kept securely.</p> <p>Quarterly reports to the Pension Fund Committee.</p>	<p>Sufficient resources available to pay all pension benefits as they fall due.</p> <p>Employer contribution rates maintained at a stable and affordable level.</p> <p>Investments achieved in line with the Fund’s Climate Change Policy</p>
Management of the Pension Fund Accounts	Completion of the Annual Report and Accounts.	No adverse comments from the Fund’s auditors.
Management of the Pension Fund Cash	<p>Cash management strategy and outturn reports.</p> <p>Cash Managed in accordance with the strategy.</p>	The Pension Fund cash is managed securely and effectively.
<b>Scheme Administration</b>		
Management of the Pension Fund Administration	<p>The administration procedures are robust and in accordance with regulations and service standards, with particular focus on regular reviews to safeguard scheme members from Pension Scams.</p> <p>Changes to regulatory framework of the scheme</p>	<p>The workload is completed &amp; checked in accordance with regulations and procedures. Work is completed within specified time scales</p> <p>No adverse comments from the Fund’s auditors, the Pension Regulator and Scheme Members/Employers</p> <p>Implementation of actions arising from regulation changes</p>

## Part B – Service Priorities

Objective	Actions	Measures of Success
<p>Deliver the Regulatory Changes as set out by the Government.</p>	<p>Identify new requirements arising from regulatory changes or court guidance, to include Goodwin, McCloud/Sargeant, Pensions Dashboard</p> <p>Collect any outstanding data to run McCloud calculations on a pragmatic basis (estimate missing data, with balance of risk in favour of scheme member).</p> <p>Review data quality in light of Pension Dashboard requirements and address any gaps.</p> <p>Put in place secure arrangements to link to Pension Dashboard.</p>	<p>No regulatory breaches that require reporting to the Pension Regulator.</p> <p>All Pension Benefit Calculations and Annual Benefit Statements issued with required information on McCloud remedy.</p> <p>Scheme Member records available via the Pension Dashboard.</p>
<p>Deliver further improvements to the governance arrangements of the Fund.</p>	<p>Appoint Governance Officer</p> <p>Deliver training session on Single Code of Practice</p> <p>Review level of current compliance with the Code of Practice and develop action plan to resolve any shortfalls.</p> <p>Review Administration Strategy and service agreements between Pension Services and Scheme employers</p> <p>Review Breaches Policy and reporting arrangements</p> <p>Develop full workforce strategy for the Fund in line with any Government guidance.</p>	<p>Governance Officer In post</p> <p>Annual Report on Compliance with the Code of Practice presented to Committee and no significant shortfalls identified.</p> <p>Revised Administration Strategy agreed by Committee with clear Service Level Agreement established with all scheme employers.</p> <p>Revised Breaches Policy agreed by Committee and Committee signed off quarterly key performance indicator report provides all information they require to gain assurance on compliance with Code of Practice and Regulatory Requirements.</p>

		<p>Full Workforce Strategy agreed by Committee.</p> <p>Increase in average scores for the National Knowledge Assessment.</p>
<p>Enhanced delivery of Responsible Investment responsibilities.</p>	<p>Continued delivery of current Climate Change Implementation Plan to include reporting across all asset classes and investments in climate change mitigations and solutions.</p> <p>Work with Brunel to improve current reporting to cover all asset classes and widen areas covered across full Environmental, Social and Governance issues.</p> <p>Improve reporting to scheme members and other key stakeholders through the Fund's webpages.</p> <p>Develop project plan to enable Fund to sign up to the Stewardship Code.</p>	<p>Improved quarterly reporting in place to both Committee and on Fund webpages, including wider ESG targets and performance measures, reflected in positive feedback from all stakeholders.</p> <p>Successful application in respect of Stewardship Code.</p> <p>Benchmark position established on investments in climate solutions/mitigations and target set for increased investment (with action plan to deliver).</p> <p>Continue to meet decarbonisation target, within a balanced suite of metrics to include % of Fund invested in Paris Aligned portfolios.</p>
<p>Deliver further improvements in efficiency and effectiveness of scheme operations through enhancements to technology.</p>	<p>Complete review of Best Practice use of the current System Software and develop action plan to address any gaps.</p> <p>Work with system supplier on system developments identified as outside current offering.</p> <p>Look to improve scheme member engagement via increase communications through personal emails and mobile phones.</p> <p>Review arrangement for assessing scheme member/employer satisfaction.</p>	<p>Increased operational effectiveness as measured through improved SLA performance scores.</p> <p>Improved scheme member/employer satisfaction, measured via positive assessment or a reduction in complaints.</p> <p>Increase take-up of Member Self Service</p> <p>Action plan in place with targets to collect an email address and/or mobile phone number for scheme members.</p> <p>Reduction in postage costs reflecting greater use of electronic communications.</p>

## Part C. Budget:

	<b>2023/24 Budget</b>	<b>2022/23 Budget</b>
	<b>£'000</b>	<b>£'000</b>
<b>Administrative Expenses</b>		
Administrative Employee Costs	1,607	1,402
Support Services including ICT	930	886
Printing and Stationery	132	82
Advisory and Consultancy Fees	315	315
Other	59	59
	<b>3,043</b>	<b>2,744</b>
<b>Investment Management Expenses</b>		
Management Fees	12,450	12,836
Custody Fees	30	40
Brunel Contract Costs	1,258	1,160
	<b>13,738</b>	<b>14,036</b>
<b>Oversight and Governance</b>		
Investment Employee Costs	380	405
Support Services Including ICT	12	12
Actuarial Fees	190	190
External Audit Fees	50	50
Internal Audit Fees	17	16
Advisory and Consultancy Fees	98	135
Committee and Board Costs	64	63
Subscriptions and Membership	70	69
	<b>881</b>	<b>940</b>
<b>Total Pension Fund Budget</b>	<b>17,662</b>	<b>17,720</b>

## **Part E - Pension Fund Cash Management Strategy 2022/23**

### **Introduction**

1. The Oxfordshire Pension Fund maintains a balance of cash arising from the receipt of employer and employee contributions, and income from internally managed investments. This incoming cash currently exceeds the amount of payments made on behalf of the Fund. The situation is forecast to continue for the whole of 2022/23. Income generated in investment portfolios is generally reinvested, the exceptions being listed private equity and some private market investments. Were the Pension Fund's cashflow to turn negative the Fund could look to have income generated from its portfolios paid back to the Fund as required to make up any cash shortfall. At present a number of the Brunel portfolios do not have income share classes and so the fund would need to request these. The cash managed in-house by the Administering Authority, provides a working balance for the fund to meet its short-term commitments.
2. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 state that administering authorities must hold in a separate bank account all monies held on behalf of the Pension Fund. The regulations also state that the Administering Authority must formulate an investment strategy to govern how the authority invests any Pension Fund money that is not needed immediately to make payments from the fund. This document sets out the strategy for cash for the financial year 2022/23.

### **Management Arrangements**

3. The Pension Fund cash balances are managed by the Council's Treasury Management team and Pension Fund Investments team. Cash balances are reviewed on a daily basis and withdrawals and deposits arranged in accordance with the current strategy. Pension Fund cash deposits are held separately from the County Council's cash.

### **Rebalancing**

4. The Oxfordshire County Council Pension Fund has a strategic asset allocation range of 0-5% for cash. The cash balance is regularly monitored and reviewed as part of a quarterly fund rebalancing exercise undertaken by officers and the Independent Financial Adviser.
5. Arrangements will be made for cash balances which are not required for cashflow purposes, to be transferred to the Pension Fund's Investment Managers in accordance with the decisions taken during the rebalancing exercises.
6. In general, a minimum cash balance of £40million will be retained following a fund rebalancing exercise, to meet cashflow requirements and private market investment transactions. The level of cash balances will fluctuate on a daily basis and may be considerably higher than the minimum balance dependent upon the timing of transactions and strategic asset allocation decisions.

### **Investment Strategy**

7. The Pension Fund cash investment policies and procedures will be in line with those of the administering authority. Priorities for the investment of cash will be:-

- (a) The security of capital
- (b) The liquidity of investments
- (c) Optimum return on investments commensurate with proper levels of security and liquidity

### **Investment of Pension Fund Cash**

- 8. Management of the Pension Fund's cash balances will be in accordance with the Administering Authority's approved Treasury Management Strategy and policies and procedures.
- 9. The Pension Fund cash balances will be held predominantly in short-term instruments such as notice accounts, money market funds and short-term fixed deposits. Approved instruments for pension fund cash deposits will be the County Council's list of specified investments for maturities up to 1 year, excluding the Debt Management Account deposit facility which is not available to pension funds and UK Government Gilts which are managed by an external fund manager. The County Council's current approved list of specified investments is attached at appendix 1.
- 10. Pension Fund deposits will be restricted to a subset the County Council's approved counterparties at the time of deposit and will include the Fund's custodian bank. Approved counterparties as at 31<sup>st</sup> January 2022 are shown in annex 2. There will be a limit of £30m for cash held with each counterparty.

### **Borrowing for Pension Fund**

- 11. The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 give administering authorities a limited power to borrow on behalf of the pension fund for up to 90 days. The power cannot be used to invest, but only for cashflow management in specified circumstances which should in practice be exceptional, i.e. to ensure that benefits are paid on time, and in transition management situations when the allocation of a pension fund's assets is being amended. Money can only be borrowed for these purposes if, at the time of borrowing, the administering authority reasonably believes that the sum borrowed, and any interest charged as a result, can be repaid out of the pension fund within 90 days of the date when the money is borrowed.
- 12. Pension Fund management arrangements presume no borrowing normally, but the possibility remains of unexpected pressures occurring and in these circumstances the power would enable the Pension Fund to avoid becoming forced sellers of fund assets due to cashflow requirements.
- 13. The Director of Finance (S.151 Officer) has delegated authority to borrow money for the Pension Fund in accordance with the regulations but only in exceptional circumstances. It is proposed that the authority to borrow on behalf of the Pension Fund continues to be delegated to the Director of Finance during 2022/23.

**Oxfordshire County Council 2022/23 Approved Specified Investments for Maturities up to one year**

<b>Investment Instrument</b>	<b>Minimum Credit Criteria</b>
Term Deposits – UK Government	N/A
Term Deposits – other Local Authorities	N/A
Term Deposits – Banks and Building Societies	Short-term F1, Long-term BBB+, Minimum Sovereign Rating AA+
Certificates of Deposit issued by Banks and Building Societies	A1 or P1
Money Market Funds	AAA
Other Money Market Funds and Collective Investment Schemes <sup>1</sup>	Minimum equivalent credit rating of A+. These funds do not have short-term or support ratings.
Reverse Repurchase Agreements – maturity under 1 year from arrangement and counterparty of high credit quality (not collateral)	Long-term Counterparty Rating A-
Covered Bonds – maturity under 1 year from arrangement	Minimum issue rating of A-

<sup>1</sup> I.e., credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.



**Approved Counterparties**

Aberdeen Standard Sterling Liquidity Fund

State Street Bank & Trust Company

Lloyds Bank Plc

Oversea-Chinese Banking Corp

Svenska Handelsbanken

Santander Plc