

PENSION FUND COMMITTEE – 2 DECEMBER 2022

REVIEW OF THE BUSINESS PLAN 2022/23

Report by the Director of Finance

RECOMMENDATION

The Committee is **RECOMMENDED** to

- a) **review progress against each of the key service priorities as set out in the report;**
- b) **agree any further actions to be taken to address those areas not currently on target to deliver the required objectives;**
- c) **note the provisional results from the National Knowledge Assessment and**
- d) **agree to hold a 2023/24 Business Planning session on the morning of Friday 3 February 2023.**

Introduction

1. This report sets out the latest progress against the key service priorities set in the business plan for the Pension Fund for 2022/23 as agreed by the March meeting of this Committee.
2. The key objectives for the Oxfordshire Pension Fund as set out in the Business Plan for 2022/23 remain consistent with those agreed for previous years. These are summarised as:
 - To administer pension benefits in accordance with the LGPS regulations, and the guidance set out by the Pensions Regulator
 - To achieve a 100% funding level
 - To ensure there are sufficient liquid resources to meet the liabilities of the Fund as they fall due, and
 - To maintain as near stable and affordable employer contribution rates as possible.
3. The service priorities for the year do not include the business-as-usual activity which will continue alongside the activities included in the service priorities. Business as usual activities are monitored as part of the Administration Report and the report on Investment Performance.
4. The report also includes the provisional results from the 2022 National Knowledge Assessment run by Hymans Robertson, which sets out the scores for this Committee and the Pension Board against the 8 key pillars of the CIPFA knowledge and skills framework.

Key Service Priorities – Progress to Date

5. There were 4 service priorities included in the 2022/23 Plan each with a number of key measures of success. The latest position on each is set out in the paragraphs below. The assessment criteria agreed by the previous Committee for each measure of success is as follows:
- Green – measures of success met, or on target to be met
 - Amber – progress made, but further actions required to ensure measures of success delivered, or degree of progress/future requirements unclear
 - Red – insufficient progress or insufficient actions identified to deliver measures of success
6. Review and Improve the Scheme’s Data The position against the 5 agreed measures of success are set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Data Quality scores submitted to the Pension Regulator within acceptable bounds and no follow up action. GREEN	Scores now submitted to the Pension Regulator – common data score is 94.8%, which is slightly down on last year. Scheme specific score is 98.2% up on last year.	Continue to review issues with common data, largely missing member addresses.
Valuation completed with data signed off as fit for purpose and scheme employers raising no concerns with outcome. GREEN	Data File Submitted to Actuary. Initial Whole Fund Results Received Draft results issued to scheme employers.	
Data of a standard to support delivery of all service KPI’s as reflected in quarterly performance reports. AMBER	Limited development of reports to date.	More extensive use of new Insights Reporting tool to deliver full suite of performance reports and enable data quality to be assessed.
No data security breaches reported. AMBER	One issue of a personal data breach by one of the Fund’s third party suppliers.	Breaches Policy to be reviewed
Cyber Security Policy is updated (where required) with clear information on roles	Report on approach to Cyber Security produced.	Action Plan to be delivered.

and responsibilities. AMBER	Gap Analysis undertaken and Action Plan developed	
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7. Since the last report, we have issued our data quality scores to the Pension Regulator. On the scheme specific data, we have seen an improvement in score to 98.2%. The score for the common data reduced slightly to 94.8% with the majority of errors relating to missing home addresses for scheme members. Whilst we have reasonably robust processes to ensure that the addresses of active scheme members are kept up to date, there is limited actions the Fund can take where deferred members move house and do not provide us with a new address – only identified when the postal service returns new correspondence. It is hoped that the introduction of the national Pensions Dashboards will increase awareness of pension provision and make it easier for scheme members to keep track of all pension benefits and how to keep their details up to date.
8. Since the last meeting, we have continued to work with the Fund Actuary to release draft valuation results to individual scheme employers. The process is indicating no significant issues with the member data on which the valuation results are based.
9. We have not made any real progress on developing data for the standard service kpi's to be included in the quarterly performance reports, so the risk level against this outcome is still showing as Amber. We are looking to identify the resources needed to complete this work by the end of the financial year.
10. The issues around cyber risk and data security have been covered in more detail at the last Committee and in a further report on today's agenda with reference to the controls a in place in respect of our third-party suppliers. The score has been retained as Amber in light of the breaches already reported this year, and the need to strengthen the monitoring arrangements in respect of the wider cyber risks.
11. Develop a holistic approach to technology across Pension Administration Services. There were 3 specific measures of success set out in the 2022/23 Business Plan in respect of this priority. The progress against these in set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Committee Decision on whether to extend current contract and tender for bolt on solutions as appropriate to deliver full specification, or to run full tender exercise for single holistic solution. GREEN	Key Requirements of system identified. Review completed of current offerings on the LGPS National Procurement Framework and decision to extend current contract	Set out a programme of work to maximise use of the current system software.

	considered elsewhere on today's agenda.	
Tender project plans agreed consistent with the end date of the current system contract. GREEN	No longer applicable (subject to agreement of recommended approach elsewhere on today's agenda).	
Clear targets established for increase in on-line completion of services. AMBER		Review of current functionality of existing software, and re-design processes to maximise the potential for on-line submission of paperwork and benefit requests.

12. A full report on the future use of technology is included elsewhere on today's agenda. In summary, that report recommends an extension of the current software contract, a further investigation into the benefits of running a smaller procurement option to deliver a standalone employer database, and a review of our current policies and procedures and use of the existing software to ensure it is being used to the maximum potential. The decision not to run a full procurement exercise at this time means that the overall score for this objective has been switched from amber to green.
13. Enhanced Delivery of Responsible Investment responsibilities. There were 5 measures of success set for this service priority within the Business Plan, and progress against these measures is set out below.

Measure of Success	Key Progress Achieved	Outstanding Actions
RI Officer in post GREEN	Job Description and grade agreed. Recruitment process initiated.	Appointment agreed.
Engagement Policy signed off and reflected in overall Engagement Policy agreed by Brunel Pension Partnership. GREEN	Policy signed off at the June committee. Policy shared with colleagues within Brunel, and confirmation that broadly in line with Brunel's preferred approach.	On-going discussions with Brunel and partner funds to develop single Brunel approach.
Improved quarterly reporting in place to	Initial presentation by Brunel of new reporting	Need to work alongside Brunel to draft new

both Committee and on Fund webpages, including wider ESG targets and performance measures, reflected in positive feedback from all stakeholders. GREEN	being developed for the Private Markets.	reports to ensure they meet our requirements. Appointment of new RI and Communication resources to enable development of website reporting.
Successful application in respect of Stewardship Code. RED		Appointment of new Responsible Investment Officer. Full application completed and submitted
Revised Funding Strategy Statement and Investment Strategy Statement including revised Strategic Asset Allocation signed off at March 2023 Committee. GREEN		To be reviewed alongside 2022 Valuation.

14. There have been on-going delays in the recruitment for the new Responsible Officer, with the need to go through an appeal process in respect of grade set through the Job Evaluation process. There remains a concern that we will not be able to attract a suitable candidate at the revised grade agreed, and we are looking to work with colleagues in HR to explore the grades being paid in respect of similar positions elsewhere in the LGPS with a view to agreeing a market supplement to make the pay competitive.
15. The work on the engagement policy and improved reporting is directly tied into the current Climate Change Stocktake exercise being run by Brunel and the Funds in the partnership. What is clear from the discussions is that there is a strong level of consensus around these issues, and the expectation is that these will be prioritised as part of the future work programme for Brunel.
16. In light of the on-going delays in the appointment of the Responsible Investment Officer and the known level of work in completing an application in support of the Stewardship Code, this objective has now been scored red, as it is not feasible to undertake the work this year.
17. Deliver improved and consistent service performance to scheme members. Progress against the 3 measures of success for this service priority are set out below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Services delivered to SLA Standards	Performance figures for the first 7 months	Recruit additional staff.

consistently throughout the year. RED	show a number of areas below SLA targets.	Clear remaining backlog of work.
All services delivered in line with regulatory guidance with scheme changes implemented in accordance with stipulated timescales. AMBER		Final guidance received from Government on TCFD, Pooling and McCloud. Review of current arrangements and data against new requirements. Action Plan developed, additional resources required and plan delivered.
Scheme Member Engagement Policy adopted and positive feedback collected from scheme members. AMBER		New communications Officer appointed. Review of what scheme member engagement has worked well elsewhere. Engagement Policy developed and implemented.

18. The Administration report elsewhere on today's agenda presents the latest performance information and shows that whilst performance has been steadily improving, it does remain below the Service Level Agreement (SLA) targets on a number of measures. As the objective for this year was to deliver consistent service at target or above every month, we have scored this indicator red. Going forward, if we are successful in recruiting the additional staffing as set out within the Administration report elsewhere on today's agenda, performance standards should be increased and brought back into line with the SLA.
19. The measure of success around successful management of scheme changes is currently amber as we are still awaiting the publication of the long-promised consultation papers from the Government. The outstanding publications includes guidance on pooling in general, and the implementation of the McCloud remedy. In the absence of the detailed guidance it is not possible to assess the level of work involved and whether we have sufficient staffing to complete it, and whether we have all the data we need from scheme employers, and other LGPS Funds where scheme members have transferred into Oxfordshire during the transition period of 2014 to 2022.
20. Following the appointment of the new Governance and Communications Manager, work on the approach to scheme member engagement has started,

with a view to establish best practice elsewhere and develop a new Policy for Oxfordshire. It is expected that a report will go to the meeting of the local Pension Board in January and on to this Committee in March. At this stage we have left the rating for this objective as Amber, until we are clearer on the gap between our existing approach and what will be recommended as our best practice approach going forward.

Budget 2022/23

21. Part C of the Business Plan sets out the Fund's budget for 2022/23 which totals £17,720,000. The table below shows the latest information of expenditure to date and the estimated end of year position. This suggests an underspend of £241,000 over the course of the financial year.

	Budget	YTD	%	Forecast Outturn	Variance
	2022/23	2022/23		2022/23	2022/23
	£'000	£'000		£'000	£'000
Administrative Expenses					
Employee Costs	1,403	633	45%	1,303	-100
Support Services Including ICT	886	411	46%	886	0
Printing & Stationary	82	20	25%	82	0
Advisory & Consultancy Fees	315	12	4%	315	0
Other	58	6	8%	58	0
Total Administrative Expenses	2,744	1,082	39%	2,644	-100
Investment Management Expenses					
Management Fees	12,836	6,003	47%	12,750	-86
Custody Fees	40	15	38%	40	0
Brunel Contract Costs	1,160	879	76%	1,160	0
Total Investment Management Expenses	14,036	6,897	49%	13,950	-86
Oversight & Governance					
Investment Employee Costs	405	137	34%	350	-55
Support Services Including ICT	12	0	0%	12	0
Actuarial Fees	190	146	77%	190	0
External Audit Fees	50	0	0%	50	0
Internal Audit Fees	16	0	0%	16	0

Advisory & Consultancy Fees	135	23	17%	135	0
Committee and Board Costs	63	14	23%	63	0
Subscriptions and Memberships	69	9	12%	69	0
Total Oversight & Governance Expenses	940	329	35%	885	-55
Total Pension Fund Budget	17,720	8,308	47%	17,479	-241

22. The main factor contributing to the underspend is the delays in the recruitment of staff across the service. The underspend will grow if there are any further delays in the recruitment process.
23. The other area of underspend is on investment management fees where we are currently estimating a small saving of £86,000. As fees are directly related to the assets under management, there is a high degree of volatility in this fee figure in line with the volatility seen in the financial markets.

Training Programme

24. Part D of the Business Plan sets out the Training Plan for Committee and Pension Board Members. Training sessions associated with the 2022 Valuation have been built into the timetable for this year including the pre-committee training this morning.
25. Members recently completed this year's National Knowledge Assessment undertaken by Hymans Robertson. Hymans are currently processing the analysis of the results which will include a comparison to the scores in the previous exercise and a comparison to the results of the other Committees and Boards who completed the assessment. This will allow us to assess the impact of training delivered to date and allow an assessment of the future training needs of the Committee and Pension Board, both collectively at for individual members.
26. It is hoped to be able to circulate the 2022 report in advance of the committee meeting although a fuller assessment of the training provision will need to await the meeting in March.

Business Plan 2023/24 Process

27. Following one of the recommendations of the Independent Governance Review undertaken by Hymans Robertson, the process for agreeing the 2022/23 Business Plan included a half day session for members of both the Committee and Board where the priorities for the forthcoming year were discussed and agreed.

28. The day worked well and provided members with the opportunity to spend time to review in depth the various issues facing the Fund in the forthcoming year. It is recommended that we follow the same process this year in developing the 2023/24 business plan, and have identified the morning of Friday 3 February to hold the session, facilitated again by Hymans Robertson.

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November 2022