

## **PENSION FUND COMMITTEE – 10 OCTOBER 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; and**
- b) **agree any further actions to be taken to address those areas not currently on target to deliver the required objectives.**

#### **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.

#### **Key Service Priorities – Progress to Date**

4. 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

5. 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	Initial reports run from new Insights functionality. Majority of data checked as part of the end of year processes. Annual Benefit Statements Issued	Re-run provisional data quality reports. Identify any corrective actions before final submission.
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	Individual Employer Valuation Results to be produced and any queries investigated.
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		
Cyber Security Policy is updated (where required) with clear information on roles and responsibilities. AMBER	Report on approach to Cyber Security produced. Gap Analysis undertaken and Action Plan developed	Action Plan to be delivered.

6. At the time of writing this report we were in the process of producing the final Annual Benefit Statements for all active and deferred scheme members in line with the regulatory requirements. The production of the Annual Benefit Statement is the final step in the end of year process which involves significant work to verify the accuracy and completeness of scheme member data submitted by scheme employers. The work achieved to date suggests our data is of sufficient quality to meet the standards set by the Pension Regulator, and

there remains sufficient time to address any issues identified in the next provisional data quality run. The risk level has therefore been re-assessed as Green from Amber last quarter.

7. Since the last meeting, we have submitted the data to the Fund Actuary and they have produced the high level whole Fund Valuation results as at March 2022. No significant issues were identified in the quality of the data submitted. We will continue to work with the Fund Actuary to address any issues identified as the Actuary completes the Valuation results for individual employers.
8. At this stage of the financial year, limited work has been undertaken 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.
9. The issues around cyber risk and data security are covered in more detail elsewhere on today's agenda, with the presentation of our approach to cyber security and an analysis of our current position. The analysis undertaken as part of this work has identified several gaps in the current approach, particularly in respect of monitoring compliance with the various policies. In light of this and the two data breaches mentioned in the administration report, the ranking for these two measures of success has been amended to Amber.
10. 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 is 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. AMBER	Project Team appointed.	Full system specification developed.  Review of current offerings on the LGPS National Procurement Framework to assess value in running tender at this time.
Tender project plans agreed consistent with the end date of the current system contract. AMBER		Dependent on outcome of work above.
Clear targets established for increase		

in on-line completion of services. AMBER		
--	--	--

11. It is still the case that insufficient work has been completed on this project to move the risks against completing this project from Amber. Resources have been identified to manage the project and a timeline produced which will enable this Committee to make a decision on whether to re-tender the contract or extend the initial arrangements. (See Annex to Administration report). Meetings have been set up to enable the development of a new service specification, but more work needs to be completed to provide the assurance that the specification can be completed in time to complete the research into what is currently available, and a decision made on the most appropriate way forward. A full report on this issue will be presented to the December Committee
12. 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 both Committee and on Fund webpages, including wider ESG targets and performance measures, reflected in positive feedback from all stakeholders. GREEN	Initial presentation by Brunel of new reporting being developed for the Private Markets.	Need to work alongside Brunel to draft new 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. AMBER		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.

13. There have unfortunately been 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, but the decision has been made to test the market rather than delay the recruitment process any further.
14. 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 initial 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.
15. The one area shown as Amber against this objective relates to a successful application in respect of the Stewardship Code. This work does require the successful appointment of the additional resources, and it is clear from other Funds who have already completed the process there is a lot of work involved. At this stage therefore it is not possible to confirm the target can be met this financial year.
16. 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 consistently throughout the year. RED	Performance figures for the first 4 month show a number of areas below SLA targets.	Recruit additional staff. 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

		<p>against new requirements.</p> <p>Action Plan developed, additional resources required and plan delivered.</p>
<p>Scheme Member Engagement Policy adopted and positive feedback collected from scheme members. AMBER</p>		<p>New communications Officer appointed.</p> <p>Review of what scheme member engagement has worked well elsewhere. Engagement Policy developed and implemented.</p>

17. 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.
18. The measure of success around successful management of scheme changes is currently amber as the Government have again delayed the publication of the long awaited consultation which includes guidance on pooling in general, the implementation of the Task Force on Climate related Financial Disclosures (TCFD) template, 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.
19. The measure of success against the engagement policy with scheme members is also amber reflecting the challenges experienced in this area to date, and the need to appoint to the additional communications officer post to take forward the work to review best practice elsewhere and develop a new Policy for Oxfordshire.
20. 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 a small underspend of £101,000 over the course of the financial year.

	Budget	YTD	%	Forecast Outturn	Variance
	2022/23	2022/23		2022/23	2022/23
	£'000	£'000		£'000	£'000
<b>Administrative Expenses</b>					
Employee Costs	1,403	318	23%	1,353	-50
Support Services Including ICT	886	395	45%	886	0
Printing & Stationary	82	3	4%	82	0
Advisory & Consultancy Fees	315	12	4%	315	0
Other	58	7	12%	58	0
<b>Total Administrative Expenses</b>	<b>2,744</b>	<b>736</b>	<b>27%</b>	<b>2,694</b>	<b>-50</b>
<b>Investment Management Expenses</b>					
Management Fees	12,836	3,001	23%	12,800	-36
Custody Fees	40	5	13%	40	0
Brunel Contract Costs	1,160	586	51%	1,160	0
<b>Total Investment Management Expenses</b>	<b>14,036</b>	<b>3,592</b>	<b>26%</b>	<b>14,000</b>	<b>-36</b>
<b>Oversight &amp; Governance</b>					
Investment Employee Costs	405	69	17%	390	-15
Support Services Including ICT	12	0	0%	12	0
Actuarial Fees	190	66	35%	190	0
External Audit Fees	50	0	0%	50	0
Internal Audit Fees	16	0	0%	16	-0
Advisory & Consultancy Fees	135	8	6%	135	-0
Committee and Board Costs	63	0	0%	63	-0
Subscriptions and Memberships	69	0	0%	69	0
<b>Total Oversight &amp; Governance Expenses</b>	<b>940</b>	<b>143</b>	<b>15%</b>	<b>925</b>	<b>-15</b>
<b>Total Pension Fund Budget</b>	<b>17,720</b>	<b>4,472</b>	<b>25%</b>	<b>17,619</b>	<b>-101</b>

21. 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.
22. The other area of underspend is on investment management fees where we are currently estimating a small saving of £36,000. 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.
23. 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. Details of the training undertaken by individual Members is included in the Annual Report and Accounts elsewhere on today's agenda.
24. Members will shortly be asked to complete this year's National Knowledge Assessment undertaken by Hymans Robertson. This will allow us to assess the impact of training delivered to date and allow an assessment of the latest scores against those achieved by both the Committee and Board at this time last year, and in comparison to other LGPS Committees and Boards.
25. We will provide a fuller assessment of the current training provision and the skills and knowledge of the Committee to the December meeting.

Lorna Baxter  
Director of Finance

Contact Officer  
Sean Collins  
Tel: 07554 103465

August 2022