

Oxfordshire Pension Fund: Business Plan 2024/25

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
Investment Management – LGPS Only		
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.
Scheme Administration and Governance		
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 & 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 further improvements to the governance arrangements of the Fund.</p>	<p>Develop a full workforce planning strategy for the Fund.</p> <p>Complete a full assessment of the Fund's compliance with the new General code of Practice.</p> <p>Develop a set of targets and an action plan to deliver these targets, in respect of any gaps in compliance against the Code of Practice.</p> <p>Develop the Fund's reporting arrangements to ensure the Committee and all key stakeholders are clear on the Fund's performance (both investment and administration) and delivery against the Fund's policy objectives.</p> <p>Deliver a comprehensive training programme for Committee and Board members.</p>	<p>Succession Plan in place, and suitably skilled and knowledgeable replacements recruited for Head of Pensions and Pensions Administration Manager.</p> <p>Workforce Strategy in place.</p> <p>End of year compliance with General Code of Practice in line with targets set.</p> <p>Committee satisfied they are able to evidence compliance with their policies and demonstrate the performance standards of the Fund.</p> <p>Increase in average scores for the National Knowledge Assessment.</p>
<p>Deliver further operational effectiveness of the administration function, including delivery of regulatory changes.</p>	<p>Deliver the McCloud Project Plan.</p> <p>Review current processes for the supply of data and contributions from scheme employers.</p> <p>Identify all required regulatory changes and develop action plans to deliver against new requirements (to include Goodwin and Pensions Dashboard)</p> <p>Continue to develop use of Altair in line with best practice.</p> <p>Review use of website and new AI tools to deliver increased self-service functionality to scheme</p>	<p>Issue all estimates/benefit calculations in line with the McCloud requirements.</p> <p>Increased Common Data and Scheme Specific Data Quality scores.</p> <p>Reduction in numbers of reported regulatory breaches/fines issued under the Administration Strategy.</p> <p>Reduction in number of formal complaints.</p> <p>Increased customer satisfaction scores.</p> <p>Reduction in scheme costs associated with technology improvements.</p>

	employers and scheme members.	
<p>Review the Fund's Investment Strategy Statement in light of:</p> <ul style="list-style-type: none"> • The 2025 Valuation • Government Policy • Cashflow Requirement • Responsible Investment Priorities 	<p>Develop 2025 Valuation programme to include early engagement with scheme employers re risk appetite, and potential for multiple investment strategies.</p> <p>Undertake cashflow modelling in light of key employer budget changes, changes in benefits in payments, private market commitments.</p> <p>Review Government policy statements and develop action plans to deliver any new requirements.</p> <p>Undertake consultation exercise with key stakeholders on draft Responsible Investment Policy</p>	<p>Clear Strategic Direction agreed for 2025 Valuation, to the satisfaction of scheme employers.</p> <p>Revised cashflow model in place and sufficient cash in place to meet pension benefits and investment commitments as they fall due.</p> <p>Plans in place to deliver Government Policy requirements.</p> <p>Publish Fund's first Responsible Investment Policy and Strategy Documents.</p> <p>Revised Strategic Asset Allocation agreed.</p>

Part C. Budget:

	2024/25 Budget	2023/24 Budget
	£'000	£'000
Administrative Expenses		
Administrative Employee Costs	1,861	1,607
Support Services including ICT	1,338	930
Printing and Stationery	82	132
Advisory and Consultancy Fees	165	315
Other	60	59
	3,506	3,043
Investment Management Expenses		
Management Fees	14,800	12,450
Custody Fees	30	30
Brunel Contract Costs	1,453	1,258
	16,283	13,738
Oversight and Governance		
Investment Employee Costs	444	380
Support Services Including ICT	13	12
Actuarial Fees	292	190
External Audit Fees	50	50
Internal Audit Fees	9	17
Advisory and Consultancy Fees	101	98
Committee and Board Costs	24	64
Subscriptions and Membership	20	70
	952	881
Total Pension Fund Budget	20,741	17,662

Part E - Pension Fund Cash Management Strategy 2024/25

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, although this position could reverse during 2024/25. Income generated in investment portfolios is generally reinvested, the exceptions being listed private equity and some private market investments. At the point the Pension Fund's cashflow in respect of dealings with scheme members turns negative the Fund will look to have income generated from its portfolios paid back to the Fund as required to make up any cash shortfall. This could be achieved by switching to income share classes within a number of key Brunel portfolios. 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 2024/25.

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 Investment 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 31st January 2024 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. .

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

Investment Instrument	Minimum Credit Criteria
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 ¹	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-

¹ 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