

PENSION FUND COMMITTEE – 1 DECEMBER 2023

REVIEW OF THE BUSINESS PLAN 2023/24

Report by the Executive Director of Resources & Section 151 Officer

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 2023/24 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 2023/24 remain consistent with those agreed for previous years. These are summarised as:
 - To fulfil our fiduciary duty to all key stakeholders
 - 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 2023/24 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. Delivery the Regulatory Changes as set out by the Government The position against the 3 agreed measures of success are set out in the table below.

Measure of Success	Key Progress Achieved	Outstanding Actions
No regulatory breaches that require reporting to the Pension Regulator. GREEN	Revised Breaches Policy presented to the Committee. Production of Escalation Policy in respect of Contribution Breaches. Review of Information presented to quarterly meetings of the Committee.	
All Pension Benefit Calculations and Annual Benefit Statements issued with required information on the McCloud remedy. GREEN	Resourcing plan reviewed and progress made on recruiting sufficient staff to complete work. Final Regulations setting out information requirements received and first ABS including McCloud information delayed to August 2025. System changes to automate any new requirements being tested. New calculations currently calculated manually in line with Regulations.	
Scheme Member records available via the Pension Dashboard. GREEN	Work continues on data quality improvement.	Awaiting revised Government timescales.

6. The main change in the last quarter has been the publication of the final McCloud Regulations, which came into effect from 1 October 2023. The rating for the measure of success regarding the requirement to include McCloud information of Annual Benefit Statements has been amended to Green to reflect that the first Statements to require this information have been delayed to August 2024 for the Fire Pension Scheme and August 2025 for the Local Government Pension Scheme.
7. We continue to review the data we have previously been provided to identify any missing information, or lack of consistency in the data provided. We have set a deadline of 31 January 2024 for all scheme employers to confirm their final data. We are still testing the system enhancements developed to deal with the McCloud remedy and working with the software supplier to iron out any issues. In the interim, new pension calculations are being performed manually, with one-off requests to scheme employers for any missing information, to ensure we comply with the new regulatory requirements to include McCloud underpin calculations.
8. As noted elsewhere within the Governance and Communications report we continue to improve the reporting arrangements around regulatory breaches, which has led to an increase in the number of cases reported, but none have been deemed to be material requiring a report through to the Pension Regulator, or equivalent body.
9. Deliver further improvements to the governance arrangements of the Fund. There were 6 specific measures of success set out in the 2023/24 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
Governance Officer in post. GREEN	Appointment made.	
Annual Report on Compliance with the Code of Practice presented to the Committee and no significant shortfalls identified. GREEN	New Governance and Communications Standing item added to Committee agenda.	Complete analysis of compliance with General Code of Practice.
Revised Administration Strategy agreed by Committee with clear Service Level Agreement established with all scheme employers. GREEN	Final version of revised Administration Strategy to be agreed at today's meeting of the Committee.	
Revised Breaches Policy agreed by Committee and Committee signed off	Revised Breaches Policy agreed.	

quarterly key performance indicator provides all information they require to gain assurance on compliance with Code of Practice and Regulatory Requirements. GREEN		
Full Workforce Strategy agreed by Committee. AMBER		Awaiting Good Government Guidance from Government
Increase in average scores for the National Knowledge Assessment. AMBER	Knowledge Assessment Completed. Further analysis of results required.	

10. During this last quarter we have consulted on the revised Administration Strategy and the results are included elsewhere on today's agenda. All members of the Committee and Pension Board have also completed the latest Knowledge Assessment and the results are also included elsewhere on today's agenda. The initial results indicate that the average score for the Committee has remained at 56%, but the result for the Pension Board has reduced from 74% to 65%, hence the change in assessment for this measure to Amber. Further analysis will be undertaken on the individual results to explore the reasons for the latest scores, noting the changes in Board membership since last year's assessment.
11. The other area currently scored amber relates to the workforce strategy where we are still waiting for the Government to publish the Good Governance Guidance. Given the continued delays in receiving guidance from Government across a range of issues, it is planned to move forward with the Workforce Strategy over the final quarter of this year, in advance of receiving the long promised guidance.
12. Enhanced Delivery of Responsible Investment responsibilities. There were 4 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
Improved quarterly reporting in place to both Committee and on the Fund's webpages, including wider ESG targets, and performance measures, reflected in positive feedback from all stakeholders. AMBER	New Carbon Metrics report produced by Brunel includes additional data on Green Revenues and TPI Management Quality scores. Webpages amended to include underlying company holdings and	Extend climate scores to the private market portfolios. Review additional ESG scores to be included in future reports.

	all key policy documents.	
Successful Application in respect of the Stewardship Code. GREEN	Successful application made under the Stewardship Code.	
Benchmark position established on investments in climate solutions/mitigations and target set for increased investment (with action plan to deliver). GREEN	Commitment made to new local renewable infrastructure portfolio alongside Brunel partner funds. On-going development of Green Revenues report with Brunel	Benchmark position established and new target set.
Continue to meet decarbonisation target, within a balance suite of metrics to include % of Fund invested in Paris Aligned portfolios. AMBER	TCFD report published.	Develop measures on % of Fund invested in Paris Aligned portfolios. Review alongside Brunel partnership of Engagement Policy.

13. Work has continued to progress alongside colleagues within the Brunel Pension Partnership to deliver further improvements in this area. At the time of writing this report, discussions are on-going in respect of operational processes in respect of the implementation of the Brunel Climate Change Policy. The discussion includes consideration of the Engagement Policy adopted by this Committee at its meeting in June 2022.
14. As agreed at the last meeting of this Committee, we have now made a commitment of £30m to a local renewable infrastructure portfolio, alongside 5 other partner funds from within the Brunel Pension Partnership. The initial investments under this portfolio are currently being progressed and include investments within Oxfordshire.
15. Finally in this area, there is a report elsewhere on today's agenda about the development of an over-arching Responsible Investment Policy for the Fund which widens the focus of the current work on climate change to other key environmental, social and governance issues.
16. Deliver further improvements in efficiency and effectiveness of scheme operations through enhancements to technology. Progress against the 5 measures of success for this service priority are set out below.

Measure of Success	Key Progress Achieved	Outstanding Actions
Increased operational effectiveness as measured through improved SLA	Work programme of technology enhancements agreed with system supplier.	

performance scores. GREEN		
Improved scheme member/employer satisfaction measured via positive assessment or a reduction in complaints. AMBER	Revised member satisfaction survey piloted.	Pension Board to review survey results and work with Officers to improve assessment process.
Increased Take Up of Member Self Service. GREEN		
Action Plan in place with targets to collection email address and/or mobile phone number for scheme members. AMBER		Action Plan to be developed and priority groups identified.
Reduction in postage costs reflecting greater use of electronic communications. AMBER	Decision to delay on-line payslips. Initial discussions held within County Council around proposed new approach to electronic communications.	

17. The monthly meetings with Heywood who supply the pension system software to manage a series of developments which aim to maximise our effective use of the system are continuing. Whilst the improvements in operational efficiency are already noticeable, it is too early to confirm the impact of the changes on performance, stakeholder satisfaction and cost.
18. Part C of the Business Plan sets out the Fund's budget for 2023/24 which totals £17,662,000. The table below sets out the expenditure to date and the forecast position for the end of the year.

	Budget	YTD	%	Forecast Outturn	Variance
	2023/24	2023/24		2023/24	2023/24
	£'000	£'000		£'000	£'000
Administrative Expenses					
Administrative Employee Costs	1,607	793	49%	1,607	0
Support Services Including ICT	930	676	73%	975	45
Printing & Stationary	132	49	37%	132	0
Advisory & Consultancy Fees	315	3	1%	250	-65
Other	59	41	27%	70	11
Total Administrative Expenses	3,043	1,561	51%	3,034	-9

Investment Management Expenses					
Management Fees	12,450	3,000	24%	12,000	-450
Custody Fees	30	11	38%	30	0
Brunel Contract Costs	1,258	988	79%	1,258	0
Total Investment Management Expenses	13,738	3,999	29%	13,288	-450
Oversight & Governance					
Investment Employee Costs	380	167	44%	370	-10
Support Services Including ICT	12	0	0%	12	0
Actuarial Fees	190	116	61%	190	0
External Audit Fees	50	0	0%	50	0
Internal Audit Fees	17	0	0%	17	0
Advisory & Consultancy Fees	98	17	18%	98	0
Committee and Board Costs	64	2	3%	64	0
Subscriptions and Memberships	70	11	16%	70	0
Total Oversight & Governance Expenses	881	313	36%	871	-10
Total Pension Fund Budget	17,662	5,874	33%	17,193	-469

19. The major variation identified at this time is an expected underspend against the investment management fees which are related to the overall Fund value and therefore as volatile as the financial markets. The underspend reflects the actual fee levels paid during the first quarter.
20. There are other minor variations should in the table. No variation is shown on staffing within the administration team, although there has been a underspend during the first quarter, reflecting the expectation that expenditure will increase through the year following a successful recruitment round and the use of temporary staff above establishment to meet the demands of implementing the McCloud remedy. The two overspends within this area both relate to McCloud including additional project support and the costs of issuing the McCloud disclosure communications. The underspend reflects a reduction in legal fees.
21. Part D of the Business Plan sets out the Training Plan for Committee and Pension Board Members. A training session on the General Code of Practice was held prior to the start of the June Committee Meeting, a session on the Accounting and Audit Requirements and Investment Performance took place on the morning of 27 June 2023, and a session on equity protection preceded the September Committee meeting.

22. As noted elsewhere we will be reviewing future training requirements in light of the results of the latest knowledge assessment exercise.

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