

PENSION FUND COMMITTEE – 10 MARCH 2017

BUSINESS PLAN 2017/18

Report by Chief Financial Officer

Introduction

1. This report sets out the business plan for the Pension Fund for 2017/18. The Plan sets out the key objectives of the Fund, details the key service activities for the year, and includes the proposed budget and cash management strategy for the service.

Key Objectives and Activities

2. The key objectives for the Oxfordshire Pension Fund are set out on the first page of the Business Plan for 2017/18, and 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. Part A of the plan (contained in the annex) sets out the broad service activity undertaken by the Fund. The service priorities for the forthcoming financial year are then set out in more detail in Part B. These priorities do not include the business as usual activity which will continue alongside the activities included in Part B.
4. The service priorities are:
 - Contribute to the successful establishment of the Brunel Pension Partnership such that the first transfer of assets can take place in April 2018
 - Develop a more sophisticated cash flow model, and an appropriate future investment strategy to ensure all pension liabilities can be met as they fall due
 - Develop more sophisticated management arrangements to ensure all Pension Fund data is received and stored in accordance with the requirements of the Pension Fund Regulator
 - Develop a more robust approach to monitoring the performance of Fund Managers, in respect of their delivery against the Funds responsible investment and stewardship policies

- Improving scheme member communications through the full implementation of members self-service,

Budget 2017/18

5. Part C sets out the Fund's budget for 2017/18 and compares it with the budget for 2016/17. Overall there is an increase in the budget from £8,723,000 to £10,383,000. The largest element of this is in respect of management fees which are explained in more detail below. A report comparing the Pension Fund budget for 2016/17 against the actual expenditure will be produced for the September 2017 committee meeting.
6. The administrative team staffing budget have been amended to reflect the new structure agreed by the Committee at its meeting in December 2016. This reflected the requirement to develop a team to specifically focus on working with employers to ensure they understood their responsibilities and worked with employers to ensure the timely and accurate submission of scheme member data.
7. The increase in the budget for management fees compared to the previous year reflects the fact that the value of the Fund's investments have risen since the prior year. There have not been any changes to the rate of fees the Fund pays. The majority of the management fees are payable based on the asset value so any increase in asset values results in an increase in management fees. When looking at the fees as a percentage of assets the rate will have reduced as a number of the fee schedules operate on a tiered basis so as asset values increase there are more charged at the lower rates in high fee tiers.
8. Three new lines have been added into the budget to reflect the costs in 2017/18 of developing the Brunel Pension Partnership. The development costs cover the costs of the various advisers supporting officers on implementing the business case. The line for working capital and regulatory capital reflect the requirements for the new company to show a given level of capital on its balance sheet to ensure it is capable of undertaking its duties. Both the working capital and development cost lines are one off in nature.
9. The line for the Brunel contract costs reflects the share of the operating costs of the company in the period before assets begin to transition on April 2018. These include the costs of the Directors and senior staff, the Administrator and property costs all which need to be in place during 2017/18 to enable the company to prepare for the transition of assets from April 2018. Contract costs will continue in future years, but as indicated in the full business case, these will be recovered in future years by savings to be delivered by way of reductions in the fees paid to fund managers.
10. Administration support service charges have been increased to reflect additional work introduction of member self-service and further software improvements.

11. The budget for printing and postage (other) has increased to ensure that the fund meets the requirement of the disclosure regulations in advising members of the introduction of member self-service.
12. The budget for Actuarial Services has reduced following the one off increase in 2016/17 which reflected the costs of undertaking the 2016 Valuation.

Risk Register

13. Unlike in previous years, the Pension Fund Risk Register is no longer included within the Business Plan. At the request of the Committee, the Risk Register is now published as a separate document and is reviewed at each quarterly meeting of the Committee.

Training Plan

14. Given the impending County Council elections in May 2017, it has not felt appropriate to develop a training plan at this stage. An Induction Programme will be developed once a new Committee has been established, and a full training programme can then be developed following a needs analysis of the new Committee.

Cash Management

15. The final section of the business plan, Part D, provides the annual cash management strategy for the Fund. The Strategy is based on the Treasury Management Strategy for the Council, but has a significantly reduced number of counter-parties reflecting the lower sums of cash involved, and the wider set of alternative investment classes open to the Pension Fund.

RECOMMENDATION

16. **The Committee is RECOMMENDED to:**
 - (a) approve the Business Plan and Budget for 2017/18 as set out at Annex 1;**
 - (b) approve the Pension Fund Cash Management Strategy for 2017/18;**
 - (c) delegate authority to the Chief Finance Officer to make changes necessary to the Pension Fund Cash Management Strategy during the year, in line with changes to the County Council's Treasury Management Strategy;**
 - (d) delegate authority to the Chief Finance Officer to open separate pension fund bank, deposit and investment accounts as appropriate; and**
 - (e) delegate authority to the Chief Finance Officer to borrow money for the pension fund in accordance with the regulations.**

Lorna Baxter
Chief Finance Officer

Contact Officer: Sean Collins, Service Manager, Pensions; Tel: 07554 103465

February 2017