

PENSION FUND COMMITTEE – 6 SEPTEMBER 2019

BUSINESS PLAN 2019/20

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the progress against the key service priorities included within the 2019/20 Business Plan.**

Introduction

2. This report sets out the progress against the key objectives within the business plan for the Pension Fund for 2019/20, as agreed by the Committee at their March meeting.
3. The key objectives for the Oxfordshire Pension Fund are set out on the first page of the Business Plan for 2019/20 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.
4. Part A of the plan sets out the broad service activity undertaken by the Fund. As with the key objectives, these are unchanged from previous years. 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.

Service Priorities for 2019/20

5. Five key service priorities were included in Part B of the Business Plan for 2019/20. Each of these was an extension of the 2018/19 priorities, amended to reflect the progress during 2018/19. A summary of the progress against each of the 5 key priorities is as follows.
6. Development of the Brunel Pension Partnership – There were three key elements to the work within the Brunel Pension Partnership during 2019/20, being reporting and assurance, the transition of assets and the delivery against the business case. Each of these can be looked at in turn.

7. In respect of reporting and assurance, the key priority for 2019/20 is seen as the development of comprehensive client reports, which will provide assurances on the processes and performance of the Brunel company, as well as on the investment performance itself. This is seen as increasingly important as more assets are transition to the Brunel portfolios and Brunel takes on its full responsibility for the selection and monitoring of the underlying fund managers.
8. Brunel have developed the initial investment performance reports and these are currently made available to Officers. This Committee offered no comments on the format of the Fund specific report presented to their last meeting, and it is expected that this will become a standard agenda item as more assets transition to Brunel. A report covering all Brunel portfolios is also presented to the Client Group and to the Brunel Oversight Board.
9. The Client Group have also worked with Brunel to develop a series of reports to enable the Client Group and the Brunel Oversight Board to assess the performance of Brunel itself and gain assurance that Brunel has a series of robust policies and procedures and is acting in accordance with them. These reports have now become a standard agenda item for these meetings, and will increasingly become the main focus as the transition to business as usual is completed.
10. In respect of asset transition, Brunel have concluded the appointments to the emerging markets portfolio (though there has not been a public announcement at the time this report was written) and are planning the transition. The Investment team have also made a proposal in respect of the Fund Managers to appoint to the global high alpha portfolio and this is currently going through the formal sign off processes within Brunel and the Client Group. The transition for this portfolio is expected to conclude by the end of November.
11. Oxfordshire will transition assets to these two portfolios once both are open to investment. It was initially intended to source this transition from closing the UBS global equity portfolio. However, we have recently been informed of changes planned at Wellington, which will lead to the closure of their global equity product in which we are invested at the end of December. We will therefore source the transition to the emerging market and high alpha portfolios at Brunel from the Wellington portfolio.
12. On the Private Markets, the Brunel team continue to identify new commitments in respect of the private equity, infrastructure and secured income portfolios that Oxfordshire have allocated to. The Team remain on target to have fully committed our allocation to these portfolios by the end of March 2020, although it will take longer for the underlying Managers to call down the full funds.
13. A key development in the developing Brunel Partnership was the resignation of Dawn Turner as Chief Executive Officer of the Brunel Company, announced in July. Brunel are currently in the process of recruiting a successor to Dawn

who leaves at the end of September, and interim arrangements have been agreed to ensure a smooth transition. There are on-going discussions between shareholder representatives, members of the Oversight Board and Client Group and Brunel to ensure the arrangements going forward meet the needs of all stakeholders.

14. 2019 Valuation – There is a fuller report elsewhere on today’s agenda which covers progress on the 2019 Valuation and the key issues which will need to be covered in a revised Funding Strategy Statement to be presented to the December meeting of this Committee.
15. Data Quality - The third priority focusses on delivery of the Improvement Plan and ensuring all services are delivered to scheme members in accordance with our regulatory responsibilities and our service level agreements. Review on progress on this objective is covered in the Improvement Plan report elsewhere on this agenda.
16. Monitoring Compliance with the Fund’s Policies - This fourth priority centres around the need to make more transparent the work of the Fund in delivering its ESG Policy as included in the Investment Strategy Statement. One of the measures of success was the availability of benchmark data and regular quarterly reporting.
17. The Brunel Investment Performance report now includes a page on responsible investment issues for each of the Brunel listed portfolios. This includes information on the carbon intensity of each portfolio, an independent assessment of the wider ESG performance of the companies within the portfolio, and a short commentary from Brunel on key issues identified.
18. Over time, the presentation of this data will be an important step in developing greater transparency about the impact of the current ESG policy and provide a benchmark against which the Committee can track questions and identify issues for follow up with Brunel and the underlying Fund Managers. Unfortunately, there have been technical issues identified in the information included in the initial reports, and Brunel are reviewing the processes for the compilation of the reports to resolve them. This information also needs to be considered alongside the voting and engagement reports being developed by Brunel to develop a full picture of the impact of the current policy.
19. The draft reports will be an important element of the Climate Change workshop that this Committee agreed to hold at its last meeting. They will enable the Committee to determine what further information they wish to receive on a regular basis, and how they wish to use the information to drive future policy.
20. Improving Scheme Member Communications - The final priority included in the 2019/20 Business Plan is the continued development of Member Self Service (MSS). This should allow scheme members access to their records to undertake amendments to their core data and view key information on their pension benefits.

21. In terms of progress, MSS is now the main means of distributing Annual Benefit Statements, pensioners P60's and their monthly payslips, letters to deferred members, retirement quotes and pension estimates. We continue to send out paper correspondence in these cases where the Member has elected to still receive all correspondence by post.
22. The next development will be the option for Members to log in and obtain estimates of their future pension benefits under a number of scenarios. This will be developed and tested over the Autumn before going live later this year.

Budget 2019/20

23. Annex 1 sets out the latest monitoring position against the budget agreed by the Committee at its March meeting. At this early stage of the year most expenditure headings are expected to be in line with budgets. The main variation is on the staffing costs within the Pension services Team where a £150,000 underspend is estimated, reflecting the levels of vacancies carried to date.
24. The other variations are in investment management fees, which in part reflect the new rates obtained by Brunel from their tendering of the new portfolios, a small overspend in Actuary fees reflecting the more detailed work they have undertaken in respect of the major scheme employers, and a small underspend on the costs of the Committee and Local Pension Board.

Training Plan

25. A Training Plan for Committee Members was not included within the Business Plan. The issue of Member training is covered elsewhere on today's agenda.

LORNA BAXTER
Director of Finance

Contact Officer: Sean Collins - Tel: 07554 103465
August 2019