

PENSION FUND COMMITTEE – 11 SEPTEMBER 2020

REVIEW OF THE ANNUAL BUSINESS PLAN 2020/21

Report by the Director of Finance

RECOMMENDATION

The Committee is **RECOMMENDED** to note the progress against the key service priorities and the budget as set out in their annual business plan for 2020/21.

Introduction

1. This report sets out the progress against the key service priorities included in the 2020/21 Annual Business Plan for the Pension Fund as agreed at the March meeting of this Committee. It also sets out the latest position against the agreed budget for the year.
2. The key service priorities need to be seen in the context of the objectives for the Oxfordshire Pension Fund as set out on the first page of the Business Plan. 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.

Key Service Priorities for 2012/21

3. There were 4 key service priorities agreed in the 2020/21 Plan and the latest position on each is as follows.
4. Contribute to the continued development of the Brunel Pension Partnership. There were three areas of development set out in the initial business plan which were around the development of a comprehensive suite of client assurance reports, the continued successful transition of assets to the new Brunel portfolios and meeting the objectives set out in the business case.
5. There is now a full suite of client assurance reports presented to the Client Group each quarter with a summary report presented to the subsequent meeting of the Oversight Board. Whilst these reports are subject to revision as their review becomes a key part of the business as usual work of the Client

Group and the Oversight Board, it is believed that they are sufficient to provide the appropriate assurance on Brunel's management of the assets invested through their portfolios.

6. The most recent reports, due to be presented to the Oversight Board at its meeting on 3 September 2020 included only one amber rating. This related to the Secured Income portfolio where the time taken to complete the initial investments exceeded the initial expectations, with further delays now as a result of the Covid-19 pandemic. The position is being closely monitored by the Client Group.
7. The papers presented to the Oversight Board also included the results of the first Client Survey of Brunel performance on the operational element of their service agreement not measured through the investment assurance reports. The survey found the Funds were generally satisfied with Brunel's performance awarding an average rating of Good. An action plan has been developed to review those areas identified where further improvements could be made.
8. In terms of asset transitions, these have been delayed during the Covid-19 pandemic but planning for the transition to the sustainable equity portfolio is now well progressed with a target date of the end of September. The procurement exercise for the main fixed income portfolios has also now been kicked off with target for the transition set as first quarter of 2021. With the transition of the property portfolio to the responsibility of Brunel, Brunel are now responsible for just over 50% of Oxfordshire's assets. Call off against the commitments to the private market portfolios has been slower than initially assumed and this continues to be reviewed.
9. The transitions to date have largely been in line or better than the business case, so successfully delivering measure three within our business plan.
10. Implementing the Climate Change Policy. This priority looked to develop the implementation plan, and in particular develop new metrics to enable the Committee and all stakeholders to monitor progress against implementing the policy. There is also a target to work with Brunel to ensure there is a full range of portfolios aligned with the Paris Agreement through which the Fund can deliver its investment strategy. There is a full progress report elsewhere on the agenda.
11. Improve the Governance Arrangements of the Fund. This service priority was added to the annual business plan in light of the increased focus on this area from the Pension Regulator and the national Scheme Advisory Board. Again, there is a full report on this priority elsewhere on today's agenda setting out the context to this item, the results of the recent National Knowledge Assessment and proposal for next steps.
12. Improving the efficiency and effectiveness of engagement with scheme employers and members. A key element of this priority was to increase automation through the completion of the roll out of iConnect to automate the

return of member data from scheme employers, and the increased functionality of the Member Self Service system.

13. The completion of the rollout of iConnect to all employers has been delayed as a result of the Covid-19 pandemic and the pressures on both Pension Services and scheme employers over recent months, including the collection and validation of all end of year data and the production of Annual Benefit Statements to members. With the year-end processes now largely complete, attention will be refocussed on transitioning the final employers across to iConnect, though it may be prudent to delay the final implementation to April 2021 to avoid transitioning our two biggest employers (the County Council and Brookes University) in the middle of a financial year.
14. Since the beginning of the financial year, we have gone live with increased functionality on Members Self Service (MSS) with the ability of members to produce their own pension benefit estimates. We are continuing to monitor the numbers taking advantage of this facility and the impact on the number of estimate requests received within Pension Services. We are expecting a further take up of MSS over the next few weeks as members log in to see their annual benefit statements and/or pension savings statements. We will continue to report the % of membership who have activated their account within the Administration Report included elsewhere on this agenda.
15. Work against the 2020/21 business plan has been undertaken largely in line with the agreed budget with just a couple of major exceptions forecast at this time. The table below shows the actual expenditure during the first quarter of the financial year compared to budget, as well as an end of year forecast.
16. The vacancies within the Pension Services team have been discussed elsewhere on this agenda within the Administration report. Whilst we have just run a successful recruitment campaign it is likely that as a result of the vacancies held during the first part of the year, there will be a total underspend in the region of £200,000.
17. The second area forecast to underspend is fund manager fees, where we are expecting a total underspend of £374,000. The actual fees paid in 2020/21 will be highly dependent on the future market movements through to 31 March 2021 and the results of the future procurement exercises carried out by Brunel, so it is possible that there could be significant further variation in this figure by the end of the financial year.

	Budget	YTD	%	Forecast Outturn	Variance
	2020/21	2020/21		2020/21	2020/21
	£'000	£'000		£'000	£'000
Administrative Expenses					
Administrative Employee Costs	1,391	278	20	1,191	-200
Support Services Including ICT	694	483	70	694	0
Printing & Stationary	72	25	34	72	0
Advisory & Consultancy Fees	165	14	9	165	0
Other	59	14	24	59	0
Total Administrative Expenses	2,381	814	34	2,181	-200
Investment Management Expenses					
Management Fees	10,374	2,322	22	10,000	-374
Custody Fees	25	7	28	25	0
Brunel Contract Costs	1,028	527	51	1,028	0
Total Investment Management Expenses	11,427	2,856	25	11,053	-374
Oversight & Governance					
Investment Employee Costs	259	60	23	259	0
Support Services Including ICT	11	8	71	16	5
Actuarial Fees	160	107	67	180	20
External Audit Fees	35	6	16	35	0
Internal Audit Fees	15	0	0	15	0
Advisory & Consultancy Fees	106	13	12	100	-6
Committee and Board Costs	50	-1	-1	40	-10
Subscriptions and Memberships	50	13	26	50	0
Total Oversight & Governance Expenses	686	206	30	695	9
Total Pension Fund Budget	14,494	3,876	27	13,929	-565

Training Plan

18. Part D of the Business Plan sets out the broad Training Plan for Committee Members, based on the draft Policy previously agreed by the Committee. The report elsewhere which reviews the governance of the Fund and the results of the recent National Knowledge Assessment includes a proposed training programme to address those areas of greatest weakness highlighted by the assessment. The Training Plan will be updated following the discussion on that item.

19. Due to the Covid-19 pandemic most of the planned training and conference programmes have been revised, with many cancelled and others switched to virtual sessions only. As a consequence, we have not circulated the normal level of training opportunities to Committee Members and we have not booked any Committee Member onto a training session this year. Cllr Nicholas Field-Johnson has though successfully completed all 11 modules of the Pension Regulators on-line training programme and submitted his results through to be included on the training record.

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