

**Oxfordshire Pension Fund: Business Plan 2022/23**

**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

**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:**

- 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
<b>Investment Management – LGPS Only</b>		
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>	Pension Fund deficit is minimised by securing favourable returns on investments (compared to benchmarks).
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.
<b>Scheme Administration</b>		
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 &amp; 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>Review and Improve the Scheme's Data</p>	<p>Develop and run regular (quarterly) reports on the schemes data using the new Insights reporting tool. Report to Committee to include information on data returns from scheme employers, and any regulatory breaches and fines issued.</p> <p>Identify new requirements arising from regulatory changes or court guidance, to include Goodwin, McCloud and Sargeant</p> <p>Run mini projects for all areas where data quality below acceptable standards including address tracing.</p> <p>Review iConnect procedures to ensure all new data is accurate and uploaded to pension system in timely manner.</p> <p>Work with Fund Actuary to review data in preparation for final data submission for 2022 Valuation and provide interim and final reports to Committee on data submitted and final results.</p> <p>Review Fund's Cyber Security Policy and current testing arrangements and report back to Committee on security of all scheme data.</p>	<p>Data Quality scores submitted to the Pension Regulator within acceptable bounds and no follow up action.</p> <p>Valuation completed with data signed off as fit for purpose and scheme employers raising no concerns with outcome.</p> <p>Data of a standard to support delivery of all service KPI's as reflected in quarterly performance reports.</p> <p>No data security breaches reported.</p> <p>Cyber Security Policy is updated (where required) with clear information on roles and responsibilities.</p>
<p>Deliver a holistic approach to technology across pension administration services improving service efficiency and scheme member satisfaction (Multi-year objective).</p>	<p>Establish technology project and bring in specialist external resource to co-ordinate detailed requirements.</p> <p>Review current models successfully employed elsewhere with the LGPS.</p>	<p>Committee Decision on whether to extend current contract and tender for bolt on solutions as appropriate to deliver full specification, or to run full tender exercise for single holistic solution.</p>

	<p>Produce options paper for Committee and develop appropriate Invitation to Tender documentation consistent with the LGPS Procurement Framework.</p>	<p>Tender project plans agreed consistent with the end date of the current system contract.</p> <p>Clear targets established for increase in on-line completion of services.</p>
<p>Enhanced delivery of Responsible Investment responsibilities.</p>	<p>Appoint new RI Officer</p> <p>Continued delivery of current Climate Change Implementation Plan to include engagement policy, reporting across all asset classes and investments in climate change mitigations and solutions.</p> <p>Work with Brunel to improve current reporting to cover all asset classes and widen areas covered across full Environmental, Social and Governance issues.</p> <p>Improve reporting to scheme members and other key stakeholders through the Fund's webpages.</p> <p>Develop project plan to enable Fund to sign up to the Stewardship Code.</p> <p>Undertake Strategic Asset Allocation review to ensure aligned with RI targets whilst still meeting overarching fiduciary duty requirements in respect of investment performance and cash flows.</p>	<p>RI Officer in post</p> <p>Engagement Policy signed off and reflected in overall Engagement Policy agreed by Brunel Pension Partnership.</p> <p>Improved quarterly reporting in place to both Committee and on Fund webpages, including wider ESG targets and performance measures, reflected in positive feedback from all stakeholders.</p> <p>Successful application in respect of Stewardship Code.</p> <p>Revised Funding Strategy Statement and Investment Strategy Statement including revised Strategic Asset Allocation signed off at March 2023 Committee</p>
<p>Delivery improved and consistent service performance to scheme members.</p>	<p>Review all outstanding work to develop project plan to clear all work outside existing service level targets and enable new work to be delivered in line with service level standards.</p> <p>Review current team structures and training programme and recruit to vacant posts and</p>	<p>Services delivered to SLA Standards consistently throughout the year.</p> <p>All services delivered in line with regulatory guidance with scheme changes implemented in accordance with stipulated timescales.</p>

	<p>bring in external resources to meet short term needs.</p> <p>Review options for collecting feedback for scheme members and develop a scheme member engagement policy.</p>	<p>Scheme Member Engagement Policy adopted and positive feedback collected from scheme members.</p>
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## Part C. Budget:

	<b>2022/23 Budget</b>	<b>2021/22 Budget</b>
	<b>£'000</b>	<b>£'000</b>
<b>Administrative Expenses</b>		
Administrative Employee Costs	1,402	1,335
Support Services including ICT	886	812
Printing and Stationery	82	82
Advisory and Consultancy Fees	315	165
Other	59	59
	<b>2,744</b>	<b>2,453</b>
<b>Investment Management Expenses</b>		
Management Fees	12,836	11,316
Custody Fees	40	25
Brunel Contract Costs	1,160	1,065
	<b>14,036</b>	<b>12,406</b>
<b>Oversight and Governance</b>		
Investment Employee Costs	405	263
Support Services Including ICT	12	12
Actuarial Fees	190	190
External Audit Fees	50	40
Internal Audit Fees	16	16
Advisory and Consultancy Fees	135	89
Committee and Board Costs	63	61
Subscriptions and Membership	69	58
	<b>940</b>	<b>729</b>
<b>Total Pension Fund Budget</b>	<b>17,720</b>	<b>15,588</b>

## **Part D – Committee Training Plan**

### Mandatory Training

All Members to have completed either:

LGA Fundamentals 3 Day Training or  
On-Line Pension Regulators Trustee ToolKit – 5 core modules and 4  
modules specific to managing a defined benefit scheme,

within 1 year of joining the Committee

Plus

A minimum of 2 days external training or attendance at relevant pension  
conferences (or equivalent) each year.

### Specific Training for 2022/23

Programme to include specific training on the 2022 Valuation. Full training  
programme attached.

## **Part E - Pension Fund Cash Management Strategy 2022/23**

### **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. The situation is forecast to continue for the whole of 2022/23. Income generated in investment portfolios is generally reinvested, the exceptions being listed private equity and some private market investments. Were the Pension Fund's cashflow to turn negative the Fund could look to have income generated from its portfolios paid back to the Fund as required to make up any cash shortfall. At present a number of the Brunel portfolios do not have income share classes and so the fund would need to request these. 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 2022/23.

### **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 Financial 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 31<sup>st</sup> January 2022 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. It is proposed that the authority to borrow on behalf of the Pension Fund continues to be delegated to the Director of Finance during 2022/23.

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

<b>Investment Instrument</b>	<b>Minimum Credit Criteria</b>
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 <sup>1</sup>	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-

<sup>1</sup> 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