

## ITEM 7

### PENSION FUND COMMITTEE – 6 SEPTEMBER 2024

#### REVIEW OF THE ANNUAL BUSINESS PLAN AND BUDGET 2024/25

Report by the Executive Director of Resources & Section 151 Officer

#### RECOMMENDATION

The Committee is **RECOMMENDED** to:

- i) Review progress against each of the key service priorities as set out in the report; and
- ii) Agree any further actions to be taken to address those areas not currently on target to deliver the required objectives.

#### Introduction

1. The report sets out the latest progress against the key service priorities set in the business plan for the Pension Fund for 2024/25 as agreed by the June meeting of this Committee.
2. The key objectives for the Oxfordshire Pension Fund as set out in the Business Plan for 2024/25 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, the Governance and Communications Report and the report on Investment Performance.

#### Key Service Priorities – Progress to Date

4. There were 3 key service priorities included in the 2024/25 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 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
- Red – insufficient progress or insufficient actions identified to deliver measures of success

5. Deliver further improvements to the governance arrangements of the Fund.  
The position against the 5 agreed measures of success are set out in the table below.

<b>Measure of Success</b>	<b>Key Progress Achieved</b>	<b>Outstanding Actions</b>
Succession Plan in place, and suitably skilled and knowledgeable replacements recruited for Head of Pensions and Pension Services Administration Manager. GREEN	New Head of Pensions started on 1 August 2024. Changes to mitigate the team leader vacancy with senior administrators taking additional responsibility are in place.	Succession arrangements to fill vacancy created by promotion to Pension Services Administration Manager to be reviewed as part of the Workforce Strategy.
Workforce Strategy in place. AMBER	The approach has been reviewed by Head of Pensions and initial working session held in August 2024 between Head of Pensions and Pension Services Administration Manager, developing the Workforce Strategy with the aim of bringing a paper to December 2024 Pensions Committee.	Workforce Strategy to be reviewed by December 2024 Pensions Committee.
End of year compliance with General Code of Practice in line with targets set. GREEN	Progress continues in line with project plan.	Reviews to be completed, and actions agreed and delivered to address any gaps in compliance.
Committee satisfied they are able to evidence compliance with their policies and demonstrate the performance standards of the Fund. AMBER	Reporting software providing additional functionality has been delivered, work with Heywood continues on ways to best utilise and develop the reports.	Review of current processes and use of software to ensure automatic KPI reports meet requirements. Wider review of reporting to Committee to identify gaps in current assurance

		framework and develop suitable reports to address gaps.
Increase in average scores for the National Knowledge Assessment. AMBER	Training programme for 2024/25 in place and preparation for National Knowledge Assessment in the autumn is underway.	All members of the Committee and Board to complete National Knowledge Assessment in autumn 2024.

6. We are 5 months into 2024/25 at the time of writing this report, steady progress has been made against the measures of success however with a number of external dependencies and the holiday period it is too early to confirm if we are on target to deliver across all of the agreed measures of success in this area. We expect to provide a more detailed update in the December Committee meeting, with the National Knowledge Assessment and 2025 valuation pre-work commencing in the autumn.
7. A review of work to date and initial internal discussions have taken place on the Workforce Strategy. Progress has been made on recruitment helping to address the immediate vacancies (as detailed in the Pension Administration Report elsewhere on today's agenda) while the Workforce Strategy can be developed over the coming months. A plan setting required actions to support the sustainable development of the workforce for the longer term will be created as part of the Workforce Strategy. Workforce Strategy remains as Amber and will continue to be a key area of focus given the challenges nationally in recruiting to key roles across the LGPS, and the potential challenges of finding the resources required to develop the technological advances necessary to support an effective workforce going forward.
8. Work on ensuring compliance with the General Code of Practice continues to make progress (as detailed with the Governance and Communications Report elsewhere on today's agenda). A timetable for the review of each relevant area covered by the Code has been agreed, and the reviews have been completed to timetable. Actions have been agreed to close the previously identified gaps and at the present time we remain on target to be fully compliant by the end of 2024/25 scheme year.
9. In terms of Committee reporting, we are on target to provide improved reporting in the Pension Administration Report for December 2024 Pensions Committee. Fund Officers will continue to develop our reporting to Pensions Committee and Local Pensions Board and we welcome feedback on additional reports that might be useful to aid in the good governance of the scheme.
10. The Measure of Success in respect of Committee and Board members National Knowledge Assessments is also currently showing Amber. This in part reflects the high turnover of membership of both the Committee and the Board, and the loss of previous skills, knowledge and experience. Officers will continue to work with all Members to ensure sufficient training opportunities are identified, The

National Knowledge Assessment commences in September and this will demonstrate the current level of skills, knowledge and experience and benchmark against other Funds.

11. Deliver further operational effectiveness of the administration function, including delivery of regulatory changes. There were also 6 specific measures of success set out in the 2024/25 Business Plan in respect of this priority. The progress against these is set out in the table below.

<b>Measure of Success</b>	<b>Key Progress Achieved</b>	<b>Outstanding Actions</b>
Issue all estimates/benefit calculations in line with the McCloud requirements. AMBER	Further engagement has taken place with employers where returns are outstanding or there are gaps in the data. Key focus remains the Active and Deferred members in order to comply with Statutory date for Annual Benefits Statements by 31 August 2025.	Complete collection and loading of missing data. Determine approach where historic data not available.  Complete backlog of calculations in line with Government's priority guidance.
Increased Common Data and Scheme Specific Data Quality scores. GREEN	Data cleanse included as part of end of year work.	Produce regular data quality reports for Committee and action plans to address gaps.
Reduction in numbers of reported regulatory breaches/fines issued under the Administration Strategy. GREEN	New breach arrangements in place. Improved transparency in reporting to Committee. Continued regular reminders through employer communications and the employer forum.	Provide further training and support to Scheme Employers in areas of significant regulatory breaches.
Reduction in number of formal complaints. GREEN	Options for website improvements are currently being reviewed, exploring a microsite option to permit more functionality and accessibility. Using internal OCC support to maximum value.	Website improvements to improve processes and management of member expectations.
Increased customer satisfaction scores. AMBER	Customer satisfaction survey results are being analysed.	Review trends in member survey scores and develop action plans as necessary
Reduction in scheme costs associated with technology improvements. AMBER	A range of options are being worked through to continue to develop the system. Fund officers continue to engage with	Complete work plan items carried over from 2023/24. Continue to work with Heywood to develop further

	Heywoods to maximise our use of technological solutions.	functionality within the System software.
--	--	---

12. Delivery against the McCloud Project Plan remains challenging, although progress is being made to ensure Active and Deferred members records reflect the necessary information to enable the production of Annual Benefit Statements before the 31 August 2025 Statutory deadline.

13. Review the Fund's Investment Strategy Statement in light of:

- The 2025 Valuation
- Government Policy
- Cashflow Requirement
- Responsible Investment Priorities

There were 4 measures of success set for this service priority within the Business Plan, and progress against these measures is set out below.

<b>Measure of Success</b>	<b>Key Progress Achieved</b>	<b>Outstanding Actions</b>
Clear Strategic Direction agreed for 2025 Valuation, to the satisfaction of scheme employers. AMBER	Pre-valuation focus on data quality at employer forum and initial pre-valuation planning has commenced, with employer meetings in the process of being set up for the autumn.	Consultation with scheme employers on their desired outcomes from the 2025 Valuation. Revised Funding Strategy Statement agreed.
Revised cashflow model in place and sufficient cash in place to meet pension benefits and investment commitments as they fall due. GREEN	Ongoing monitoring of the cashflow position is in place.	Cashflow model to be reviewed in light of decisions made throughout 2025 Valuation process.
Plans in place to deliver Government Policy requirements. AMBER	Some engagement by Central Government with the Pools has taken place, further engagement due mid September 2024.	Engage where possible and await Government proposals and determine approach accordingly.
Publish Fund's first Responsible Investment Policy and Strategy Documents. GREEN		Develop responsible investment strategy to deliver and report on key elements of Policy
Revised Strategic Asset Allocation agreed. AMBER		Agree revised Strategic Asset Allocation in light of decisions above.

14. Work across this service priority will be a key issue for this Committee across the forthcoming year. Cash management, preparing for the 2025 Valuation and Responsible Investment will add additional layers of complexity to be carefully

considered by Committee to ensure a consistent, coherent and fair outcome for both scheme members and employers.

15. The largest area of uncertainty is any new proposals or guidance from Central Government on the various areas of pensions, such as taxation, LGPS Pooling, and the National Wealth Fund.

### Budget 2024/25

16. The budget for 2024/25 was agreed as Part C of the Business Plan at £20,741,000.

### 2024/25 Pension Fund Budget - Q1 Update

	Budget	YTD	%	Forecast Outturn	Variance
	2024/25	2024/25		2024/25	2024/25
	£'000	£'000		£'000	£'000
<b>Administrative Expenses</b>					
Administrative	1,861	356	19%	1,861	0
Employee Costs					
Support Services	1,338	977	73%	1338	0
Including ICT					
Printing & Stationary	82	27	33%	82	0
Advisory &	165	0	0%	165	0
Consultancy Fees					
Other	60	-4	-7%	60	0
<b>Total Administrative Expenses</b>	<b>3,506</b>	<b>1,357</b>	<b>39%</b>	<b>3,506</b>	<b>0</b>
<b>Investment Management Expenses</b>					
Management Fees	14,800	3,000	20%	13,500	-1,300
Custody Fees	30	9	30%	30	0
Brunel Contract Costs	1,453	743	51%	1,453	0
<b>Total Investment Management Expenses</b>	<b>16,283</b>	<b>3,752</b>	<b>23%</b>	<b>14,983</b>	<b>-1,300</b>
<b>Oversight &amp; Governance</b>					

Investment & Governance Employee Costs	444	91	20%	440	-4
Support Services Including ICT	13	0	0%	13	0
Actuarial Fees	292	134	46%	190	-102
External Audit Fees	50	21	42%	50	0
Internal Audit Fees	9	0	0%	9	0
Advisory & Consultancy Fees	101	0	0%	101	0
Committee and Board Costs	24	0	0%	24	0
Subscriptions and Memberships	20	13	64%	20	0
<b>Total Oversight &amp; Governance Expenses</b>	<b>953</b>	<b>258</b>	<b>27%</b>	<b>847</b>	<b>-106</b>
<b>Total Pension Fund Budget</b>	<b>20,742</b>	<b>5,367</b>	<b>26%</b>	<b>19,336</b>	<b>-1,406</b>

17. The major variation in management fees is due to the variation in market conditions, as the fees will reflect the overall Fund value making it particularly difficult to accurately reflect investment management fees until year end, the above reflects the actual fee levels paid during Q1.
18. Other minor variations such as on actuarial fees will reflect the 3 year cycle, as such there will be occasional variations. For noting, is the support services this includes the licence extension and other annual or one-off costs.

### Training Plan

19. Part D of the Business Plan set out the broad Training Plan for Committee Members. This reflects the latest Knowledge Assessment and feedback from Committee and Board members. The programme includes sessions on Pensions Administration which saw a fall in scores under the most recent Knowledge Assessment, with a suggestion there is a focus on advances in technology and the development of Artificial Intelligence tools, Actuarial Methods with a focus on the requirements of the 2025 Valuation and Pensions Accounting and Audit Standards. A session covering affordable housing will be held before this Committee.
20. Over the course of the year, we will develop the monitoring of Members compliance against the Training Policy, and this information will be included alongside the review of the National Knowledge Assessment scores as part of our assessment of the overall governance arrangements for the Fund.

Lorna Baxter  
Executive Director of Resources & Section 151 Officer

Contact Officer: Mark Smith, Head of Pensions

August 2024