

PENSION FUND COMMITTEE – 8 MARCH 2013

OXFORDSHIRE PENSION FUND BUSINESS PLAN FOR 2013/14

Report by Assistant Chief Executive & Chief Finance Officer

Introduction

1. This report covers the key strategic frameworks under which the Pension Fund will operate within 2013/14, and seeks the approval of this Committee for the proposals.
2. The business plan for 2013/14 is set out at Annex 1. The plan includes the key objectives of the Fund, details of the service activities, the service priorities for the coming year, a budget for 2013/14 and the latest risk register for the service. Annex 2 to this report sets out the cash management strategy for 2013/14.

Business Plan - Key objectives

3. The key high level objectives of the fund remain consistent with the 2012/13 plan. The objectives are shown on the front page of the plan and are summarised as:
 - Administer pension benefits in accordance with the LGPS regulations;
 - Achieve a 100% funding level;
 - Ensure there are sufficient liquid resources available to meet the Fund's liabilities and commitments; and
 - Maintain as near a constant employer contribution rate as is possible.
4. In approving the Business Plan the Committee will be endorsing these objectives.
5. Part A of the plan includes a broad summary of the service activity undertaken. Part B includes the service priorities along with the relevant action plans to deliver on the priorities. These priorities represent improvements or developments that the officers are planning for the coming year, and include the appointment of a new Custodian, and the implementation of the New Look LGPS 2014. By definition they exclude business as usual.

Oxfordshire Pension Fund 2013/14 Budget

6. Part C sets out the Fund's investment management and scheme administration budget for 2013/14 and compares it with the budget set for

2012/13. Overall there is an increase of £137,000 resulting in a total budget of £4.703m. A report comparing the investment management and scheme administration outturn figures against the budget for 2012/13 will be produced for the September 2013 Committee meeting.

7. The rise in **Fund Management fees** reflects the increase in actively managed assets following the appointment of Wellington. Fund Management fees are expected to be higher for the proportion of assets which were temporarily held in a passive pooled fund during 2012/13.
8. The **Global Custody Fee** change reflects the increase in actively managed stocks, following the transfer of equities to Wellington. At this stage, it is not possible to determine the impact of the current tender exercise.
9. The **financial services recharge** budget has increased to reflect an estimated increase in salary costs due to pay awards and increments due during 2013/14.
10. The income budget for **Stock Lending fees** has been reduced due to the lower levels of stock lending income achieved by the global custodian under prevailing market conditions.
11. **Pension Admin Team and other support service costs** shows an overall increase arising from provision for pay increases and recharges for other staffing costs, in part offset by a reduction in legal charges.
12. The reduction in **software support and licencing costs** is due to the successful implementation of the new software, the one off costs of which were included in the 2012/13 budget. The budget for 2013/14 includes an amount for the implementation of an additional module to allow Pension Services to make direct payments, thereby streamlining the payment process. The cost of changing the software to provide real time information to HMRC is also included in the budget.
13. The budget for **appointed person fees** has been removed since this work is now carried out in-house.
14. The budget provision for **other costs** is reduced by removing provision for vacancy advertisements which has been partly offset by increased subscription costs.

Risk Register

15. The risk register for the Pension Fund is included as Part D of the Business Plan. This has been reviewed, but no substantial changes have been identified. All risks are regularly monitored to mitigate against negative results for the Pension Fund.

Cash Management

16. Annex 2 to this report provides the annual Cash Management Strategy for the Pension Fund. This Strategy is broadly in line with that proposed for the County Council for 2013/14, though with a more restricted set of potential counter-parties reflecting the lower sums of cash involved, and the fact that the Pension Fund already has wider investment opportunities established as part of its asset allocation.

RECOMMENDATION

17. **The Committee is RECOMMENDED to:**
- (a) **approve the Business Plan and Budget for 2013/14 as set out at Annex 1;**
 - (b) **approve the Pension Fund Cash Management Strategy for 2013/14 as set out at Annex 2;**
 - (c) **delegate authority to the Assistant Chief Executive and 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 Assistant Chief Executive and Chief Finance Officer to open separate pension fund bank, deposit and investment accounts as appropriate; and**
 - (e) **delegate authority to the Assistant Chief Executive and Chief Finance Officer to borrow money for the pension fund in accordance with the regulations.**

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Assistant Chief Executive & Chief Finance Officer

Background papers: None

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March 2013