

PENSION FUND COMMITTEE – 1 DECEMBER 2017

REVIEW OF THE ANNUAL BUSINESS PLAN 2017/18

Report by Director of Finance

Introduction

1. This report sets out a review of the progress against the key service priorities included in the annual business plan for the Pension Fund for 2017/18. As many of these priorities directly link to the mitigation plans for the key risks within the Fund's Risk Register, the report provides more detail on the status of these risks.

Development of the Brunel Pension Partnership

2. The first of the five service priorities agreed as part of the annual business plan was to contribute to the successful establishment of the Brunel Pension Partnership such that the first transfer of assets can take place in April 2018.
3. A full update of the overall progress of the development of the Partnership was provided to at the recent Engagement Sessions run by officers from the Client Group and the Brunel Company to which members of both the Committee and Pension Board were invited.
4. There is a specific report on the agenda today which covers items of more local significance to the Oxfordshire Fund, being the transition of custodian to State Street, the budget implications of Brunel's Annual Business Plan for 2018/19 and the latest position on the development of the Brunel portfolios and the implications for Oxfordshire's asset allocation.

Cash Flow Modelling

5. The second service priority was to develop a more sophisticated cash flow model, and an appropriate future investment strategy to ensure all pension liabilities can be met as they fall due. There were three key aspects to this element of the work plan
 - working with the Fund Actuary to develop a modelling tool to allow future liability patterns to be better understood, and the impact of structural changes proposed by large employers identified
 - working with the major scheme employers to understand any changes in likely scheme membership as a consequence of their strategic plans
 - developing a clear understanding of the investment returns of the various asset classes to provide a better match to the liability profile

6. Much of this work has been delayed due to the pressures of work associated with developing the Brunel Pension Partnership and the need to re-tender the Actuarial contract for the Fund. The requirements for a cash flow modelling tool which allows Fund officers to set parameters to reflect the latest strategic decisions of our major employers was set out in the invitation to tender. This work will be taken forward early in 2018 following the award of the new contract, and will be tied into the work on developing the new Brunel portfolios to ensure the investment strategy does deliver sufficient cash to meet the cost of pension liabilities as they fall due.
7. In the short term, Officers monitor the cash flow position on a monthly basis, and this shows we are still in a healthy position with c£750,000 more resources collected each month in respect of member's benefits than paid out. This, plus the cash reserves held, provides short term protection against the risk that the Fund will have to sell assets at short notice to meet pension liabilities.

Managing Pension Fund Data

8. The third service priority within the 2017/18 business plan was to develop more sophisticated management arrangements to ensure all Pension Fund data is received and stored in accordance with the requirements of the Pension Fund Regulator.
9. The business plan identified four key elements to this work
 - (a) Further training to fully understand the requirements of the Pension Regulator
 - (b) A review of current data collection processes looking to automate these wherever possible, and standardise them in line with best practices across other Funds.
 - (c) Development of more meaningful management reports on data quality
 - (d) Work with scheme employers to ensure responsibilities are fully understood, and to address any key concerns within the current arrangements.
10. As a consequence of the need to report a further breach of the regulations in respect of non-compliance with the requirement to issue 100% of annual benefit statements by 31 August 2017, the Pension Regulator has now asked for a meeting with Fund Officers on 12 December 2017. This meeting will be key to establish whether the current action plan meets the Regulator's expectations and/or what further actions are required.
11. The issue of greater standardisation of scheme employer data returns has now been raised by David Locke, a scheme employer representative on our Local Pension Board with the national Advisory Board. The national Advisory Board have responded positively to the request to explore this further and have invited David to attend one of their meetings early in 2018.

12. The remaining work in this area is impacted by the overall work programme currently facing the Pension Services Team (as identified in the separate Administration Report and appendix of on-going project work).

Monitoring Fund Manager Performance against Committee Policies

13. The fourth service priority was to develop a more robust approach to monitoring the performance of Fund Managers, in respect of their delivery against the Funds responsible investment and stewardship policies. This priority was added to the business plan in light of a number of concerns expressed by scheme members about the lack of transparency of the current arrangements, and in particular the need to measure the success of fund Manager engagements with the companies they have invested in on our behalf.
14. This work continues to be taken forward in our work with our current Fund Managers and with our partners in the Brunel Pension Partnership. As covered elsewhere on the agenda, Wellington have been pro-active in developing new reporting tools to help better understand the success of their interventions on environmental, social and governance issues. This work is being discussed with the new Responsible Investor Officer at Brunel and with State Street in their role as the new Administrator for the Brunel Pension Partnership in order to develop new robust reports which will offer greater transparency on the investment decisions of our Fund Managers.

Scheme Member Communications

15. The final priority identified in the 2017/18 Business Plan was improving scheme member communications through the full implementation of members self-service. This would enable scheme members to log into their own pension account to amend personal data, and view key information in respect of their own pension.
16. Having successfully rolled out member self-service to pensioners within the Oxfordshire Fund, we are now taking forward the project to roll out the facility to active and deferred members.

RECOMMENDATION

17. **The Committee is RECOMMENDED to note the progress against the key service priorities identified in the 2017/18 Business Plan.**

Lorna Baxter
Director of Finance

Contact Officer: Sean Collins, Service Manager (Pensions) Tel: 07554 103465

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