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PENSION FUND COMMITTEE – 6 DECEMBER 2019

BUSINESS PLAN 2019/20

Report by the Director of Finance

RECOMMENDATION

1. **The Committee is RECOMMENDED to note the progress against the key service priorities included within the 2019/20 Business Plan.**

Introduction

2. This report sets out the progress against the key objectives within the business plan for the Pension Fund for 2019/20, as agreed by the Committee at their March meeting.
3. The key objectives for the Oxfordshire Pension Fund are set out on the first page of the Business Plan for 2019/20 and remain consistent with those agreed for previous years. 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.
4. Part A of the plan sets out the broad service activity undertaken by the Fund. As with the key objectives, these are unchanged from previous years. The service priorities for the forthcoming financial year are then set out in more detail in Part B. These priorities do not include the business as usual activity which will continue alongside the activities included in Part B.

Service Priorities for 2019/20

5. Five key service priorities were included in Part B of the Business Plan for 2019/20. Each of these was an extension of the 2018/19 priorities, amended to reflect the progress during 2018/19. A summary of the progress against each of the 5 key priorities is as follows.
6. Development of the Brunel Pension Partnership – There were three key elements to the work within the Brunel Pension Partnership during 2019/20, being reporting and assurance, the transition of assets and the delivery against the business case. Each of these can be looked at in turn.

7. In respect of reporting and assurance, the key priority for 2019/20 is seen as the development of comprehensive client reports, which will provide assurances on the processes and performance of the Brunel company, as well as on the investment performance itself. This is seen as increasingly important as more assets are transition to the Brunel portfolios and Brunel takes on its full responsibility for the selection and monitoring of the underlying fund managers.
8. Brunel have developed the initial investment performance reports and these are currently made available to Officers. This Committee offered no comments on the format of the Fund specific report presented to their June meeting, and it is expected that this will become a standard agenda item as more assets transition to Brunel. A report covering all Brunel portfolios is also presented to the Client Group and to the Brunel Oversight Board.
9. The Client Group have also worked with Brunel to develop a series of reports to enable the Client Group and the Brunel Oversight Board to assess the performance of Brunel itself and gain assurance that Brunel has a series of robust policies and procedures and is acting in accordance with them. These reports have now become a standard agenda item for these meetings and will increasingly become the main focus as the transition to business as usual is completed.
10. In respect of asset transition, Brunel have concluded the transition of assets to the new Emerging Market Portfolio and at the time of writing this report were partway through the transition of assets to the Global High Alpha Portfolio. Oxfordshire participated in both these transitions, funded by a part redemption of the assets within the UBS global equity portfolio and the full redemption of the Wellington global equity portfolio.
11. As a consequence of the latest transitions, we now have just under half (47.7%) of the Fund's assets under the management of Brunel. We have made commitments to the private equity, infrastructure and secured income portfolios which when called would add a further 7% to the assets under management at Brunel. Further commitments will be made to the private market portfolios within Brunel as part of the second round of 2 year commitments from 1 April 2020 (subject to any amendments to the asset allocation at the March meeting of this Committee).
12. We are currently in discussions with Brunel and UBS about the transition of the management of the property portfolio which will take place during 2020. The remaining assets held within the UBS global equity portfolio will transition to the Brunel Global Core Portfolio during the latter part of 2020.
13. At the present time it is not planned to transition the assets held within the Insight Diversified Growth Fund (DGF) to the new Brunel DGF portfolio as the investment outcomes are not aligned. How we best meet the current investment objectives for our DGF allocation (equity like returns but with lower

volatility whilst retaining liquidity) will be considered as part of the asset allocation report to the March meeting of this Committee.

14. The final significant transition will involve the assets within the current fixed income portfolio managed by Legal & General. Within his last asset allocation report to this Committee, the Independent Financial Adviser identified some potential gaps in the draft portfolios being proposed by Brunel to meet the investment objectives set for the current allocation. Brunel are planning to revisit these portfolio specifications as part of the planning for the transitions due in 2020/21, and a workshop is being organised for January 2020 as part of this process. An updated position will therefore be reported to this Committee as part of the asset allocation report to the March Committee meeting.
15. 2019 Valuation – There is a full report elsewhere on today’s agenda which covers progress on the 2019 Valuation including initial results for the Fund as a whole, as well as the revised Funding Strategy Statement which sets out the approach followed in producing the initial results. Subject to any comments of the Committee, next steps will be to formally consult with scheme employers on the revised Funding Strategy Statement and provide them their provisional results based on the draft Statement.
16. Data Quality - The third priority focusses on delivery of the Improvement Plan and ensuring all services are delivered to scheme members in accordance with our regulatory responsibilities and our service level agreements. As covered in the Administration report elsewhere on the agenda, we have recently reported improved data quality scores of 98% for common data and 96% for scheme specific data.
17. Monitoring Compliance with the Fund’s Policies - This fourth priority centres around the need to make more transparent the work of the Fund in delivering its ESG Policy as included in the Investment Strategy Statement. One of the measures of success was the availability of benchmark data and regular quarterly reporting.
18. The Brunel Investment Performance report now includes a page on responsible investment issues for each of the Brunel listed portfolios. This includes information on the carbon intensity of each portfolio, an independent assessment of the wider ESG performance of the companies within the portfolio, and a short commentary from Brunel on key issues identified.
19. Over time, the presentation of this data will be an important step in developing greater transparency about the impact of the current ESG policy and provide a benchmark against which the Committee can track questions and identify issues for follow up with Brunel and the underlying Fund Managers. This information also needs to be considered alongside the voting and engagement reports being developed by Brunel to develop a full picture of the impact of the current policy.
20. Following on from the Climate Change workshop, the Working Group will be looking to develop future reporting requirements to ensure that we can monitor

compliance with our proposed climate change policy. This work will be undertaken in conjunction with Brunel and other partners to ensure criteria can be developed and reported on in a standard way across the investment industry.

21. Improving Scheme Member Communications - The final priority included in the 2019/20 Business Plan is the continued development of Member Self Service (MSS). This should allow scheme members access to their records to undertake amendments to their core data and view key information on their pension benefits.
22. In terms of progress, MSS is now the main means of distributing Annual Benefit Statements, pensioners P60's and their monthly payslips, letters to deferred members, retirement quotes and pension estimates. We continue to send out paper correspondence in these cases where the Member has elected to still receive all correspondence by post.
23. The next development will be the option for Members to log in and obtain estimates of their future pension benefits under a number of scenarios. This is currently being developed and tested before hopefully going live later this year.

Budget 2019/20

24. Annex 1 sets out the latest monitoring position against the budget agreed by the Committee at its March meeting. The main variation is on the staffing costs within the Pension Services Team where a £150,000 underspend is estimated, reflecting the levels of vacancies carried to date.
25. The other variations are an increase in investment management fees, reflecting the increase in total level of assets under management on which fees are payable. This is in part offset by the new rates obtained by Brunel from their tendering of the new portfolios. There is a small overspend in Actuary fees reflecting the more detailed work they have undertaken in respect of the major scheme employers, and a small underspend on the costs of the Committee and Local Pension Board.

Training Plan

26. A Training Plan for Committee Members was not included within the Business Plan. If the current proposal to Council to change the Constitution on the Committee to mandate compliance with the Training Policy is approved, then this element of the Business Plan report will include an assessment of compliance with the new policy.

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November 2019