

## **PENSION FUND COMMITTEE**

**13 December 2024**

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

**Report by the Executive Director of Resources & Section 151 Officer**

#### **RECOMMENDATION**

**1. The Committee is RECOMMENDED to:**

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

#### **Introduction**

2. 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 this Committee.
3. 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
4. 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**

5. 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

6. 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	Transition between Heads of Pensions and Pension Services Administration Managers has been completed with the continuing smooth running of the Fund during the transition.	Succession planning for the future will be incorporated into the Workforce Strategy going forwards.
Workforce Strategy in place. AMBER	Workforce Strategy paper to be reviewed as an exempt item later in this Committee meeting.	Further work to be completed as set out in the Workforce Strategy plan.
End of year compliance with General Code of Practice in line with targets set. GREEN	Progress is being made in line with project plan.	Reviews to be completed, and actions agreed and delivered to address any gaps in compliance. Further independent scrutiny and review to be completed by Hymans Robertson, in the first half of 2025.
Committee satisfied they are able to evidence compliance with their policies and demonstrate the performance standards of the Fund. AMBER	New Committee and Board members have been provided access to inductions including details of Fund policies.  Additional information has been included in the administration report, with the aim of continuing to evolve and develop the reporting to Committee, to increase	Improved KPI reports are being developed.  Along with the review of policies and oversight in light of the new Government consultation.

	transparency and improve oversight.	
Increase in average scores for the National Knowledge Assessment. AMBER	National Knowledge Assessment has been completed with 100% completion rate, more information and results are included in the Governance and Communication Report later in the agenda of this Committee.	Training plan for 2025/26 to be created focusing on key areas requiring development and incorporation of the developing requirements under the Government consultation.

7. Progress has been made against the measures of success and whilst due to external factors delivery remains challenging, we are on target to deliver across all of the agreed measures of success in this area. More information is included in the Governance and Communications report regarding the National Knowledge Assessment, including key aspects of the Good Governance Review which have been included in the Governments latest consultation (LGPS – fit for the future). We welcome the inclusion of the Good Governance Review in this consultation, much of which we have already adopted in our regular activity.
8. Compliance with the General Code of Practice continues to make progress (as detailed with the Governance and Communications Report elsewhere on today’s agenda). At the present time we remain on target to be fully compliant by the end of 2024/25 scheme year. As further assurance to Committee we have engaged Hymans Robertson to undertake a review and scrutinise the work completed by the Fund, an update will be provided to Committee mid-2025.
9. 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, more information is included the report on the National Knowledge Assessment, contained within the Governance and communications report. A point worth noting around the scores relating to actuarial methods as 2025 is a valuation year, we would expect an increased focus on training in this area, which will help to improve knowledge and understanding of both Committee and Board.
10. Business planning for 2025/26 has commenced, Committee and Board will be invited to a planning meeting on 16 January 2025, whereby objectives can be discussed and then formally approved in March 2025 Committee.
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	Progress continues and more information can be found in the Administration Report. The 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.  Complete backlog of calculations in line with Government's priority guidance.
Increased Common Data and Scheme Specific Data Quality scores. GREEN	Data cleanse is an ongoing task throughout the year, the latest scores show a slight improvement on last year. Common Data – 94.5% Scheme Specific – 98.69%	Build in further data cleanse activities as part of ongoing work to improve scores for next year.
Reduction in numbers of reported regulatory breaches/fines issued under the Administration Strategy. GREEN	Report to Committee included in the Administration Report.	Increasing focus on support and engagement with employers.
Reduction in number of formal complaints. GREEN	Numbers of complaints have fallen, however it is too early to say if this is a meaningful trend.	Website improvements to improve processes and management of member expectations.
Increased customer satisfaction scores. AMBER	Customer satisfaction survey results remain positive with the majority of interactions rated as either 4 or 5 stars (72%).	Review trends in member survey scores and develop action plans as necessary.
Reduction in scheme costs associated with technology improvements. AMBER	Fund officers continue to engage with Heywoods to maximise our use of technological solutions.  Progress is being made on the procurement of Dashboards, due for go live October 2025.	Continue to work with Heywood to develop further 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	<p>Pre-valuation focus on data quality with employers continues.</p> <p>Housing keeping on historic employer matters, ahead of valuation.</p> <p>Initial modelling meeting held with scheme actuary, to discuss results and likely outcomes. Planning next steps in valuation process and engagement.</p>	<p>Consultation with scheme employers on their desired outcomes from the 2025 Valuation.</p> <p>Review of Funding Strategy Statement, investment strategy, Strategic Asset Allocation, in light of Government consultation.</p>
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.	<p>Cashflow model to be reviewed in light of decisions made throughout 2025 Valuation process. Cashflow monitoring policy to be developed.</p> <p>Further consideration of cashflow monitoring in light of Government consultation</p>
Plans in place to deliver Government Policy requirements. AMBER	<p>Government has communicated their intended direction in the Mansion House speech on 14 November 2024. Launching the LGPS fit for the future consultation, responses due by 16 January 2024.</p>	<p>Draft response to consultation.</p> <p>Continue working closely with Brunel and partner Funds on preparation for expected changes.</p>
Publish Fund's first Responsible Investment Policy and Strategy Documents. GREEN	Press release issued on exclusions.	Develop responsible investment strategy to deliver and report on key elements of Policy
Revised Strategic Asset Allocation agreed. AMBER		Strategic Asset Allocation to be reviewed as part of the

		2025 valuation and noting Government consultation on role of Administering Authority in setting SAA.
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14. Following the Chancellors Mansion House speech on the 14 November 2024, the Government has now released a number of pension related consultations, the key consultation of importance to the LGPS is the Local Government Pensions Scheme (England and Wales): Fit for the future consultation.
15. This consultation can broadly be split into 3 key areas:
  - a. Reforming the LGPS asset pools
  - b. Boosting LGPS investment in Local and UK investments
  - c. Strengthening the governance of both Administering Authorities and LGPS pools
16. The consultation will run for a period of 9 weeks closing on 16 January 2025, asking 30 questions relating to the above 3 areas.
17. The consultation seeks views on the plan to harmonise the model of the pools, to one single operating model for all 8 existing pools. All pools should be Financial Conduct Authority (FCA) registered. All listed markets must be pooled by 31 March 2025 with all remaining legacy assets pooled by 31 March 2026.
18. The most significant proposal is the change in role between the Administering Authority and pool, which would see the implementation and advice on investment strategy be delegated to the pool, with the Strategic Asset Allocation an optional delegation to the pool. Pools are also required to report by March 2025 on how they intend to deliver this new fiduciary model.
19. Furthermore, there is a focus on the aim of boosting investment locally. Funds and pools will be required to work with local and regional authorities to develop investment opportunities. Pools will be required to develop capability to assess local investment opportunities presented and also provide additional reporting.
20. The proposed strengthening of governance are essentially the outcomes of the Good Governance Review, more details are provided in the Governance and Communications report.
21. Next steps – a draft response will be prepared for Committee to consider and feedback on prior to submission ahead of the 16 January 2025 deadline.
22. Two other consultations relevant have also been launched:
  - a. The Home Office has commenced a consultation on Amendments to The Firefighters’ Pension Scheme (England) Regulations 2014 (S.I. 2014/2848)

– Proposed updates to members contribution structure, the consultation closes 29 January 2025.

i. The government is consulting on amendments to the Firefighters' Pension Scheme (England) Regulations 2014 to:

1. achieve the target yield over 1 October 2025 to 31 March 2027, and future valuation periods
2. update the member contribution structure to encourage scheme participation and reduce opt-outs
3. ensure the member contribution structure is administratively sustainable
4. ensure due regard to the Public Sector Equality Duty.

b. HMRC has commenced a technical consultation - Inheritance Tax on pensions: liability, reporting and payment, the consultation closes 22 January 2025.

i. From 6 April 2027 most unused pension funds and death benefits will be included within the value of a person's estate for Inheritance Tax purposes and pension scheme administrators will become liable for reporting and paying any Inheritance Tax due on pensions to HMRC. The consultation seeks views on the processes required to implement these changes, rather than our views on whether these changes should go ahead.

### **Budget 2024/25**

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

### **2024/25 Pension Fund Budget – Q2 Update**

	<b>Budget</b>	<b>YTD</b>	<b>%</b>	<b>Forecast Outturn</b>	<b>Variance</b>
	<b>2024/25</b>	<b>2024/25</b>		<b>2024/25</b>	<b>2024/25</b>
	<b>£'000</b>	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
<b>Administrative Expenses</b>					
Administrative Employee Costs	1,861	568	31%	1,861	0
Support Services Including ICT	1,338	1,003	75%	1,338	0
Printing & Stationary	82	46	56%	82	0
Advisory & Consultancy Fees	165	0	0%	165	0
Other	60	0	0%	60	0
<b>Total Administrative Expenses</b>	<b>3,506</b>	<b>1,617</b>	<b>58%</b>	<b>3,506</b>	<b>0</b>

<b>Investment Management Expenses</b>					
Management Fees	14,800	3,000	20%	15,000	200
Custody Fees	30	16	30%	30	0
Brunel Contract Costs	1,453	1,127	51%	1,453	0
<b>Total Investment Management Expenses</b>	<b>16,283</b>	<b>4,144</b>	<b>25%</b>	<b>16,483</b>	<b>200</b>
<b>Oversight &amp; Governance</b>					
Investment & Governance Employee Costs	444	177	40%	440	-4
Support Services Including ICT	13	0	0%	13	0
Actuarial Fees	292	262	90%	292	0
External Audit Fees	50	94	188%	120	70
Internal Audit Fees	9	0	0%	9	0
Advisory & Consultancy Fees	101	10	0%	101	0
Committee and Board Costs	24	0	0%	24	0
Subscriptions and Memberships	20	27	64%	20	0
<b>Total Oversight &amp; Governance Expenses</b>	<b>953</b>	<b>570</b>	<b>60%</b>	<b>1,019</b>	<b>66</b>
<b>Total Pension Fund Budget</b>	<b>20,742</b>	<b>6,733</b>	<b>32%</b>	<b>21,008</b>	<b>266</b>

24. Key points to note Brunel invoices are paid in advance so the year to date includes 2 quarters of fees. Also, external audit fees include the prior years fees and the increase.

25. We can expect to see Brunel fees increase if the Government consultation proceeds in its current form, this will be to reflect the increased resource needs for the pool to deliver the additional requirements from Government. In the short to medium term there is unlikely to be any cost savings to the Administering Authority.



## **Training Plan**

26. Part D of the Business Plan set out the broad Training Plan for Committee Members. This reflects the Knowledge Assessment and feedback from Committee and Board members in 2023. A session covering affordable housing was held prior to Committee in September 2024. A session on Governance in the Brunel Pensions Partnership will be held prior to this Committee meeting. We expect pre Committee training for March 2025 Committee will be from the Scheme Actuary. The latest results from the National Knowledge Assessment are included in the Governance and Communication report which will inform the revised training plan for 2025/26 which is due to be developed. The revised training plan will also take into account the Governments proposals on improving Knowledge and Understanding of Committee/Board.
27. 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.
28. Since our last Committee meeting positive progress has been made with overall training, as at time of writing this report all Board members have completed their induction training and have completed all modules required. All Committee Members except one have completed their induction and training modules.

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