

## **PENSION FUND COMMITTEE – 1 JUNE 2012**

### **REVIEW OF PENSION FUND POLICIES**

**Report by the Assistant Chief Executive and Chief Financial Officer**

#### **Introduction**

1. Under the various Local Government Pension Scheme Regulations, the Pension Fund Committee as the Administering Authority of the Oxfordshire Pension Scheme is required to produce and maintain a number of key policy documents. The last comprehensive review of all such policies was in June 2010. Since that time, a number of the policies have been updated in line with individual decisions taken by the Committee. This report presents the latest version of these policies for them to be formally endorsed by the Committee.
2. Whilst not a formally required policy under the LGPS Regulations, this report also presents a formal Scheme of Delegation to be formally endorsed by the Committee. This Scheme of Delegation brings together a series of decisions previously made by this Committee to delegate decisions to officers of the Council.

#### **Policies for Endorsement**

3. The key policies to be reviewed and endorsed are set out as Annexes to this report. The key issues with each policy, including any changes to the Policy is set out below

##### Annex 1 – The Funding Strategy Statement.

4. The Funding Strategy Statement sets out the Fund's approach to managing the solvency of the Fund, and is the framework which guides the work of the Fund Actuary in completing the Triennial Valuation of the Pension Fund.
5. The initial Funding Strategy Statement was prepared in 2005 with considerable support from the Fund's then Actuary. The Committee carried out a consultation exercise as part of a fundamental review of the Statement in 2009/10 and agreed a number of changes to the Statement to increase flexibility around recovery periods, stepping arrangements and the treatment of admitted bodies. More recently the Committee considered the pooling arrangement in respect of academy schools following a joint letter from the Secretaries of State for Education, and Communities & Local Government.
6. As part of the current review, the Funding Strategy Statement has been completely re-written to reflect the differences in approach agreed with our

new Actuary, as well as incorporating the decisions of the Committee in March 2010 following the formal consultation, and in March 2011 re pooling.

#### Annex 2 – The Statement of Investment Principles

7. The Statement of Investment Principles sets out the Committee's approach to the investment of the Fund's resources. This document was subject to a significant re-write when last formally reviewed in June 2010.
8. The latest version of the Statement of Investment Principles has been revised to reflect the changes in global equities, with the introduction of a passive element to the portfolio and the appointment of Wellington. The increase in the limit of unit linked contracts of insurance has been confirmed for the second year to enable the Fund to maintain the current transition arrangements with Legal & General.
9. The main change for the Committee to note and endorse is an increase in the target performance for Legal & General with regard to their fixed income mandate. Following the switch to the Core Plus Fund as the vehicle for our investment in corporate bonds, Legal & General believe there is an increased opportunity for out-performance and have therefore agreed an increase in their target from 0.4% above benchmark to 0.6% above benchmark.

#### Annex 3 - Governance Policy and Governance Compliance Statement

10. The Governance Policy sets out the arrangements for the management of the Pension Fund, and the Governance Compliance Statement sets out the extent that this policy complies with best practice.
11. There have been no changes to either document since the last review in June 2010. This means that the Fund remains only partially compliant in respect of scheme member representation and Committee member training. The latter issue arises from the fact that substitute members of the Committee are not restricted to those who have undergone specific pension fund training, and the Committee does not approve a specific training programme for the Committee members themselves.

#### Annex 4 – Communication Policy

12. This policy was last reviewed in June 2011 and no further changes have been proposed this year..

#### Annex 5 - Scheme of Delegation

13. As noted in the introduction to this report, the Scheme of Delegation is a new document which sets out to bring together all areas where the Pension Fund Committee has previously delegated decisions to Officers of the Council.
14. Where appropriate, the Scheme of Delegation has amended the job title of the Officer to which the responsibility has been delegated to reflect structural

changes in the Council and changes to job titles. The Scheme remains consistent with the principles initially agreed by the Committee.

15. A section has been included in the Scheme of Delegation to reflect the current practice around the review of the asset allocation for the Fund, where changes in allocation to remain within the agreed bands has been delegated to Officers, and any decision to agree a temporary allocation outside the band has been delegated to officers following consultation with the Chairman of the Committee.

## **RECOMMENDATION**

16. **The Committee are RECOMMENDED to approve the revised policy documents as set out in Annexes 1-5 to this report, noting the main changes in the documents.**

SUE SCANE

Assistant Chief Executive and Chief Financial Officer

Background papers: None

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