

## **PENSION FUND COMMITTEE – 6 JUNE 2014**

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

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

##### Introduction

1. Under the Local Government Pension Scheme Regulations, the Pension Fund Committee, acting as the Administering Authority of the Oxfordshire Pension Scheme, is required to produce and maintain a number of key policy documents. These policies are subject to an annual review, which is scheduled for the June meeting of the Committee cycle (although the last review was delayed until September 2013 following the establishment of the new Committee after the Council elections. 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 endorsed by the Committee. This Scheme of Delegation brings together those areas previously agreed by this Committee where decisions have been delegated 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. All policies have been updated to include the relevant sections of the Local Government Pension Scheme Regulations 2013.

##### 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. In March 2013 the Committee determined changes in respect of the pooling arrangement for academy schools.

6. There have been no significant changes to the Funding Strategy Statement as part of this current review.

#### 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 also subject to a review in March 2013 when changes were agreed to reflect the outperformance target for the Fund as a whole, the voting policy and changes to the investment limits.
8. There are two significant changes at this review to draw to the Committee's attention. The first is to include the revised asset allocation agreed at the March 2014 Committee meeting, alongside the current allocation. Further changes will be required here as new managers are appointed.
9. The second change is a proposed further extension to the increase in the allocation to a single insurance contract from 25% to 35%. This increase to the higher figure allowed under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 is to provide sufficient flexibility to both Legal & General and to the Fund as a whole. Legal & General currently manage the passive equity mandates and the corporate bond element of the fixed income mandate through a single insurance contract. The current asset allocation of 24% is set to reduce to 22%, but leaves limited flexibility for Legal & General to increase the allocation to corporate bonds from government gilts etc where they deem such a change appropriate within the ranges provided to them. The extension of the 35% limit, would also allow the Fund to place further money in the passive equity funds as a transitional measure where funds are redeemed from the hedge fund allocation in advance of finalising the new diversified growth mandates.

#### 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. The only changes to the documents since the review in June 2010 have been to reflect the recent decision to increase the size of the Pension Fund Committee from 9 to 11 Members, and to note the growing number of Academy schools as a distinct group with no direct representation on the Pension Committee
12. 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

13. The Communication Policy sets out the Fund's key communication messages and channels. It has been tidied up this year, although there are no fundamental changes in approach, though greater use is being made of the web-site and on-line media.

#### Annex 5 – Early Release of Benefits Policy

14. The Early Release of Pension Benefits Policy covers the Administering Authorities approach to dealing with cases for early release of pension benefits where the last employer of the scheme member is no longer in existence. This Policy was initially approved by the Pension Fund Committee at its meeting in December 2012. There are no significant changes as part of this annual review.

#### Annex 6 - Scheme of Delegation

15. The Scheme of Delegation was introduced in June 2012 to bring together all areas where the Pension Fund Committee has previously delegated decisions to Officers of the Council.
16. The Scheme has been updated to reflect the various decisions of this Committee. The latest version included at Annex 6 includes the proposed change to the delegation to the Chief Finance Officer for decisions on the early payment of benefits where the scheme member's previous employer no longer exists. (see Agenda Item 14 above).
17. The only other significant change is to switch the delegation for the approval of new admission bodies to the Service Manager (Pensions, Insurance & Money Management). This delegation was previously to the Chairman, Deputy Chairman and Opposition Spokespersons, and is deemed impractical given the number of admission requests now being received, where employers (and schools in particular) are outsourcing services to private contractors, and then seeking admission body status for the new contractor to meet their obligations to protect the pension provision of the transferring staff. In all cases, the previous employer is a signatory to the new transferee admission agreement, and will remain responsible for any deficit to the Pension Fund in the event the contractor cannot meet their financial liabilities.

#### Annex 7 – Administration Strategy

18. As discussed at the March meeting of this Committee, this Council now requires an Administration Strategy to set out the various responsibilities of the Administering Authorities, and the Scheme employers, and to establish a charging policy to allow the Administering Authority to recover costs of additional work where scheme employers fail to meet their responsibilities in an accurate and timely manner.

19. The first draft strategy is included at Annex 7, alongside the current Service Level Agreement which sets out the key performance indicators. As noted in the Strategy, the delivery of service against the performance targets is dependent on the timely publication by the Government of the Regulations and statutory guidance, as well as the financial factors from the Government's Actuarial Department (GAD). Following the introduction of the New Look LGPS from 1 April 2014, there were a number of delays in receiving GAD factors and guidance notes, which has created a backlog of work and shortfalls against the performance targets, particularly where members are looking to arrange the transfer of pension benefits between funds.
20. The Administration Strategy sets out a table of charges. However the Committee should note that it remains the intention of the Pension Services Team to resolve all issues without the need to resort to charges, and the Strategy allows them to waive charges where the scheme employer is deemed to be undertaking best endeavours to meet their responsibilities, or exceptional circumstances have led to the missing of deadlines.

## **RECOMMENDATION**

21. **The Committee is RECOMMENDED to approve the revised policy documents as set out in Annexes 1-7 to this report, noting the main changes in the documents as discussed above.**

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Background papers: None  
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