

PENSION FUND COMMITTEE – 4 DECEMBER 2015

FUTURE WORK PROGRAMME

Report by the Chief Financial Officer

Introduction

1. This report sets out some of the key issues facing this Committee over the next year or so, and invites the Committee to consider its work programme for the next year. Key issues to consider include the timescales for each of the main issues and the role of the newly established Local Pensions Board in developing the work programme, and in supporting its delivery.

Key Issues

2. Whilst it is not possible to be clear on all the key issues which this Committee will need to address in the next 12-15 months, there are a number of issues which have already been identified which will need to be included in any future work programme.
3. As covered elsewhere on this agenda, a major issue for this Committee will be the Government's Collaboration Agenda. This issue is likely to be significant in terms of the work facing this Committee and on the potential impact on the Oxfordshire Fund. At the time of writing this report, the timescales associated with this issue are not fully understood, but could include the need for emergency meetings of this Committee if initial decisions need to be made before the end of February 2016.
4. Given the scale of the potential changes associated with the collaboration agenda, it is likely that this is an issue that the Committee will need to have on its agenda for every meeting over the next year.
5. A second major issue for the next year is the 2016 Valuation. The Valuation process will consider the funding levels at 31 March 2016, and agree the appropriate employer contributions to be implemented with effect from 1 April 2017. The Gloucestershire Pension Committee and Pension Board recently had a joint training session which included a presentation from their Fund Actuary on the Valuation process, and this maybe something this Committee wishes to consider.
6. Linked to the 2016 Valuation, is the work on developing a cash flow model for the Fund. The Fund is currently cash positive and receives some £750,000 a month more by way of employer and employee contributions than it pays out on member benefits. This provides the Fund with a degree of flexibility when determining its asset allocation, as there is no restriction on the need to retain sufficient liquid assets to call on to meet benefit payments.

7. This level of cash flow has significantly reduced over recent years as employers reduce their budgets under the austerity programmes, and out-source services. These factors have both reduced future contributions as well as increasing the level of benefits in payments as staff are made redundant and take early payment of their pension.
8. The Committee therefore needs to complete an exercise to develop a better forecast of future cash flows and when cash flows may begin to turn negative. This work also needs to build up a better understanding of key differences on the funding profiles of individual employers and whether the current asset allocation remains suitable as a single solution for all employers.
9. The fourth main issue facing this Committee over the next year is the administration performance of the scheme employers within the Fund, and the quality of scheme member data maintained by the Fund. As noted elsewhere on the Agenda, the Fund reported itself to the Pensions Regulator earlier this year as a consequence of the failure to delivery Annual Benefit Statements to active scheme members in line with the statutory requirements.
10. The Pensions Regulator has taken into account the complexity introduced into the current year's annual benefit statements as a result of the implementation of the new career average scheme. He has also made it very clear that he expects no repetition of the issues next year. This Committee therefore needs to include in its work programme an action plan to bring about the necessary improvements in the Fund's relationship with its employers, and the quality of the scheme member data.
11. In developing its work programme, the Committee may also wish to consider its performance against the draft key performance indicators being developed by the Scheme Advisory Board. Officers have recently completed a return on the currently drafted key performance indicators, and this is included at Annex 1 to this report.
12. An analysis of this return indicates a number of areas where current performance does not match that seen by the Advisory Board as best practice. These include:
 - (a) Risk Management – this is one of the 4 major indicators, where the Fund scores low as it does not assess an acceptable level of risk, does not produce a clear action plan to reach these target risk levels and does not regularly review performance against an action plan.
 - (b) Member Competence – this area has been scored low as Members have not recently completed any self-assessment to determine their training needs, and as such there is no comprehensive training plan based on a full training needs analysis.
 - (c) Assessment against Pension Regulator Best Practice – covering the areas of governance standards, and data quality.
 - (d) Benchmarking of Investment Costs.

13. The Committee may wish to add the areas highlighted above to their work programme to deliver action plans to bring about an improvement in performance.

Oxfordshire Local Pension Board

14. In developing a work programme, the Committee needs to consider the views of the newly established Local Pension Board, and the role that they can play in delivering the programme.
15. The Board met for the first time on 18 November 2015. They confirmed Graham Burrow, Head of the Gloucestershire Pension Fund to be their independent chairman. The three scheme employer representatives are Councillor Roger Cox from the Vale of White Horse District Council, Councillor Bob Johnston from the County Council (though he was unable to attend the initial meeting), and David Locke from the Oxford Diocesan Schools Trust. The three scheme member representatives were Alistair Bastin and Duncan Hall who are Unison nominees from the County Council and Stephen Davis who is a Unite nominee from the City Council.
16. They identified the following as key issues they wished to review further:
- (a) Employer management and in particular the support provided to new employers.
 - (b) The 2016 Valuation
 - (c) The approach to risk management
 - (d) Committee and Board member training
 - (e) Communications

Draft Work Programme

17. A draft work programme based on the above would therefore be as follows:

March 2016	Collaboration
	Risk Management
	Cash Flow Forecasts
	Employer Management
	Training Plan
June 2016	2016 Valuation - Approach
	Collaboration Update
	Employer Management Update
September 2016	Collaboration Update
	Risk Management Review
	Review Against Pension regulator Standards
December 2016	2016 Valuation - Results
	Collaboration Update

18. The Local Pension Board will meet quarterly between each Committee meeting. The Committee will need to determine what it wishes the Board to review in advance of Committee consideration of each subject. The Board

itself is free to review any of the papers presented to the Committee meetings themselves.

RECOMMENDATION

19. The Committee is RECOMMENDED to:

- (a) determine its work programme for 2016 based on the draft programme contained in paragraph 17; and**
- (b) determine those aspects of the programme it wishes the Local Pension Board to consider in advance of the presentation to the Committee meeting itself.**

Lorna Baxter
Chief Finance Officer

Background papers: None

Contact Officer: Sean Collins, Service Manager, Pensions, Insurance & Money Management, Tel: (01865) 897224

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