

**PENSION FUND COMMITTEE – 8 JUNE 2018**  
**ANNUAL REVIEW OF PENSION FUND POLICIES**

**Report by the Director of Finance**

**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. 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.

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. Officers will review this document with our new Actuaries – Hymans Robertson during 2018/19 in preparation for the 2019 Triennial Valuation of the Pension Fund.

## Annex 2 – The Investment Strategy Statement

7. The Investment Strategy Statement replaced the Statement of Investment Principles, and sets out the Committee's approach to the investment of the Fund's resources.
8. Under the new Regulations the prescriptive nature under the old Regulations was replaced by a more prudential framework, whereby the Committee is not constrained by any particular restrictions on asset allocations, but needs to provide the rationale for all decisions within the Investment Strategy Statement.
9. The initial Investment Strategy Statement was agreed by the Committee at its March 2017 meeting, and no changes were proposed by the subsequent meeting of the Pension Board. This latest version has been updated to reflect progress on implementing the pooling arrangements. Further changes will have to be made as assets transition from existing mandates to the new Brunel portfolios.
10. It is intended that there is a fundamental review of this document every three years, as part of the Triennial Valuation and Strategic Asset Allocation review. As part of the next review, it is intended to work with the Scheme Member Representatives on the Local Pension Board to undertake a consultation with scheme members, so their views can be fed in as appropriate.

## Annex 3 - Governance Policy and Governance Compliance Statement

11. 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.
12. The Governance Policy Statement has been amended to reflect changes arising from the new division of responsibilities under the Brunel Pension Partnership is established. In particular, the Terms of Reference for this Committee have been redrafted to remove the responsibility for the appointment of Fund Managers, and the monitoring of their performance. In addition, the operational procedures have been amended to remove the references to Fund Managers being invited to attend Committee and present information of the performance of their portfolio, and replaced by an invitation to the Brunel company.
13. The Governance Policy Statement also includes draft changes to require all members appointed to serve on the Pension Fund Committee, to participate in a training programme, to ensure that the Committee as a whole has the appropriate skills and knowledge to fully discharge their statutory responsibilities. This in turn is linked to a new provision to remove the right for substitutes to be selected to sit on the Committee in the absence of an

appointed member. This change would bring the Oxfordshire Pension Fund Committee into line with the majority of other Pension Fund Committee's within the Brunel partnership.

14. A draft change has also been made to the Governance Compliance Statement to reflect the removal of the right to select a substitute member. The section on Selection of Members (Principle C) has been amended from Partially Compliant to Compliant to reflect the fact that in future under the proposed new arrangements, all members serving on the Committee would receive a briefing to ensure they were aware of their status, role and function when sitting as a member of the Pension Fund Committee.
15. The Compliance Statement continues to identify two areas where we remain only partially compliant with best practice, a position the Committee has been happy to accept in the past. These areas cover representation of all key stakeholders, and the agreement of a formal annual training plan for Committee Members.
16. The proposed changes to the Terms of Reference for the Pension Fund Committee and the constitutional change to remove the right to select substitutes will need the approval of full Council. Such changes are normally reviewed in the first instance by the Audit and Governance Committee.

#### Annex 4 – Communication Policy

17. The Communication Policy sets out the Fund's key communication messages and channels.
18. There continue to be considerable changes to the LGPS picture. The number of employers in the fund continues to increase as larger employers break into smaller units, through service outsourcing or through the conversion from maintained schools to independent Academies. Each move creates a new fund employer, with statutory roles under the LGPS regulations.
19. Our challenge therefore remains to keep communication and guidance appropriate for employers at all stages of their membership. Maintaining this supportive role to cover all the eventualities for all types of employers has the potential for long and complicated website and guidance pages and training sessions. Our local information is in addition to the support provided by the national Local Government Association.
20. This is further complicated by the need for support during the extended period while the LGPS presents itself as two concurrent schemes.
21. The Fund must also communicate with and support our members as the scheme becomes more complex and membership groups more fragmented. The challenge remains to engage and interest members in their pension provision and for them to understand the benefits of the Scheme.

22. The Communication Policy does not include any material variations since last June, and reflects the move to an on-line member self-service tool for all members of the Fund. Alternative options have been retained for those scheme members who opted out of receiving their communications in electronic format.

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

23. 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

24. 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. No changes have been made to the policy this year.

#### Annex 7 – Administration Strategy

25. The Fund is required to produce 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.
26. The charges included in the Administration Strategy were amended in March 2018 following a consultation exercise with employers. No further changes have been made to the Administration Strategy following the changes agreed at the last Committee.

#### Annex 8 – Procedure for Reporting Breaches of Law to the Pension Regulator

27. We were required to develop a Procedure for the Reporting of Breaches of Law to the Pension Regulator during 2015/16. This procedure was agreed by the Committee at its meeting in September 2015. No further changes have been proposed at this time.

#### Annex 9 – Administering Authority Discretions

28. There are a number of areas under the LGPS Regulations where the Administering Authority is required to publish a discretionary policy. These are included in Annex 9. No changes are proposed to these discretions at this time.

## **RECOMMENDATION**

29. **The Committee is RECOMMENDED to:**
- (a) approve the revised policy documents as set out in Annexes 1, 2, and 4-9 to this report, noting the main changes in the documents as discussed above; and**
  - (b) approve in principle the changes set out in Annex 3 to the Governance Policy and Governance Compliance Statement and RECOMMEND to Council via the Audit and Governance Committee the corresponding changes to the Terms of Reference and Constitution of the Pension Fund Committee.**

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Background papers: None  
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May 2018

