



To: **Members of the Local Pension Board**

Notice of a Meeting of the Local Pension Board

Friday, 21 July 2017 at 10.30 am

Room 3 - County Hall, New Road, Oxford OX1 1ND

A handwritten signature in black ink that reads "PG Clark".

Peter G. Clark
Chief Executive

July 2017

Committee Officer: **Julie Dean**
Tel: 07393 001089; Email: julie.dean@oxfordshire.gov.uk

Membership

Chairman -

Scheme Members:

Alistair Bastin	Stephen Davis	Sarah Pritchard
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Employer Members:

Councillor Bob Johnston	David Locke FCA	Vacancy
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Notes:

- **Date of next meeting: 20 October 2017**

Declarations of Interest

The duty to declare.....

Under the Localism Act 2011 it is a criminal offence to

- (a) fail to register a disclosable pecuniary interest within 28 days of election or co-option (or re-election or re-appointment), or
- (b) provide false or misleading information on registration, or
- (c) participate in discussion or voting in a meeting on a matter in which the member or co-opted member has a disclosable pecuniary interest.

Whose Interests must be included?

The Act provides that the interests which must be notified are those of a member or co-opted member of the authority, or

- those of a spouse or civil partner of the member or co-opted member;
- those of a person with whom the member or co-opted member is living as husband/wife
- those of a person with whom the member or co-opted member is living as if they were civil partners.

(in each case where the member or co-opted member is aware that the other person has the interest).

What if I remember that I have a Disclosable Pecuniary Interest during the Meeting?

The Code requires that, at a meeting, where a member or co-opted member has a disclosable interest (of which they are aware) in any matter being considered, they disclose that interest to the meeting. The Council will continue to include an appropriate item on agendas for all meetings, to facilitate this.

Although not explicitly required by the legislation or by the code, it is recommended that in the interests of transparency and for the benefit of all in attendance at the meeting (including members of the public) the nature as well as the existence of the interest is disclosed.

A member or co-opted member who has disclosed a pecuniary interest at a meeting must not participate (or participate further) in any discussion of the matter; and must not participate in any vote or further vote taken; and must withdraw from the room.

Members are asked to continue to pay regard to the following provisions in the code that *“You must serve only the public interest and must never improperly confer an advantage or disadvantage on any person including yourself”* or *“You must not place yourself in situations where your honesty and integrity may be questioned.....”*.

Please seek advice from the Monitoring Officer prior to the meeting should you have any doubt about your approach.

List of Disclosable Pecuniary Interests:

Employment (includes *“any employment, office, trade, profession or vocation carried on for profit or gain”*.), **Sponsorship, Contracts, Land, Licences, Corporate Tenancies, Securities.**

For a full list of Disclosable Pecuniary Interests and further Guidance on this matter please see the Guide to the New Code of Conduct and Register of Interests at Members’ conduct guidelines. <http://intranet.oxfordshire.gov.uk/wps/wcm/connect/occ/Insite/Elected+members/> or contact Glenn Watson on **07776 997946** or glenn.watson@oxfordshire.gov.uk for a hard copy of the document.

If you have any special requirements (such as a large print version of these papers or special access facilities) please contact the officer named on the front page, but please give as much notice as possible before the meeting.

AGENDA

1. Appointment of independent Chair

The Board are advised that according to national guidance on the creation and operation of the Pension Boards, an independent chair would have no pre-existing employment, financial or other material interest in either the Administering Authority or in any scheme employer in a fund administered by the Administering Authority and would not be a scheme member in a fund administered by the Administering Authority.

The previous Chair of the Board, Graham Burrow, has now retired from the service and the Board is advised that his former colleague, Mark Spilsbury, who is now employed at Gloucestershire County Council as Head of Pensions of the Gloucestershire LGPS Pension Fund would be willing to take up the appointment as independent Chair of this Board. As with the previous arrangement, Mark has no links with the Oxfordshire Fund. It will be a reciprocal arrangement with Gloucestershire County Council and will be at no extra cost to this Authority. Mark has no links with the Oxfordshire Fund.

2. Welcome by Chairman

3. Apologies for Absence

4. Declarations of Interest - see guidance note opposite

5. Petitions and Public Address

6. Minutes (Pages 1 - 6)

To approve the minutes of the meeting held on 7 April 2017 (LPB6) and to receive information arising from them.

7. Annual Report of the work of the Board - 2016 - 17 (Pages 7 - 10)

This report covers the work of the Board over the last year, up to and including their meeting on 7 April 2017. The report will be included in the Annual Report and Accounts for the Pension Fund (LPB7).

8. Employer Management (Pages 11 - 18)

This report (LPB8) is the latest in the series of reports to the Pension Fund Committee and this Board on the Fund's approach to employer management. In particular, it covers the latest position in respect of our regulatory requirement to issue annual benefit statements to all active and deferred scheme members by 31 August 2017.

9. Risk Register (Pages 19 - 26)

This is the latest risk register as presented to the Pension Fund Committee on 23 June 2017(LPB9). The Board are invited to review the report, note the comments of the Pension Fund Committee and offer any views back to the Committee.

10. Brunel Pension Partnership

The Board will be informed of the latest position in respect of the development of the Brunel Pension Partnership, including the establishment of the new company (due on 18 July 2017), the governance arrangements going forward and the key tasks over the next 9 months to 31 March 2018.

11. Items to Report

It should be noted that at the Pension Fund Committee meeting on 23 June 2017, the Committee agreed that future meetings should receive a formal report back from the Pension Board on any matters the Board wished to raise. It was felt that this provided a better opportunity for proper discussion on these matters rather than simply presenting the minutes of the meeting. The Board are invited to determine how best to take this issue forward.

12. Dates of Future Meetings

The Board is asked to note the following future dates for both the Pension Fund Committee and the Board:

Local Pension Board (all on a Friday at 10.30am)

20 October 2017
19 January 2018
20 April 2018
13 July 2018
27 October 2018
18 January 2019

Pension Fund Committee (all Friday meetings, variable start time depending on training given prior to meetings)

15 September 2017
1 December 2017
9 March 2018
8 June 2018
14 September 2018
7 December 2018
8 March 2019

LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 7 April 2017 commencing at 10.30 am and finishing at 12.15 pm

Present:

Voting Members: Graham Burrow – in the Chair

Alistair Bastin
Stephen Davis
Councillor Bob Johnston
Sarah Pritchard

Officers:

Whole of meeting Sean Collins, Service Manager (Pensions, Insurance & Money Management); Sue Whitehead(Resources)

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with the following additional document and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda and reports [agenda, reports and additional document], copies of which are attached to the signed Minutes.

12/17 WELCOME BY CHAIRMAN

(Agenda No. 1)

The Chairman welcomed everyone to the meeting and in particular Sarah Pritchard who was a new Member of the Board.

The Chairman indicated that he would be retiring from his post as Head of Pensions for Gloucestershire County Council and sought views on the continuation of the reciprocal arrangements re chairing meetings of the respective Boards. He indicated that his current job share Mark Spilsbury would be taking on the post of Head of Pensions full time.

The Local Pension Board indicated their support for the continuation of the reciprocal arrangements and Sean Collins indicated that he would put the arrangements in place.

13/17 APOLOGIES FOR ABSENCE

(Agenda No. 2)

Apologies were submitted by David Locke and Councillor Roger Cox.

Responding to a request from Councillor Johnston to avoid meeting on the same date as Councillor Cox's cabinet meetings Sean Collins agreed to do so as far as possible. He also undertook to write to all members reminding them of their commitment to 3 meetings per year.

14/17 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE OPPOSITE

(Agenda No. 3)

There were no declarations of interest.

15/17 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

There were no requests to submit a petition or to make an address.

16/17 MINUTES

(Agenda No. 5)

The minutes of the Meeting held on 13 January 2017 were approved and signed as a correct record.

17/17 BUSINESS PLAN 2017/18

(Agenda No. 6)

The Board were invited to review the Business Plan 2017/18, as agreed by the Pension Fund Committee at its meeting on 10 March 2017, and to provide feedback to the Committee. In particular, the Board was asked to review the service priorities agreed for the year. The Board had before them the report which was submitted to the Committee.

Members discussed the Business Plan and priorities as set out in the report and in generally endorsing the priorities made the following points:

1. Members queried the current cash flow position. Sean Collins indicated that it was still the case that more was taken in than flowed out but that as the workforce reduced and pensioners lived longer it was necessary to be much more precise about when the cash flow might be negative in order to plan properly. It was agreed that cash flow was an area where the Board may be able to give more time to its consideration and it was agreed that a report be submitted to the next Board meeting.
2. In relation to priority 4 relating to developing a robust approach to monitoring the performance of Fund Managers, in respect of their delivery against the Funds responsible investment and stewardship policies Councillor Johnston indicated that this had been in response to concerns around the carbon footprint of firms and diversity on Boards. It was important for Pension Fund Committee to look at the detail to ensure that fund managers were taking their responsibilities seriously. Sean Collins added that work would be ongoing during 2017/18 with reports back to the Committee and Board.
3. Asked in the light of a member's concerns over fund manager performance whether focus of priorities should be on financial performance management, Sean Collins indicated that there were already very robust processes in place

with regard to the budget concern was raised over the amount paid to fund managers in relation to active management.

4. Responding to queries over contract costs Sean Collins confirmed that there were ongoing costs of running the Brunel Company but that certain set up fees would fall out. A member suggested that it would be helpful to see the projected management fees for 2018/19 as they were expected to drop.

The Board AGREED to endorse the priorities set out in the report and to receive a report on cash flow to the next meeting.

18/17 EXEMPT ITEM

A Member indicated that during the next item he wished to refer to exempt information contained in a report to the Pension Fund Committee. In the light of this it was proposed and it was

RESOLVED: that the public be excluded for the duration of items 7 in the Agenda since it is likely that if they were present during those items there would be disclosure of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972 (as amended) and specified in relation to the respective items in the Agenda and since it is considered that, in all the circumstances of each case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

PUBLIC SUMMARY OF PROCEEDINGS FOLLOWING THE WITHDRAWAL OF THE PRESS AND PUBLIC

19/17 INVESTMENT STRATEGY STATEMENT

(Agenda No. 7)

The public was excluded during this item because its discussion in public was likely to lead to the disclosure to members of the public present of information in the following prescribed category:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information) and since it is considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that disclosure could distort the proper process of each of the 10 Committees negotiating the final proposal. It is intended that once all Committees have agreed the final proposal for submission to Government, the final proposal will become a public document. Disclosure would also prejudice the commercial position of the individual pension funds, and future negotiations with Fund Managers.

The Pension Fund Committee agreed its initial Investment Strategy Statement at its meeting on 10 March 2017 and the Board was invited to offer views to be presented to the next meeting of the Committee on behalf of the scheme employers and scheme members they represented.

A member by reference to information on fund manager performance, found in the exempt information report to Pension Fund Committee, highlighted the greater costs for active management of funds compared to passive management. He suggested that the evidence did not support the current weighting given to active and passive funds and that there should be a greater use of passive fund management to deliver savings. It would be possible to meet the benchmark for a lower cost.

Sean Collins highlighted the long term nature of active management which should not be looked at over any shorter term than 3 years. He explained the two styles of active management and the effect this had on the cycle of effective management.

During discussion members made the point that with the Brunel Partnership it was not the time to be making a change.

It was AGREED that figures on the fund manager performance over a longer period be brought to a future meeting. It was further AGREED that although it did not make financial sense to make changes currently that going forward the Board would want to understand where costs were coming from and to have the opportunity to reconsider the matter.

ITEMS FOLLOWING THE RE-ADMISSION OF THE PRESS AND PUBLIC

20/17 EMPLOYER MANAGEMENT

(Agenda No. 8)

The Board considered the latest in a series of reports to the Pension Fund Committee and to this Board on the Fund's approach to employer management. In particular, it covered the action plan as requested by the Pension Regulator following the Fund's second self-referral for non-compliance with the regulatory requirement to issue benefit statements to all active and deferred scheme members.

Sean Collins introduced the contents of the report and action plan and updated the Board on statements issued since the report had been written.

During discussion the Local Pension Board:

1. Explored issues around staff resources and training.
2. Considered the current position and were advised that both County and City Councils were looking to meet their target.
3. Queried why there was nothing in the action plan relating to re-employed leavers. Sean Collins advised that this would be dealt with separately.
4. Reiterated the need to consider informing members who did not receive statements.

The Board AGREED that a further report be submitted to the July meeting setting out progress against the Plan and addressing the need for communication to those members not getting statements.

21/17 RISK REGISTER

(Agenda No. 9)

The Local Pension Board considered the latest risk register as presented to the Pension Fund Committee on 10 March 2017.

In relation to Risk 18 a member highlighted the importance of getting induction processes right.

The report and risk register was noted.

22/17 BRUNEL PENSION PARTNERSHIP

(Agenda No. 10)

The Board noted an oral report on the latest position in respect of the Full Business Case, the next stages in the projects and other key issues arising.

Responding to a question about member representation on the Oversight Board Sean Collins advised that there had been draft discussions about two scheme member representatives attending as observers but this had not yet been endorsed. Once endorsed consideration would be given to the process for their appointment.

23/17 ISSUES/ITEMS TO BE REPORTED BACK TO SCHEME MEMBERS

(Agenda No. 11)

It was **AGREED** that the following items be reported back to Scheme Members and included in the Members report back to the Pension Fund Committee:

- Comments on Business Plan 2017/18 and Priorities
- Investment Strategy Statement

..... in the Chair

Date of signing 2017

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Agenda Item 7

The Oxfordshire Local Government Pension Scheme (LGPS) Pension Board

All Public Sector Pension schemes were required under the Public Service Pensions Act 2013 to set up a Pension Board with effect from 2015/16 to assist the administering authorities of their Pension scheme in ensuring compliance with LGPS and other pension regulations.

The Oxfordshire Pension Fund Committee, acting as administering authority of the Oxfordshire LGPS, agreed the terms of reference of the Pension Board in March 2015. These terms of reference are available on the Board's website at <https://www.oxfordshire.gov.uk/cms/content/lgps-local-pension-board>.

Under the constitution of the Board, an annual report on the work of the Board should be produced by the Board for inclusion in the Fund's own annual report; and it should be presented to the Pension Fund Committee within 6 months following the end of the municipal year. This report meets that requirement for the 2016/17 financial year (the initial annual report of the Pension Board covered the period November 2015 which was the initial meeting of the Board to July 2016, the Board's third meeting. This report therefore covers the work from the October 2016 Board meeting to their meeting on 7 April 2017. Future annual reports will cover the full year of meetings).

Board Membership

The Board continued to run with a scheme member representative vacancy until the April 2017, when Sarah Pritchard was appointed to the Board, following a process where all scheme members were invited to express an interest in the position. Membership during the year and attendance at Board meetings was as follows:

Scheme Employer Representatives	Attended 21 October 2016 Meeting	Attended 13 January 2017 Meeting	Attended 7 April 2017 Meeting
Cllr Bob Johnston (Oxfordshire County Council)	Yes	Yes	Yes
Cllr Roger Cox (Vale of White Horse District Council)	Yes	No	No
David Locke (Oxford Diocesan Schools Trust)	Yes	In Part	No
Scheme Member Representatives			
Stephen Davis (Oxford City Council & Unite)	Yes	Yes	Yes
Alistair Bastin (Oxfordshire County Council & Unison)	Yes	No	Yes
Sarah Pritchard (Brookes University)	n/a	n/a	Yes

Cllr Roger Cox sent apologies for two of the meetings which clashed with cabinet meetings he was required to attend at the Vale of White Horse District Council. Following the end of the financial year, he submitted his resignation to the Board given the continued capacity issue whilst he remained on the Cabinet of the District Council. A new expression of interest process was initiated with an appointment due to be confirmed by the end of July 2017.

All meetings were attended and chaired by Graham Burrow, the Head of Pensions for the Gloucestershire Pension Fund in line with his appointment as the Independent Chairman. At the April Board meeting, Graham announced his decision to step down from the position given his impending retirement. It was subsequently agreed that Mark Spilsbury, as the new Head of Pensions at the Gloucestershire Pension Fund would take on the role as Independent Chairman of the Oxfordshire Pension Board, with Sean Collins, the Head of Pensions for the Oxfordshire Fund remaining as Independent Chairman of the Gloucestershire Local Pension Board.

Work Programme

The main area of focus for the Pension Board throughout 2016/17 was in respect of employer management, and in particular the timely and accurate submission of data from employers to the Pension Services team. At their meeting in October 2016 the Board raised a number of concerns about the level of communication with Scheme Members where they did not receive their Annual Benefit Statement and expressed a view that all active and deferred members should receive some form of communication. Officers were asked to look at the options of sending a holding letter to inform the member we were still working on their statement which would follow, or to send out the statement based on the information provided by the employer, with a message that there were outstanding queries with the information, and that the scheme member should contact their employer to discuss.

The Board were also keen to see the development of improved management information, which would allow both the Board and the Committee to monitor progress on the production of the 2017 statements.

The January meeting of the Board considered further management information and welcomed the decision of the Committee to increase the establishment of the Pension Services team to help address some of the issues. There was also discussion as to how the process for collecting data could be improved, and in particular the extent it could be standardised which would assist scheme employers who had scheme members in multiple funds. The Board also noted the plans to improve employer training, and the escalation process in cases on non-compliance. The Board suggested that they could be involved in the escalation process and call in scheme employers to discuss the issues related to late, incomplete or inaccurate returns.

The Board was also keen to develop more data about the processes and results from other Funds, starting with the administering authorities within the

Brunel Pension Partnership. This should include information on the level of tolerances around data accepted by each Fund, and the level of risks taken by each Fund in processing the data received.

In April, the Board reviewed the latest position, and considered the action plan developed in response to the request from the Pension Regulator, which contained many of the items previously highlighted by the Board.

Other areas of work considered by the Board during 2016/17 included:

- The development of the Brunel Pension Partnership. The Board received update reports at each meeting and attended the engagement days with colleagues from the Pension Committee and members of the Pension Fund Committees and Boards from Buckinghamshire and Gloucestershire
- The Risk Register. The Board reviewed the risk register at each meeting and raised any concerns with the Pension Fund Committee, including concerns re the potential loss of skills and knowledge on the Pension Fund Committee as a result of the County Council elections, and within the Pension Services team as a consequence over office moves.
- In October at the request of a Board Member, the Board considered the current Additional Voluntary Contributions (AVC) Scheme. The Committee subsequently accepted the Board's recommendations for the next review of the Scheme to be undertaken by independent advisers and to include a comparison of the arrangements of the other Funds within the Brunel Pension Partnership, specifically the number of providers/fund choices open to scheme members.
- In April, the Board considered the Business Plan and the Investment Strategy Statement agreed by the March meeting of the Pension Fund Committee. The Board agreed to undertake further work on the future cash flow forecasts, and on the overall investment management costs and the benefits of active v passive fund management.

The minutes of each Board meeting are included in the agenda papers of the subsequent Pension Fund Committee and a Board representative is invited to present any key items to the Committee.

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Division(s): N/A

PENSION FUND COMMITTEE – 23 JUNE 2017

ADMINISTRATION REPORT

Report by the Director of Finance

Introduction

1. This report is to update members of current issues within the Pension Services team from both management and operational perspectives. It also sets out the latest position in respect of the employers within the Oxfordshire Fund. The report includes information about data retention issues.
2. The report also includes new requests for admission to the Fund, an update on previously approved applications and the write off of any amounts due to the Fund.

Performance Data / Data Quality

3. To enable Pension Services to administer the benefits for scheme members, scheme employers are required to provide the information in the following formats:
 - Contribution Returns – monthly return to detail the employee and employer contributions collected during the pay period.
 - Monthly Administration Return Spreadsheet (MARS) – as a minimum scheme employers are required to make a return showing the CARE pay for each scheme member. This report is also used to report on starters; leavers; absences; changes to hours or changes of address.

Both of the above reports must be submitted by the 19th of the month following payroll.

- End of Year Return – requires scheme employers to give details of contributions paid over and final pay calculated under the definition of the 2007 Regulations, which is required to be maintained in line with transitional protections when the scheme changed in 2014.
4. Aside from the day to day administration of leavers, retirements, transfers and so on, the most visible and monitored output from this data is the production of annual benefit statements (ABS) which have to be sent to scheme members by 31 August.
 5. Whilst this requirement has been in place for some years, the focus changed in 2015 when The Pension Regulator (TPR) first became responsible for public sector pension schemes. At that time schemes were asked to report the numbers of ABS sent to scheme members by 31 August. This Fund, alongside many of the LGPS Fund, reported that no ABS had been issued by the due date, largely due to the complexities resulting from the introduction of the new CARE scheme and the

requirement to return data in respect of two schemes with different definitions of pensionable pay etc. However the Fund was subsequently able to report the issue of 13,348 statements which was just shy of 69.50% of the active membership.

6. At the end of the following year the numbers reported to TPR and this committee were the issue of 11,243 statements which amounted to 58.22% of the active membership. Of the outstanding ABS just over 90% related to three main employer groups: - Academy schools (4,090 outstanding statements, Brookes University (2,129) and the County Council (1,077). In respect of the County Council it should be noted that 87.5% of statements have been issued, with the number outstanding reflecting the records being queried.
7. During this time there have been regular updates to both TPR (a copy of the latest telephone note is attached to this report) and this committee about the actions being taken to address the issues which have contributed to the non-issue of ABS: -
 - Setting up a dedicated team to manage and monitor all incoming data both for monthly and annual returns. This team has suffered from both staff absences and relative inexperience, but has made a very good proactive start in engaging with scheme employers to make returns and deal with queries.
 - Setting out how these returns will be checked / returned if not correct – so employer is clear on what is needed / able to check before submission
 - Documentation has been sent to all scheme employers with the appropriate returns.
 - Ensuring training is available on how forms should be completed / what information is required. Specific training was offered for end of year processes. Scheme employers can attend one of the quarterly training sessions / employer meeting or request a further ad-hoc training session.
 - Central inbox for returns. This has been created and is now used for both contribution and information returns.
 - A clearer process for escalation both within employer and the Fund, and the use of fines in line with Administration Strategy.
 - No more than two chases before the issue is escalated to Team Manager to follow up. Where information has not been provided scheme employers have been advised that charges will be made in line with administration strategy.
8. In terms of the end of year processes, outstanding data has been chased with a final deadline of 5 June for receipt. Employers have been told that fines will be levied where no returns are received. Currently for 2016/2017 the MARS returns are missing for 31 scheme employers. In terms of number of members affected this is significant for 6 of those scheme employers with the other 25 only having one or two members of staff.

9. For End of Year returns the data, as at 06 June 2017, shows:

Returns due	182
Received	152
Outstanding	30
Balanced	134
Not balanced	18
Posted	53
Posting errors	

10. Of the 30 scheme employers who have yet to make an End of Year return –the majority of these scheme employers only have one or two members of staff. Whilst chases / fines are being made, resources are being concentrated on processing the larger scheme employer returns.
11. The overall workload in Pension Services remains high with incoming work keeping pace with completed tasks. Recruitment continues to be a priority.

Write Offs

12. In June 2015, the Committee reviewed the scheme of financial delegation and agreed the following:
- Write off of outstanding debts to the Local Government Pension Scheme above £10,000 need the approval of the Pension Fund Committee.
 - The authorisation of debt write offs up to and including £10,000 is delegated to the Service Manager (Pensions). For debts between £7,500 and £10,000 authorisation is in conjunction with the Director of Finance.
 - For Debts below £500, authorisation of debt write off is delegated to the Pension Services Manager
 - All debts below £10,000 need to be reported to Committee following write off. This report provides the details of those debts written off in the last quarter.
13. In the current period, the Pension Services Manager has approved the write off of £7.96 chargeable to the pension fund in respect of four cases where the member has died. This brings the total written off over the past year to £10,841.04. This covers 26 cases where the member has died plus one case of non-repayment.

Employer Issues

14. Changes within scheme employers whether due to restructuring, outsourcing or the creation of an academy school remains at a high level – many of these are now moving away from the “standard approach” to outsourcing and so are requiring much more administrative effort to finalise.

Update on Previous Applications for Admission

15. Admission agreements need to be finalised in respect of:
- The outsourcing from William Fletcher School to Carillion on 01 April 2016. This has been referred to Legal.
 - Optalis Ltd, second generation contract following on from Leonard Cheshire Disability, which was effective from 15 February.
 - The admission agreement between Age UK and Oxfordshire County Council is outstanding.
 - Civicare Oxford, a second generation contract following on from Allied Healthcare, effective 14 March 2016
 - The long outstanding admission agreement between Carillion and Oxfordshire County Council for the second transfer of staff has not yet been resolved despite reminders and meetings with Carillion.
 - Outsourcing from VWHDC / SODC to Capita, Vinci, Arcadis and Indigo.

New Outsourcings / Academy Conversions

16. The following are new requests for admission of a new out-sourced body or academy school:
- Mill Academy Trust – Queen Emma’s School to Alliance in Partnership Ltd
 - Kings Meadow School to Clean Genie
 - Launton School to Freshstart Catering
 - WODC Parking Services to APOCA Parking
 - Wheatley Park to Chartwells
17. All of the above have been made on basis of pass through arrangements with the pension risk retained by the ceding employer, and so have been approved by the Service Manager – Pensions, under their delegated powers.

Closures

18. Community Voice has gone in to administration. Pension Services are in contact with the administrators. However, this admission was made under a pass through arrangement and therefore any costs not recovered will be charged to the ceding employer.
19. One other scheme employer has also been in discussions with officers of the pension fund in respect of ceasing its membership of the Fund. A confidential briefing on the status of the current legal negotiations is included at Annex 2.

Non-Active Scheme Employers

20. In instances where records are held for deferred members and the scheme employer no longer exists the Pension Fund Committee is required to make decisions which would have fallen to that scheme employer. Pension Services has

received an application for release of deferred benefits which is attached as annex 3 to this report.

RECOMMENDATIONS

21. The Committee is RECOMMENDED to

- (a) Note current team performance;**
- (b) Note the position regarding end of year processes and the issue of annual benefit statements;**
- (c) Approve the write off of £7.96;**
- (d) Note the current positions with applications for admission to the fund and other employer changes; and**
- (e) Decide whether to approve the release of deferred benefits in case of Mr TH**

Lorna Baxter
Chief Finance Officer

Background papers: Nil
Contact Officer: Sally Fox
Tel: 01865 323854

June 2017

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Annex 1 - Note of Telephone Conversation with the Pension Regulator – 26 May 2017

On call

Sally Fox – Oxfordshire Pension Fund
Michael Burton – The Pension Regulator
Pauline Lancum – The Pension Regulator

- TPR is now at the educate & enablement stage
- Asked for an update on progress – explained where we were in getting 2016/2017 MARS returns – statistics, excluding academies (explained separate issue re multiple payroll providers)
- Then updated on end of year returns – as at 25.05.17

Returns due	175
In / balanced	130 of which 11 have been posted
In / not balanced	15
Still due	30

Explained that had been very open with scheme employers about having reported breaches – that TPR is likely to take action this year if we do not produce ABS by end of August. So, should come as no shock that I have sent out emails for outstanding returns to be in by today (26.05.17) and failure to do so will incur charge in line with administration strategy.

Went through administration strategy charges & that these seemed to be helping – TPR thought that they would focus scheme employers.

TPR sought confirmation of roles for PFC and Pension Board (some confusion?)

Explained new PFC – TPR asked if any members had pension experience & what training they would be taking to meet their responsibilities. Note re breach would be responsible / fined / be given improvement notice.

Said about the number of errors and staffing issues so this year still a juggling act.....but well aware of what needs to be achieved.

Talked about processes – making sure that these are clear / robust & that we do not take on role or work of scheme employer.

I also talked about scheme member responsibility which they didn't like – said members don't engage / understand & it is our responsibility to make sure data is ok. I have disagreed with this – people do know & understand their pay and should be

encouraged to look at / query ABS data since this then enhances understanding & engagement.

Team will need to have up to date statistics available as at end of day on Monday 19 June to enable me to update both TPR and PFC

W/C 19 June 2017 TPR would like:

- Copy of report to PFC
- List of scheme employers
- Statistics
- Templates of emails sent to scheme employers
- Copy of administration strategy
- Update on matrix sent to TPR previously

Division(s):N/A

PENSION FUND COMMITTEE – 23 JUNE 2017

RISK REGISTER

Report by the Director of Finance

Introduction

1. At their meeting on 11 March 2016, the Committee agreed that the risk register should form a standard item for each quarterly meeting. A copy of the report also goes to each meeting of the Pension Board for their review. This report sets out any progress on the mitigation actions agreed for those risks not yet at target, and identifies any changes to the risks which have arisen since the register was last reviewed.

Progress since Last Committee

2. The risk register presented to the March 2016 committee meeting was the first produced in the new format, which introduced the concept of a target level of risk and the need to identify mitigation action plans to address those risks that were currently not at their target score. Many of the action plans were focused on long term improvements, and were dependent on the information to be produced following the 2016 Valuation Exercise.
3. The Actuary has now completed his work on the 2016 Valuation, and work is now underway to address those long term risks which were currently not at their target score. This work, which forms a major part of the 2017/18 Business Plan includes
 - the requirement to complete a new cash flow model with the Actuary;
 - discussions with the major employers to understand their future strategic direction and the impact on LGPS membership;
 - a review of employer covenants
 - a more robust process to ensure the timely and accurate receipt of scheme member data from employers.
4. In the short term, the provisional results of the 2016 Valuation alongside the on-going cash flow monitoring have indicated that the likelihood of any key risks has not increased over the past year. The investment returns over the last valuation period exceeded those assumed in the valuation, thereby leading to a reduction in the funding shortfall. Cash flow continues to be positive, with a monthly average of just under £1m more by way of contributions than is paid out in benefits, reducing the risk of emergency sales of assets.

5. A key area of concern remains around the risks associated with incomplete and/or inaccurate scheme member data. In line with the Improvement Plan submitted to the Pension Regulator as discussed at the March meeting of the Pension Committee, work undertaken by the new Employer Team is beginning to show results. Improved management reports have been put in place alongside more robust escalation processes which includes the use of the range of charges included in the Administration Strategy. Further details of this work are included in the Administration strategy report elsewhere on this agenda, and in light of the improvements identified the likelihood of risk 8 has been reduced to possible from likely and both risk 8 and 9 are showing as improving.
6. No new risks have been added to the register this quarter, but one risk from the old register has been deleted as the risk has now become a live issue with the loss of all County Council members from this Committee following the recent election. The impact of the loss of knowledge and experience will need to be assessed, as will the impact on risk 11 regarding insufficient skills and knowledge on the new Committee.
7. Other key actions completed since the last review of the risk register include the asset allocation review and the removal of some investment risk by the switch in allocation between equities and fixed income (risk 5), a data audit and the resolution of all issues identified (risk 14) and a review of the disaster recovery arrangements (risk 13). Work is also on-going with Oxford City Council on potential implications of changes to their service delivery model to ensure no unforeseen risks to either the City Council or the Pension Fund.

RECOMMENDATION

8. **The Committee is RECOMMENDED to note the current risk register.**

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June 2017

Risk Register

Identification of Risks:

These are the risks that threaten the achievement of the Pension Fund's objectives. Risks have been analysed between:

- Funding, including delivering the funding strategy;
- Investment;
- Governance
- Operational; and
- Regulatory.

Key to Scoring

Impact		Financial	Reputation	Performance
5	Most severe	Over £100m	Ministerial intervention, Public inquiry, remembered for years	Achievement of Council priority
4	Major	Between £10m and £100m	Adverse national media interest or sustained local media interest	Council priority impaired or service priority not achieved
3	Moderate	Between £1m and £10m	One off local media interest	Impact contained within directorate or service priority impaired.
2	Minor	Between £100k and £500k	A number of complaints but no media interest	Little impact on service priorities but operations disrupted
1	Insignificant	Under £100k	Minor complaints	Operational objectives not met, no impact on service priorities.

Likelihood

4	Very likely	This risk is very likely to occur (over 75% probability)
3	Likely	There is a distinct likelihood that this will happen (40%-75%)

2	Possible	There a possibility that this could happen (10% - 40%)
1	Unlikely	This is not likely to happen but it could (less than 10% probability)

Ref	Risk	Risk Category	Cause	Impact	Risk Owner	Controls in Place to Mitigate Risk	Current Risk Rating			Further Actions Required	Date for completion of Action	Target Risk Rating			Date of Review	Direction of Travel
							Impact	Likelihood	Score			Impact	Likelihood	Score		
1	Investment Strategy not aligned with Pension Liability Profile	Financial	Pension Liabilities and asset attributes not understood and matched.	Long Term - Pension deficit not closed.	Service Manager	Triennial Asset allocation Review after Valuation.	4	2	8	Develop cash flow Model with Actuary. Gain greater understanding of employer changes. Review asset allocation.	September 2017	4	1	4	September 2017	→
2	Investment Strategy not aligned with Pension Liability Profile	Financial	Pension Liabilities and asset attributes not understood and matched.	Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	4	2	8	Develop cash flow Model with Actuary. Gain greater understanding of employer changes. Review asset allocation.	September 2017	4	1	4	September 2017	→
3	Investment Strategy not aligned with Pension Liability Profile	Financial	Poor understanding of Scheme Member choices.	Long Term - Pension deficit not closed. Short Term – Insufficient Funds to Pay Pensions.	Service Manager	Monthly cash flow monitoring and retention of cash reserves.	3	2	6	Develop Improved Management Reports to benchmark, and monitor opt outs, 50:50 requests etc.	September 2017	3	1	3	September 2017	→
4	Under performance of asset managers or asset classes	Financial	Loss of key staff and change of investment approach.	Long Term - Pension deficit not closed.	Financial Manager	Quarterly review Meeting, and Diversification of asset allocations.	3	2	6			3	2	6		→
5	Actual results varies to key financial assumptions in Valuation	Financial	Market Forces	Long Term - Pension deficit not closed.	Service Manager	Moderation of assumptions at point of valuation. Asset allocation to mirror risk. Sensitivity analysis included in Valuation report.	3	2	6			3	2	6		→
6	Loss of Funds	Financial	Poor Control	Long Term -	Finan	Review of	3	1	3			3	1	3		→

	through fraud or misappropriation.		Processes within Fund Managers and/or Custodian	Pension deficit not closed	cial Manager	Annual Internal Controls Report from each Fund Manager. Clear separation of duties.										
7	Employer Default - LGPS	Financial	Market Forces, increased contribution rates, budget reductions.	Deficit Falls to be Met By Other Employers	Pension Services Manager	All new employers set up with ceding employing under-writing deficit, or bond put in place.	3	2	6	Review all employers where there is no statutory covenant. Meeting held with actuaries	September 2017	2	2	4	September 2017	→
8	Inaccurate or out of date pension liability data – LGPS and FSPS	Financial & Administrative	Late or Incomplete Returns from Employers	Errors in Pension Liability Profile impacting on Risks 1 and 2 above.	Pension Services Manager	Monitoring of Monthly returns	4	2	8	Develop improved management reporting to highlight data issues at an earlier point in time. Develop escalation issues to ensure data issues are resolved at earliest point, including new charges, and improved training/guidance. Actions in progress	March 2017	3	1	3	June 2017	↑
9	Inaccurate or out of date pension liability data – LGPS and FSPS	Administrative	Late or Incomplete Returns from Employers	Late Payment of Pension Benefits.	Pension Services Manager	Monitoring of Monthly returns. Direct contact with employers on individual basis.	3	2	6	Develop improved management reporting to highlight data issues at an earlier point in time. Develop	March 2017	3	1	3	June 2017	↑

										escalation issues to ensure data issues are resolved at earliest point, including new charges, and improved training/guidance. In progress						
10	Insufficient resources to deliver responsibilities- LGPS and FSPS	Administrative	Budget Reductions	Breach of Regulation	Service Manager	Annual Budget Review as part of Business Plan.	4	3	12	Need to address backlog of work which is impacting on ability of staff to meet statutory deadlines. External resources to be employed.	September 2017	4	1	4	September 2017	→
11	Insufficient Skills and Knowledge on Committee – LGPS and FSPS	Governance	Poor Training Programme	Breach of Regulation	Service Manager	Training Review	4	2	8	Develop Needs Based Training Programme.	June 2017	4	1	4	June 2017	→
12	Insufficient Skills and Knowledge amongst – LGPS and FSPS Officers	Administrative	Poor Training Programme and/or high staff turnover	Breach of Regulation and Errors in Payments	Service Manager	Training Plan. Control checklists.	3	1	3			3	1	3		→
13	Key System Failure – LGPS and FSPS	Administrative	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme	4	1	4			4	1	4		→
14	Breach of Data Security – LGPS and FSPS	Administrative	Poor Controls	Breach of Regulation	Pension Services Manager	Security Controls, passwords etc.	3	1	3			3	1	3		→
15	Failure to Meet Government Requirements on Pooling	Governance	Inability to agree proposals with other	Direct Intervention by Secretary of State	Service Manager	Full engagement in Project Brunel	5	1	5			5	1	5		→

			administering authorities.													
16	Failure of Pooled Vehicle to meet local objectives	Financial	Sub-Funds agreed not consistent with our liability profile.	Long Term - Pension deficit not closed	Service Manager	Full engagement in Project Brunel	4	1	4			4	1	4		→
17	Significant change in liability profile or cash flow as a consequence of Structural Changes	Financial	Significant Transfers Out from the Oxfordshire Fund, leading to loss of current contributions income.	In sufficient cash to pay pensions requiring a change to investment strategy and an increase in employer contributions	Service Manager	Engagement with One Oxfordshire project and with other key projects to ensure impacts fully understood	4	2	8	Work with Fund Actuary to Understand Potential Implications to feed into project and investigate potential changes to investment strategy that can be implemented within required timescales		4	1	4	September 2017	→