



To: Members of the Local Pension Board

Notice of a Meeting of the Local Pension Board

Friday, 15 July 2016 at 10.30 am

Room 2 - County Hall, New Road, Oxford OX1 1ND

Peter G. Clark
County Director

July 2016

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

Membership

Chairman – Graham Burrow

Scheme Representatives on the Board:

Alistair Bastin	Unison
Stephen Davis	Unite
1 Vacancy	Unison

Employer Representatives on the Board:

District Councillor Roger Cox	Vale of White Horse District Council
Councillor Bob Johnston	Oxfordshire County Council
David Locke FCA	Oxford Diocesan Schools Trust

Notes:

- **Date of next meeting: 21 October 2016**

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 (01865) 815270 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. **Welcome by Chairman**
2. **Apologies for Absence**
3. **Declarations of Interest - see guidance note opposite**
4. **Petitions and Public Address**
5. **Minutes (Pages 1 - 6)**

To approve the minutes of the meeting held on 15 April 2016 (**LPB5**) and to receive information arising from them.

6. **Collaboration Update**

This item will allow the Board members to consider the Brunel submission to the Government, as discussed at the Joint Meeting with the Pension Fund Committee on 1 July 2016; and determine any items they wish to focus on during the phase 3 stage to develop the full business case. Board Members are reminded that the draft submission (Annex 1) which was submitted to the 1 July special meeting is confidential at this present time.

Board members are asked to bring along the papers from the 1 July joint Pension Fund Committee meeting.

The public should therefore be excluded during consideration of Annex 1 because its discussion in public would be likely to lead to the disclosure to members of the public present of information in the following prescribed category:

2. *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 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 Committee's 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.*

7. Review of Pension Fund Risk Register (Pages 7 - 14)

The Pension Fund Committee has agreed to review their Risk Register on a quarterly basis. The item will allow the Board to review the register as presented to the June committee meeting; to review any progress in terms of mitigating actions and to consider any risks not properly reflected in the register.

A copy of the Risk Register report to the June Pension Fund Committee is attached at **LPB7**.

8. Pension Board - Roles and Responsibilities

This item invites the Board to consider their progress to date and to reflect on their roles and responsibilities. In respect of the latter, Board members will be updated on the latest advice around Board Member Liabilities and insurance arrangements. Board members will also be asked to reflect on their likely training needs going forwards.

9. Issues/Items to be reported back to Scheme Members

This is the standard item to be included at the end of the agenda to consider what issues/items the Board wishes to report back to scheme members.

LOCAL PENSION BOARD

MINUTES of the meeting held on Friday, 15 April 2016 commencing at 10.30 am and finishing at 12.50 pm

Present:

Graham Burrow – in the Chair

Voting Members:

Stephen Davis
Councillor Bob Johnston
David Locke FCA

Officers:

Whole of meeting Sean Collins (Corporate Finance); Julie Dean
(Corporate Services)

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

10/16 WELCOME BY CHAIRMAN

(Agenda No. 1)

The Chairman, Graham Burrows, extended a welcome to the members of the Board present.

11/16 APOLOGIES FOR ABSENCE

(Agenda No. 2)

An apology was received from District Cllr Roger Cox.

12/16 DECLARATIONS OF INTEREST - SEE GUIDANCE NOTE OPPOSITE

(Agenda No. 3)

There were no Declarations of Interest submitted.

13/16 MINUTES

(Agenda No. 4)

The Minutes of the last meeting were approved and signed as a correct record.

14/16 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 5)

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

15/16 COLLABORATION UPDATE

(Agenda No. 6)

Prior to receiving the update, Board members noted that the Pension Fund Committee had noted the current position (as detailed in the attached report to the Board); agreed a nominee (Cllr Stewart Lilly) and a named substitute (Cllr Nick Hards) to represent the Committee on the Shadow Joint Committee Oversight Board. The Committee had also asked to receive regular briefings by email, unless there were significant issue that arose which would require an informal briefing meeting for Committee members. **The Committee had also agreed to reserve 1 July 2016 in their diaries as the date for the agreement of the final submission. Board members were invited to attend this meeting and to give their views.**

Sean Collins reported that the submission had been agreed on 29 January and had been signed off by all 10 Pension Funds comprising Project Brunel. Favourable feedback had also been received from Marcus Jones MP at the end of March. He explained that the Government had envisaged that all collaborated Pension Funds would join an ACS (Authorised Contractual Scheme) and wanted to satisfy themselves that the chosen alternative Scheme was the best way of working. He stressed that Project Brunel were keen for their chosen structure to be a properly regulated body. Arrangements had therefore been made for members/officers comprising Project Brunel to present their chosen structure to a panel of experts in May.

As part of the Board's discussion on disinvestment in non-socially responsible investment, Sean Collins pointed out that the Government had advised that under the Regulations, Pension Funds must take into account the best interests of the scheme members when decisions were taken. He added that the Oxfordshire Pension Fund Committee had always wanted their fund managers to engage with companies in regard to issues of this kind and they would only take a decision to disinvest if it was believed that the companies were not acting in the best interests of the scheme members. David Locke reported that he believed that in some organisations, staff were required to sign their name against a statement that they understood the consequences of diversification.

Sean Collins reported that one of the first tasks of Project Brunel would be to agree a set of high principles. An early draft which had been drawn up had not contained a divestment line in it. The pool had agreed that they would carry out a risk analysis and if the factors indicated that it would be unwise to invest, the investment would not happen. It had been agreed that a simple governance model be set up so as to avoid complications in what would be an abundance of governance arrangements.

Mr Collins reported that the Oversight Board had met once to date and had elected an interim independent chair, John Finch, who had recently retired from a role as consultant in the same field. A new Chairman would be elected after July.

Sean Collins was asked by the Board to explain the structure of the officers' Operations Group. The Chair and the two Vice-Chairs of the Group had the role of front-lining to the Government. He explained that there were 6 work streams reporting to the Operations Group, the Operations Group would then report on to the Oversight Board. Each work stream was made up of 2/3 shared leads of offers from the Operations Committee. The functions of the work streams were as follows:

- work stream 1 – 3 officers looking at high level structure and liaising with Government, and the other pools;
- work stream 2 – group looking at detailed structure and resourcing requirements;
- work stream 3 – group looking at investment principles and the sub-fund structure, including principles regarding the sharing of costs;
- work stream 4 – group looking at cost/saving patterns and transitions issues;
- work stream 5 – group looking at infrastructure;
- work stream 6 – group focusing on reporting and performance management and how it is ensured that individual funds are kept aware of current issues.

Sean Collins stated that the ultimate aim of Project Brunel was to ensure that the sub-fund structures met the investment requirements of the individual Committees, as determined by their liability profiles.

Sean Collins advised the Board that there would be a special meeting of the Pension Fund Committee on 1 July 2016 to which Members of the Board would be invited to participate in the discussion around the table. Briefings would be given to Committee and Board members as and when the information was available.

Members of the Board asked if the Government would, in the future, be stipulating that investment be made in large national building projects such as Crossrail. Sean Collins responded that this was the subject of a debate with the Government, but the specifics relating to the sub funds would be set up to meet the needs of the Oxfordshire Pension Fund Committee to take into account risk, capital growth and what liquidity and protection it would require.

In conclusion, Sean Collins informed the Board that from 1 April 2016, his job role was changing to encompass pensions only, as a result of all the work entailed in managing the change.

16/16 BUSINESS PLAN 2016/17

(Agenda No. 7)

Sean Collins reminded the Board that the actuary would be coming along to Pension Fund Committee on 10 June at 9.30am to give a presentation on their approach to the Valuation. Board members were invited to come along. This would be an opportunity for the Committee and the Board to understand the key issues and assumptions and for the Board to consider any issues it would like to follow up on.

Mr Collins explained the actions recently taken to improve the Committee's risk register. He added that the Committee had asked for regular updates on a quarterly basis.

In response to a suggestion that the risks be looked at independently by the pensions lawyer in order to avoid a large liability shift, Mr Collins reported that this had been addressed by the Government when it had undertaken an assessment at the time when the 85 year rule had been abolished in 2008.

During discussion the Board made the following suggestions to the Pension Fund Committee:

- ***To consider how much training and guidance is given to new employers coming into the Scheme and how we engage with them; and whether new training materials could be developed in particular areas, for example, for academies as they enter the system;***
- ***To include 'skills and knowledge amongst officers' in risk 12 but to take this element out and to make it a separate risk – in order to mitigate the risk of losing a large number of staff as a result of the move from Unipart House and the incoming Agile Working Policy;***
- ***To consider the possibility of Gloucestershire and Oxfordshire undertaking a peer review of each other's policies and procedures***
- ***That risk management be placed at the forefront of both the Committee and the Board's agendas and that a 'traffic light' system be introduced in reports and updated every quarter.***

In response to a question from the Board about whether there was sufficient resources to take forward the Committee's actions, particularly then there were more scheme members joining, Sean Collins responded that he believed there were, and that the Committee had recently agreed a request to increase the overall level of resources. **The Board decided to request the Pension Fund Committee to enter this risk on the register and that the Committee request the officers to compile an action plan.**

17/16 PENSION LIABILITIES AND CASH FLOW MONITORING

(Agenda No. 8)

The Board had before them the latest position on pension liabilities and on cash flow monitoring. The report which was considered and agreed by the Pension Fund Committee was before the Board at LPB8.

Sean Collins reported that the Committee had decided that work needed to be undertaken with each of the main employers with the aim of developing a better understanding of their medium and long term plans in relation to staff resources and to understand the likely pattern of employer contributions. Furthermore, the

Committee would be consulting on a proposed new charging regime which would be reported to the next meeting.

The Board noted the above.

18/16 EMPLOYER MANAGEMENT

(Agenda No. 9)

The Board reviewed the latest position in respect of the performance of the Scheme Employers. Members of the Board were invited to offer any comments on the proposed changes to the Administration Strategy and the range of charges. The full report which was considered by the Committee on 11 March 2016 was before them at LPB9. Board members were advised that all the recommendations had been agreed. In respect of recommendation (d) of the report the Committee had decided to repeat the risk assessment work undertaken by Barnett Waddingham, but not to introduce further measures at this time.

Sean Collins made reference to an issue that the current model did not allow for employers having the same budgetary timeline. Also that there was a lack of sufficient data being provided by employers, which could result in the actuary making assumptions and could even lead to significant differences in actuarial results. The Board noted that Sally Fox, Pensions Manager, was meeting with employers to encourage them to move this issue up their priority list.

Members of the Board were asked if they wished to have more involvement in this issue. They responded that they were content with the current action being taken, but suggested that ***an academy event be held in order to raise important issues.***

19/16 FEEDBACK ON TRAINING

(Agenda No. 10)

The Board reviewed the latest Training Plan and noted feedback on the training exercise undertaken by members of the Committee prior to their meeting on 10 March 2016. This had been undertaken with the aim of providing an improved plan for members which was targeted at their needs. It was found that there were some areas which required more training.

20/16 ISSUES/ITEMS TO BE REPORTED BACK TO SCHEME MEMBERS

(Agenda No. 11)

At the last meeting of the Board it was requested that a standard item be included at the end of each agenda to consider what issues/items the Board wishes to report back to Scheme Members.

The Board asked for a method by which Scheme members could communicate their concerns. Sean Collins suggested that Philip Wilde's details as Beneficiaries Observer be placed on the Board's website.

A member of the Board suggested that members attending the seminar on Local Pension Boards report to the next meeting.

Sean Collins advised that members of the Board should advise Greg Ley if they wished to attend training.

Sean Collins agreed to produce an 'organogram' of who the employers were and an organisational chart of the Governance model for the LGPS in Oxfordshire.

A member of the Board asked if the July meeting could be held within school term time. Julie Dean agreed to field the suggestion to all.

..... in the Chair

Date of signing

Division(s):N/A

PENSION FUND COMMITTEE – 10 JUNE 2016

RISK REGISTER

Introduction

1. At their meeting on 11 March 2016, the Committee received a copy of the latest risk register for the Fund, and agreed that it should form a standard item for each quarterly meeting. This report therefore sets out any progress on the mitigation actions agreed for those risks not yet at target, and identifies new risks which have arisen since the initial register was produced.
2. The register has also been updated to identify where risks impact on the Fire Service Pension Scheme as well as the Local Government Pension Scheme.

Progress since March Committee

3. The March risk register 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 no significant movement has been completed in the last quarter.
4. We have though been recently issued with the Internal Audit report on the administration of the Fund and this has confirmed that the majority of controls are in place and robust. One further action on separation of duties regarding pension's payroll has been agreed.
5. Under risk 7, we have held an initial meeting with the Actuary to develop our work on protecting the fund from the risk of employer default. We have also progressed our work at reviewing the processes to escalate late employer returns.
6. The only risk where the risk score has moved since the March score is risk 10 in respect of insufficient resources to deliver our responsibilities under the Regulations. The likelihood of the risk has been amended from unlikely to possible in light of the potential impact of the vacation of Unipart House, and the consequential move for the Pension Services Team. A full report on this risk is included under the next agenda item.
7. A new risk has also been added to the risk register as risk 17. This risk covers a significant change in the liability profile or cash flow as a consequence of structural change. The risk was added in light of the Unitary Authority debate, though the greatest risk associated with the cross county border proposal

developed by the District Councils no longer standing in light of the withdrawal of the option. Risks remain though where structural changes lead to transfers out of significant staff numbers, whether to an LGPS Fund outside of Oxfordshire, or a non-LGPS fund, including Health. The key mitigation actions involve greater involvement with the employers in respect of any structural discussions.

RECOMMENDATION

8. **The Committee is RECOMMENDED to note the current risk register, and confirm their wish for quarterly updates.**

Lorna Baxter
Chief Finance Officer

Contact Officer: Sean Collins, Service Manager, Pensions Tel: (01865) 897224

May 2016

Part D: 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

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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.	March 2017	4	1	4	Sep 2016	→
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.	March 2017	4	1	4	Sep 2016	→
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.	March 2017	3	1	3	Sep 2016	→
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	Variation 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	Administration		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.				audit report identified this & only action agreed is to implement separation of duties on pension payroll by September 2016						
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 the old admitted bodies where there is no guarantor or bond in place. Meeting held with actuaries	March 2017	2	2	4	Sept 16	→
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	3	12	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	Sept 16	→
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	Sept 16	→

										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	2	4	Currently recruiting new staff BUT this could be impacted by move from Unipart House – see separate report		4	1	4		↓
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 2016	4	1	4	Sept 16	→
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	2	6	Training programme in place for new & current staff.	March 2017	3	1	3	Sept 16	→
13	Key System Failure – LGPS and FSPS	Administrative	Technical failure	Inability to process pension payments	Pension Services Manager	Disaster Recovery Programme	3	1	3			3	1	3		→
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 administering	Direct Intervention by Secretary of State	Service Manager	Full engagement in Project Brunel	5	1	5			5	1	5		→

			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 Unitary Authority project 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	Dec 2016	4	1	4	Sept 16	→