

## **PENSION FUND COMMITTEE – 5 JUNE 2015**

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

#### **Report by the Chief Financial Officer**

#### **Introduction**

1. Under the Local Government Pension Scheme Regulations, the Pension Fund Committee, acting as the Administering Authority of the Oxfordshire Pension Scheme, is required to produce and maintain a number of key policy documents. These policies are subject to an annual review, which is scheduled for the June meeting of the Committee cycle. 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.

## Annex 2 – The Statement of Investment Principles

7. The Statement of Investment Principles sets out the Committee's approach to the investment of the Fund's resources.
8. The Statement has been updated since last year to reflect the transition to the new asset allocation agreed in March 2014, and the subsequent appointment of Insight Investment to manage the Diversified Growth Fund.
9. A further change has been proposed in respect of the Investment Limits. Under the Investment Regulations, a Fund can allocate up to 5% of the total to investments in Partnerships. The regulations allow this limit to be raised up to 30%. At present, the Fund has allocated 4.3% to partnerships, consisting of the private equity allocations to Adams Street, the Partners Group, Oxfordshire Technology and Longwall, and the new property allocation to Bridges Ventures. With provision to make further allocations to property, it is now viewed as appropriate to amend the Fund's limit on allocation to partnerships from the current 5% to the higher figure of 30% allowed under the Regulations.
10. The total allocation made to the private equity and property partnerships is controlled through the overall asset allocation and it will be through this mechanism that the appropriate level of diversification within the fund is maintained.
11. The position should be reviewed every three years in light of the Fundamental Asset Allocation Review, and as such it is proposed that the increase is initially in place until June 2017.

## Annex 3 - Governance Policy and Governance Compliance Statement

12. 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.
13. The Governance Policy has been amended this year to reflect the introduction of the new Local Pension Board and the role this will play in assisting this Committee in the overall governance of the Fund.
14. The Compliance Statement identifies the areas where we remain only partially compliant with best practice. The committee has been happy to accept the position in the past, and no changes are proposed at this time.

## Annex 4 – Communication Policy

15. The Communication Policy sets out the Fund's key communication messages and channels. Only minor changes have been made to the policy since last year.

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

16. 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

17. 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.
18. The Scheme has been updated to reflect the various decisions of this Committee at its March meeting. No further changes have been proposed in this latest version.

#### Annex 7 – Administration Strategy

19. 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.
20. The Administration Strategy presented at Annex 7 was agreed earlier this year after a full consultation exercise with the scheme employers. As noted in the Employer Management report elsewhere on this Agenda, this will be the key policy document in reviewing any measures open to this Committee is seeking to encourage improvements in administration performance from the scheme employers.

### **RECOMMENDATION**

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

LORNA BAXTER  
Chief Financial Officer

Background papers: None

Contact Officer: Sean Collins, Service Manager (Pensions, Insurance & Money Management), (01865) 797190

May 2015