

PENSION FUND COMMITTEE – 10 JUNE 2016

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. Under the proposed changes to the LGPS Regulations the requirement to prepare a Statement of Investment Principles will be replaced by the requirement to produce an Investment Strategy Statement. It is expected that the prescription under the current Regulations will be replaced by a more prudential framework, whereby the Committee will not be constrained by any particular restrictions on asset allocations, but will need to provide the rationale for all decisions within the Investment Strategy Statement.
9. No requirement for any significant changes to the Statement of Investment Principles has been identified, and the Committee are recommended to review their approach once the new Regulations are published, and we have the results of the 2106 Valuation.

Annex 3 - Governance Policy and Governance Compliance Statement

10. 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.
11. No changes have been recommended to either the Governance Policy or the Governance Compliance Statement. The Compliance Statement therefore continues to identify the areas where we remain only partially compliant with best practice, a position the Committee has been happy to accept in the past.

Annex 4 – Communication Policy

12. The Communication Policy sets out the Fund's key communication messages and channels.
13. There have been no significant changes to the Communications Policy this year. Officers though are currently working on the implementation of a self-service module of the Pensions Administration system which will allow us to switch our communications policy to one based around self-service principles.
14. It should be noted that whilst the Policy remains unchanged, the main employer within the Fund has not been able to support the distribution of member newsletters this year, nor provide accurate member details to enable the Fund to take on responsibility for the distribution of these newsletters. As such the provisions of the communications policy are not currently being met.

Annex 5 – Early Release of Benefits Policy

15. 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

16. 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.
17. The Scheme was last updated at the March 2016 meeting. No further changes have been proposed in this latest version.

Annex 7 – Administration Strategy

18. 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.
19. The Committee agreed to consult on a revised Administration Strategy (as presented at Annex 7(a)) at its March meeting. The main changes reflected new, higher charges banded by the size of the employer. Only three employers sent comments back to the Consultation, and these are included in full at Annex 7(b).
20. The comments focussed on the scaler of the new charges for large employers, and a perceived lack of relationship between the charges and the additional works resulting from late returns. There was also comment about the lack of any flexibility in applying the charges, and questions why charges did not apply to the Administering Authority when it failed to meet its duties to employers.
21. There were also comments in respect of the restriction of the provision of member estimates to 1 per year. On this point it should be noted that Members will also receive an annual benefit statement which indicates their benefits accrued up to the end of the previous financial year, and those payable at retirement. A further estimate can be provided where a member wishes to retire at a point during the year, but we do need to avoid the position where a member is asking for a series of estimates to be prepared to cover all possible eventualities going forward. Officers will use their discretion where circumstances dictate that a second estimate is required.
22. In terms of the scale of the new charges, the key point is that without accurate data from the employers, Pension Services are unable to process requests in respect of individual members, whether these are retirement estimates, bringing a pension into payment, death grants etc. Where Pension Services

receive a request in such cases, additional manual work needs to be completed to create an up to date record for the member.

23. The daily cost of a senior administrator who will be responsible for manually chasing missing information, undertaking manual calculations and having these checked is around £200-£250 per day including on-costs. The amount of additional work involved will depend on the nature of the query and the amount of data missing. A day's additional work means that the £1,000 charge represents a query from less than 1% of the employer's scheme members. At certain times a year, or in certain circumstances, the number of queries from members is likely to be greater than 1%.
24. In setting the charges included in the Administration Strategy, there was an attempt to average out the additional costs to avoid the additional bureaucracy of maintaining detailed timesheets etc to track the exact additional cost associated with the late receipt of data. Broad bands of less than 50 scheme members, 50 to 500 scheme members and greater than 500 scheme members were also set to avoid the charging scheme becoming overly difficult to administer. It needs to be accepted that as such there will be some winners and losers in the charging regime, unless all employers meet their statutory responsibilities and make their returns in line with the Regulations.
25. The point about the perceived lack of flexibility in the scheme is accepted, and Officers would always look to work with employers to address any issue before imposing a charge. The ability to charge from day 1 does need to be retained though for those employers who refuse to engage with Pension Services. Members are asked to consider whether they wish to leave the waiver of charges to the discretion of officers, or if they wish to amend the Administration Strategy to set out circumstances where charges may be waived.
26. The difficulty of applying charges to the Administering Authority is one of identifying whether the delay is a direct consequence of the actions or in-actions of the Administering Authority, or is an indirect consequence of the actions or in-actions of the scheme employer, scheme member or other third parties (e.g. a previous employer). There are penalties covered by the Regulations to cover late payments of pensions etc, and it is open for the Pensions Ombudsman and Pensions Regulator to impose penalties in cases they investigate. It is also the case that if Pension Services were to increase staffing levels to mitigate the risk of future errors/delays, the cost of these additional resources would need to be passed on to the scheme employers.

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.

RECOMMENDATION

28. **The Committee is RECOMMENDED to approve the revised policy documents as set out in Annexes 1-8 to this report, noting the main changes in the documents as discussed above, and in particular the feedback in respect of the recent consultation on changes to the Administration Strategy.**

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Background papers: Nil
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May 2016