

SURREY COUNTY COUNCIL

PENSION FUND BOARD

DATE: 15 MAY 2014

LEAD OFFICER: SHEILA LITTLE, CHIEF FINANCE OFFICER

SUBJECT: PENSION FUND BUSINESS PLAN 2013/14: OUTTURN REPORT AND FINAL 2014/15 PLAN



SUMMARY OF ISSUE:

The 2001 Myners Report recommended that local authority pension funds approve an annual business plan in respect of the objectives required for the ensuing year. Business planning is regarded as an important tool, assisting in the identification of how service delivery can be maximised within resource constraints. This report sets out the outturn of the annual business plan for 2013/14.

RECOMMENDATIONS:

It is recommended that the Pension Fund Board:

- 1 note the progress made with regard to the Business Plan objectives shown in Annex 1 in respect of the 2013/14 financial year.
- 2 approve the final version of the 2014/15 business plan shown in Annex 2.

REASON FOR RECOMMENDATIONS:

A business plan is required by best practice in order to set relevant targets and monitor progress. Monitoring the outturn against the objectives set is an essential part of the planning and monitoring processes.

DETAILS:

Background

- 1 At the Board meeting of 31 May 2013, the Pension Fund Board approved a business plan for 2013/14, identifying the key issues affecting the Pension Fund over the medium term and a timetable of activities needed to help achieve the strategic objectives. The business plan listed the investment and pension administration tasks to be carried out during 2013/14, and the target date when these should be achieved.
- 2 The 2013/14 business plan is shown as Annex 1.
- 3 The current 2014/15 business plan with changes requested at the 14 February 2014 Board meeting is shown as Annex 2.

Outturn 2013/14

- 4 This report sets out the outturn results of the business plan implementation, setting out each individual action required and the results of the year's work of the Pension Fund staff.

Outturn: Administration

- 5 Action 1: Chief Finance Officer (CFO) and Pension Fund Board to receive key performance indicators report on a quarterly basis.

Outcome: **Achieved.** All reports were sent to the CFO and committee clerk within the stated time limit of eight days before the Pension Fund Board meeting. There were no instances of failures to meet these targets.

- 6 Action 2: Pension Fund Board to receive the Pension Fund Annual Report by 30 September 2013.

Outcome: **Achieved.** The Pension Fund Annual Report was posted onto the Fund's website in mid September 2013 with a hard copy provided to the Board on 20 September 2013.

- 7 Action 3: Ensure that any complaints against action or inaction by pension staff are dealt with in a timely manner.

Outcome: **Achieved.** There were no complaints against pensions staff. There were three pension appeals, all of which related to failure of the employer to grant retirement on ill health grounds. Two are still ongoing and the third was resolved in favour of the scheme member.

- 8 Action 4: Review the content of the pension fund website to ensure it is relevant and kept up-to-date.

Outcome: **Achieved.** A new pensions website has been set up and has been updated with all relevant information about the new LGPS 2014. It also includes a modeller that enables active members to estimate what their retirement benefits will be under the new LGPS 2014 scheme.

- 9 Action 5: Prepare groundwork for the new LGPS 2014 scheme.

Outcome: **Achieved.** The Pensions Manager will present a verbal report at the 15 May 2014 Board meeting with a view to providing a further written report including membership analysis once the new LGPS 2014 scheme has "bedded" in.

Outturn: Communication

- 10 Action 1: Production of a newsletter to pensioners in April each year.

Outcome: **Achieved.** A letter to all pensioners of the Surrey Pension Fund was sent on 22 April 2014

- 11 Action 2: Timely production of benefit statements.

Outcome: **Achieved.** Benefit statements were issued to all current active members in September 2013 and to deferred members in August 2013.

- 12 Action 3: Ensure communication material complies with current legislation and effectively communicates the benefits of the scheme. Ensure communication material is amended to comply with the requirements of the new LGPS 2014

Outcome: **Achieved.** Standard booklets, information sheets and pro forma documentation have been updated to comply with the new LGPS 2014 scheme requirements. Members of the Pensions Team have hosted new scheme employer workshops and held 84 presentations at 26 different locations in Surrey to 2,184 scheme members.

- 13 Action 4: Communication on a timely basis of material scheme changes to Pension Fund Board, employer bodies and members.

Outcome: **Achieved.** The Board considered the Call for Evidence for the future of the LGPS at the meeting on 15 November 2013 and will also consider a subsequent report at the 15 May 2014 meeting. All Board reports are available for scrutiny by employer bodies and members via the Council's 'my council' portal. Newsletters and information have been made available on the pension fund website.

- 14 Action 5: Prepare Pension Fund Annual Meeting (November) and receive feedback from employers.

Outcome: **Achieved.** The Fund held a successful annual meeting on 22 November 2013, attended by the actuary who was available for one-to-one sessions with employer representatives following the formal meeting.

Outturn: Actuarial/Funding

- 15 Action 1: Prepare data and information required by Hymans for 2013 actuarial valuation and provide employers with interim and final results.

Outcome: **Achieved.** All member data were submitted to the actuary within the target deadline. The valuation was delivered on time with highly valued assistance and cooperation from the Fund's actuaries, Barry McKay and Julie West from Hymans. Officers would like to acknowledge the huge efforts and commitment from Hymans in achieving this target. The final valuation was reported to the Pension Fund Board on 14 February 2014. Subsequent negotiations were completed prior to the 31 March 2014 deadline, apart from one employer which was finally agreed on 23 April 2014. A draft Funding Strategy Statement was sent to all employers for consultation with a final draft to be approved at 15 May 2014 Board meeting. Every member organisation has received a confirmed schedule of employer contribution rates and deficit contributions in respect of the next three years.

- 16 Action 2: Receive feedback and agreement from employers (scheduled and admitted bodies) in run up to valuation on assumptions used in actuarial valuation process.

Outcome: **Achieved.** The Fund's actuary presented to a meeting of the Surrey Treasurers Association on 8 November 2013 and to organisational employers' representatives at the Fund's annual meeting held on 22 November 2013.

- 17 Action 3: Provide employers with IAS19/FRS17 funding statements when requested.

Outcome: **Achieved.** Individual FRS17/IAS19 reports (2012/13 accounts closure) were commissioned and provided to all employer bodies as required in line with individual deadlines.

- 18 Action 4: Monitor and reconcile contributions schedule for the County Council and scheme employers.

Outcome: **Achieved.** Contributing authorities to the Fund are closely monitored as to the accuracy and completeness of their monthly contribution receipts. Late or inaccurate payments were always followed up immediately. There are no outstanding issues with member bodies.

- 19 Action 5: Member training covering funding issues.

Outcome: **Achieved.** Regular quarterly training for the Board is carried out and various external conferences and seminars attended by Board members and officers.

Outturn: Pension Fund Board Members

- 20 Action 1: Review decision-making process to ensure decisions are made effectively.

Outcome: **Pending.** A questionnaire designed for the assessment of the Board's governance and decision-making processes was sent to Board members on 1 May 2014. It is shown as Annex 3. The results will be discussed within the forum of the Board meeting on 15 May 2014.

- 21 Action 2: Review Pension Fund Board member training requirements and implement training plan as appropriate

Outcome: **Pending.** The Board approved a Knowledge and Skills framework at its meeting on 31 May 2013. Regular quarterly training for the Board is provided and various external conferences and seminars are attended by Board members. It is suggested that members discuss this item within the forum of the meeting on 15 May 2014.

- 22 Action 3: Agree a framework for Pension Fund Board member training.

Outcome: **Achieved.** The Board approved its Knowledge and Skills Framework at the meeting of 31 May 2013. Training was provided at every Board meeting in the financial year.

- 23 Action 4: Ensure that meeting papers are issued at least seven days prior to meeting.

Outcome: **Achieved.** Board agendas and reports were sent out on a timely basis within 7-day target, except for one instance, a report (investment strategy review) for the 14 February 2014 meeting, which was distributed by e-mail just prior to the meeting as a result of last minute drafting.

- 24 Action 5: Finalise corporate governance in line with revised Myners/CIPFA principles to ensure 100% compliance.

Outcome: **Achieved.** The Fund reviewed and approved all governance documents apart from the Pension Fund Service Level Agreement, which will be considered at the meeting on 15 May 2014. The latest draft of the Statement of Investment Principles incorporating the Fund's stated compliance with Myners/CIPFA principles will also be considered at the 15 May 2014 Board meeting.

Outturn: Financial and Risk Management

- 25 Action 1: Monitor pension fund expenses for next financial year with the target of unit cost in lowest quartile.

Outcome: **Achieved.** This is monitored on a regular basis and also reported to the Board as a key performance indicator.

- 26 Action 2: Produce Annual Statement of Accounts.

Outcome: **Achieved.** This was produced on time (2012/13 accounts and financial statements) according to the Council's closedown timetable deadlines with no external audit qualifications.

- 27 Action 3: Produce Annual Pension Fund Report.

Outcome: **Achieved.** The Pension Fund Annual Report was posted onto the Fund's website in September 2013. It was used as the basis for the Local Government Chronicle (LGC) Large Pension Fund of the Year Award 2013, with the Fund being shortlisted.

- 28 Action 4: Carry out risk assessment of the management of the fund for 2013/14.

Outcome: **Achieved.** An evaluation of the Fund's risk assessments with risk control procedures was presented at every Board meeting in the financial year and will be a regular agenda item at future meetings.

- 29 Action 5: To implement a system of disaster recovery/business continuity in the event of major disaster.

Outcome: **Pending.** This is currently being assessed in the 2014/15 year.

Outturn: Investment

- 30 Action 1: Ongoing consideration of the CIPFA/Myners principles.

Outcome: **Ongoing.** Work has now commenced on the pending Government Regulations on LGPS governance and the proposed Scrutiny Board.

- 31 Action 2: Review of investment manager arrangements.

Outcome: **Achieved.** Franklin Templeton was appointed as the Fund's absolute return fixed income manager. Work is continuing on a strategy review, further diversification possibilities and de-risking as the funding level approaches 100%.

- 32 Action 3: Review asset allocation with consultant and independent advisor.

Outcome: **Pending.** An asset allocation review is underway with necessary training provided to Board members at meetings and in one-to-one sessions.

- 33 Action 4: Discuss/meet with all investment managers and report to Pension Fund Board.

Outcome: **Achieved.** Meetings have been held with all investment managers in every quarter during the year and the minutes reported to the Board with the independent advisor's verbal commentary at Board meetings.

- 34 Action 5: Review the Statement of Investment Principles (SIP)

Outcome: **Achieved.** A revised version of the SIP was approved at the 14 February 2014 Board meeting and an updated version to the 15 May 2014 Board meeting.

- 35 Action 6: Pension Fund Board to receive quarterly monitoring reports.

Outcome: **Achieved.** Performance review reports are considered by the Board every quarter.

CONSULTATION:

- 36 The Chairman of the Pension Fund Board has been consulted on the outturn report and has offered full support in respect of the achievements, and with regard to specific areas where progress is still ongoing.

RISK MANAGEMENT AND IMPLICATIONS:

- 37 Risk related issues are specifically discussed within the report where relevant.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

- 38 Financial and value for money issues are specifically discussed within the report where relevant.

CHIEF FINANCE OFFICER COMMENTARY

- 39 The Chief Finance Officer is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed within the outturn report and that the document will provide the Board and officers with a useful update as to the achievement of the business plan's objectives, and a useful tool for the monitoring of progress.

LEGAL IMPLICATIONS – MONITORING OFFICER

- 40 There are no legal implications or legislative requirements associated with this report.

EQUALITIES AND DIVERSITY

- 41 The outturn report will not require an equality analysis, as the initiative is not a major policy, project or function being created or changed.

OTHER IMPLICATIONS

- 42 There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT:

- 43 The following next steps are planned:
- Continuation of the current year's work programme in line with the 2014/15 business plan.
 - Progress monitoring will take place and, if necessary, matters will be discussed at future Board meetings.
 - Outturn report of the 2014/15 financial year to be presented at the first meeting of the Pension Fund Board in 2015/16.

Contact Officer:

Phil Triggs, Strategic Finance Manager (Pension Fund and Treasury)

Consulted:

Pension Fund Board Chairman

Annexes:

Annex 1: Business Plan 2013/14

Annex 2: Business Plan 2014/15

Annex 3: Board review assessment questionnaire

Sources/background papers:

None

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