

**SURREY COUNTY COUNCIL**

**SURREY PENSION FUND BOARD**

**DATE: 22 MAY 2015**

**LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE**

**SUBJECT: PENSION FUND BUSINESS PLAN 2014/15: OUTTURN REPORT**



#### **SUMMARY OF ISSUE:**

The 2001 Myners Report (later confirmed by the CIPFA/Myners Principles) 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 2014/15.

#### **RECOMMENDATIONS:**

It is recommended that the Pension Fund Board:

- 1 note the achievements and progress made with regard to the Business Plan objectives shown in Annex 1 in respect of the 2014/15 financial year.

#### **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 and outturn processes.

#### **DETAILS:**

##### **Background**

- 1 At the Board meeting of 14 February 2014, the Pension Fund Board approved a business plan for 2014/15, 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 process and pension administration tasks to be carried out during 2014/15, and the target date when these should be achieved.
- 2 The 2014/15 business plan is shown as Annex 1.

##### **Outturn 2014/15**

- 4 This report sets out the outturn results of the pension fund business plan implementation, setting out each individual action required (in line with the original approved business plan shown as Annex 1) and the commentary of the outcome results of the year's work of the Pension Fund investment and administration staff.

### Outturn: Administration

- 5 Action 1: Director of Finance and Surrey Pension Fund Board to receive key performance indicators (KPI) report on a quarterly basis.

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

- 6 Action 2: Surrey Pension Fund Board to receive the Pension Fund Annual Report by 30 September 2014.

Outcome: **Achieved.** The Pension Fund Annual Report was posted onto the Fund's website in mid September 2014.

- 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 have been two pension appeals, since the change to the scheme of delegation to reflect the new pension fund structure, as approved by Council on 14 October 2014. The first was a claim for a discount in overdue contributions. In this case, favour was found for the scheme employer. The second was a claim for an upgrade of a tier 2 ill health pension to a tier 1 ill health pension. This 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.** The pension fund website is updated on an ongoing basis. This has included refreshing links to the national LGPS website, highlighting the annual pension increase to pensioner members, and introducing a new section devoted to the recruitment to and the functions of the new statutory Local Pension Board.

- 9 Action 5: Implement new LGPS 2014 Scheme which takes effect on 1 April 2014

Outcome: **Achieved.**

The Pension Service hosted three employer workshops in February 2014, to provide training to scheme employers on their new reporting responsibilities within the LGPS 2014 scheme. These workshops were attended by 80 scheme employer representatives. Further evidence that the new scheme has been successfully implemented is that we are on target to issue the first set of statements under the new career average revalued earnings (CARE) scheme by 31 August 2015.

### Outturn: Communication

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

Outcome: **Achieved.** An update regarding the annual pension increase was provided in March 2015 and confirmed in writing as part of a newsletter sent

to all pensioners of the Surrey Pension Fund. This newsletter also included an invitation to apply for a post of member representative on the new local pension board.

- 11 Action 2: Timely production of benefit statements.

Outcome: **Partially Achieved.** Benefit statements were issued on time to deferred members in May 2014 and to Councillor members in September 2014. The benefit statements for active members were issued in December 2014, slightly later than planned, but consistent with previous years, primarily due to increased workloads following the introduction of the new LGPS 2014 CARE scheme. The 2015 active member statements are on target to be issued in August 2015, much earlier than in previous years.

- 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 are regularly updated to comply with the additional changes to the detail of the new LGPS 2014 scheme. Scheme employers and members have also been issued with a bulletin, which has provided details of regulatory and wider legislative changes. This has included information regarding the recent Freedom and Choice pension options and the new statutory Local Pension Board.

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

Outcome: **Achieved.** The Board considered a consultation from the Department of Communities and Local Government (DCLG) on LGPS Reform: Collaboration, Cost Savings and Efficiencies, issued on 1 May 2014, and presented at the 15 May 2014 Board meeting, with a response provided in July 2014. A consultation and discussion paper from the DCLG on draft changes to the LGPS Governance Regulations of June 2014, brought about by the Public Service Pensions Act 2013, was presented to the Board at the 19 September 2014 meeting. A further consultation on this topic was issued by DCLG on 10 October 2014, to which an official response was provided by the Board. New LGPS Governance Regulations were issued on 28 January 2015 and presented to the Board at the meeting of 13 February 2015. These Regulations resulted in the establishment of a new statutory Local Pension Board at a full Council meeting on 17 March 2015, an update of which will be presented to the Board within this meeting's agenda (22 May 2015). 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 the Pension Fund Annual Meeting (November) and receive feedback from employers.

Outcome: **Achieved.** The Fund held a successful annual meeting on 21 November 2014, attended by the actuary who was available for one-to-one sessions with employer representatives following the formal meeting. Feedback from delegates who attended the meeting was very favourable.

### **Outturn: Actuarial/Funding**

- 15 Action 1: Conclude 2013 actuarial valuation.

Outcome: **Achieved.** The actuarial valuation was delivered on time with highly valued assistance and cooperation from the Fund's actuaries, Barry McKay and Julie West from Hymans. The Funding Strategy Statement was sent to all employers for consultation and approved at the 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 (2014/15 to 2016/17).

- 16 Action 2: Receive feedback from employers (scheduled and admitted bodies).

Outcome: **Achieved.** The Fund's actuary presented to the Fund's annual meeting held on 21 November 2014. One-to-one sessions with individual employer representatives after the meeting resulted in the resolution of many queries and problems. Feedback received was positive.

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

Outcome: **Achieved.** Individual FRS17/IAS19 reports (2013/14 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 were 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 difficulties or outstanding issues with member bodies.

- 19 Action 5: Member training covering funding issues.

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

### **Outturn: Surrey Pension Fund Board Members**

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

Outcome: **Pending.** Summary results of the questionnaires designed for the assessment of the Board's training requirements were presented to the Board on 13 February 2015. Training proposals will be presented to the Board at the 22 May 2015 meeting, following changes to the membership of the Board. Board members are invited to discuss the 2014/15 financial year with a view to reviewing its decision-making process and the effectiveness of the way in which its decisions were made.

- 21 Action 2: Review Surrey 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. Members will be invited to discuss this item within the forum of the meeting on 22 May 2015.

- 22 Action 3: Agree annual plan for Surrey 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 the 7-day target. One or two reports in the year were delivered to members in the run-up to the Board meeting if necessary information had not been received by officers before the 7-day target.

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

Outcome: **Achieved.** All governance documents are now existent. 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 22 May 2015 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 (2013/14 accounts, financial statements and annual report) 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 2014. It was used as the basis for the Local Government Chronicle (LGC) Large Pension Fund of the Year Award 2014, with the Fund being shortlisted.

- 28 Action 4: Carry out risk assessment of the management of the fund for 2014/15.

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 2015/16 year.

**Outturn: Investment**

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

Outcome: **Ongoing.** In terms of governance standards, work has commenced on new Local Pension Board membership with the first meeting set for the second half of 2015/16.

- 31 Action 2: Review of investment manager arrangements.

Outcome: **Achieved.** A liability driven investment framework was implemented with final approval given at the 13 February 2015 meeting. Work is continuing on the strategy review, further diversification possibilities (including multi-asset credit and infrastructure) and future de-risking as the funding level approaches 100%.

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

Outcome: **Achieved.** Asset allocation has been consistently reviewed with necessary training provided to Board members at every Board meeting 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 2014/15 and included in Board agendas with the independent advisor's verbal commentary at meetings.

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

Outcome: **Achieved.** Revised versions of the SIP were approved at every Board meeting in 2014/15. An updated version is presented to the Board at the 22 May 2015 Board meeting.

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

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

- 36 Action 7: Respond to national initiatives on pension fund merger/collaboration and report to the Surrey Pension Fund Board as necessary.

Outcome: **Achieved.** All national initiatives with a consultation process were considered by the Board with a response sent within stated deadlines.

**CONSULTATION:**

- 37 The Chairman of the Surrey 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:**

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

**FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

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

**DIRECTOR OF FINANCE COMMENTARY**

- 40 The Director of Finance 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**

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

**EQUALITIES AND DIVERSITY**

- 42 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**

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

**WHAT HAPPENS NEXT:**

- 44 The following next steps are planned:
- Continuation of the current year's work programme in line with the 2015/16 business plan.
  - Progress monitoring will take place and, if necessary, matters will be discussed at future Board meetings.
  - Outturn report of the 2015/16 financial year to be presented at the first meeting of the Surrey Pension Fund Board in 2016/17.

**Contact Officer:**

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

**Consulted:**

Surrey Pension Fund Board Chairman

**Annexes:**

Annex 1: Business Plan 2014/15

**Sources/background papers:**

None

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