

Proforma 1

Pension Fund Name	Surrey CC
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Position within organisation	Advisor
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KPI number and name (the 4 primary KPIs are in bold). See annex 1 for examples of best practice and concern	Please provide your funds self assessment for each of the examples of best practice and examples of concern in Annex 1. For each one please assess your fund is Full, Partly, or None. If it helps clarify your response please provide figures or notes.	Yes, No, Partly	Please provide your source of factual evidence you have used to make your self- assessment	Please provide any general comment or feedback or ideas to improve the KPIs or any alternative more differentiating/stretching KPI.
1) Risk management (covering all pension fund activities)	Comprehensive risk register covering the key risks (in accordance with current CIPFA guidelines) with robust mitigation actions, timelines, and action tracking to completion.	Partly	Risk register approved by the pension committee. Performance against areas identified in the register monitored quarterly and published in quarterly pension committee minutes.	
	Risk register and completed actions signed off by Pensions Committee after at least annual update and disclosed via a summary version published on fund website.	Yes	As above	
2) Pensions Committee and Pensions Board members competence	Both large employer and member types representation.	Yes	Constituent members of the pension committee	
	Regular and completed training recorded against the CIPFA knowledge and understanding framework.	Yes	Training disclosed in pension committee minutes.	
	CIPFA training disclosure in Annual Report.	Partly	As above	
	Appointees able to clearly explain the funds objectives.	Yes	Member competences quality assured by an independent governance audit	
3) Administering authority staff accountability, leadership, experience, and training	Experienced Head of Fund with full time dedicated officers with at least 3+ years' experience and regular CIPFA and other CPD training recorded across all LGPS skills and topics.	Yes	CPD and training record	
4) Statutory governance standards and principles (as per DCLG or SSAB guidance and TPR codes)	100% compliant and meet or exceed guidance/codes on best practice including key decision taking recording and self-assessment of effectiveness.	Yes	Governance compliance statement.	
5) Quality and accessibility of information and statutory statements/strategies/policies (Governance, FSS, SIP, comms, admin authority and employer discretions policies)	Publications well articulated and all in place and published on fund website and updated in accordance with regulatory requirements and due timelines and meet Plain English and other e- publishing standards.	Partly	Fund website	All statutory documents are available on either the Council and Fund website, but, could be more clearly articulated.
6) Funding level and contributions	Funding level rising and getting closer to 100% funded (or above) over last three triennial valuations.	Yes	Triennial valuations.	On a like for like analysis the FL improved from 72% to 79% between 2010 and 2013
	Strong funding covenants with all employers.	Partly	Covenant review in progress to establish key risks.	A value matrix of covenant strengths would be useful.
	Rising contributions or actual contributions received in last 6 years equate to (or exceed) that assumed and certified in the last 2 triennial valuations.	Partly		We are unclear over what the KPI is requesting?
	Net inward cash flow significantly exceeds benefit out-goings	Yes	Statement of accounts.	We do not consider the parameters of this KPI to be appropriate. The cash flow position of a fund is not necessarily a qualitative measure.
7) Deficit recovery	Well-articulated deficit recovery plan for tax raising and non-tax raising bodies.	Yes	Funding strategy statement.	
	Implied deficit recovery reducing each triennial valuation.	No	Triennial valuations.	We do not consider the parameters of this KPI to be appropriate. Deficit recovery positions in the fund are not necessarily a qualitative measure, as they are reliant on external factors outside of fund influence (e.g. discount rates, covenant reassessments).
	Implied deficit recovery period in line with TPR best practice for DB schemes (<10 years) or top decile of LGPS	No	Valuation report. And like for like analysis provided by Hymans Robertson	The implied deficit recovery period on the HMT long term assumptions is 15 years.
8) Required investment returns	Required future fund investment return consistent with and aligned to investment strategy (asset mix expected target returns) so higher likelihood of the fund meeting its funding strategy.	Yes	Investment consultant's review in conjunction with the Fund actuary.	Like for like analysis shows required return is 4.7% p.a. which is consistent with investment and funding strategy
9) a) Compliance with the Principles for Investment Governance (ie Myner's principles) and b) voluntary adoption of UK Stewardship Code and UNPRI	100% compliance and signatory status.	Yes	Annual report and pension committee minutes.	
10) a) Historic investment returns (last 3, 5, and 10 years) and b) total investment costs compared to other LGPS funds.	Investment returns top quartile for last 5 and 10 years	Partly	WM	Fund in top quartile for five year period, top 30% for for three years, ten year is not immediately available. Source WM. Not data available for comparable investment costs.
	Fund managers deliver or exceed their mandates over rolling 3 to 5 year performance periods.	Partly	Manager and custodial reports and pension committee minutes.	Five out of six existing managers with mandates over three years have exceeded benchmark and target out-performance.
	Infrequent fund manager changes.	Yes	Annual reports and pension committee minutes.	Most fund managers have been with the fund for more than five years. Outside enforced changes from adjustments in asset allocation there have been limited changes in fund manager. This KPI implies that a high turnover of fund managers is negative, when this should be judged in the context of the total returns of the fund.
11) Annual report(s) and audited financial statements	Meet and or exceed all regulatory and CIPFA best practice guidance and published on Advisory Board website by 1 September.	Yes	SSAB website	
12) Scheme membership data	All data (common and conditional) meet TPR Code 14, standards, guidelines, due timelines.	Partly	Analysis reports of common data are run against the pensions database annually and reported to the Pensions Board. 'Partly' is shown only because we have a number of 'deferred' gone away members who we do not have current addresses for.	It would be helpful to have clarification of how much LA funds are expected to engage in 'pursuing' gone away members (e.g. by use of address screening services) as there are clearly cost implications of engaging with this sort of activity with tracing agencies (there is no option to deal with this in-house).
13) Pension queries, pension payments, and annual benefit statements	Good website with interactive scheme member and employer access.	Partly	Our own opinion is that website is user friendly and accessible for members and employers but self-service is still to be developed.	It would be helpful to have clarification as to what 'good' looks like in terms of website - what specific functionality for example is it expected this should include?
	ABS meet or exceed regulatory standards and due timelines for issuance.	Partly	Date of issue of ABS's.	
14) Cost efficient administration and overall VFM fund management	In top quartile with low total admin cost pa per fund member (based on CIPFA or other benchmark tool calculated on a consistent and transparent basis.)	Yes	CIPFA Benchmarking	
	Lead and/or actively participates in joint and collective LGPS procurement mechanisms.	Yes	Member of LGPS frameworks	
15) Handling of formal complaints and IDRPs	No Stage 2 IDRPs or no Pensions Ombudsman determinations against the funds actions in last 3 years.	Yes	Pension Fund's own records	
16) Fraud prevention	Fraud prevention programme in place.	Partly	See point 37	If there is an expectation of any actions beyond those set out in Point 37 it would be helpful to have clarification on what these might be.
	Use external monthly, quarterly/annual mortality screening services, and participate in bi-annual National Fraud Initiative.	Yes	Monthly mortality screening against GRO database plus life certification for overseas pensioners and participation in NFL.	
17) Internal and external audit	Unqualified annual internal and annual external audit opinions with no management recommendations.	Partly	Annual report (external audit). Pension committee minutes (internal audit).	
	Full assurance against all key audit areas.	Partly	Annual report (external audit). Pension committee minutes (internal audit).	
18) Quality assurance	Has ISO/BSI quality management certification and/or Crystal Mark for plain English and or externally approved website accessibility, and/or peer or pensions & investment industry recognition award(s)	No		

Performance theme	KPI number and name (the 4 primary KPIs are in bold)	Technical owner of the KPI
Fund governance, management, administration, transparency, and accountability	1) Risk management (covering all pension fund activities)	CIPFA as the KPIs is based on the CIPFA LGPS risk management guidelines.
	2) Pensions Committee and Pensions Board members competence	CIPFA because the KPI is based on adoption of the CIPFA LGPS training, knowledge, understanding, and disclosure framework
	3) Administering authority staff accountability, leadership, experience, and training	CIPFA because the KPIs is based on the adoption of the CIPFA LGPS training, knowledge, understanding, and disclosure framework.
	4) Statutory governance standards and principles (as per DCLG, SSAB guidance, and TPR codes)	DCLG, SSAB and tPR as the creators of the statutory or best practice governance standards, principles and guidance
	5) Quality and accessibility of information and statutory statements/strategies/policies (Governance, FSS, SIP, comms, admin authority and employer discretions policies)	DCLG as the authors of the guidance on the production of LGPS statutory strategy and policy statements
Funding level, contributions, deficit reduction and ability to meet pension liabilities	6) Funding level and contributions	SSAB and ACA LGPS Sub-Group
	7) Deficit recovery	SSAB and ACA LGPS Sub-Group
Asset management strategy, stewardship, and investment returns	8) Required investment returns	SSAB and ACA LGPS Sub-Group in consultation with WM as required
	9) a) Compliance with Investment Governance Principles (ie Myner's principles) and b) voluntary adoption of UK Stewardship Code and UNPRI	SSAB Secretariat in consultation with IGC, FRC, and PRI
	10) a) Historic investment returns (last 3, 5, and 10 years) and b) total investment costs compared to other LGPS funds.	WM (State Street) or other investment performance measurer
	11) Annual report(s) and audited financial statements	DCLG in terms of legal requirements plus CIPFA in terms of LGPS financial reporting and accounting guidance
Pension benefits, member services, and communications	12) Scheme membership data	tPR Code of Practice 14 and standards and guidance for common and conditional data
	13) Pension queries, pension payments, and annual benefit statements	DCLG in terms of legal requirements and tPR code 14 and best practice guidance.
	14) Cost efficient administration and overall VFM fund management	CIPFA in terms of defining LGPS administrative costs.
	15) Handling of formal complaints and IDRPCs	DCLG as the KPI is based on their LGPS IDRPC guidance (it needs updating)
Independent external review and assurance	16) Fraud prevention	National Fraud Initiative standards
	17) Internal and external audit	Auditing Practices Board standards
	18) Quality assurance	ISO/BSI quality standards, and or Crystal Mark or Plain English recognition

Primary indicators

Performance theme	KPI number and name	Examples of level for concern	Examples of good practice for high performing fund
Fund governance, management, administration, transparency, and accountability	1) Risk management	No or only a partial and/or an unclear risk register with no or poorly specified or unimplemented mitigation actions over time leading to increased fund risk. Risk register not signed off by Pensions Committee or annually updated or unavailable for public scrutiny.	Comprehensive risk register covering the key risks (in accordance with current CIPFA guidelines) with robust mitigation actions, timelines, and action tracking to completion. Risk register and completed actions signed off by Pensions Committee after at least annual update and disclosed via a summary version published on fund website.
Funding level, deficit reduction and ability to meet pension liabilities	6) Funding level and contributions (see explanatory notes)	Decreasing funding level (calculated on a standardised and consistent basis) and/or in bottom decile of LGPS, over the last three triennial valuations. Weak funding covenants with employers or a large number of smaller employers. Declining contributions and actual contributions received in last 6 years less than that assumed and certified in last 2 triennial valuations. Net inward cash flow less than benefit outgoings so need to sell assets.	Funding level rising and getting closer to 100% funded (or above) over last three triennial valuations. Strong funding covenants with all employers. Rising contributions or actual contributions received in last 6 years equate to (or exceed) that assumed and certified in the last 2 triennial valuations. <u>Net inward cash flow significantly exceeds benefit out-goings</u>
Funding level, deficit reduction and ability to meet pension liabilities	7) Deficit recovery (see explanatory notes)	No or weak/unrealistic deficit recovery plan. Lengthening implied deficit recovery period (for contributions) than majority of other funds. Implied deficit recovery periods >25 years for last 3 valuations.	Well-articulated deficit recovery plan for tax raising and non-tax raising bodies. Implied deficit recovery reducing each triennial valuation. Implied deficit recovery period in line with TPR best practice for DB schemes (<10 years) or top decile of LGPS
Asset management, stewardship, and investment returns	8) Investment returns (see explanatory notes)	Required future investment return (calculated on standardised and prudently consistent basis) not aligned to the investment strategy target return, so lower likelihood of the fund achieving its funding strategy.	Required future fund investment return consistent with and aligned to investment strategy (asset mix expected target returns) so higher likelihood of the fund meeting its funding strategy.

Secondary Indicators

Performance theme and number of KPIs	KPI number and name	Examples of level for concern	Examples of good practice for high performing funds
Fund governance, management, administration, transparency, and accountability	2) Pensions Committee and Pensions Board members competence	No large employers or member representation. No training needs analysis, or training strategy, or training log or use of CIPFA LGPS training framework. Appointees unable to clearly articulate the funds funding and investment objectives.	Both large employer and member types representation. Regular and completed training recorded against the CIPFA knowledge and understanding framework. CIPFA training disclosure in Annual Report <u>Appointees able to clearly explain the funds objectives.</u>
	3) Administering authority staff accountability, leadership, experience, and training	No or only part time Head of Fund and or only part time officers with no or little induction or on-going training or experience on the CIPFA LGPS knowledge and understanding framework.	Experienced Head of Fund with full time dedicated officers with at least 3+ years' experience and regular CIPFA and other CPD training recorded across all LGPS skills and topics.
	4) Statutory governance standards and principles (as per DCLG guidance and TPR codes)	Several key areas of non-compliance and reasons why not explained. Poor key decision taking recording and no or poor self-assessment of effectiveness.	100% compliant and meet or exceed guidance/codes on best practice including key decision taking recording and self-assessment of effectiveness.
	5) Quality and accessibility of information and statutory statements, strategies, policies (governance, FSS, SIP, comms, admin authority and employer discretions policies)	Publications poorly articulated and some not in place nor published on fund website nor updated in accordance with regulatory requirements and due timelines.	Publications well articulated and all in place and published on fund website and updated in accordance with regulatory requirements and due timelines and meet Plain English and other e-publishing standards.
Asset management, stewardship, and investment performance	9) a) Compliance with Investment Governance Principles (ie Myrners principles) and b) voluntary adoption/signatory to UK Stewardship Code and UNPRI	Several areas of unexplained non-compliance and/or non-support of UK and or UN codes.	100% compliance and signatory status.
	10) Historic investment returns	Investment returns in LGPS bottom	Investment returns top quartile for last 5 and 10 years
	(last 3, 5, 10 years) and total investment costs compared to other LGPS funds. (See explanatory notes)	Quartile and investment costs in top LGPS quartile for last 3 to 5 years. Retention of fund managers underperforming their stated investment mandates for 2 triennial valuation cycles. Fund manager sackings within 3 years of appointment.	Fund managers deliver or exceed their mandates over rolling 3 to 5 year performance periods. Infrequent fund manager changes.
	11) Annual report(s) and audited financial statements	Do not fully meet some regulatory requirements or CIPFA LGPS guidance or not issued by due date.	Meet and or exceed all regulatory and CIPFA best practice guidance and published on Advisory Board website by 1 September.
	12) Scheme membership data	Some common and conditional data do not meet the TPR standards, guidelines, or due timelines. No plans in place to rectify this.	All data (common and conditional) meet TPR Code 14, standards, guidelines, due timelines.
	13) Pension queries, pension payments, and Annual Benefit Statements	No or poor website with no scheme member or employer access. ABS do not meet regulatory requirements or due timelines for issuance.	Good website with interactive scheme member and employer access. ABS meet or exceed regulatory standards and due timelines for issuance.
	14) Cost efficient administration and overall VFM fund management	In bottom quartile with high total admin cost pa per member (based on CIPFA or other benchmark tool). Not in any national or regional frameworks for any externally procured services or collective investments.	In top quartile with low total admin cost pa per fund member (based on CIPFA or other benchmark tool calculated on a consistent and transparent basis.) Lead and/or actively participates in joint and collective LGPS procurement mechanisms.
	15) Handling of formal complaints and IDRPs	Pensions Ombudsman determinations (and any appeals) find against the actions of the fund.	No Stage 2 IDRPs or no Pensions Ombudsman determinations against the funds actions in last 3 years.
Independent external review and assurance	16) Fraud prevention	No or minimal systems/programme or mechanisms in place to detect fraud	Fraud prevention programme in place. Use external monthly, quarterly/annual mortality screening services, and participate in bi-annual National Fraud Initiative.
	17) Internal and external audit	No annual internal audit or qualified internal and external audit opinions with urgent management action recommended on	Unqualified annual internal and annual external audit opinions with no management recommendations. <u>Full assurance against all key audit areas.</u>
	18) Quality assurance	No externally assured systems or processes or peer recognition awards.	Has ISO/BSI quality management certification and/or Crystal Mark for plain English and or externally approved website accessibility, and/or peer or pensions & investment industry recognition award(s)

Explanatory definitions and notes for KPIs 6, 7, 8 (for use by your actuary and as discussed by the LGPS ACA Group) and KPI 10 (for use by your investment performance measurer as discussed with WM)

Indicator number and name	Explanatory definitions and notes
6) Funding level and contributions	<p>Funding level calculated at last triennial valuation (on consistent HMT SCAPE financial assumptions) compared to the actual proportion of the fund's deficit (calculated on the above consistent HMT assumptions) being paid off annually.</p> <p>Actual contributions paid (sourced from annual accounts) as compared and expected total contributions (sourced from last 2 triennial valuations)</p> <p>Net inward cashflows (excluding investment income) as a proportion % pa of fund assets. Use to monitor if negative cash flow is close to or above say 3% of total assets. Above this should be sufficient income from assets to supplement contributions to meet benefit payments without having to sell assets.</p>
7) Implied deficit recovery period	<p>Implied deficit recovery period (derived using figures under indicator 2) reducing each triennial valuation. This metric is not the deficit spreading period used to set contributions. It is the estimated number of years required to repay each fund's deficit assuming a) current levels of contributions continue and b) the liabilities targeted for full funding are measured on like for like HMT assumptions (not each funds valuation assumptions).</p> <p>Also the contributions assumed in the calculation (and other metrics like required future investment return) should be the actual total contribution income expected into a fund based on actual payroll information from each employer at the valuation date and the rates of contribution certified at the valuation.</p> <p>The estimate of aggregate contributions for a fund is not the same as the "common rate" in the valuation report.</p>
8) Investment returns compared to the funds required future investment return	<p>The fund's required future investment return (calculated as the return needed to repay its deficit over a specified standard period (say 20 years) using common financial assumptions (HMT SCAPE) for the value of the fund liabilities to be met over that period and assuming the rates of contributions certified at the last valuation). All returns post 1 April 2014 must be quoted net of fees.</p> <p>The required future investment return should also be compared with the estimated future return being targeted by a fund's investment strategy calculated on a consistent agreed basis.</p>
10) Investment returns and costs compared to other LGPS funds	<p>Historic investment returns (over 1, 3 and 5 year and 10 years and longer period) as compared with other LGPS funds from external service provider. Going forward all figures post 1 April 2014 to be net of fees and preferably all investment returns on an agreed and consistent risk adjusted basis.</p> <p>Care will be needed to compare the absolute level of returns between funds because each fund has different asset allocations. Need to use a metric that takes account of performance and/or risk and/or sub-divide funds into high, medium, low growth asset allocation and make comparisons within these categories (not across categories).</p> <p>Total investment costs should be as per the financial accounts as % of total assets under management. This may need a specialist external service input to do analysis and reporting on a consistent and transparent basis and to enable benchmarking.</p>