

**SURREY COUNTY COUNCIL****SURREY PENSION FUND COMMITTEE****DATE: 13 MAY 2016****LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE****SUBJECT: PENSION FUND BUSINESS PLAN 2015/16: 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 2015/16.

**RECOMMENDATIONS:**

It is recommended that the Pension Fund Committee:

- 1 Note the achievements and progress made with regard to the Business Plan objectives shown in Annex 1 in respect of the 2015/16 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 Pension Fund Committee meeting of 13 February 2015, the Committee approved a business plan for 2015/16, 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 2015/16, and the target date when these should be achieved.
- 2 The original 2015/16 business plan is shown as Annex 1.

**Outturn 2015/16**

- 3 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

- 4 Action 1: Director of Finance and Pension Fund Committee to receive key performance indicators report on a quarterly basis.

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

- 5 Action 2: Pension Fund Committee to receive the Pension Fund Annual Report by 30 September 2015.

Outcome: **Achieved.** The Pension Fund Annual Report was posted onto the Fund's website in mid September 2015.

- 6 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 team staff during the year. There have been three Stage One internal dispute resolution procedure (IDRP) appeals in 2015/16. Two appeals were in respect of ill health benefits and the third concerned added years accrual. In the two ill health cases, the scheme employer was directed to reconsider their decision. In the third case regarding added years accrual, the employer decision was upheld by the Stage One nominated adjudicator. Where appropriate, the scheme employer was advised to compensate the applicant for any administrative delays.

- 7 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, information on changes to the annual and lifetime allowance and information on the annual pension increase applicable to pensioner members. The sections on pension policies, the Pensions Fund Committee and the statutory Local Pension Board have also been maintained.

- 8 Action 5: Final aspects of new LGPS 2014 Scheme implementation which took effect on 1 April 2014.

Outcome: **Achieved.**

The LGPS 2014 scheme has now been fully implemented. The deadline for producing annual benefit statements was not met due to a delay in the third party system's functionality with the new LGPS scheme (further information is provided in the Communication section of this report).

- 9 Action 6: Review the current pension administration strategy.

Outcome: **Partially Achieved**

There has been initial stakeholder engagement and scoping of the revised pension administration strategy, including a review of the current suite of

KPIs. It is planned to present the new proposed new administration strategy in quarter three.

### **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 2016 and confirmed in writing as part of a newsletter sent to all pensioners of the Surrey Pension Fund.

- 11 Action 2: Timely production of benefit statements.

Outcome: **Partially Achieved.** Benefit statements were issued on time to deferred members by July 2015 and to councillor members in September 2015. The benefit statements for active members were issued between October and December 2015. Changes as a result of the new LGPS 2014 scheme created additional data requirements with regard to all administering authorities and employers. To this end, the Pension Regulator has acknowledged the additional challenge for all administering authorities. The Pension Regulator had set a clear expectation that the target of 100% of annual benefit statements issued to active members by 31 August 2016 is achieved by all administering authorities in 2015/2016. The pension administration team is prepared for this deadline and is confident of meeting it.

- 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 policies are regularly updated to comply with any regulatory changes to the scheme. Scheme employers and members have also been issued with a bulletin, which has provided details of regulatory and wider legislative changes.

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

Outcome: **Achieved.** The Committee considered the national pooling consultation from the Department of Communities and Local Government (DCLG), issued in November 2015 and presented at the 12 February 2016 Committee meeting, with a response provided to Government on 19 February 2016. A consultation from the DCLG on new LGPS Investment Regulations was presented to the same Committee meeting and sent to Government by the same deadline. All Committee 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 20 November 2015, 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 and pointed to a successful event.

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

- 15 Action 1: Commence preparation for the 2016 actuarial valuation.

Outcome: **Achieved.** Preparations have gone well with all employers invited to actuary presentations in three separate tranches (districts and borough councils, academies and all other employers). Weekly conference calls have been held with the actuary since the start of 2016.

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

Outcome: **Achieved.** The Fund's actuary presented to the Fund's annual meeting held on 20 November 2015. 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 (2015/16 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 current difficulties or outstanding issues with member bodies.

- 19 Action 5: Member training covering funding issues.

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

### **Outturn: Pension Fund Committee Members**

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

Outcome: **Pending.** Results of the questionnaires designed for the assessment of the Committee's governance will be presented to the Committee on 13 May 2016. Training proposals will be presented to the Committee at the same meeting. Committee members are invited to discuss the 2015/16 financial year with a view to reviewing its decision-making process and the effectiveness of the way in which its decisions are made.

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

Outcome: **Pending.** The Committee approved a Knowledge and Skills framework at its meeting on 31 May 2013. Regular quarterly training for the Committee is provided and various external conferences and seminars are attended by Committee members. Members will be invited to discuss this item within the forum of the meeting on 13 May 2016. In addition the Committee agreed that all members would complete the Pensions Regulator's Public Sector Toolkit Modules by the 13 May Committee meeting.

- 22 Action 3: Agree annual plan for Pension Fund Committee member training.

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

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

Outcome: **Achieved.** Committee agendas and reports were sent out on a timely basis within the 7-day target. One submission (the national pooling proposal submitted by the Border to Coast Pool) was delivered to members in the run-up to the Committee meeting as vital 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 13 May 2016 Committee 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 Committee as a key performance indicator.

- 26 Action 2: Produce Annual Statement of Accounts.

Outcome: **Achieved.** This was produced with a slight delay of one day on the external auditor's deadline (2014/15 accounts, financial statements and annual report) 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 2015. It was used as the basis for the Local Government Chronicle (LGC) Large Pension Fund of the Year Award 2015, with the Fund winning Large Fund of the Year and also Elected Member of the Year. The Surrey Fund has since been externally nominated for awards at

the Chief Investment Officer and Financial News publications to be announced at formal events on 2 June and 20 June respectively

- 28 Action 4: Carry out risk assessment of the management of the fund for 2015/16.

Outcome: **Achieved.** An evaluation of the Fund's risk assessments with risk control procedures was presented at every Committee 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: **Achieved.** The disaster recovery procedures relevant to the Surrey Pension Fund and its administrative functions are contained in the Business Continuity Plans for Finance and Shared Services. There is in addition to a business continuity resilience which is applied to the pension administration system software, Altair, employed by the Pension Services Team.

- 30 Action 6: To review the current employer covenant.

Outcome: **Achieved.** The Fund's new risk assessment of in accordance with strength of covenant was approved by the Pensions Committee at the meeting of 12 February and will be applied from the 2016 valuation.

#### **Outturn: Investment**

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

Outcome: **Ongoing.** In terms of governance standards, the new Local Pension Board was set up during the year with meetings held on 27 July 2015, 12 October 2015 and 9 March 2016.

- 32 Action 2: Review of investment manager arrangements.

Outcome: **Achieved.** A liability multi-asset credit portfolio was implemented with the transition process completed on 21 December 2015. Work is continuing on the investment strategy review, further diversification possibilities (including infrastructure) and future de-risking as the funding level approaches 100%.

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

Outcome: **Achieved.** Asset allocation and variances have been consistently reviewed at each quarterly.

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

Outcome: **Achieved.** Meetings have been held with all investment managers in every quarter during 2015/16 and the minutes included in Committee agenda reports with the independent advisor's written and verbal commentaries at meetings.

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

Outcome: **Achieved.** Revised versions of the SIP were approved at every Committee meeting in 2015/16. An updated version will be presented to the Committee at the 13 May 2016 meeting.

36 Action 6: Pension Fund Committee to receive quarterly monitoring reports.

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

37 Action 7: Respond to national initiatives on pension fund merger/ collaboration/mandatory passive investment and report to the Pension Fund Committee as necessary

Outcome: **Achieved.** All national initiatives with a consultation process were considered by the Committee with a response sent within stated deadlines. The most important documents were the initial response to the pooling initiative (Surrey formed the Border to Coast Pensions Platform) and the response to the proposed new LGPS Investment Regulations where Surrey submitted its replies by the 19 February deadline.

#### **CONSULTATION:**

38 The Chairman of the Pension Fund Committee 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:**

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

#### **FINANCIAL AND VALUE FOR MONEY IMPLICATIONS**

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

#### **DIRECTOR OF FINANCE COMMENTARY**

41 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 Committee 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**

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

#### **EQUALITIES AND DIVERSITY**

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

<b><u>OTHER IMPLICATIONS</u></b>
----------------------------------

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

<b><u>WHAT HAPPENS NEXT:</u></b>
----------------------------------

45 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 Committee meetings.
- Outturn report of the 2016/17 financial year to be presented at the first meeting of the Pension Fund Board in 2017/18.

---

**Contact Officer:**

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

**Consulted:**

Pension Fund Committee Chairman

**Annexes:**

Annex 1: Business Plan 2015/16

**Sources/background papers:**

None

---