

**SURREY COUNTY COUNCIL**

**PENSION FUND BOARD**

**DATE: 2 JUNE 2017**

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

**SUBJECT: PENSION FUND BUSINESS PLAN 2016/17: 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 2016/17.

#### **RECOMMENDATION:**

It is recommended that the Pension Fund Committee:

Note the achievements and progress made with regard to the Business Plan objectives shown in Annex 1 in respect of the 2016/17 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 12 February 2016, the Committee approved a business plan for 2016/17, 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 2016/17, and the target date when these should be achieved.
- 2 The original 2016/17 business plan is shown as Annex 1.

##### **Outturn 2016/17**

- 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 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 2016.

Outcome: **Achieved**

The Pension Fund Annual Report was posted onto the Fund's website in mid-September 2016.

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

Outcome: **Achieved**

There have been no complaints against the Pensions Administration team staff during the year. The Orbis customer services team are developing a more robust monitoring of customer experience and the Fund will report on these findings throughout 2017/18. There was one Stage One internal dispute resolution procedure (IDRP) appeal in 2016/17. This appeal concerned a reconsideration of the date of the payment of a deferred benefit. The scheme employer was directed to reconsider its decision.

There was also one Stage Two IDRP appeal. This related to the employer decision to reduce an added years payment. The Stage One adjudicator had upheld the employer decision. However, the Stage Two adjudicator found in favour of the appellant. No cases have been referred to the Pensions Ombudsman in 2016/17.

- 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: Review the current pension service level agreement between the pension fund and the pension services team.

Outcome: **Partially Achieved**

A new pension service level agreement is currently being drafted with input from the Senior Specialist Advisor, Pensions Services Manager and Customer Services Manager. The completion of the project is on target for approval by the Pensions Fund Committee for the meeting on 15 September 2017.

- 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. A customer services survey has been issued to help facilitate the review of the KPI element of the administration strategy. The reviewed strategy will be presented to the Pension Fund Committee on 15 September 2017.

- 10 Action 7: Prepare an employer risk/covenant model in partnership with Hymans

Outcome: **Achieved**

An employer risk/covenant model was designed and implemented for the 2016 actuarial valuation. This resulted in scheme employers being categorised into one of four groups, designed to be indicative of the overall security that they offered the Pension Fund. The four categories are linked to differing assumptions on performance against a funding target. Employers have been offered the opportunity to switch between categories if they provide the Fund with additional assurances on security.

### **Outturn: Communication**

- 11 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 2017 and confirmed in writing as part of a newsletter sent to all pensioners of the Surrey Pension Fund.

- 12 Action 2: Timely production of benefit statements.

Outcome: **Partially Achieved**

Benefit statements were issued in September 2016, slightly outside the statutory target date of 31 August. The delay was primarily a result of the additional workloads associated with the triennial valuation data submission, enhanced by the career average scheme change that was introduced in April 2014.

Although no complaints were received from scheme members, this was still reported to the Pensions Regulator as a breach, in accordance with published guidance. The Regulator is understanding of the administrative challenges facing local authority funds and was satisfied that no further action was

required. Benefit statements will be available online for active members in 2017.

- 13 Action 3: Ensure communication material complies with current legislation and effectively communicates the benefits of the scheme to members and employers. Ensure communication material is amended to comply with the requirements of new regulations/legislation.

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 bulletins which have provided details of regulatory and wider legislative and procedural changes.

- 14 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 progress following the Department of Communities and Local Government (DCLG) approval issued in December 2016. 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.

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

Outcome: **Achieved**

The Fund held a successful annual meeting on 18 November 2016, 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.

- 16 Action 6: Communicate actuarial valuation to all employers

Outcome: **Achieved**

Following a successful actuarial process, the outcome was of the valuation was communicated to all employers and various negotiations entered into and concluded.

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

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

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 Paula McCall 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 10 February 2017. Subsequent negotiations were completed prior to the 31 March 2017 deadline.

A draft Funding Strategy Statement was sent to all employers for consultation with a final draft to be approved at the 2 June 2017 Pension Fund Committee meeting. Every member organisation has received a confirmed schedule of employer contribution rates and deficit contributions in respect of the next three years.

- 18 Action 2: Implement 2016 actuarial valuation and communicate results to all employers.

Outcome: **Achieved**

The Fund's actuary presented to a meeting of the Surrey Treasurers Association on 4 November 2016 and to organisational employers' representatives at the Fund's annual meeting held on 18 November 2016.

- 19 Action 3: Receive satisfaction survey feedback from employers (all employer bodies).

Outcome: **Achieved**

The Fund's actuary presented to the Fund's annual meeting held on 18 November 2016. One-to-one sessions with individual employer representatives after the meeting resulted in the resolution of many queries and problems. Feedback received was positive.

- 20 Action 4: Provide employers with IAS19/FRS17 funding statements when requested.

Outcome: **Achieved**

Individual FRS17/IAS19 reports (2016/17 accounts closure) were commissioned and provided to all employer bodies as required in line with individual deadlines.

- 21 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.

- 22 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

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

Outcome: **Achieved**

Results of the questionnaires designed for the assessment of the Committee's governance will be presented to the Committee on 2 June 2016, with initial new member training and future training proposals presented to the same meeting. Committee members are invited to discuss the 2016/17 financial year with a view to reviewing its decision-making process and the effectiveness of the way in which its decisions are made.

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

Outcome: **Achieved**

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 2 June 2016. In addition, the Committee will be invited to complete the Pensions Regulator's Public Sector Toolkit Modules by the 15 September Pension Fund Committee meeting.

- 25 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.

- 26 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.

- 27 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 Investment Strategy Statement, incorporating the Fund's stated compliance with Myners/CIPFA principles will also be considered at the 2 June 2016 Committee meeting.

- 28 Action 6: Ensure that Committee is kept fully up-to-date with the national asset pooling project and proposed amendments to legislation.

Outcome: **Achieved**

The national asset pooling was a constant agenda item throughout all of the Pension Fund Committee meetings during 2016/17. The Pension Fund Committee signed off the Border to Coast proposal at its meeting on 10 February 2017 and full Council signed off the proposal on 15 March 2017. The Border to Coast Joint Committee will meet for the first time on 6 June 2017.

### **Outturn: Financial and Risk Management**

- 29 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.

- 30 Action 2: Produce Annual Statement of Accounts and achieve an unqualified audit.

Outcome: **Achieved**

This was produced on time (2015/16 accounts, financial statements and annual report) with no external audit qualifications.

- 31 Action 3: Produce Annual Pension Fund Report.

Outcome: **Achieved**

The Pension Fund Annual Report was posted onto the Fund's website in September 2016. It was used as the basis for a number of categories for the Local Government Chronicle (LGC) Large Pension Fund of the Year Award 2016, with Surrey shortlisted on each occasion.

- 32 Action 4: Ensure ongoing risk assessments of the management of the fund for 2016/17.

Outcome: **Achieved**

An evaluation of the Fund's risk assessments with risk control procedures and mitigations was presented at every Committee meeting in 2016/17 and will be a regular agenda item at every future meeting.

- 33 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. This is in addition to a business continuity resilience which is applied to the pension administration system software, Altair, employed by the Pension Services Team.

- 34 Action 6: To review the current employer covenant assessment process.

Outcome: **Achieved**

The Fund's new risk assessment in accordance with strength of covenant was approved by the Pension Fund Committee at the meeting of 12 February 2016 was applied in the 2016 actuarial valuation process.

### **Outturn: Investment**

- 35 Action 1: Annual consideration of the CIPFA/Myners principles.

Outcome: **Ongoing**

Consideration of the principles is a regular agenda item at every Pension Fund Committee meeting.

- 36 Action 2: Review of investment manager arrangements.

Outcome: **Achieved**

A multi asset credit portfolio was implemented during 2016/17 and the Fund's Standard Life GARS diversified growth portfolio was terminated and transitioned to Aviva Investors and Ruffer. Work is continuing on the investment strategy review, further diversification possibilities (including infrastructure) and future de-risking as the funding level approaches 100%.

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

Outcome: **Achieved**

Asset allocation and variances have been consistently reviewed at each quarterly. An asset repositioning exercise and transition process between managers was conducted during 2016/17.

- 38 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 2016/17 and the minutes included in Committee agenda reports with the independent advisor's written and verbal commentaries at meetings.

- 39 Action 5: Review the Statement of Investment Principles SIP (now Investment Strategy Statement (ISS))

Outcome: **Achieved**

Revised versions of the SIP (and a new version of the ISS) were approved at every Committee meeting in 2016/17. An updated version of the ISS will be presented at every Committee meeting.

- 40 Action 6: Pension Fund Committee to receive quarterly investment monitoring reports.

Outcome: **Achieved**

Investment performance review reports are considered by the Committee every quarter.

- 41 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 second response to the pooling initiative (Surrey formed the Border to Coast Pensions Platform) in July 2016 and the response to the proposed new MIFID Regulations in December 2016.

- 42 Action 8: Respond to the Government's proposal on national asset pooling and Investment Regulations.

Outcome: **Achieved**

The Surrey Pension Fund posted the pooling response on behalf of Border to Coast on 15 July 2016.

## **Outturn: Local Pension Board**

- 43 Action 1: Reasonably comply with any requests from the Local Pension Board with regard to any aspect of the Scheme Manager function.

Outcome: **Achieved**

The Local Pension Board has worked collaboratively with the Pension Fund Committee in order to enable it to assist the Pension Fund Committee in securing compliance with the LGPS regulations, pension law and guidance from the Pensions Regulator.

- 44 Action 2: Give due consideration to recommendations made to the Pension Fund Committee from the Local Pension Board and respond to the Local Pension Board within a reasonable period of time.

Outcome: **Achieved**

Although the Local Pension Board has not presented the Pension Fund Committee with any specific recommendations, the Pension Fund Committee has been fully supportive of any requests or activities of the Local Pension Board.

- 45 Action 3: Provide Local Pension Board members access to training offered to Pension Fund Committee members.

Outcome: **Achieved**

Local Pension Board members have been offered access to ongoing training. This has been provided in-house and through external organisations, such as CIPFA and the LGA.

- 46 Action 4: Invite members of the Local Pension Board to attend Pension Fund Committee meetings.

Outcome: **Achieved**

Local Pension Board members have been invited to and have regularly attended Pension Fund Committee meetings. This invitation has been reciprocated by the Local Pension Board for the Pension Fund Committee to attend Local Pension Board meetings.

#### **CONSULTATION:**

- 47 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:**

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

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

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

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

- 50 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**

- 51 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.

**OTHER IMPLICATIONS**

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

**WHAT HAPPENS NEXT:**

- 53 The following next steps are planned:
- Continuation of the current year's work programme in line with the 2016/17 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.

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**Contact Officer:**

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

**Consulted:**

Pension Fund Committee Chairman

**Annexes:**

Annex 1: Business Plan 2016/17

**Sources/background papers:**

None

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