

SURREY COUNTY COUNCIL

PENSION FUND BOARD

DATE: 8 JUNE 2018

LEAD OFFICER: SHEILA LITTLE, DIRECTOR OF FINANCE

SUBJECT: PENSION FUND BUSINESS PLAN 2017/18: 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 2017/18.

RECOMMENDATIONS:

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 2017/18 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 10 February 2017, the Committee approved a business plan for 2017/18, 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 administration, communication, funding, governance, risk management and investment tasks to be carried out during 2017/18, and the target date when these should be achieved.
- 2 The original 2017/18 business plan is shown as Annex 1.

Outturn 2017/18

- 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 KPR I 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 2017.

Outcome: **Achieved**

The Pension Fund Annual Report was posted onto the Fund's website in mid-September 2017.

- 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 Pension Administration team staff during the year. A robust procedure has now been put in place to capture day to day complaints ensuring that they are logged and communicated to within the 10 day turnaround time. Analysis has also taken place on the types of complaints received and how customer service can be improved, leading to the implementation of quicker and more effective administration processes.

This was reported to the Local Pension Board throughout 2017/18. There were five Stage One internal dispute resolution procedure (IDRP) appeal in 2017/18.

There was also three Stage Two IDRP appeal. In each case the Stage Two adjudicator found in favour of the scheme employer. One case was referred to the Pensions Ombudsman in 2017/18; a judgement from the Ombudsman is still awaited.

- 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 pension services team as part of a new service specification.

Outcome: **Achieved**

A new pension service specification was approved by the Pensions Fund Committee at its meeting on 15 September 2017.

- 9 Action 6: Design a new pension fund administration strategy.

Outcome: **Partially Achieved**

The revised strategy was approved to issue for a consultation with scheme employers by the Pension Fund Committee on 15 September 2017. The initial consultation was from 18 September 2017 to 23 October 2017, but, was extended to 30 November 2017 at the request of scheme employers. A number of revisions were suggested by scheme employers, which the pension fund is trying to accommodate where possible. This accommodation requires agreement from the pension administration team and once received a further consultation will be issued to scheme employers.

- 10 Action 7: Complete Implementation of the employer risk/covenant model in partnership with Hymans

Outcome: **Achieved**

An employer risk/covenant model was implemented for the 2016 actuarial valuation, as was fully effective from 1 April 2017. A number of employers have provided covenant assurance to allow a change in their risk categorisation by the Fund.

Outturn: Communication

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

Outcome: **Achieved**

All pensioners in the Surrey Pension Fund were contacted in writing to confirm the new rate of their pension in payment and to inform them about the online portal, the Staff Retirement Association and other information relevant to pensioner members in April 2018.

- 12 Action 2: Timely production of benefit statements.

Outcome: **Partially Achieved**

Benefit statements for active members were made available online by 31 August 2017 (providing the information needed to produce the statements had been supplied by the employer). Paper statements were issued by 31 August 2017 to those members who it was not possible to contact by email.

Benefit statements for deferred members were issued in early September following lengthy and unexpected delays at the external printers. A new

supplier has been found meaning that deferred statements for 2018 will be posted within 24 hours of the data and template document being sent to the printing company.

Although no complaints were received from scheme members, in accordance with the Surrey Pension Fund Breaches Policy, the late production of statements was reported to the Pensions Regulator who has now responded to the breach report by advising that they do not intend to take any further action with regard to the breach.

- 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 and Local Board 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 17 November 2017, attended by the actuary who was available for one-to-one sessions with employer representatives following the formal meeting.

- 16 Action 6: Communicate actuarial valuation to all employers

Outcome: **Achieved**

Following a successful actuarial process, communications were concluded.

Outturn: Actuarial/Funding

- 17 Action 1: Implement current actuarial valuation 2016.

Outcome: **Achieved**

Relevant changes were implemented effective from 1 April 2017. New employers admitted to scheme have had their contributions assessed using these assumptions.

- 18 Action 2: Communicate results to all employers.

Outcome: **Achieved**

A draft Funding Strategy Statement was sent to all employers for consultation with a final draft 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.

- 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 17 November 2017. 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, as follows:

- Scheduled and admitted bodies: Mar 2017
- Colleges: July 2017
- Academies: August 2017

- 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. This is reported in the quarterly statistics report to the Local Pension Board. 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: **Partially Achieved**

A governance review was identified in the Pension Committee forward plan to be carried out in the second/third quarter of 2017/18. This will include questionnaires designed for the assessment of the Committee's decision making.

- 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.

- 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: **Partly 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 be reviewed as part of the governance review in the second/third quarter of 2017/18.

- 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 2017/18. The Pension Fund Committee have been active participants in the Border to Coast Joint Committee will met for the first time on 6 June 2017.

29. Action 7: Ensure Committee is kept up to date with Pensions Regulator Code of Conduct

Outcome: **Achieved**

The Committee were provided with a training session on the Pensions Regulator Code of Conduct on 12 February 2016 and have been update where appropriate.

Outturn: Financial and Risk Management

- 30 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.

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

Outcome: **Achieved**

This was produced on time (2016/17 accounts, financial statements and annual report) with no external audit qualifications.

- 32 Action 3: Produce Annual Pension Fund Report.

Outcome: **Achieved**

The Pension Fund Annual Report is posted onto the Fund's website.

- 33 Action 4: Ensure ongoing risk assessments of the management of the fund for 2017/18.

Outcome: **Achieved**

An evaluation of the Fund's risk assessments with risk control procedures and mitigations was presented at every Committee meeting in 2017/18 and will be a regular agenda item at every future meeting.

- 34 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.

- 35 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. This process has been employed for all new employers entering the Surrey scheme in 2017/18.

Outturn: Investment

- 36 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.

- 37 Action 2: Review of investment manager arrangements.

Outcome: **Achieved**

The investment grade bond element of portfolio with Western has been terminated and transitioned to the multi asset credit portfolio with Western 2017/18. An allocation to infrastructure (through Pantheon) was agreed and implemented in 2017/18. Downside equity protection on the global equity section of the portfolio was implemented in 2017/18, and conditions established to extend this to the UK equity sleeve of the portfolio.

- 38 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 2017/18. A deep dive in to the mix of the equity portfolio is ongoing with support from Mercer and our independent advisors, with recommendations likely to be taken to the Committee in the first quarter of 2018/19.

- 39 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 2017/18 and the minutes included in Committee agenda reports with the independent advisor's written and verbal commentaries at meetings.

- 40 Action 5: Implement new Investment Strategy Statement (ISS)

Outcome: **Achieved**

The ISS was approved at the Committee meeting of 10 February 2017 were approved at every Committee meeting in 2017/18. Any updates to the ISS have been presented to the Committee for approval.

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

Outcome: **Achieved**

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

- 42 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.

- 43 Action 8: Implement plan re national asset pooling (Border to Coast Pensions Pool (BCPP)).

Outcome: **Achieved**

The Surrey Pension Fund has been represented by the Chairman as a member of the BCPP Joint Committee and officers have contributed to the planning through the Officers Operations Group. Sub-fund creation and the transition of the first tranche of Fund assets is expected towards the end of 2018.

Outturn: Local Pension Board

- 44 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.

- 45 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**

The Local Pension Board has presented the Pension Fund Committee with recommendations in the area of administration and ESG. The Pension Fund Committee has been supportive of these recommendations requests or activities of the Local Pension Board.

- 46 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.

- 47 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.

- 48 Action 5: Commission the Local Pension Board to carry out specific studies to assist the Pension Fund Committee.

Outcome: **Achieved**

On 11 November 2016, the Pension Fund Committee commissioned the Local Pension Board to review how ESG factors are taken into consideration informing the Investment Strategy Statement of the Surrey Local Government Pension Scheme (LGPS) Fund. The Local Board's conclusions were reported to the Pension Fund Committee at its meeting on 2 June 2017.

CONSULTATION:

- 49 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:

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

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

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

DIRECTOR OF FINANCE COMMENTARY

- 52 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

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

EQUALITIES AND DIVERSITY

- 54 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

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

WHAT HAPPENS NEXT:

- 56 The following next steps are planned:
- Continuation of the current year's work programme in line with the 2018/19 business plan.
 - Progress monitoring will take place and, if necessary, matters will be discussed at future Committee meetings.
 - Outturn report of the 2018/19 financial year to be presented at the first meeting of the Pension Fund Committee in 2019/20.

Contact Officer:

Neil Mason, Head of Pensions

Consulted:

Pension Fund Committee Chairman

Annexes:

Annex 1: Business Plan 2017/18

Sources/background papers:

None

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