

SURREY COUNTY COUNCIL**PENSION FUND COMMITTEE****DATE:** 12 MARCH 2021**LEAD OFFICER:** ANNA D'ALESSANDRO, DIRECTOR OF CORPORATE FINANCE**SUBJECT:** PENSION FUND BUSINESS PLAN 2021/22**SUMMARY OF ISSUE:**

| Strategic objectives | | | |
|----------------------|---------|------------|----------|
| Investment | Funding | Governance | Delivery |

The Business Plan 2021/22 is the operational framework for the Fund to meet its strategic objectives, consistent with its Mission Statement.

RECOMMENDATIONS:

It is recommended that the Pension Fund Committee:

1. Approves the proposed amendments to its Mission Statement.
2. Approves the Business Plan 2021/22 shown in Annexe 1.

REASON FOR RECOMMENDATIONS:

The Business Plan provides the operational framework for the Pension Fund Committee to agree and deliver its strategic objectives for investment, funding, governance and delivery.

DETAILS:**Background**

1. At the Pension Fund Committee meeting of 13 March 2020, the Pension Fund Committee approved a business plan for 2020/21, identifying the key issues affecting the Pension Fund over the medium term and a timetable of activities needed to help achieve the strategic objectives.
2. At the next Committee meeting on 11 June 2021, an outturn report will be presented, detailing the progress and achievements made against the 2020/21 business plan.

Proposed Changes to the Mission Statement

3. In its meeting of 7 June 2019, the Committee approved the following Missions Statement:

"The Surrey Pension Fund will deliver a first-class service through strong partnerships with scheme members, employers, the Border to Coast Pool

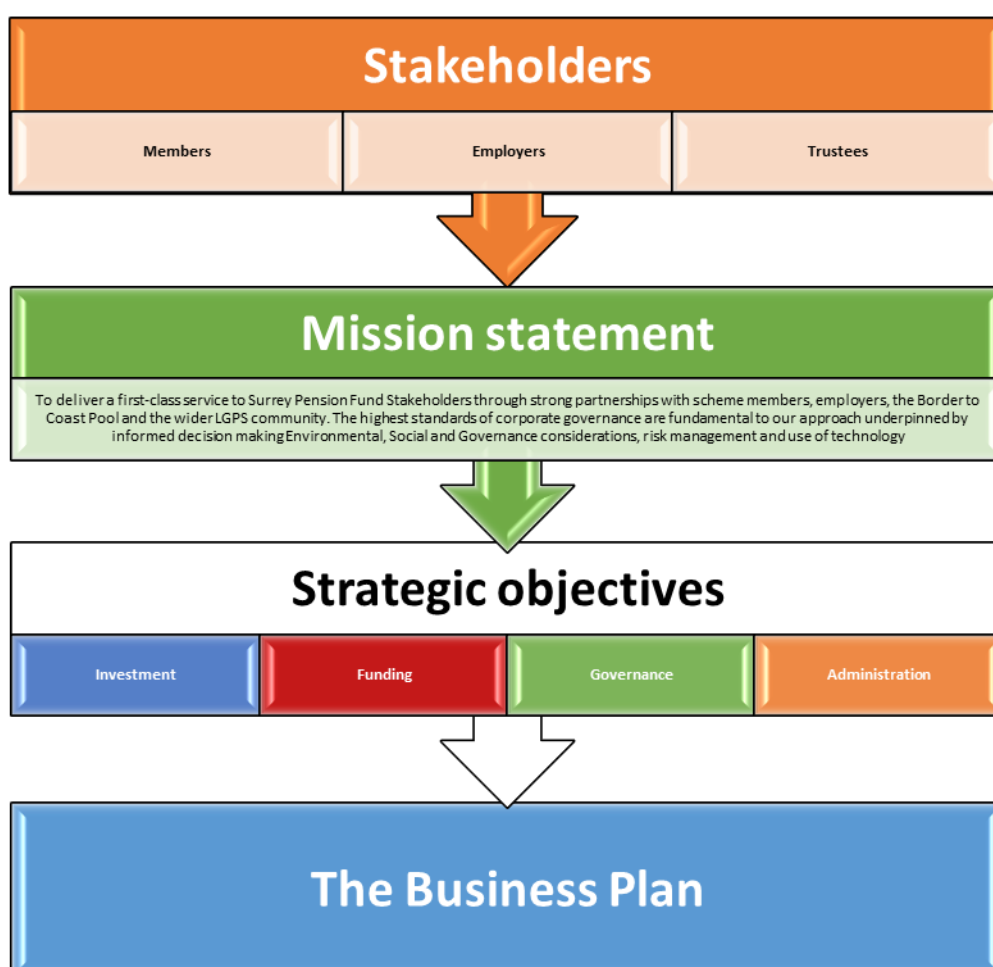
and the wider LGPS community. Environmental, Social and Governance (ESG) factors are fundamental to our approach which is underpinned by risk management, informed decision making, the use of technology and the highest standards of corporate governance.”

4. To allow the Mission Statement to more clearly focus on the fact that all Fund activity is derived by the needs of its stakeholders and supported by the highest standards of corporate governance, the following minor changes to the Mission Statement are proposed:

“To deliver a first-class service to Surrey Pension Fund Stakeholders through strong partnerships with scheme members, employers, the Border to Coast Pool and the wider LGPS community. The highest standards of corporate governance are fundamental to our approach underpinned by informed decision making Environmental, Social and Governance considerations, risk management and use of technology.”

Business Plan 2021/22

5. The Business Plan 2021/22 is derived from the strategic objectives to complete the following governance process for the Fund:



6. From the Mission Statement the following strategic objectives were agreed for investment, funding, governance and delivery:

Investment objectives

- To have a clearly articulated strategy for achieving the return required to meet pension payments.
- To have a strategic asset allocation that delivers long-term investment returns, while taking the appropriate level of risk required.
- To have sufficient liquid resources available to meet the Fund's ongoing obligations.
- To ensure material ESG factors are fundamental to all investment decisions.
- To appoint managers and advisors to deliver the investment strategy and monitor their effectiveness.

Funding objectives

- To ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment.
- To ensure that employer contribution rates are affordable and stable.
- To reflect the different characteristics of scheme employers in determining contribution rates.
- To ensure administration costs attributable to scheme employers are charged proportionately to how they are accrued.
- To take reasonable measures to reduce the risk to all employers of any employer defaulting on its pension obligations.

Governance objectives

- To deliver all LGPS administering authority functions to a high level of quality while recognising the need to deliver value for money.
- To ensure that policies support the strategic aims and objectives of the Fund.
- To ensure the effectiveness of the Pension Fund Committee, Local Pension Board and officers to which delegated function has been passed, including areas such as decision making processes, knowledge and competencies.
- To ensure that decision making authority and areas of responsibility are clearly defined and reflected in the Council's Scheme of delegation, terms of reference and procedures.
- To recognise that communication is a two-way process and to communicate in a straightforward, effective and friendly way with all our stakeholders. We will listen and take on board all feedback.
- To ensure the Pension Fund Committee and officers procure professional advice and appropriate information and interpret, scrutinise and challenge that advice in their supervision and monitoring of the Scheme in all areas.
- To enable the management of risks and internal controls to underpin the activities of the Fund.
- To comply with relevant legislation, The Pensions Regulator's requirements and acknowledged best practice.

- To periodically seek external assurance as to the effectiveness of the governance framework. To report on this effectiveness.
- To act with integrity and transparency in a way that upholds public confidence in the management of Fund.

Delivery objectives

- To ensure the correct benefits are paid to, and the correct income collected from, the correct people at the right time.
 - To set out the administration standards expected of the Fund and scheme employers and the methods by which performance will be monitored and reported. To support employers in achieving those standards.
 - To promote good working relationships and maximise efficiency between the SPF and scheme employers.
 - To ensure scheme employers are aware of and understand their roles and responsibilities under the LGPS regulations.
 - To ensure that the Fund maintains accurate pension records and that all data is stored, handled, reviewed and disposed of securely and in accordance with its legal obligations.
 - To ensure that the administration costs attributable to scheme employers are charged proportionately to how they are accrued.
 - To ensure that Scheme members, employers and others who have dealings with the Fund receive a strong customer focused service.
 - To ensure members are communicated effectively so that they understand and appreciate the value of their benefits.
7. Annexe 1 sets out a draft recommended Business Plan for 2021/22. The plan lists the investment, funding, governance and delivery tasks scheduled to be carried out during 2021/22, the target date when these should be achieved, and the responsible officer(s).

8. The Committee is requested to note the following additions to the 2020/21 Business Plan:

Investments

- Update the investment strategy statement to include investment core beliefs.
- Review Investment consultant and independent advice.
- Taskforce for Climate Related Disclosures (TCFD) reporting.
- Stewardship code reporting.
- Implement replacement for gilts.
- Review passive portfolio.
- Review engagement framework with Border to Coast.

Funding

- Review TUPE Process.
- Plan for 2022 Valuation.

Governance

- Review and catalogue all policies.
- Delivery of Training plan.
- Liaise with Internal Audit process.

Delivery

- Plan for impact of McCloud.
 - Plan for Goodwin.
 - Plan for Guaranteed Minimum Pensions (GMP) equalisation.
 - Data improvement – review data improvement plan.
9. The Business Plan 2021/22 informs the Forward Plan of the Pension Fund Committee for 2021/22.

Activities not included in the Business Plan 2021/22

10. As a result of a review of the Orbis partnership management of pension administration, it had been concluded that pension administration should revert to the sovereign control of Surrey County Councils (SCC) respectively.
11. A pension administration “Turnaround Board” was established to oversee the dissolution of the Orbis pension partnership, along with reversion to sovereign authorities and partnership fund relationships. The constituent projects of the Turnaround programme have target full completion date of February 2022.
12. A “Transformation Board” has been established to design and implement the optimum structure to deliver an integrated service for the Surrey Pension Fund. Emphasis will move more to the Transformation programme as the Turnaround programme rolls off.
13. Milestones of the Turnaround and Transformation programmes are not included in the Business Plan 2021/22. Although there are no specific decisions to be made from the Pension Fund Committee in relation to these Turnaround and Transformation programmes, progress on these programmes are provided to the Pension Fund Committee and the Local Pension Board at their quarterly meetings and the Chairman of the Pension Fund Committee and the Local Pension Board are given updates on a monthly basis.

CONSULTATION:

14. The Chairman of the Pension Fund Committee has been consulted on the proposed change and has offered full support for the proposals.

RISK MANAGEMENT AND IMPLICATIONS:

15. A risk related issue is the possibility of not achieving part or all of the business plan. Given the outturn report that is compiled at year end and the measurement of progress against approved objectives, officers are very

aware of the need to monitor performance against business plan objectives on a regular basis.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

16. The costs of the proposed actions will be funded from the administrative expenses of the pension fund.

DIRECTOR OF CORPORATE FINANCE COMMENTARY

17. The Director of Corporate Finance is satisfied that the Business Plan focuses on the key activities that will provide the Pension Fund Committee and officers with a useful framework to monitor the progress of the Fund in meeting its strategic objectives.

LEGAL IMPLICATIONS – MONITORING OFFICER

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

EQUALITIES AND DIVERSITY

19. The creation of a business plan will not require an equality analysis, as the initiative is not a major policy, project or function being created or changed.

WHAT HAPPENS NEXT:

20. The following next steps are planned:
- Commencement of the year's work in line with the draft business plan.
 - Officers will revise the Business Plan in accordance with any suitable recommendations arising from the governance review and bring to the Committee for approval.
 - Progress monitoring will take place and, if necessary, matters will be discussed at future Committee meetings.
 - Outturn report of the 2021/22 financial year to be presented at the first meeting of the Pension Fund Committee in 2022/23.

Contact Officer:

Neil Mason, Strategic Finance Manager (Pensions)

Consulted:

Pension Fund Committee Chairman

Annexes:

Annexe 1: Business Plan 2021/22

Sources/background papers:

None
