

Cronfa Bensiynau Clwyd
Clwyd Pension Fund



FLINTSHIRE COUNTY COUNCIL

**Administering Authority for
Clwyd Pension Fund**

BUSINESS PLAN 2015/16 TO 2017/18

March 2015

Introduction

This is the business plan for the Clwyd Pension Fund, which is managed and administered by Flintshire County Council. The business plan details our priorities and areas of key focus in relation to the Clwyd Pension Fund for 2015/16, 2016/17 and 2017/18. This business plan was approved at the Clwyd Pension Fund Committee meeting on 24th March 2015. The business plan is formally reviewed and agreed every year. However, throughout the year it is monitored and the Pension Fund Committee may be asked to agree to changes to it.

The purpose of the business plan is to:

- explain the background and objectives of Flintshire County Council for the management of the Clwyd Pension Fund
- document the priorities and improvements to be implemented by the pension service during the next three years to help achieve those objectives
- enable progress and performance to be monitored in relation to those priorities
- provide staff, partners and customers with a clear vision for the next three years.

In addition, this business plan includes a budget for expected payments to and from the Clwyd Pension Fund during 2015/16 including the resources required to manage the Fund.

Further Information

If you require further information about anything in or related to this business plan, please contact:

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Background to the Clwyd Pension Fund

The Clwyd Pension Fund (the Fund) is a £1.3bn¹ Local Government Pension Fund which provides death and retirement benefits for local government employees (other than teachers, police and firefighters) in North East Wales and employees of other qualifying bodies which provide similar services.

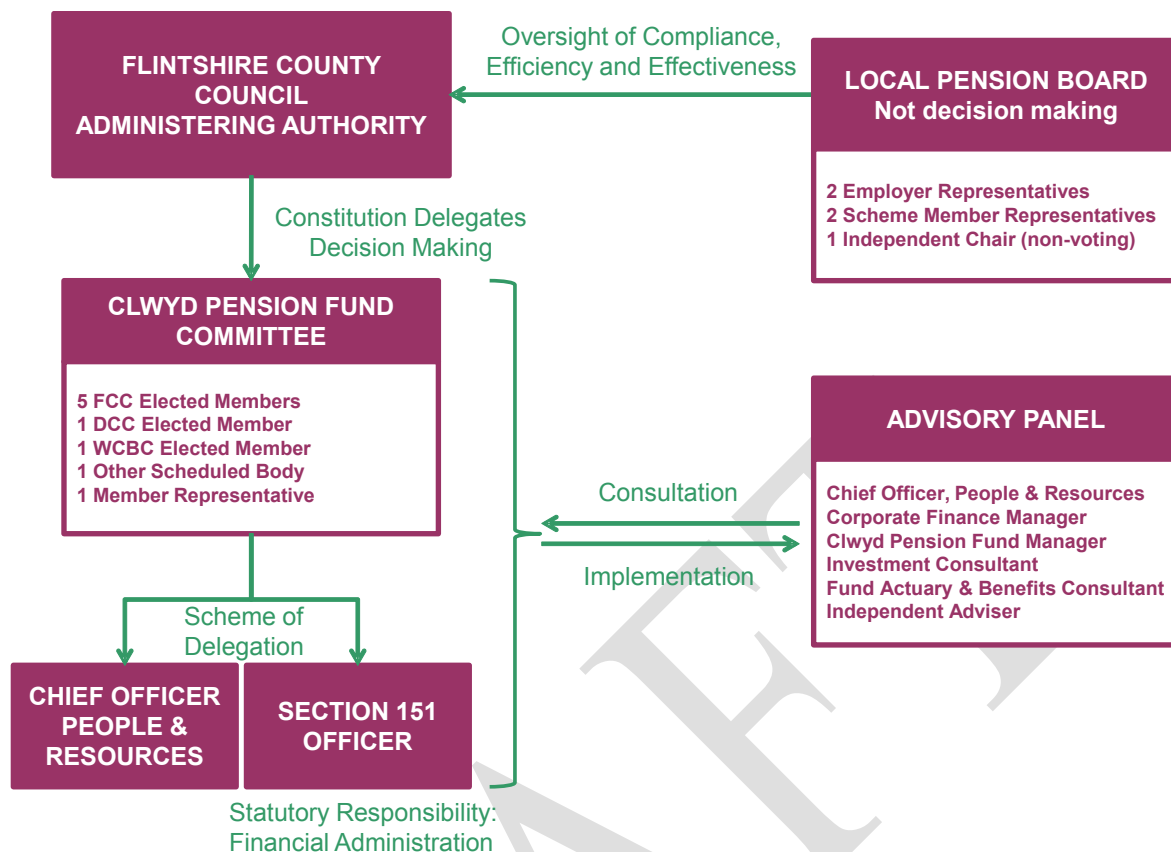
Total Fund membership is about 40,000 with about 16,000 active contributors from 29 contributing employers and about 24,000 retired members, widows and deferred members.

Governance and Management of the Fund

The key decision making and management of the Fund has been delegated by Flintshire County Council (the Council) to a formal Pension Fund Committee, supported by a Pensions Advisory Panel. Gary Ferguson, the Corporate Finance Manager is the Section 151 Officer and therefore has a statutory responsibility for the proper financial affairs of the Council including Fund matters. In addition, the Council has delegated specific responsibilities to the Chief Officer – People and Resources, Helen Stapleton. By 1 August 2015, a local pension board will be in place to assist in:

- securing compliance of Fund matters and
 - ensuring the efficient and effective governance and administration of the Fund.
- This structure is illustrated below.

¹ Information correct as at February 2015.

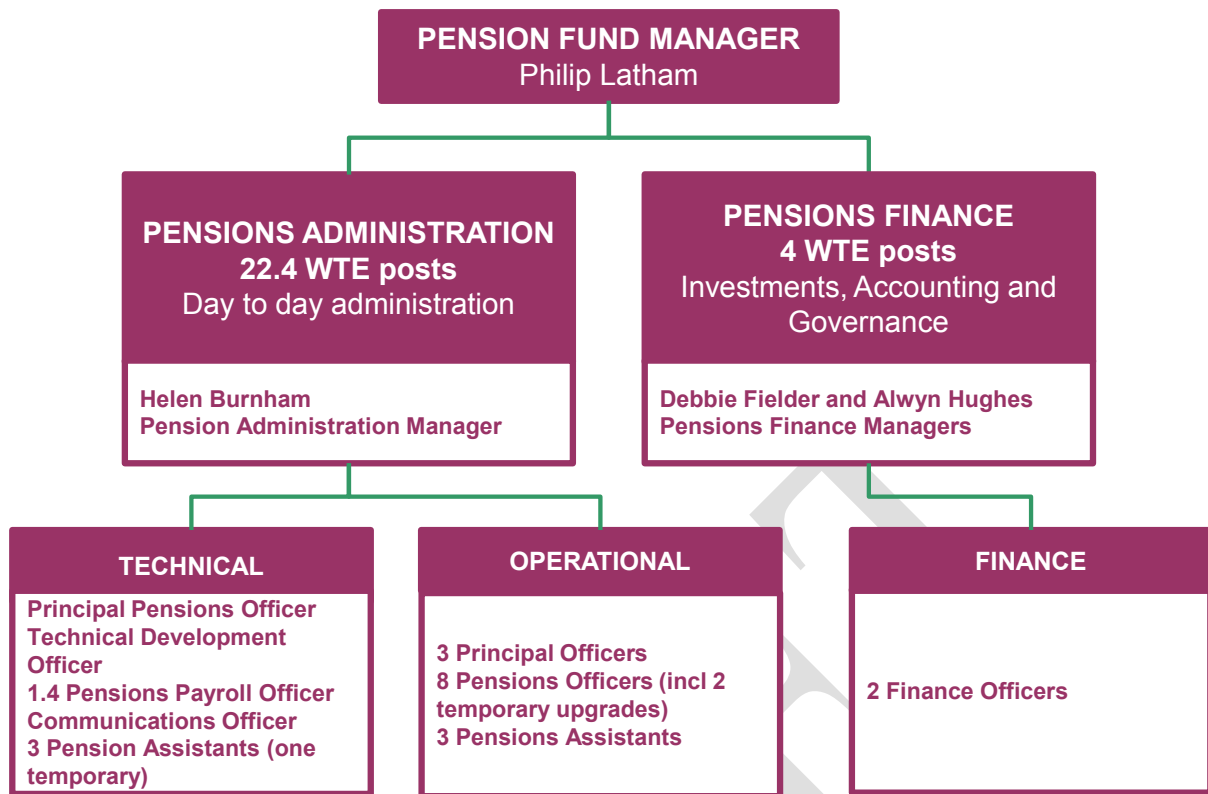


The Pension Fund Management Team

The day to day operations of the Fund are managed by Philip Latham, the Pension Fund Manager. He is supported by two teams:

- The Pension Administration Section which is responsible for the day to day administration of pension benefits and is headed by Helen Burnham. The section is split between an Operational Team and a Technical Team. The Operational Team delivers a pensions service for approximately 40,000 scheme members and 29 employing bodies. This includes the calculation of various benefits, transfers in and out, refunds and maintenance of individual records. The Technical Team implements and maintains the pension software systems, reconciles employer records, provides a communication service for members and employers and a pensioner payroll service for 11,000 pensioners and dependents.
- The Pensions Finance Section which is responsible for accounting, investment and governance matters, headed by Debbie Fielder and Alwyn Hughes. The section is responsible for the day to day accounting and closure of the accounts. Additionally, the section is responsible for the monitoring of 7 core external fund managers as well as 38 non-core external fund managers responsible for around 120 separate funds. The Pension Finance Managers are involved with the appointment of new fund managers and are also responsible for sourcing and recommending new in-house investments.

The full structure as at March 2015 is illustrated below.



The pension fund management team and Pension Fund Committee are assisted by a range of specialist consultants, suppliers and fund managers.

Aims and Objectives for the Management of the Fund

Our Mission Statement is:

- to be known as forward thinking, responsive, proactive and professional providing excellent customer focused, reputable and credible service to all customers.
- to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality, distinctive services within the resource budget.
- to work effectively with partners, being solution focused with a 'can do' approach.

Our key strategies and policies which guide the management of the Fund are listed below and can be found on our website at www.clwydpensionfund.org.uk.

- Governance Policy and Compliance Statement
- Training Policy and Conflicts of Interest Policy
- Statement of Investment Principles and Compliance Statement
- Funding Strategy Statement
- Communications Policy
- Employer Service Level Agreements

The key actions and areas of focus in our business plan (as shown in the appendix) are grouped into the five areas of governance, investments, funding, communications and administration, to align with the key aims and objectives of these strategies and policies. These aims and objectives are summarised below.

Governance

- Act in the best interests of the Fund's members and employers
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- Understand and monitor risk
- Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
- Clearly articulate our objectives and how we intend to achieve those objectives through business planning, and continually measure and monitor success
- Ensure that the Fund is appropriately managed and that its services are delivered by people who have the requisite knowledge and expertise, and that this knowledge and expertise is maintained within the continually changing Local Government Pension Scheme and wider pensions landscape.
- Ensure that those persons responsible for governing the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, that their decisions are robust and well based, and that they appropriately manage any potential conflicts of interest.

Funding and Investments

- Achieve and maintain assets equal to 100% of liabilities within the 18 year average timeframe, within reasonable risk parameters
- Determine employer contribution requirements, recognising the constraints on affordability and strength of employer covenant, with the aim being to maintain as predictable an employer contribution requirement as possible
- Recognising the constraints on affordability for employers, aim for sufficient excess investment returns relative to the growth of liabilities
- Strike the appropriate balance between long-term consistent investment performance and the funding objectives
- Manage employers' liabilities effectively through the adoption of employer specific funding objectives
- Ensure net cash outgoings can be met as/when required
- Minimise unrecoverable debt on employer termination.

The key objectives in relation to administration and communications will be considered during 2015/16 as part of the review of the administration and communication strategies.

The plan for the next three years

Key Challenges and Influences

This decade has seen and continues to see an unprecedented amount of external factors that impact or could impact the management of the Fund. The following are just some of the challenges which will need to be managed or responded to, some of which may even necessitate a review of the aims and objectives of the Fund:

- managing the outcome of the Government's consultation on the opportunities for collaboration, cost savings and efficiencies
- responding to any potential Welsh local government reorganisation
- implementing a new Local Pension Board and ensuring it operates in the spirit of the national Scheme Advisory Board guidance
- reviewing current practice and procedures against the new Pensions Regulator's Public Sector Code of Practice, including a greater requirement to demonstrate appropriate knowledge and skills of those involved in the management of the Fund
- implementing HM Treasury's policy on greater flexibility for pension benefits ("Freedom and Choice")
- completing a major data cleansing exercise to prepare for the cessation of contracting out status.

In addition, we will strive to meet the aims and objectives of our key strategies. Some of our key priorities will therefore be:

- finalising the implementation of the Fund's new investment strategy
- implementing improved administration processes including on-line facilities for employers and scheme members
- reviewing the Fund's funding strategy
- removing a backlog of administration tasks.

These and other priorities for the next three years are articulated in more detail in the appendix to this business plan, split into three sections; governance, funding and investments, and administration.

Budget

All the costs associated with the management of the Fund are a charge to the Fund and not to the Council. The following shows the expected income and expenditure to the Fund (cashflows) as well as the expected operating costs.

Cashflows projections for 2015/16

	Actual	Estimated	
	2013/14 £000s	2014/15 £000s	2015/16 £000s
Opening Cash	(15,874)	(30,520)	(12,982)
Payments			
Pensions	46,858	47,642	50,384
Lump Sums & Death Grants	12,861	14,000	14,700
Transfers Out	3,260	2,800	2,800
Expenses (including In House)	2,436	2,320	2,360
Support Services	242	240	240
Total Payments	65,657	67,002	70,484
Income			
Employer Contributions	(27,451)	(27,000)	(27,000)
Employee Contributions	(14,629)	(15,200)	(15,200)
Employer Deficit Payments	(24,666)	(28,550)	(27,200)
Transfers In	(3,802)	(4,000)	(4,000)
Pension Strain	(1,104)	(700)	0
Investment Income	(2,901)	(2,800)	(3,000)
Total Income	(74,553)	(78,250)	(76,400)
In House Investments			
Draw downs	46,624	54,459	46,053
Distributions	(33,135)	(69,463)	(76,291)
Net Expenditure /(Income)	13,489	(15,004)	(30,238)
Net Purchases/(Sales)	(1,259)	(1,210)	(1,050)
Rebalancing Portfolio	(17,980)	45,000	40,000
Total Net Cash Flow	(14,646)	17,538	2,796
Closing Cash	(30,520)	(12,982)	(10,186)

Operating Costs

	Actual	Budget	
	2013/14 £000s	2014/15 £000s	2015/16 £000s
Governance Expenses			
Employee Costs (Direct)	182	223	226
Support & Services Costs (Internal Recharges)	23	23	19
Premises	19	17	17
IT (Support & Services)	10	10	10
Other Supplies & Services)	47	51	56
Audit Fees	35	36	36
Actuarial Fees	148	64	192
Consultant Fees	229	253	341
Advisor Fees	0	63	156
Legal Fees	31	40	30
Performance Monitoring Fees	25	27	25
Total Governance Expenses	749	807	1,108
Investment Management Expenses			
Fund Manager Fees*	5,571	6,300	8,801
Custody Fees	17	17	34
Total Investment Management Expenses	5,588	6,317	8,835
Administration Expenses			
Employee Costs (Direct)	599	648	662
Support & Services Costs (Internal Recharges)	69	78	82
Outsourcing	0	0	800
Premises	78	75	75
IT (Support & Services)	223	227	250
Other Supplies & Services)	63	62	70
Miscellaneous Income	(2)	0	0
Total Administration Expenses	1,030	1,090	1,939
Total Costs	7,367	8,214	11,882

*Fund manager fees include elements now required to be disclosed by CIPFA.
The estimated 2013/14 manager fees, if restated, would total £9.773m
The estimated 2014/15 manager fees budget, if restated, would total £10.606m

Delivering the Business Plan

Monitoring and Reporting

In order to identify whether we are meeting our agreed business plan we will:

- continue to monitor progress of the key priorities and the agreed budgets on an ongoing basis within the pension fund management team and the Pension Fund Advisory Panel
- provide updates on progress against these key priorities on a quarterly basis to the Pension Fund Committee
- as part of these quarterly updates:
 - highlight any areas where we are exceeding or failing to achieve our targets and the reasons why, and identify any changes to the planned priorities as a result of this
 - highlight any significant additional spend or underspend in relation to the agreed budget as it becomes apparent.

Key Risks

This business plan covers all areas of management of the Fund, and our risk register identifies a number of risks that directly relate to the key priorities included in this business plan. A copy of our risk register can be requested from Philip Latham, the Pension Fund Manager. However there are a number of risks that relate to the overall delivery of this business plan which are outlined below. The Pension Fund Committee members, with the assistance of the Pension Fund Advisory Panel, will monitor these and other key risks and consider how to respond to them.

- changes in key officers resulting in loss of resource or continuity, and potentially diminishing knowledge and understanding.
- insufficient external resource (quality or quantity) to assist in delivering key priorities.
- lack of engagement by stakeholders, in particular employers, in carrying out their responsibilities.
- lack of understanding of external influences and required change.
- other unexpected influences or change requiring using existing resources.
- changes in Pension Fund Committee, Pension Board and/or Advisory Panel resulting in a reduced understanding or reduced support for the delivery of the business plan, or a change in focus for the management of the Pension Fund.
- high operational/administration costs lead to reputational damage.

Appendix

BUSINESS PLAN 2015-2017 – Key Tasks

Governance

Ref	Key Action -Task	2015/6 Period				Later Years	
		Q1	Q2	Q3	Q4	2016/ 17	2017/ 18
G1	Implement local Pension Board	x	x				
G2	Service local Pension Board		x	x	x		
G3	Implement Training Policy	x	x	x	x		
G4	Review/Tender Actuarial Contract		x	x			
G5	Review Framework agreement					x	
G6	Review/Tender Investment Consultancy and Independent Adviser Contracts					x	
G7	Review Arrangements against TPR Code of Practice			x			
G8	Allow for impact of external factors	x	x	x	x	x	x
G9	Review Performance of Fund against Scheme Advisory Board matrix					x	
G10	Consider/implement any changes of governance arrangements from Annual Review by Independent Adviser or Local Board				x	x	x
G11	Review People Strategy		x	x			

G1 – Implement local Pension Board

What is it?

Each LGPS Pension Fund is required to set up its own local Pension Board to oversee the decision making Pension Committee and to assist the Administering Authority with the efficient and effective governance of the Scheme. The new Board must be established by 1 April 2015 in line with the LGPS Governance Regulations, and should be fully populated and operational by 1 August 2015,

Timescales and Stages

Member Appointment Process:	2015/16 Q1/2
Member Training:	2015/16 Q1/2
Initial Meeting:	2015/16 Q2

Resource and Budget Implications

To be led by Pension Fund Manager with assistance from the Independent Adviser with all key decisions being made by the Chief Officer People and Resources. All internal costs are being met from the existing budget. There will be external adviser costs associated with this exercise.

G2 – Service local Pension Board

What is it?

Once the new Pension Board is established it will need ongoing support in carrying out its operational duties. As per the Board's Terms of Reference the responsibility for providing this support (e.g. arranging meetings, setting agendas, producing minutes etc.) will fall to the Board Secretary (the Pension Fund Manager) within the Council with it being chaired by the Independent Adviser (subject to confirmation). The Board Secretary will need to liaise closely with the Board members and, in particular, the Chair of the Board to ensure that Board meetings run as smoothly as possible.

Timescales and Stages

Board Secretary to liaise with Chair to determine support required:	2015/16 Q2
Board Secretary to determine support resource required:	2015/16 Q2/3
Ongoing support provided:	2015/16 Q2-4

Resource and Budget Implications

To be led by Pension Fund Manager with assistance from the Independent Adviser. All internal costs are being met from the existing budget and there will be external adviser costs associated with this exercise.

G3 – Implement Training Policy

What is it?

The Fund's Training Policy details how the Fund will ensure that training is delivered, and how the required training is identified for each member. A Training Plan will be submitted to the March 2015 Pension Fund Committee meeting. A new requirement is that the Pension Board members are legally required to have the appropriate level of knowledge and understanding to sit on the Board and, as such, will need to be appropriately trained. The Council will need to ensure that it implements the training in line with the Training Plan which will include training to Pension Committee members and senior officers in addition to the Pension Board members.

Timescales and Stages

Identify individual training needs for new board members:	2015/16 Q1/2
Source and ensure delivery of identified training needs:	2015/16 Q2/4
Keep appropriate records of training received:	2015/16 Q2/4

Resource and Budget Implications

Training requirements to be determined by Pension Fund Manager with assistance from the Independent Adviser. Other advisers and external sources may be used for delivering training. There will be external adviser costs associated with this exercise.

G4 – Review/Tender Actuarial Contract

What is it?

The Council needs to review its current actuarial contract to ensure it is getting all the services it wants at the appropriate price and at what it considers to be value for money. This review should include Funding Risk Management and also Benefit Consultancy Services. Following this review, and discussions with procurement, the Council needs to put the actuarial contract out to tender, perhaps using a national framework.

Timescales and Stages

Review current actuarial contract and identify tender process:	2015/16 Q2
Conduct tender for actuarial services:	2015/16 Q2/3

Resource and Budget Implications

To be led by Pension Fund Manager. All internal costs are being met from the existing budget.

G5 – Review Framework agreement

What is it?

Clwyd Pension Fund's framework agreement ceases in 2016/7 and we will need to consider whether there is a need to renew it.

Timescales and Stages

Carry out review:	2016/7
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Resource and Budget Implications

To be confirmed.

G6 – Review/Tender Investment Consultancy and Independent Adviser Contracts

What is it?

The Council will review its current investment consultancy and independent Adviser contracts.

Timescales and Stages

Carry out review and decide whether to tender or extend existing contract: 2016/17

Resource and Budget Implications

To be confirmed.

G7 – Review Arrangements against TPR Code of Practice

What is it?

The Public Service Pensions Act brought the Pensions Regulator's oversight to the Public Sector as well as the Private Sector. As a result, the Pensions Regulator has produced a Code of Practice which has recently been finalised, which sets out guidance on the best practice that all LGPS Funds should operate. The Council therefore needs to review its current arrangements against this best practice guidance to ensure that it is following best practice in all instances. As a result of this review, should any areas come to light where the current approach is not best practice, the Council will consider implementing changes to bring them in to line with best practice.

Timescales and Stages

Review arrangements against Code of Practice:	2015/16 Q3
Identify areas currently not considered best practice:	2015/16 Q3
Implement any changes required:	To be decided

Resource and Budget Implications

To be led by Pension Fund Manager with assistance from the Independent Adviser. All internal costs are being met from the existing budget. There will be external adviser costs associated with this exercise.

G8 – Allow for impact of external factors

What is it?

We are aware of a number of national issues currently under various stages of discussion which will eventually impact on the Council. These include the Government's 2014 Call for Evidence, Consideration of the Welsh CIV proposal, Local Authority Reorganisation in Wales and Scheme Advisory Board's recommendations on separation from the administering authority role. The impact of these issues, and others that arise, will be formally brought into the business plan as and when they are known in more detail.

Timescales and Stages

To be confirmed

Resource and Budget Implications

Unknown.

G9 – Review Performance of Fund against Scheme Advisory Board matrix

What is it?

The national LGPS Scheme Advisory Board has developed a range of performance measures and all LGPS funds will be expected to report against them. The impact of the results of the reporting is not yet known.

Timescales and Stages

Initial reporting expected: 2016/7

Resource and Budget Implications

Unknown.

G10 – Consider/implement any changes of governance arrangements from Annual Review by Independent Adviser or Local Board

What is it?

Every year the Independent Adviser will review the governance arrangements of the Pension Fund. In addition the local Pension Board in their oversight role may identify areas relating to the management of the Fund that they consider should be reviewed. Should either of these avenues recommend any governance changes, these will need to be considered, and if the Council agrees, the recommended governance changes will need to be implemented.

Timescales and Stages

Receive recommendations from Adviser or board:	Q4 2015/16 onwards
Consider any changes required from recommendations:	2016/17 onwards
Implement any agreed governance changes:	2016/17 onwards

Resource and Budget Implications

Unknown.

G11 – Review People Strategy

What is it?

The Council needs to review the continued appropriateness of the current operational staffing levels with the Pensions Administration department. In addition, annual appraisals need to be undertaken for all Pension Administration staff.

Timescales and Stages

Review staffing levels:	2015/6 Q1/2
Undertake appraisals:	2015/6 Q1/2

Resource and Budget Implications

To be led by Pension Fund Manager. All internal costs are being met from the existing budget albeit any necessary changes to staffing levels or numbers may impact on the budget.

Funding and Investments (including accounting and audit)

Ref	Key Action –Task	2015/6 Period				Later Years	
		Q1	Q2	Q3	Q4	2016 /17	2017 /18
F11	2015 Funding review		X	X			
F12	Triennial Actuarial Valuation					X	
F13	Employer risk monitoring framework		X	X		X	X
F14	Flightpath “Healthcheck” Review	X			X	X	X
F15	Review of admission and termination policy		X				
F16	Consider financial impact of the budget reforms		X			X	
F17	Consider impact of 2016 end of contracting out			X	X	X	
F18	Final Accounts, Production of Annual Report and External Audit	X	X			X	X
F19	Review of In-House investments	X	X	X	X		
F110	Establishment of Managed Account Platform	X	X				
F111	Introduction of Tactical Management Portfolio and on-going management	X	X	X	X	X	X
F112	Update of Statement of Investment Principles	X					
F113	AVC Review				X		
F114	Review of Investment Strategy						X
F115	Re-organisation of Asset Portfolio	X	X	X			

FI1 – 2015 Funding review

What is it?

In the year prior to the formal actuarial valuation an interim actuarial assessment is performed to gauge likely valuation contribution outcomes and identify key issues which may arise in terms of affordability. This will cover issues such as appropriate actuarial assumptions, experience since the last valuation date and how the funding requirements allow for the Flightpath strategy in place. These can then be discussed with the Fund and participating employers ahead of the formal valuation to support budget planning and ensure the right balance of outcomes for all parties.

Timescales and Stages

Effective date: 31 March 2015 (with a later update included)

Initial Whole Fund results: Q3/15

Individual Employer results: As required

Communication: Results will be discussed with finance officers of unitary authorities in Q3/4 15.

Resource and Budget Implications

Exercise will be performed by the Fund Actuary and discussed initially with the Fund officers.

FI2 – Triennial Actuarial Valuation

What is it?

It is the formal actuarial valuation of the Fund detailing the solvency position and other financial metrics. It is a legal requirement of the LGPS Regulations. It determines the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the separate Funding Strategy Statement.

Timescales and Stages

Effective date: 31 March 2016

Initial whole Fund results (expected): Q3/16

Individual Employer results (expected): Q3&4/16

Deadline for agreement of all contributions and sign-off: 31 March 2017

Resource and Budget Implications

Exercise will be performed by the Fund Actuary and it will determine contribution requirements for all participating employers from 1 April 2017. It is a major exercise for the Fund and will take a lot of input from the Administration and Investment teams. Employers will be formally consulted as part of the process.

FI3 – Employer risk monitoring framework

What is it?

The Fund is subject to funding risks in respect of employers who cease to participate without the Fund being able to recover the full exit contributions due under the Regulations. This can be mitigated by increasing contributions and/or requesting a contingent bond or guarantee to be provided to protect against the possibility of an unrecoverable debt. A risk-monitoring framework would identify and monitor participating employers who may be more likely than average to pose such a risk.

This would monitor funding positions and covenant strength on a proportionate basis to flag any potential issues at an early stage. The governance around the framework would include ensuring employers are aware they should inform the Fund of any significant changes in membership numbers or underlying demographics.

Timescales and Stages

Develop framework and processes: Q2&3/15

Implement framework: Q3/15

Review framework and identified employers: Annually.

Resource and Budget Implications

The framework would be implemented taking advice from the Fund Actuary. It will involve the officers gathering financial information from certain employers periodically to monitor covenant strength and also the implementation of a funding monitoring framework for the employers who pose the greatest risk.

FI4 – Flightpath Healthcheck Review

What is it?

The Administering Authority implemented a “Flightpath” risk management investment strategy with effect from 1 April 2014, with the aim of more effectively controlling and limiting interest and inflation risks (as these factors can lead to significant changes to liability values and therefore the deficit). The overall funding Flightpath strategy is to consider and structure the investment strategy to determine a balance between return-seeking and risk-hedging assets. Further details are in the Fund’s Statement of Investment Principles (SIP) and Funding Strategy Statement (FSS).

Ongoing monitoring includes a “traffic light” analysis of whether the Flightpath and hedging mandate are operating in line with expectations or if any actions are required. However, the strategy will require an annual “healthcheck” to ensure its aims remain appropriate and it is still fit for purpose.

Timescales and Stages

A “Healthcheck” is being done in Q1/15 in relation to the inflation triggers give the change in market position and the initial 40% limit being hit. The formal healthcheck is also pencilled in for Q4 15 and is expected to be done at least annually thereafter.

Resource and Budget Implications

To be led by the officers, Fund Actuary and investment advisors with the finding being implemented by the Advisory Panel under the delegations.

FI5 – Review of admission and termination policy

What is it?

The Fund agreed a policy in 2013 relating to the admission of employers into the Fund and to how termination of participation is dealt with, the primary aim of the policy being to protect the Fund against incurring any unfunded liabilities as far as possible.

The policy has different requirements depending on the nature of the admitted employer but includes the use of pre-admission risk assessments, contingent security where deemed necessary, monitoring of the employer and termination funding. The detail and application of this policy should be regularly reviewed, especially in light of regulatory changes, to ensure it remains appropriate and is not exposing the Fund to funding risk.

Timescales and Stages

Review existing policy: Q2/15

Implement changes: Q3/15

Resource and Budget Implications

Fund Actuary will liaise with the administration team to review policy and process, updating documentation appropriately.

FI6 – Consider the financial impact of budget reforms

What is it?

From April 2015 individuals have greater flexibility in how they take their benefits from defined contribution schemes – referred to as “Freedom and Choice”, and therefore the Fund may see a greater demand for transfer payments prior (and possibly at) retirement. In addition the trivial commutation limits have increased and therefore more retired individuals are expected to be able to take their total benefits as taxable lump sum cash. This in turn could mean the Fund will be required to retain or disinvest more cash.

Timescales and Stages

Legislation effective: 6 April 2015.

Resource and Budget Implications

The funding and liability impact will be assessed at a high level as part of the 2015 Funding Review. Employers may request the Fund to consider bulk processes as part of their own liability management requirements.

Impact and resource will need to be considered once legislation is finalised. It will potentially mean significant adjustments to transfer quotation and potentially retirement processes. A bulk exercise covering the trivial commutation limits will be done by the administration team over the next 12 months.

FI7 – Consider impact of 2016 end of contracting out

What is it?

With effect from April 2016 contracting-out ceases and employers and employees will be required to pay higher National Insurance contributions (respectively by 3.4% and 1.4% of earnings between the Lower Earnings Limit and the Upper Accrual Point). Employers will be considering how to mitigate the additional employment cost. The LGA is negotiating with HMT on a national basis in terms of rebating some of the costs, given the LGPS benefit structure cannot be changed to offset the cost for employers.

Timescales and Stages

Legislation effective: 6 April 2016

Consider potential impacts Q3/Q4 2015 and as part of the 2016 triennial valuation

Resource and Budget Implications

Budget implications for employers are potentially significant and will affect the affordability of normal pension Fund contributions. Employers are likely to also assess their own costs based on their total payroll, but may request information from the Fund.

FI8 – Final Accounts, Production of Annual Report and External Audit

What is it?

Final accounting records compiled at the end of the fiscal year for the Fund, which include all transactions, charges, revenues and expenses for that year. These include the balance sheet for the Fund together with changes in asset values. These are prepared in accordance with appropriate accounting standards. Statement of Accounts submitted to Audit Committee (30/6/15 tbc) and County Council (30/6/15 tbc) for approval. Approved accounts to CPF Committee for information (23/9/15 tbc). The Annual Report is produced whilst adhering to guidance and regulation as to content and layout. Submitted to CPF Committee 23/9/15 (tbc).

Wales Audit Office undertakes the annual audit of the Final Accounts together with sampling work on key systems. They also ensure that the Annual Report is fully reflective of the approved accounts and CIPFA guidance as to layout and content.

Timescales and Stages

Final Accounts – preparation and completion: All years Q1

Annual Report – preparation and completion: All years Q1/2

External Audit - All years Q1/2

Resource and Budget Implications

To be led and undertaken by Pension Finance Managers with assistance from the Accounting Technician and Finance Assistant. All internal costs are met from the existing budget.

FI9 – Review of In-House investments

What is it?

A fundamental review of the current specific in-house property, private equity and infrastructure investment strategies. This is to include a review of current performance, a report to the Advisory Panel with recommendations and followed up with a workshop for the Members of the CPF Committee.

Timescales and Stages

A review of current performance :	2015/16 Q1/Q2
Report(s) to the Advisory Panel:	2015/16 Q1/Q2
Workshops for Members:	2015/16 Q3/Q4

Resource and Budget Implications

To be led and undertaken by the Pension Finance Managers with assistance from Mr Bob Young (YCS UK Limited). All costs are met from the existing budget.

FI10 – Establishment of Managed Account Platform

What is it?

As part of the revised strategy agreed by the Advisory Panel and Committee in November 2014 it was agreed to re-organise the current Hedge Fund holdings and introduce Managed Futures to the asset structure. It was agreed that the best structure, to provide the flexibility to manage the allocation between the various underlying managers and funds on the Managed Futures and Hedge Fund allocations, was to establish a Managed Account Platform (MAP).

Timescales and Stages

Q1 2015 – due diligence carried out on both the MAP established by Cornwall Pension Fund and the three incumbent managers.

Q2 2015 – if a suitable solution is not found, a full OJEU process will be undertaken.

Resource and Budget Implications

There will be costs for research and analysis and the due diligence by JLT. However, it is intended that these costs can be ‘passed through’ to the successful manager. There will also be a cost of officers’ time in both the consideration and due diligence efforts which will be managed within the existing budget.

FI11 – Introduction of Tactical Management Portfolio and on-going management

What is it?

The Tactical Management Portfolio was agreed as part of the revised Investment Strategy. The purpose of this portfolio is to take advantage of short term (approximately one year) opportunities that are consistent with the long term risk and return goals of the Fund. This work includes the review of the Total Return Swaps (TRS) structure within the Liability Driven Investment (LDI) Hedging Portfolio. The ‘mix’ between the various geographic equity regions needs review and monitoring to ensure that full advantage is taken of the expected differences of return between the regions and exposures are consistent with the overall investment strategy.

Timescales and Stages

This consists of a monthly review meeting to review potential opportunities and adjustments to the Fund.

Resource and Budget Implications

There are agreed costs for the work carried out by JLT which are being judged against the value that is added through decisions made. There will also be a cost of officers' time in preparing for and being involved in the monthly reviews, which is being managed within the existing budget. There may also be costs for the implementation of the portfolio changes.

FI12 – Update of Statement of Investment Principles

What is it?

The Statement of Investment Principles (SIP) is the document that sets down the Investment Strategy for the Fund and also assesses these against the key principles established by CIPFA and the Myners review. This needs to be maintained and reviewed on a regular (at least annual) basis and should be kept up to date following any change to the Investment Strategy and its implementation.

Timescales and Stages

As a new Strategy has been agreed and is currently being implemented, the SIP is being re-drafted to be presented to the forthcoming Advisory Panel and Committee meetings.

Resource and Budget Implications

There will be fees relating to time spent by JLT who are carrying out the initial drafting.

FI13 – AVC Review

What is it?

This is to review the offering to members for the investment of Additional Voluntary Contributions (AVCs) and their suitability.

Timescales and Stages

The review is to be carried out in Q4 2015.

Resource and Budget Implications

This review will be jointly carried out by JLT (as Investment Advisor) and Mercer (as Fund Actuary).

FI14 – Review of Investment Strategy

What is it?

This relates to the triennial review of the Investment Strategy once the Actuarial Valuation has been finalised and the Funding Strategy agreed.

Timescales and Stages

This is expected to take place in 2017/18. A more detailed workplan will be developed closer to the time.

Resource and Budget Implications

The majority of work will be carried out by JLT but officers will be heavily involved before final submission of proposals to Advisory Panel and Pension Fund Committee.

FI15 – Re-organisation of Asset Portfolio

What is it?

This follows the agreement of the new strategy as agreed with the Advisory Panel and Committee in November 2015 and involves the transition of assets between managers.

Timescales and Stages

A phased approach is being adopted as certain of the structures and new managers need to be appointed before transitions can take place, but the intention is that the work is completed during Q3 2015.

Resource and Budget Implications

The budget is currently under discussion. There are various possibilities for carrying out this work ranging from officers completing the work, JLT Transition team being employed to using a specialist Transition manager (or a combination of all three).

The work is currently being scoped and it is intended that the suggested method and budget will be provided and agreed at the next Advisory panel.

Administration (including Communications)

Ref	Key Action -Task	2015/6 Period				Later Years	
		Q1	Q2	Q3	Q4	2016 /17	2017 /18
A1	Preparation of Member Data for Valuation and Funding reviews		X	X		X	
A2	Normal Year End returns	X	X			X	X
A3	Annual Benefit Statements	X	X	X		X	X
A4	Pension Increase, Care revaluation and review	X			X	X	X
A5	Backlog of transfers and aggregation	X	X				
A6	Disaster Recovery Testing	X					
A7	Lifetime and Annual Allowance notifications	X				X	X
A8	End of contracting out incl GMP issues	X	X	X	X	X	X
A9	Freedom and Choice	X	X				
A10	Pension Administration Strategy and Performance Standards	X	X				
A11	Online procedures					X	
A12	Dealing with backlog	X	X	X	X	X	
A13	I-Connect		X	X	X	X	X
A14	Delays due to implementation of LGPS2014	X	X				
A15	Self Service for members and employers						X
A16	Trivial Commutation	X	X	X		X	
A17	Communications Strategy	X	X				
A18	Website revamp			X			
A19	Pension Board implementation assistance	X					

A1 – Preparation of Member Data for Valuation and Funding reviews

What is it?

Triennial actuarial valuation as at 31 March 2016 and a funding review as at 31 March 2015 require the pensions administration team to provide data to the actuary. This generally involves additional year end cleansing. This work is particularly detailed for the 2016 actuarial valuation.

Timescales and Stages

Data for 31 March 2015 review:	2015/16 Q2/3
Data for 31 March 2016 valuation:	2016/17 Q1/2

Resource and Budget Implications

Carried out by the Technical Team in the main with assistance from the Communications Officer when communicating the valuation results. All internal costs are being met from the existing budget.

A2 – Normal year end returns

What is it?

The validation and cleansing of the member data received from the Fund Employers, followed by the posting to Fund member records which will allow the information to be used in the production of Annual Benefit Statements, the actuarial valuation and year end accounts.

Timescales and Stages

Receive data from Fund employers:	Q1 each year
Validate and cleanse data:	Q1/2 each year
Post clean data to member records:	Q1/2 each year

Resource and Budget Implications

Carried out by the Technical Team. All internal costs are being met from the existing budget.

A3 – Annual Benefit Statements

What is it?

Statements that we send out to all current employees and deferred pensioners on an annual basis detailing the pension benefits they are entitled (or are projected at retirement) to receive from the Fund as at 31 March of that year. There are statutory deadlines setting out when these statements must be issued by, and preparing accurate statements depends on receiving timely and correct data on all employees from each employer in the Fund.

Timescales and Stages

Receive and process data from employers:	Q1 each year
Prepare and check statements:	Q1/2 each year
Issue statements to all members:	Q2/3 each year

Resource and Budget Implications

Carried out in the main by the Technical Team with input from the Communications Officer and Operations Team. All internal costs are being met from the existing budget.

A4 – Pension Increase, CARE Revaluation and review

What is it?

The requirement that all pensions in payment are correctly increased in line with the relevant Pensions Increase (Review) Order. Also, for all benefits earned in the new LGPS 2014 scheme, the requirement that all benefits earned over the year are correctly increased in line with the relevant Treasury Order.

Timescales and Stages

Provisional Increase orders applied:	2014/15 Q4
Testing of provisional increases:	2015/16 Q1
Applying 'live' increases across all cases:	2015/16 Q1

Resource and Budget Implications

Carried out by the Technical Team, Payroll Team, Communications Officer and Operations Team. All internal costs are being met from the existing budget.

A5 – Backlog of transfers and aggregation

What is it?

Given national uncertainty as to how exactly transfers were going to work regarding the new LGPS 2014 CARE scheme, and as to how members' benefits would be aggregated, a backlog of such cases has built up. Now that this uncertainty has largely been resolved, this case backlog needs to be revisited to eliminate it, although it should be noted that investing resources to reduce this backlog will have a knock on effect that could result in day to day administration cases being delayed.

Timescales and Stages

Identify cases and establish plan to resolve:	2015/16 Q1
Clear cases internally:	2015/16 Q1/2
Clearing cases using external support:	2015/16 Q1/2

Resource and Budget Implications

To be completed by the Operations Team. Internal costs are being met from the existing budget albeit this will utilise some of the overtime budget.

A6 – Disaster Recovery testing

What is it?

The Council needs to ensure that it has appropriate Disaster Recovery procedures in place should an event (e.g. a natural disaster) occur that compromises either the physical offices of the council or the technological infrastructure. As part of this, the Council needs to test that its backup procedures work correctly by simulating a situation where the main IT systems are not operational and checking that the Pensions Administration team can still operate effectively.

Timescales and Stages

Test backup capabilities: 2015/16 Q1

Resource and Budget Implications

To be carried out by the Technical Principal Pensions Officer working with Heywood, the administration system supplier. All internal costs are being met from the existing budget and there are no additional external costs.

A7 – Lifetime and Annual Allowance notifications

What is it?

All members of the Fund must ensure they remain below the HMRC's national Lifetime Allowance and Annual Allowance limits, or meet an appropriate tax charge. In practice only the highest earning staff are in danger of breaching these limits and the Administering Authority assesses the likelihood of this occurring for these staff. The Administering Authority then notifies the affected members in order that they can notify HMRC of any breaches directly.

Timescales and Stages

Decide on criteria for inclusion in assessment: 2015/16 Q1
Calculations to assess who breaches limits: 2015/16 Q1
Notifying members of findings: 2015/16 Q1

Resource and Budget Implications

To be carried out by the Technical Team and the Communications Officer. All internal costs are being met from the existing budget.

A8 – End of Contracting out including GMP issues

What is it?

The government's announcement that contracting out will cease and that HMRC will no longer be responsible for maintaining GMP member records. This means that the onus will be on individual Funds to ensure that the GMP data they hold on their systems matches up to the data held by HMRC before they cease holding these records. Unfortunately this has generally shown significant discrepancies between the two sets of GMP data, and a significant amount of work will be required to determine the correct benefits, ensure all systems are updated and to process a significant number of over/underpayment calculations. After the GMP records are reconciled for former pensionable employees, the Fund will also verify national insurance information held for active members. All GMPs and national insurance information must be reconciled by December 2018, the date HMRC will cease to provide their services. The timescales below are subject to change depending on the magnitude of the work.

Timescales and Stages

GMP data reconciliation and investigation: 2015/16 to 2017/8
Benefit correction and system updates: 2015/16 to 2017/8
Reconciliation of national insurance information: 2017/8 Q1-4
Communication of end of contracting out: Ongoing

Resource and Budget Implications

This project will be led by the Technical Team with assistance from a dedicated team within Operations and some future assistance from the Communications Officer. However, due to the magnitude of this project, we are investigating utilising assistance from an external supplier.

A9 – Freedom and Choice

What is it?

The recent changes announced by government whereby members of Defined Contribution (DC) Pension Schemes can choose to take all of their pension pot as a lump sum (rather than purchasing a pension) delivered a considerable amount of additional flexibility to people about to retire. Although not directly relevant to the LGPS, the knock on implication is that deferred members may choose to transfer their LGPS benefits into a DC scheme, subject to satisfying certain conditions (like having received financial advice). Alternatively they may be able to take AVCs in accordance with the new flexibilities. Depending on the numbers of members choosing to transfer, this could potentially cause cashflow implications for the fund, or funding implications for employers within the Fund

Timescales and Stages

Understand new requirements:	2015/16 Q1
Update internal process:	2015/16 Q1/2
Communicate to scheme members:	2015/16 Q1/2

Resource and Budget Implications

This will impact all of the Technical Team, Communications Officer and Operations Team. All internal costs are being met from the existing budget.

A10 – Pension Administration Strategy and Performance Standards

What is it?

A documented strategy outlining how we deliver our administration services, the high level service standards we will provide and we expect from employers, how these will be measured and reported, and the key risks to this service. The draft strategy must be consulted on with key stakeholders (mainly employers) prior to approval. A key output will be regular monitoring of standards against those included in the strategy.

Timescales and Stages

Develop draft strategy:	2015/16 Q1
Consult:	2015/16 Q1/2
Pension Fund Committee Approval:	2015/16 Q1/2

Resource and Budget Implications

To be led by Pension Fund Administration Manager with assistance from the Technical Team and the Communications Officer. All internal costs are being met from the existing budget. There will also be some external costs associated with this exercise relating to advice on the appropriate strategy.

A11 – Online procedures

What is it?

Developing an on-line procedures manual for use by the pensions administration staff. This will amalgamate, expand and update current procedure documents ensure consistency, easy access and efficient working as well as providing a useful training tool.

Timescales and Stages

Develop on-line procedures: 2016/7

Resource and Budget Implications

This will involve work by the full pensions administration team.

A12 – Dealing with backlog

What is it?

A backlog of member cases to be dealt with (calculations and updating of member records). Initially this was identified as being 3,000 cases and this has been reduced by the pensions administration team to around 1,700 (as at February 2015). Plans are now in place to further reduce and eventually eliminate this accumulated backlog over time, including using the Fund's Actuary to help in a number of cases. This will be subject to oversight by a Project Steering Group involving key employers and chaired by the Chief Officer People and Resources.

Timescales and Stages

Management of project including prioritisation: 2015/16 Q1/2
Ongoing support from external providers: 2015/16 Q3/4
Working through and eliminating backlog: to 2016/17

Resource and Budget Implications

The majority of this work is being outsourced to the Fund's Actuary and it will be managed by one of the Operations Principal Pensions Officers (at least initially) with her duties being backfilled to a large degree by others in the Operations Team. It will also require some assistance from the rest of the Operations Team. Employers will also need to dedicate appropriate time to providing the information to reduce the backlog. There will be substantial external costs associated with this exercise.

A13 – I-Connect

What is it?

On-line computer module that will allow information to be submitted by employers more directly and efficiently into the pension administration system. It involves employers uploading data directly into I-Connect from their payroll systems. I-Connect will be provided to the Fund's three Councils as separate stages. The first stage will be ensuring that the correct member records are held on the administration system.

Timescales and Stages

Denbighshire CC: 2015/16 Q2-Q4
Flintshire CC; 2016/17 Q1-Q4
Wrexham CBC: 2016/17 Q3 to 2017/18 Q1

Resource and Budget Implications

Data cleansing will be carried out by the Operations Team and then the Technical Team will roll out I-Connect to the employers. All employers will also need to dedicate appropriate resource to develop file uploads and carry out testing. All internal costs are being met from the existing budget.

A14 – Delays Due to Implementation of LGPS2014

What is it?

As a result of the late issue of the Regulations governing the new LGPS 2014 scheme and the significant amount of work preparing for the new scheme and the administration system not being fully operational for all cases on 1 April 2014, there are number of cases to be dealt with that have built up.

Timescales and Stages

Identify cases and establish plan to resolve: 2015/16 Q1

Resource and Budget Implications

To be determined.

A15 – Self Service for members and employers

What is it?

An administration system whereby scheme members and Fund employers have on-line access to certain elements of the system for themselves.

Timescales and Stages

Develop plan for establishing self-service and implement: 2016/17 and beyond

Resource and Budget Implications

Carried out by the Technical Team. All internal costs are being met from the existing budget.

A16 – Trivial Commutation

What is it?

This is where a member who is entitled to a small pension can elect to give up the entirety of that pension and instead receive their benefit as a single lump sum payment, to reduce the administrative burden on Funds paying a large number of very small pensions over a number of years as well as providing greater clarity from a funding perspective. The government has recently increased the allowable limit for members to trivially commute their pension in relation to their single pension (£10,000 value) and total benefits (£30,000), and this has meant that more members are now eligible to choose this. The pension administration team will need to identify all historical cases that are eligible in the two categories and communicate with them to determine whether they would like to commute their pensions for lump sums. In addition, they will need to update their processes for all future retirements.

Timescales and Stages

Update processes for future cases:	2015/6 Q2
Identify members eligible to commute under £10,000:	2015/16 Q1/2
Communicate with eligible members and pay lump sums:	2015/16 Q2/3
Identify members eligible to commute under £30,000:	2016/17 Q2/3
Communicate with eligible members and pay lump sums:	2016/17 Q3/4

Resource and Budget Implications

Identification of cases will be by the technical team with the processes dealt with by a small team within the Operations Team. All internal costs are being met from the existing budget.

A17 – Communications Strategy

What is it?

A documented strategy setting out how we will engage and communicate with stakeholders and customers, and our communication objectives for the forthcoming financial year. The strategy is developed and signed off by the Pension Fund Committee. A strategy is already in place but is due to be reviewed.

Timescales and Stages

Review existing strategy:	2015/16 Q1
Consult:	2015/16 Q1/2
Pension Fund Committee Approval:	2015/16 Q1/2

Resource and Budget Implications

To be led by Pension Fund Administration Manager with assistance from the Communications Officer. All internal costs are being met from the existing budget. There will also be some external costs associated with this exercise relating to advice on the appropriate strategy.

A18 – Website revamp

What is it?

An overhaul of the Pension Fund's website, considering the ease of navigation, the look and feel and also ensuring that the relevant content is included and correct. As part of this review, the Communications Officer will consider options in relation to how the existing website can be updated including utilising wording prepared at a national level.

Timescales and Stages

Update website:	2015/16 Q3
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Resource and Budget Implications

This will be a significant amount of work carried out in the main by the Communications Officer with some assistance from the Technical Team.

A19 – Pension Board Implementation Assistance

What is it?

Each LGPS Pension Fund is required to set up its own local Pension Board to oversee the decision making Pension Committee and to assist the Administering Authority with the efficient and effective governance of the Scheme. The new Board must be established by 1 April 2015 in line with the LGPS Governance Regulations, and should be fully populated and operational by 1 August 2015. The pensions administration team will assist with communicating the changes and, in particular, the appointment process.

Timescales and Stages

Communicate appointment process to all scheme members: 2015/16 Q1

Resource and Budget Implications

To be carried out by the Communications Officer. All internal costs are being met from the existing budget.

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