

# Business Plan 2015/6 to 2017/8 – Q2 Update

## Governance

### Budget

All the costs associated with the management of the Fund are a charge to the Fund and not to the Council. Actual 2015/16 figures are to end of Quarter 2 (30 September 2015)

#### Cashflows projections for 2015/16

|                                  | 2013/14         | 2014/15         | 2015/16         |                 |                         |                      |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-------------------------|----------------------|
|                                  | £000s           | £000s           | £000s           |                 |                         |                      |
|                                  | Actual          | Actual          | Budget          | Actual          | Projected for full year | Projected under/over |
| <b>Opening Cash</b>              | (15,874)        | (30,520)        | (43,735)        | (43,735)        |                         |                      |
| <b>Payments</b>                  |                 |                 |                 |                 |                         |                      |
| Pensions                         | 46,858          | 50,415          | 53,600          | 25,867          | 53,600                  | 0                    |
| Lump Sums & Death Grants         | 12,861          | 17,317          | 18,000          | 7,395           | 18,000                  | 0                    |
| Transfers Out                    | 3,260           | 2,036           | 2,800           | 630             | 2,800                   | 0                    |
| Expenses (including In House)    | 2,436           | 2,691           | 3,450           | 2,176           | 3,450                   | 0                    |
| Support Services                 | 242             | 219             | 250             | 167             | 167                     | (83)                 |
| <b>Total Payments</b>            | <b>65,657</b>   | <b>72,678</b>   | <b>78,100</b>   | <b>36,235</b>   | <b>78,017</b>           | <b>(83)</b>          |
| <b>Income</b>                    |                 |                 |                 |                 |                         |                      |
| Employer Contributions           | (27,451)        | (29,608)        | (31,765)        | (18,515)        | (31,765)                | 0                    |
| Employee Contributions           | (14,629)        | (14,532)        | (15,200)        | (6,833)         | (15,200)                | 0                    |
| Employer Deficit Payments        | (24,666)        | (28,079)        | (27,320)        | (26,954)        | (27,320)                | 0                    |
| Transfers In                     | (3,802)         | (2,347)         | (4,000)         | (1,036)         | (4,000)                 | 0                    |
| Pension Strain                   | (1,104)         | (3,030)         | (2,350)         | (1,773)         | (2,350)                 | 0                    |
| Investment Income                | (2,901)         | (3,070)         | (3,000)         | (1,130)         | (3,000)                 | 0                    |
| <b>Total Income</b>              | <b>(74,553)</b> | <b>(80,666)</b> | <b>(83,635)</b> | <b>(56,241)</b> | <b>(83,635)</b>         | <b>0</b>             |
| <b>In House Investments</b>      |                 |                 |                 |                 |                         |                      |
| Draw downs                       | 46,624          | 40,212          | 44,376          | 11,018          | 35,965                  | (8,411)              |
| Distributions                    | (33,135)        | (59,824)        | (61,606)        | (35,678)        | (75,699)                | (14,093)             |
| <b>Net Expenditure /(Income)</b> | <b>13,489</b>   | <b>(19,612)</b> | <b>(17,230)</b> | <b>(24,660)</b> | <b>(39,734)</b>         | <b>(22,504)</b>      |
|                                  |                 |                 |                 |                 |                         |                      |
| Net Purchases/(Sales)            | (1,259)         | (615)           | (600)           | 0               | (600)                   | 0                    |
|                                  |                 |                 |                 |                 |                         |                      |
| Rebalancing Portfolio            | (17,980)        | 15,000          | 40,000          | 76,402          | 50,000                  | 10,000               |
| <b>Total Net Cash Flow</b>       | <b>(14,646)</b> | <b>(13,215)</b> | <b>16,635</b>   | <b>(31,736)</b> | <b>4,048</b>            |                      |
| <b>Closing Cash</b>              | <b>(30,520)</b> | <b>(43,735)</b> | <b>(27,100)</b> | <b>(11,999)</b> | <b>(39,687)</b>         |                      |

## Operating Costs

|   | 2013/14         | 2014/15         | 2015/16         |                 |  |                                      |
|---|-----------------|-----------------|-----------------|-----------------|--|--------------------------------------|
|   | Actual<br>£000s | Actual<br>£000s | Budget<br>£000s | Actual<br>£000s | Projected<br>for full<br>year<br>£000s | Projected<br>under/<br>over<br>£000s |
| <b>Governance Expenses</b>                          |                 |                 |                 |                 |  |                                      |
| Employee Costs (Direct)                             | 182             | 218             | 226             | 113             | 226                                    | 0                                    |
| Support & Services<br>Costs (Internal<br>Recharges) | 23              | 13              | 19              | 0               | 19                                     | 0                                    |
| Premises  | 19              | 8               | 17              | 0               | 17                                     | 0                                    |
| IT (Support & Services)                             | 10              | 12              | 10              | 0               | 10                                     | 0                                    |
| Other Supplies &<br>Services)                       | 47              | 49              | 56              | 23              | 56                                     | 0                                    |
| Audit Fees  | 35              | 37              | 36              | 10              | 36                                     | 0                                    |
| Actuarial Fees                                      | 148             | 205             | 192             | 60              | 192                                    | 0                                    |
| Consultant Fees                                     | 229             | 403             | 341             | 105             | 341                                    | 0                                    |
| Advisor Fees  | 0               | 142             | 156             | 99              | 218                                    | 62                                   |
| Legal Fees  | 31              | 21              | 30              | 5               | 30                                     | 0                                    |
| Performance Monitoring<br>Fees                      | 25              | 20              | 25              | 18              | 25                                     | 0                                    |
| <b>Total Governance<br/>Expenses</b>                | <b>749</b>      | <b>1,128</b>    | <b>1,108</b>    | <b>433</b>      | <b>1,170</b>                           | <b>62</b>                            |
| <b>Investment<br/>Management<br/>Expenses</b>       |                 |                 |                 |                 |  |                                      |
| Fund Manager Fees*                                  | 5,571           | 16,127          | <b>14,490</b>   | 1,495           | 14,627                                 | 137                                  |
| Custody Fees  | 17              | 32              | 34              | 8               | 34                                     | 0                                    |
| <b>Total Investment<br/>Management Expenses</b>     | <b>5,588</b>    | <b>16,159</b>   | <b>14,524</b>   | <b>1,503</b>    | <b>14,661</b>                          | <b>137</b>                           |
| <b>Administration<br/>Expenses</b>                  |                 |                 |                 |                 |  |                                      |
| Employee Costs (Direct)                             | 599             | 592             | 662             | 304             | 662                                    | 0                                    |
| Support & Services<br>Costs (Internal<br>Recharges) | 69              | 53              | 82              | 0               | 82                                     | 0                                    |
| Outsourcing   | 0               | 32              | 800             | 107             | 370                                    | (430)                                |
| Premises  | 78              | 33              | 75              | 0               | 75                                     | 0                                    |
| IT (Support & Services)                             | 223             | 218             | 250             | 147             | 250                                    | 0                                    |
| Other Supplies &<br>Services)                       | 63              | 75              | 70              | 46              | 70                                     | 0                                    |
| Miscellaneous Income                                | (2)             | (1)             | 0               | 0               | 0                                      | 0                                    |
| <b>Total Administration<br/>Expenses</b>            | <b>1,030</b>    | <b>1,002</b>    | <b>1,939</b>    | <b>604</b>      | <b>1,509</b>                           | <b>430</b>                           |
| <b>Total Costs</b>                                  | <b>7,367</b>    | <b>18,289</b>   | <b>17,571</b>   | <b>2,540</b>    | <b>17,340</b>                          | <b>(231)</b>                         |

\*Fund manager fees include elements now required to be disclosed by CIPFA.  
The 2015/16 budget for manager fees has been revised to £14.490m

## Key Tasks

Key:

|    |  |
|----|--|
|    | Complete   |
|    | On target or ahead of schedule   |
|    | Commenced but behind schedule  |
|    | Not commenced  |
| xN | Item added since original business plan  |
| xM | Period moved since original business plan due to change of plan /circumstances             |
| *  | Original item where the period has been moved or task deleted since original business plan |

## Governance Tasks

| 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  |    |             | xM      |
| G8  | Allow for impact of external factors             | x             | x  | x  | x  | x           | x       |
| G11 | Review People Strategy                           |               | x  | x  |    |             |         |
| G12 | Implement breaches of law procedure and register |               |    | x  | x  | x           | x       |

## Governance Task Descriptions

### 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.

### 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.

### 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.

## **G12 – Implement Breaches of Law Procedure and Register**

### **What is it?**

The Council needs to implement a breaches of law procedure to comply with Section 70 of The Pensions Act 2004. All breaches will be recorded in a breaches register.

### **Timescales and Stages**

|  |           |
|--|-----------|
| Implement the breaches procedure and register: | 2015/6 Q3 |
|--|-----------|

### **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.